

CCXAP affirms Tianchang City Investment Holding Group Co., Ltd.'s long-term credit rating at BBB_g, with stable outlook.

Hong Kong, 11 July 2024 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has affirmed the long-term credit rating of Tianchang City Investment Holding Group Co., Ltd. (“TCCI” or the “Company”) at BBB_g, with stable outlook.

The BBB_g long-term credit rating of Tianchang City Investment Holding Group Co., Ltd. (“TCCI” or the “Company”) reflects Tianchang City Government’s (1) strong capacity to provide support based on our assessment; and (2) extremely high willingness to provide support based on our assessment of the Company’s characteristics. Our assessment of Tianchang City Government’s capacity to provide support reflects that Tianchang City’s economic importance in Chuzhou City, with ongoing economic and fiscal growth. Its gross regional production (“GRP”) ranked first among all counties/districts in Chuzhou City and Anhui Province.

The rating also reflects the local government’s willingness to provide support, based on the Company’s (1) the most important infrastructure construction entity with the largest asset scale in Tianchang City; and (2) good track record of receiving government support. However, the rating is constrained by the Company’s (1) medium exposure to commercial activities; (2) increasing debt burden and moderate asset liquidity; and (3) increased contingent liabilities risk.

Corporate Profile

Established in 2021, TCCI is the most important and largest Local Infrastructure Investment and Financing Companies (“LIIFC”) by total assets in Tianchang City, mainly responsible for the infrastructure construction in Tianchang City. The Company also engages in diversified commercial activities, including trading, engineering, property leasing and fund operation. As of 31 December 2023, the State-owned Assets Supervision and Administration Commission of Tianchang City Government (“Tianchang SASAC”), the ultimate controller of TCCI, directly held 100% of its shares.

Rating Rationale

Credit Strengths

The most important infrastructure construction entity with the largest asset scale in Tianchang City. TCCI continues to carry out infrastructure construction projects through agent construction model in Tianchang City, excluding Chuzhou High-Tech Zone. The Company signs contracts with the entrusting parties, which would pay construction costs plus a certain markup after settlement. Large amounts of projects under construction or planning will promise the sustainability of the infrastructure construction business.

Good track record of receiving government support. The Company and its subsidiaries have a good track record of receiving support from the Tianchang City Government, including equity transfers, operating subsidies, as well as capital injections. In 2023, local government transferred TCTI into the Company. From 2021 to 2023, Tianchang City Government provided



a total of RMB732.0 million in subsidies for the Company. Considering the Company's status as the most important LIIFC of Tianchang City, we expect TCCI will continue receiving support from the local government.

Credit Challenges

Medium exposure to commercial activities. After the transferring out of TTID, the Company will not conduct roll charge and labour service in the future. At present, TCCI's major commercial activities include trading, property leasing, and fund operations. Based on our assessment, TCCI's exposure to commercial activities is medium with assets accounting for less than 30% of total assets.

Increasing debt burden and moderate asset liquidity. The Company's total debt increased to RMB19.5 billion at end-2023 from RMB16.8 billion at end-2022 due to the continuous investment in construction projects. Besides, TCCI's total capitalization ratio also increased from 38.9% at end-2022 to 44.0% at end-2023. TCCI's asset liquidity is moderate, which may undermine its financial flexibility. The Company's assets mainly consist of inventories, other receivables and work-in-progress, accounting for around 63% of its total assets as of 31 December 2023.

Increased contingent liabilities risk. The Company's external guarantees increased from RMB4.3 billion as of end-2022 to RMB6.9 billion as of end-2023, accounting for 27.7% of its net assets. However, all the external guarantees are provided to the state-owned enterprises in Tianchang City. In case a credit event occurs, the Company may face certain contingent liability risks and cross default risks, which could negatively impact its credit quality.

Rating Outlook

The stable outlook on TCCI's rating reflects our expectation that Tianchang City Government's capacity to provide support will remain stable, and the Company will maintain its role as the most important infrastructure construction entity in Tianchang City over the next 12-18 months.

What could upgrade the rating?

The rating could be upgraded if (1) the Tianchang City Government's capacity to provide support strengthens; and (2) the Company's characteristics change in a way that enhances the local government's willingness to provide support, such as lower exposure to risky commercial activities.

What could downgrade the rating?

The rating could be downgraded if (1) the Tianchang City 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, decrease in government support 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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