

CCXAP assigns first time long-term credit rating of BBB_g to Tai'an Tianze Investment Operation Group Co., Ltd., with stable outlook.

Hong Kong, 20 February, 2024 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned first time long-term credit rating of BBB_g to Tai'an Tianze Investment Operation Group Co., Ltd. (“TATZ” or the “Company”), with stable outlook.

The BBB_g long-term credit rating of TATZ reflects the Tai'an Municipal Government's (1) very strong capacity to provide support; and (2) 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 Tai'an Municipal Government's status as an important tourism city in East China, with increasing economic strength, but constrained by its moderate fiscal metrics.

The rating also reflects the local government's willingness to provide support, based on the Company's (1) essential role as the primary urban developer and operator of the Wenhe Scenic Spot; and (2) good track record of receiving government supports. However, the rating is constrained by its (1) medium and increasing exposure to commercial activities; (2) fast debt growth with relatively large short-term debt pressure; and (3) moderate asset liquidity.

Corporate Profile

Established in 2018, TATZ is one of the major local infrastructure investment and financing companies (“LIIFCs”) in Tai'an City, mainly responsible for the investment, construction, and operation of Wenhe Scenic Spot in Yuliai Mountain. It undertakes major public infrastructure and welfare projects in the region, including infrastructure construction, land consolidation, and green maintenance and cleaning in the Wenhe Scenic Spot. Meanwhile, the Company has developed some commercial activities, including self-operation construction projects, commodity sales, hotel management, and leasing. As of 30 June 2023, the Company was directly and wholly owned by Tai'an Taishan Investment Co., Ltd (“TTIC”), and the Finance Bureau of Tai'an City was the ultimate controller of the Company.

Rating Rationale

Credit Strengths

Essential role as the primary urban developer and operator of the Wenhe Scenic Spot.

TATZ is one of the major LIIFCs in Tai'an City, mainly responsible for the investment, construction, and operation of Wenhe Scenic Spot. It is also the sole infrastructure construction and operation entity in Wenhe Scenic Spot, which is in charge of infrastructure construction, land development and consolidation, and green maintenance and cleaning. The Company has a clear functional positioning and strong regional specialization in public-oriented business.

Good track record of receiving government supports. The Company has a good track record of receiving support from the local government to support its operation in the form of equity transfer, cash and asset injections, and fiscal and operating subsidies. Given the

importance of TATZ to local economic and industrial development, we believe the Company will continue to receive support from the local government.

Credit Challenges

Medium and increasing exposure to commercial activities. The Company's commercial activities include sales, engineering construction, leasing, as well as hotel management. The Company's commercial activities may pose higher operational and business risks than its public-policy businesses. Based on our assessment, TATZ's exposure to commercial activities is moderate with the commercial assets accounting for around 25% of the total assets.

Fast debt growth with relatively large short-term debt pressure. The Company showed fast debt growth due to the continuous investment in infrastructure construction projects. Meanwhile, the Company bears relatively large short-term debt pressure. As of 30 June 2023, the short-term debt accounted for 48.3% of the total debt. Considering the large uninvested amounts of construction projects, we expect the Company would continue to rely on external financing such as bank loans and its debt burden would further increase over the next 12-18 months.

Moderate asset liquidity. TATZ's asset liquidity was relatively weak. As of 30 June 2023, TATZ's inventories, intangible assets, and other receivables accounted for 85% of the total assets. Majority of these assets were considered low liquidity. Inventories accounted for more than half of the total assets, which were mainly construction costs of infrastructure construction projects.

Rating Outlook

The stable outlook on TATZ's rating reflects our expectation that the local government's capacity to provide support will remain stable, and the Company will maintain its important role in the development of Tai'an City, especially in the Wenhe Scenic Spot 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 enhances the local government's willingness to provide support, such as increased strategic significance or improved financing ability.

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 reduced strategic significance or higher exposure to risky commercial activities.



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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