

Credit Opinion

16 June 2025

Ratings	
Category	Corporate
Domicile	China
Rating Type	Solicited Rating
Long-Term Credit Rating	BBB _g +
Outlook	Stable

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Zhenjiang Transportation Industry Group Co., Ltd.

Surveillance credit rating report

CCXAP affirms Zhenjiang Transportation Industry Group Co., Ltd.'s long-term credit rating at BBB_g+, with stable outlook.

Summary

The BBB_g+ long-term credit rating of Zhenjiang Transportation Industry Group Co., Ltd. (“ZJTI” or the “Company”) reflects Zhenjiang 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 Zhenjiang Municipal Government’s capacity to provide support reflects Zhenjiang City’s good industrial foundation, ongoing economic growth and moderate fiscal metrics.

The rating also reflects the local government’s willingness to provide support, which is based on the Company’s (1) strong policy role in transportation infrastructure construction in Zhenjiang City; (2) good track record of receiving government payments; and (3) diversified and stable funding sources with declining financing costs.

However, the Company’s rating is constrained by its (1) moderate exposure to commercial activities; (2) high debt leverage with large short-term debt; and (3) high exposure to external guarantees, with certain contingent liability risk.

The stable outlook on ZJTI’s rating reflects our expectation that Zhenjiang Municipal Government’s capacity to provide support will remain stable, and the Company’s characteristics such as its primary role in transportation infrastructure construction will remain unchanged over the next 12 to 18 months.

Rating Drivers

- Strong policy role in transportation infrastructure construction in Zhenjiang City
- Moderate sustainability for public-policy projects
- Moderate commercial risk exposure
- High debt leverage with large short-term debt
- Diversified and stable funding sources with declining financing costs
- Good track record of receiving government payments
- High exposure to external guarantees, with certain contingent liability risk

Rating Sensitivities

What could upgrade the rating?

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

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, decreased government payments or increased exposure to risky commercial activities.

Key Indicators

	2022FY	2023FY	2024FY	2025Q1
Total Asset (RMB billion)	120.4	125.6	119.3	125.5
Total Equity (RMB billion)	50.0	50.0	47.6	48.2
Total Revenue (RMB billion)	9.0	7.4	7.1	1.6
Total Debt/Total Capital (%)	55.2	54.9	53.5	56.0

All ratios and figures are calculated using CCXAP's adjustments.

Source: Company data, CCXAP research

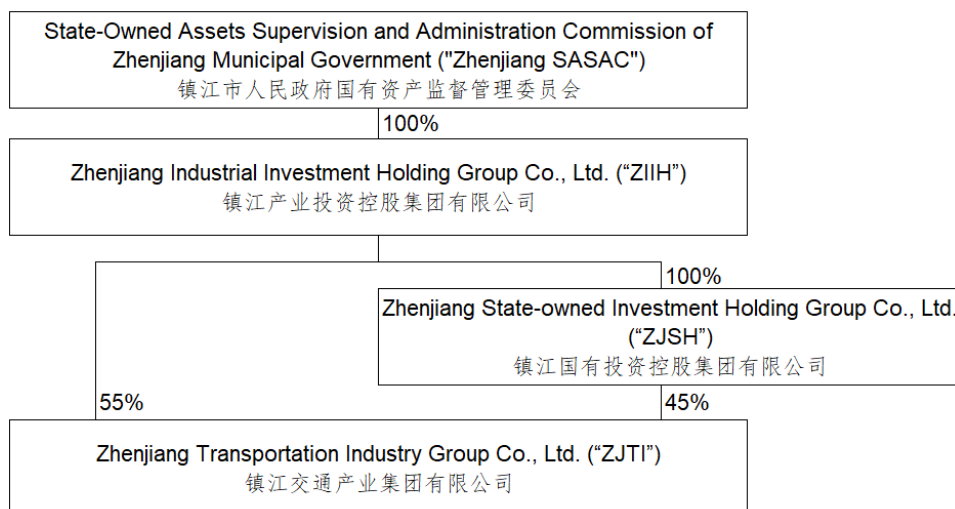
Corporate Profile

Established in 1992, ZJTI is one of the key local infrastructure investment and financing companies ("LIIFCs") in Zhenjiang City, Jiangsu Province. Since its establishment, ZJTI has primarily focused on the development, construction and operations of transportation infrastructure, as well as resettlement housing construction and land development in Zhenjiang City. It has now subsequently expanded into other business areas, including comprehensive transportation infrastructure development and operations, raw materials trading, industrial park construction and operation, and port operations. During the reform of local state-owned enterprises, the Company has now formalized its three main responsibilities and businesses: transportation infrastructure, urban operation and integrated sanitation services.

In 2023, to further deepen state-owned enterprises reform, the Zhenjiang Municipal Government formed Zhenjiang Industrial Investment Holding Group Co., Ltd. ("ZIIH") and transferred its 55% and 100% equity interests in ZJTI and Zhenjiang State-owned Investment Holding Group Co., Ltd. ("ZJSH") to ZIIH without considerations. As of 31 March 2025, ZIIH directly held 55% and indirectly held 45% of the Company's shares

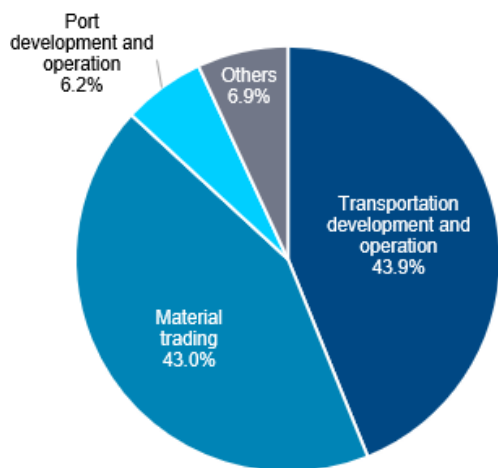
through ZJSH, with the State-Owned Assets Supervision and Administration Commission of Zhenjiang Municipal Government (“Zhenjiang SASAC”) remaining the ultimate controller.

Exhibit 1. Shareholding chart as of 31 March 2025



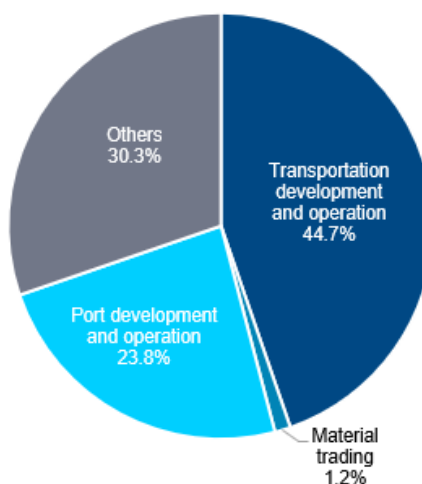
Source: Company information, CCXAP research

Exhibit 2. Revenue structure in 2024



Source: Company information, CCXAP research

Exhibit 3. Gross profit structure in 2024



Rating Considerations

Government’s Capacity to Provide Support

We believe that Zhenjiang Municipal Government has a very strong capacity to provide support given its good industrial foundation, ongoing economic growth and moderate fiscal metrics.

Jiangsu Province is one of the leading and well-developed provinces in China. It is home to many of the world leading enterprises of electronic equipment, chemicals, and textiles. Jiangsu Province is the second largest province in China by gross regional product (“GRP”), after Guangdong Province. In 2024, its total GRP amounted to RMB13.7 trillion, a year-over-year (“YoY”) increase of 5.8%. The GRP per capita for the same period was RMB160,694, ranking first among all provinces in China.

Zhenjiang City is a prefecture-level city under the jurisdiction of Jiangsu Province, located in the southwest part of Jiangsu Province. It is one of the core cities of the "Suzhou-Wuxi-Changzhou Economic Circle" and the "Nanjing Metropolitan Circle", and Zhenjiang port is the third-largest port along the Yangtze River. Zhenjiang City has a good economic and industrial foundation. It is a key production area of glasses and vinegar in China and is currently developing emerging industries such as high-end equipment manufacturing and new material production. In 2024, Zhenjiang City's fixed asset investment above the designated size increased by 5.0% over the previous year. Meanwhile, it has demonstrated ongoing economic growth, with GRP growing by 5.9% YoY to RMB554.0 billion in 2024. Over the same period, the local government's general budgetary revenue increased to RMB32.9 billion from RMB32.1 billion in 2023. The average tax contribution over the past three years was 69.2%, indicating a strong revenue-generating ability. However, the fiscal sufficiency of Zhenjiang Municipal Government remained moderate, as reflected by its average self-sufficiency ratio (general budgetary revenue/general budgetary expenditure) over the past three years was 58.3%. Due to its moderate self-sufficiency, Zhenjiang City's has relied on land transfer income for fiscal balance. From 2022 to 2024, Zhenjiang Municipal Government's government fund income increased from RMB40.4 billion to RMB47.5 billion. As of the end of 2024, the outstanding debt of the local government was RMB269.3 billion, accounting for about 48.6% of GRP.

Exhibit 4. Key economic and fiscal indicators of Zhenjiang City

	2022FY	2023FY	2024FY
GRP (RMB billion)	501.7	526.4	554.0
GRP Growth (%)	2.9	6.3	5.9
General Budgetary Revenue (RMB billion)	30.4	32.1	32.9
General Budgetary Expenditure (RMB billion)	53.6	53.4	56.6
Local Government Debt (RMB billion)	218.9	245.9	269.3

Source: Zhenjiang Municipal Government, CCXAP research

Government's Willingness to Provide Support

Strong policy role in transportation infrastructure construction of Zhenjiang City

As the principal entity for the construction and development of transportation infrastructure in Zhenjiang City as well as the sole land developer in the Guantang Innovation Community Area ("Guantang Area"), ZJTI has maintained strong strategic position in Zhenjiang City. We consider the Company to be highly important for regional development and it is unlikely to be replaced by other LIIFCs in the near future, given its significant benefits to local economic and social development, such as improving the local transportation network and living environment. In addition to local transportation infrastructure construction, it conducted numerous construction projects within the region, such as the land development in Guantang Area and resettlement housing construction.

In 2023, the Zhenjiang Municipal Government consolidated ZIIH and transferred its 55% equity interests in ZJTI and 100% shares in ZJSH to ZIIH without considerations. Consequently, ZIIH was designated as the core platform for industrial investment in Zhenjiang and mainly responsible for state-owned capital operation, investment and financial services, transportation infrastructure construction, urban services and franchising. ZJTI's status as one of the principal transportation investment platforms controlled by the Zhenjiang SASAC and beneficially owned by the Zhenjiang Municipal Government remained unchanged.

Moderate sustainability for public-policy projects

ZJTI assumes the function to implement Zhenjiang Municipal Government's development strategy and planning, and is mandated to conduct various local public activities, including transportation infrastructure construction, land development, and resettlement housing construction. Due to the slowdown in local infrastructure demand and government planning, the Company's reserve for public-policy construction tasks has decreased in recent years, with moderate business sustainability. Nevertheless, the Company maintains its important role and expertise in expansion, redevelopment and improvement projects in Zhenjiang City.

ZJTI has historically undertaken a large number of transportation infrastructure construction projects in Zhenjiang City under the entrusted construction model. The Company has mostly completed the investments in the infrastructure projects under construction, with low future investment pressure. As of 31 March 2025, the Company had invested a total of RMB11.9 billion into completed entrusted transportation projects; in terms of the projects under construction, it had invested RMB10.5 billion with an uninvested amount of RMB154.0 million. There were no entrusted construction projects under planning, that said, the Company broadened its transportation infrastructure construction business to the market-driven road and bridge engineering construction business. It continues to undertake major transportation projects within the region.

Besides, ZJTI is responsible for resettlement housing construction in Zhenjiang City pursuant to local resettlement housing plan. All the completed projects have been repurchased by the local government, with good payment collection. The total investment amount of the completed projects was RMB3.0 billion, and the payments totaling RMB3.0 billion were collected as of 31 March 2025. With years of development, the resettlement housing projects have been mostly completed, with low future investment pressure. The Company had only one resettlement housing project under construction, with an uninvested amount of RMB65.0 million. With no project under planning, the sustainability of business is subject to uncertainty.

ZJTI was appointed as the designated developer of Guantang Area, covering land consolidation projects and infrastructure construction within the region, with an estimated investment of RMB28.0 billion. The local government reimburses the Company's development costs based on the progress of the land grant after finishing. As of 31 March 2025, the Company had invested RMB26.0 billion in the development of Guantang Area, but the progress of land grants and repayments was slow, especially affected by changes in policies related to land market and real estate sector. As of 31 March 2025, the Company had 3,028.2 mu of land under development, with uninvested amount of RMB564.0 million.

Moderate commercial risk exposure

ZJTI engages in diversified commercial activities such as trading, road and bridge construction services, inland terminal depot services, and industrial park construction and operation. While the commercial assets represent a modest portion of the Company's total assets (less than 10%), they introduce additional risk elements not typically associated with its core public service obligations, including counterparty risk and execution risk. We assess ZJTI's commercial risk as moderate, reflecting the current scale of these activities and the Company's future development plans.

ZJTI's raw materials trading business mainly includes trading of steel and chemical raw materials, with relatively low business risks as it is operated under a demand-driven model and downstream customers are relatively stable. It is the largest income source for the Company, consecutively contributing more than 40% of the total revenue over the past three years. However, the business faces certain concentration risks in procurement and sales. In 2024, the procurement from the top five suppliers accounted for 77.6% of the total procurement, while the sales to the top five customers accounted for 75.5% of the total sales. The Company has been actively compressing the material trading segment's scale since 2023, leading to a decline in revenue from RMB3.3

billion in 2023 to RMB3.0 billion in 2024. With the Company's intention of tightening the material trading's scale, we expect ZJTI's revenue from material trading may further decrease.

ZJTI engaged in road and bridge engineering construction business through the subsidiary, namely Jiangsu Zhenjiang Road and Bridge Engineering Co., Ltd ("JSRB"), which obtained Premium Qualification for highway engineering construction general contracting in 2024. JSRB obtains engineering projects through public tendering and signs contracts with related asset owners. Most of its projects are based in Jiangsu Province, and will gradually expand to other provinces in Eastern China such as Zhejiang and Anhui Provinces. In 2024, the newly signed contract projects were mainly concentrated in Jiangsu Province, with a total amount of RMB2.0 billion. As of 31 March 2025, JSRB has sufficient project reserves with RMB9.6 billion of contract value under construction. Although this business segment has enriched ZJTI's revenue and has brought considerable profits to the Company, the increasing project scale and advanced payment in construction projects have resulted in certain capital occupation.

Conducted by its subsidiary, namely Zhenjiang Port Development Group Co., Ltd., ZJTI has a strong franchise in its inland terminal depot services and has priority in the development of shoreline and land areas in Zhenjiang City. In recent years, port development and operation has become one of the Company's key segments with its gross profit margin increasing from 16.9% in 2023 to 30.9% in 2024. However, the port revenue scale in 2024 decreased by 47.8% compared to 2023, mainly due to the reduction in dredging sand revenue.

In addition, ZJTI takes part in the construction and operation of industrial parks. As of 31 March 2025, the Company had one industrial park project under construction with an investment amount of RMB450.0 million and an outstanding amount of RMB175.0 million. The project is expected to be repurchased by the commissioner after completion and the Company will earn a management fee with low commercial risks. Meanwhile, the Company had one industrial park project under planning with total estimated investment of RMB1.0 billion, which is expected to achieve fund balancing through management fee and leasing income.

Good track record of receiving government payments

ZJTI has a solid track record of receiving government payments in various forms, including specific funds, financial subsidies, repurchase payments, and cash injections. The Company received ongoing financial subsidies from the government to support its road construction projects, amounting to RMB892.9 million from 2024 to 2025Q1. The local government has also regularly made repurchase payments to the Company. As of 31 March 2025, the Company received government payments of RMB17.6 billion for the completed construction projects, including land development, infrastructure construction, and resettlement housing. In recent years, to help alleviate the Company's debt burden, the local government has provided it with several specific funds for debt resolution. In addition to these financial supports, the Zhenjiang Municipal Government allocates a large amount of land assets and grants the land development rights and land income rights to the Company. We expect the local government will continue to provide payment support to the Company over the next 12 to 18 months, given its strong public policy role and large scale of uncollected project payments.

High debt leverage with large short-term debt

Along with the repayment of matured debts through government special funds and government payments, ZJTI's total debt burden demonstrated a declining trend over the past three years, yet its debt leverage remains high. The Company's total debt (including perpetual debt) decreased from RMB58.7 billion at end-2023 to RMB53.8 billion at end-2024, and the total capitalization ratio (total debt to total capital) decreased slightly from 54.9% to 53.5%. During the first quarter of 2025, the Company's total debt increased provisionally to RMB59.4

billion, primarily to reserve for the refinancing of debt maturing within a year. Meanwhile, the Company still has high short-term debt servicing pressure, with the short-term debt accounting for 45.5% of the total debt, and the cash to short-term debt ratio was 0.5x at end-2025Q1. With relatively large debt portfolio and the absence of effective debt reduction measures, we expect that its debt leverage is likely to remain at a relatively high level in the next 12 to 18 months.

ZJTI's asset liquidity is considered weak, which may undermine its financial flexibility. The Company's assets mainly consist of inventories and investment properties, totally accounting for 78.0% of total assets as of 31 March 2025, all with relatively low liquidity. The inventories are mainly development costs from construction projects, while the investment properties mainly consist of lands pending for sale. At the same time, the Company pledged a number of assets for loans, including lands and cash, with a total restricted amount of RMB24.7 billion, accounting for 19.7% of its total assets.

Diversified and stable funding sources with declining financing costs

ZJTI has access to diversified financing channels including onshore and offshore capital markets, bank borrowing and non-standard financing, which could partially mitigate the Company's refinancing pressure. Bank loans and bond issuances accounted for the majority of its total debt, representing 51.1% and 25.9%, respectively. The Company has maintained a good relationship with policy banks, state-owned commercial banks, and joint-stock commercial banks such as Agricultural Development Bank of China, Industrial and Commercial Bank of China Limited. and Bank of Jiangsu Co., Ltd. As of 31 March 2025, it obtained total credit facilities of RMB52.4 billion, with available credit facilities of RMB15.4 billion, indicating sufficient liquidity buffer.

The Company also has an active track record of issuing various financial products in the domestic bond market such as private corporate bonds, SCPs, CPs, MTNs, and PPNs. With the favorable refinancing conditions, the Company financing costs continue to decline. From January 2024 to March 2025, ZJTI had issued 27 tranches of different bond instruments, raising RMB12.5 billion with coupon rate between 1.93% to 2.82%. In addition, the Company has a presence in the offshore debt capital market. In 2022, it issued two tranches of offshore bonds raising USD220.0 million. As of 31 March 2025, the Company had a controllable exposure to non-standard financing products, which accounted for around 10.0% of its total debt.

Large exposure to external guarantees, with certain contingent liability risk

ZJTI's credit profile is constrained by its large exposure to contingent liabilities. As of 31 March 2025, the Company's balance of the external guarantees was RMB23.5 billion, equivalent to 50.3% of its adjusted net assets (excluding perpetual debt). Most of these external guarantees are provided to other local LIIFCs or state-owned enterprises, and part of these guarantees have sufficient counter-guarantee measures. Considering the government support and counter-guarantee measures, the credit risk of these guarantees among local state-owned companies is moderately controllable.

However, ZJTI has provided RMB358.0 million in external guarantees for Jiangsu Traffic Engineering Group Co., Ltd., which is a state-owned enterprise in Jiangsu Province but has been listed as person subject to enforcement, and the guarantee has been set up with counter-guarantee measures. In addition, the Company compensated RMB154.0 million in external guarantees to two private-owned enterprises in 2016, yet only received a recovery payment of RMB5.0 million as of 31 March 2025.

ESG Considerations

ZJTI bears environmental risks through its infrastructure projects. Such risks could be moderated by conducting environmental studies and detailed planning prior to the commencement of projects and close supervision during construction.

The Company is also exposed to social risks as a public services provider. Demographic changes, public awareness, and social priorities shape the government's target for ZJTI and affect the government's propensity to support the Company.

ZJTI's governance considerations are also material as the Company is subject to oversight and reporting requirements to the local government, reflecting its public-policy role and status as a government-owned entity.

Rating Methodology

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

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