

CCXAP assigns first-time long-term credit rating of A_g- to Taicang State-owned Capital Investment Holding Co., Ltd., with stable outlook.

Hong Kong, 5 February 2024 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned first-time long-term credit rating of A_g- to Taicang State-owned Capital Investment Holding Co., Ltd. (“TCSI” or the “Company”), with stable outlook.

The A_g- long-term credit rating of TCSI reflects Taicang City Government’s very strong capacity to provide support, and the local government’s very high willingness to provide support, based on our assessment of the Company’s characteristics. Our assessment of the local government’s capacity to provide support reflects Taicang City’s comprehensive strengths with good economic fundamentals and good fiscal self-sufficiency. Taicang City’s comprehensive economic strength ranked 6th among the Top 100 Counties in 2023 according to CCID.

The rating also reflects the local government’s willingness to provide support, which is based on the Company’s (1) important role in the development of Taicang City as the largest entity for infrastructure construction and state-owned capital operation under the direct control of Taicang City Government; (2) good track of receiving government support; and (3) good access to diversified financing channels. However, the rating is constrained by the Company’s (1) medium level of commercial business risk; and (2) increasing debt financing for property and public projects.

Corporate Profile

Established in 2020, TCSI is one of the essential entities for construction and state-owned capital operation in Taicang City, Suzhou City. In December 2022, the State-owned Assets Supervision and Administration Office of Taicang City Government (“Taicang SASAO”) transferred its shares in five key state-owned enterprises (“SOEs”) to the Company, all of which were important SOEs with clear function division in Taicang City. After the consolidation, TCSI’s total assets amounted to RMB100.2 billion as of the end of 2022. TCSI’s businesses covers key urban construction and development projects in Taicang City, which include infrastructure construction, resettlement housing construction, transportation, and water. It also engages in commercial activities such as commodity sales, real estate development and property leasing. Most of the business is undertaken by its subsidiaries. As of 30 September 2023, Taicang SASAO was the ultimate controller of the Company.

Rating Rationale

Credit Strengths

Position as the largest SOE after the equity transfer from the local government. In December 2022, the Taicang City Government transferred its shares in five key SOEs to the Company. After the consolidation, TCSI’s total assets amounted to RMB100.2 billion as of the end of 2022, being the largest SOE under the control of Taicang SASAO. The Company mainly carries out its businesses through its subsidiaries.

Important role in the urban construction and development in Taicang City. TCSI is responsible for the construction projects in the central area of Taicang City and the development and construction of resettlement housing in Taicang City. TCSI is the sole entity for the water supply in Taicang City and is also engaged in providing public services including public bus business and sanitation services.

Good track of receiving government support. TCSI has a good track record in receiving government support in terms of asset injections and financial subsidies. Since TCSI plays an important role in the urban construction and public welfare of Taicang City, it is expected that the Company will continue to receive government support such as subsidies and repayments to the agent construction projects.

Good access to diversified financing channels. TCSI has good access to bank borrowing and capital markets, which can partially relieve the pressure on debt repayment and capital expenditure. Taicang City and Suzhou City are well-developed cities in Jiangsu Province with strong economic strengths and a good financial environment. As the largest SOE in Taicang City, the Company is expected to maintain good access to both bank borrowing and debt capital market which thereby relieves the pressure of capital expenditure.

Credit Challenges

Medium level of commercial business risk. TCSI has medium risk exposure to commercial activities such as commodity sales, real estate development, property leasing and management and financial investments, based on our assessment. These activities have been a good supplement to the Company's operating revenue but would pose the Company to related business risks that require prudent risk control.

Increasing debt financing for property and public projects. TCSI has high debt growth owing to its debt-driven business expansion over the past years. Considering the Company's ongoing investment needs, we expect that the Company will rely on external financings to meet its capital expenditures and the total debt level will continue to increase. Besides, TCSI's asset liquidity was constrained by relatively high portion of restricted assets.

Rating Outlook

The stable outlook on TCSI's rating reflects our expectation that the Taicang City Government's capacity to provide support will remain stable, and the Company will maintain its important position in Taicang City over the next 12-18 months.

What could upgrade the rating?

The rating could be upgraded if (1) the local government's ability 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 decreased commercial business risks or improved debt management.

What could downgrade the rating?



The rating could be downgraded if (1) the local government's ability to provide support weakens; or (2) the Company's characteristics change in a way that decreases the local government's willingness to provide support, such as materially increased exposure to risky commercial activities or a deterioration in its financing ability.

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

CCXAP's Rating Symbols and Definitions are available on its website at:
http://www.ccxap.com/en/rating_services/category/6/

This rating is solicited. Please refer to CCXAP's Policy for designating and assigning Solicited and Unsolicited Credit Ratings available on its website at:
http://www.ccxap.com/en/rating_services/category/9/

The rating has been disclosed to the rated entity or its related party prior to publication, and issued with no amendment resulting from that disclosure.

CCXAP considers a rated entity or its related party to be participating when it maintains an overall relationship with CCXAP. Unless specifically noted in the Regulatory Disclosures as a non-participating entity, the rated entity or its related party is participating and the rated entity or its related party generally provides CCXAP with information for the purposes of its rating process.

Regulatory disclosures contained here apply to press release, rating report, and if applicable, the related rating outlook or rating review.

CCXAP's public ratings are available at www.ccxap.com (Rating Results) and may be distributed through media and other means.

The first name below is the lead rating analyst for this rating and the last name below is the person primarily responsible for approving this rating.

Kelly Liang
Credit Analyst
+852-2860 7127
kelly_liang@ccxap.com

Elle Hu
Executive Director of Credit Ratings
+852-2860 7120
elle_hu@ccxap.com

Client Services: +852-2860 7111



Copyright © 2024 China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP"). All rights reserved.

No part of this publication may be reproduced, resold or redistributed in any form or by any means, without prior written permission of CCXAP.

A credit rating is the analytical result of current credit worthiness and forward-looking opinion on the credit risk of a rated entity or a debt issue. Credit ratings issued by CCXAP are opinions on the current and relative future credit risk of the rated entities or debt issues, but do not address any other risks, including but not limited to liquidity risk, market price risk, and interest rate risk.

Credit ratings, non-credit assessments, and other opinions included in CCXAP's publications are not recommendations for investors to buy, sell, or hold particular securities, nor measurements of market value of the rated entities or debt issues. While obtaining information from sources it believes to be reliable, CCXAP does not perform audit and undertakes no duty of independent verification or validation of the information it receives from the rated entities or third-party sources.

All information contained herein belongs to CCXAP and is subject to change without prior notice by CCXAP. CCXAP considers the information contained herein to be accurate and reliable. However, all information is provided on an "as is" and "as available" basis and CCXAP does not guarantee accuracy, adequacy, completeness, or timeliness of the information included in CCXAP's publications.

To the extent where legally permissible, CCXAP and its directors, officers, employees, agents and representatives disclaim liability to any person or entity (i) for any direct or compensatory losses or damages, including but not limited to by any negligence on the part of, and any contingency within or beyond the control of CCXAP or any of its directors, officers, employees, agents or representatives, arising from or in connection with the information contained herein or the use of or inability to use any such information; and (ii) for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if CCXAP or any of its directors, officers, employees, agents or representatives is advised in advance of the possibility of such losses or damages.

China Chengxin (Asia Pacific) Credit Ratings Company Limited

Address: Suites 1904-1909, 19/F, Jardine House,
1 Connaught Place, Central, Hong Kong

Website: www.ccxap.com

Email: info@ccxap.com

Tel: +852-2860 7111

Fax: +852-2868 0656