

CCXAP assigns first-time long-term credit rating of BBB_g+ to Taizhou Gangcheng Investment Group Co., Ltd., with stable outlook

Hong Kong, 11 March 2025 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned first-time long-term credit rating of BBB_g+ to Taizhou Gangcheng Investment Group Co., Ltd. (“TZGI” or the “Company”), with stable outlook.

The BBB_g+ long-term credit rating of TZGI reflects (1) Taizhou Municipal Government’s very strong capacity to provide support; and (2) the local government’s high willingness to provide support, based on our assessment of the Company’s characteristics. Our assessment of Taizhou Municipal Government’s capacity to provide support reflects its good industrial base and ongoing economic growth. The economic and fiscal strength of the Taizhou Medical Hi-tech Zone (Gaogang District) (“TMZ”) has also grown steadily for recent years.

The rating also reflects the local government’s willingness to provide support, based on the Company’s (1) important role in infrastructure construction and shantytown renovation in TMZ; (2) status as the major developer of resettlement and affordable housings in TMZ; and (3) good track record of receiving government support. However, the rating is constrained by its (1) moderate exposure to commercial activities; (2) relatively high debt burden and weak asset liquidity; and (3) large exposure to external guarantees with certain contingent risk.

Corporate Profile

Established in 2010, TZGI is one of the important local infrastructure investment and financing companies (“LIIFCs”) in TMZ in Jiangsu Province. In August 2023, in order to deepen the transformation and development of state-owned enterprises (“SOEs”), the local government transferred 100% equity interests of Taizhou Xinbinjiang Development Co., Ltd. (“TXBJ”) and Taizhou Yinjiang Urban Development Construction Co., Ltd. (“TZYJ”) to the Company, officially positioned the Company as an urban investment and operation SOE. The Company is mainly responsible for the infrastructure construction in Taizhou Chemical New Materials Industrial Park (“Binjiang Industrial Park”) as well as the infrastructure construction, shantytown renovation, and resettlement and affordable housing construction in the original Gaogang District. The Company also engages in commercial activities such as self-operated projects, commodities trading and property sales. As of 30 June 2024, the Company is wholly owned and ultimately controlled by the State-owned Assets Supervision and Administration Commission of Taizhou Government (“Taizhou SASAC”).

Rating Rationale

Credit Strengths

Important role in infrastructure construction and shantytown renovation in TMZ. TZGI is one of the important infrastructure developers in the TMZ, making great contribution to the construction and development of the region. Its infrastructure construction business is mainly conducted through TXBJ and TZYJ, the wholly owned subsidiaries of the Company. Specifically, TXBJ focuses on the infrastructure development and ancillary project construction in the

Binjiang Industrial Park, and TZYJ is mainly responsible for the renovation of shantytowns and the construction of municipal engineering projects within the original Gaogang District.

Major developer of resettlement and affordable housings in TMZ. Commissioned by the local government, the Company also engages in resettlement and affordable housings in TMZ, providing fundamental environment for regional livelihoods and industrial development. In Binjiang Industrial Park, TXBJ purchased commercial properties from the market and transferred to the government for resettlement at a 25% repurchase premium. In addition, TZYJ is responsible for the investment, financing, construction and sales of resettlement housing projects in the original Gaogang District.

Good track record of receiving government support. In light of its strategic importance to Taizhou City and TMZ, TZGI has received ongoing support from the local government in terms of capital injections, financial subsidies, project repayments, and special fund support since its establishment. Given the important position of TZGI in TMZ, we expect the Company will continue to receive support from the local government over the next 12 to 18 months.

Credit Challenges

Moderate exposure to commercial activities. Apart from infrastructure construction projects in TMZ, TZGI has built up a diversified business portfolio, including self-operated projects, commodities trading, and property sales. Based on our estimation, TZGI has a moderate commercial exposure, accounting for around 15% to 20% of its total assets. In addition, we expect TZGI's commercial exposure to increase as the its industrial transformation layout deepens and investments continue.

Relatively high debt burden and weak asset liquidity. With the continuous financing of construction projects, TZGI shows continued debt growth and high debt burden. We expect that the Company's debt to grow and the debt burden to remain high as the ongoing investment in projects over the next 12-18 months. TZGI's asset liquidity was relatively low, as its assets consisted mainly of inventories and receivables, all of which have low liquidity.

Large exposure to external guarantees with certain contingent risk. TZGI's credit profile is constrained by its large external guarantees. Vast majority of these external guarantees are provided to SOEs in Taizhou City, which have relatively low credit risks considering the government support in times of need. In addition, the Company's operating subsidiary, Taizhou Xingang Financing Guarantee Co., Ltd., provided guarantees to some private-owned enterprises in the amount of RMB81.5 million, which accounted for 0.6% of the total guarantees.

Rating Outlook

The stable outlook on TZGI's rating reflects our expectation that the local government's capacity to provide support will remain stable, and that the Company will maintain its important position in the development of TMZ over the next 12-18 months.

What could upgrade the rating?

The rating could be upgraded if (1) the local government's capacity to provide support strengthens; or (2) the Company's characteristics change in a way that strengthens the local government's willingness to provide support, such as strengthened strategic position, a significant reduction in external guarantee exposure, or improved debt management.

What could downgrade the rating?

The rating could be downgraded if (1) the local government's capacity to provide support weakens; or (2) the Company's characteristics change in a way that weakens the local government's willingness to provide support, such as a reduction in the importance of its policy role, or reduced government supports.

Rating Methodology

The methodology used in this rating is the Rating Methodology for [China's Local Infrastructure Investment and Financing Companies \(July 2022\)](#).

Regulatory Disclosures

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