

CCXAP upgrades Taixing Jinjiang Investment Co., Ltd's long-term credit rating to BBB_g, with stable outlook.

Hong Kong, 15 March, 2024 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has upgraded Taixing Jinjiang Investment Co., Ltd’s (“TXJI” or the “Company”) long-term credit rating to BBB_g from BBB_{g-}, reflecting the increasing comprehensive strength of Taixing City and the Company’s important position in the regional development of Jiangsu Taixing Economic and Technological Development Zone (“Taixing ETDZ”).

The BBB_g long-term credit rating of HZFI reflects Taixing City Government’s (1) very strong capacity to provide support based on our assessment of Taixing City; and (2) high willingness to provide support based on our assessment of the Company’s characteristics. Our assessment of Taixing City Government’s capacity to support reflects Taixing City’s relatively good comprehensive strength, with fast economic growth and good fiscal stability.

The rating also reflects the local government’s very high willingness to provide support, based on the Company’s (1) important role in the economic and industrial development of Taixing City, especially in Taixing ETDZ; and (2) track record of receiving government support. However, the rating is constrained by the Company’s (1) moderate exposure to commercial business activities; (2) increasing debt burden and moderate asset liquidity; and (3) relatively high proportion of non-standard financing.

Corporate Profile

Established in 2017 with the approval of the People’s Government of Taixing City and funded by the Management Committee of Taixing ETDZ, TXJI is an important local infrastructure investment and financing company (“LIIFC”) in Taixing City, especially in Taixing ETDZ. The Company is mainly responsible for the primary land development, infrastructure construction, resettlement housing construction in the southern area and Daily Chemical Industry Park of Taixing ETDZ. The Company also participates in different commercial activities, mainly including industrial park construction and operation, financial investment, as well as merchandising trading business. As of 30 September 2023, Taixing Port Group Co., Ltd. (“Taixing Port Group”) and Taixing Chengxing State-owned Assets Management Investment Co., Ltd. (“Taixing Chengxing”) hold 85% and 15% shares of the Company, respectively. The Company was ultimately controlled by the State-owned Assets Supervision and Administration Commission of the People’s Government of Taixing City (“Taixing SASAC”).

Rating Rationale

Credit Strengths

Important role in the economic and industrial development of Taixing ETDZ. The development of Taixing ETDZ is supportive of the long-term sustainable development of TXJI. There are two LIIFCs in the development of Taixing ETDZ, namely Taixing Chengxing and TXJI. Taixing Chengxing is mainly responsible for the infrastructure construction in the northern area of Taixing ETDZ, such as sewage pipelines and pipe networks. TXJI focuses on the primary

land development, infrastructure construction, resettlement housing construction in the southern area and Daily Chemical Industry Park of Taixing ETDZ.

Track record of receiving government support. TXJI has a track record of receiving support from the local government in terms of asset injections, project payments and financial subsidies. Considering TXJI's important position and tight relationship with the local government, we expect the local government will continue to support TXJI over the next 12 to 18 months.

Credit Challenges

Moderate exposure to commercial business activities. TXJI also engages in commercial business activities, mainly including industrial park construction and operation, financial investment, as well as merchandising trading business. We estimate that TXJI had moderate commercial exposure, accounting for around 15% to 20% of its total assets.

Increasing debt burden and moderate asset liquidity. TXJI's total debt increased rapidly in the past three years because of the investment of construction projects. Moreover, the Company faced certain short-term debt pressure. Given large capital needs from infrastructure construction and self-operated projects, we expect the debt burden of the Company would further increase in the next 12 to 18 months. TXJI's asset liquidity is moderate. However, the low liquidity asset may undermine the Company's financing flexibility, which is credit negative.

Relatively high proportion of non-standard financing. TXJI's funding ability was limited, with relatively high reliance on non-standard financing products such as financial leasing, trust, and factoring, which accounted for more than 50% of the total debt as of 30 September 2023. Nevertheless, the Company has actively expanded its financing channels in the capital market in recent years.

Rating Outlook

The stable outlook on TXJI's rating reflects our expectation that Taixing City Government's capacity to provide support will remain stable, and the Company will maintain its important position in the economic and industrial development of Taixing ETDZ.

What could upgrade the rating?

The rating could be upgraded if (1) the local government's capacity to support strengthens; and (2) the Company's characteristics change in a way that strengthens the local government's willingness to support, such as a material reduction in exposure to commercial business activities, improved debt management and financing ability.

What could downgrade the rating?

The rating could be downgraded if (1) the local government's capacity to support weakens; or (2) the Company's characteristics change in a way that weakens the local government's willingness to support, such as reduced strategic significance, or decreased government payments, or deteriorated debt management.



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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