Credit Opinion

24 October 2025

Ratings	
Category	Corporate
Domicile	China
Rating Type	Solicited Rating
Long-Term Credit Rating	A_g-
Outlook	Stable

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Jiangsu Xinkai Investment Group Co., Ltd.

Surveillance credit rating report

CCXAP affirms Jiangsu Xinkai Investment Group Co., Ltd.'s long-term credit rating at A_g-, with stable outlook.

Summary

The A_g- long-term credit rating of Jiangsu Xinkai Investment Group Co., Ltd. ("Xinkai Group" or the "Company") reflects Taizhou 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 Taizhou City's good industrial base and ongoing economic growth.

The rating also reflects the local government's willingness to provide support, which is based on the Company's (1) important role in infrastructure construction in the Dongjin area of Taizhou City New City District and Jiangyan District; (2) sufficient project reserves with good business sustainability; and (3) track record of receiving government support.

However, the rating is constrained by the Company's (1) moderate risk exposure to commercial activities; (2) near-term debt pressure and weak asset liquidity; and (3) large exposure to external guarantees mainly provided for local state-owned enterprises ("SOEs").

The stable outlook on Xinkai Group's rating reflects our expectation that the local government's capacity to provide support will remain stable, and the Company will maintain its important position in the development of Taizhou City over the next 12-18 months.

Rating Drivers

- Important role in infrastructure construction in the Dongjin area of Taizhou City New City District and Jiangyan District with sufficient project reserves
- Moderate risk exposure to commercial activities
- Track record of receiving government support
- Near-term debt pressure and weak asset liquidity
- Access to diversified financing channels
- Large exposure to external guarantees mainly provided to local SOEs

Rating Sensitivities

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 strengthens the local government’s willingness to provide support, such as a significant reduction in external guarantee exposure, reduced risk exposure to commercial activities, or improved debt management.

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 a reduction in the importance of its policy role, or a significant reduction in government support.

Key Indicators

	2022FY	2023FY	2024FY	2025Q1
Total Assets (RMB billion)	65.1	74.7	73.5	74.2
Total Equity (RMB billion)	29.2	31.9	32.4	32.5
Total Revenue (RMB billion)	2.7	3.4	3.6	1.1
Total Debt/Total Capital (%)	49.8	54.0	51.9	52.2

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

Source: Company data, CCXAP research

Corporate Profile

Established in 2021, Xinkai Group was formerly known as Taizhou Xinkai Investment Development Co., Ltd. In June 2022, the government transferred all holding shares of Jiangsu Jiangyan Economic Development Group Co., Ltd. (“JYED”), Taizhou Longma Construction Development Co., Ltd. (“TZLM”), and Taizhou Gaoxinyuan Construction and Development Co., Ltd. (“TGCD”) to the Company. After the reorganization, the Company is positioned as a municipal-level state-owned urban investment and operation entity in Taizhou City, mainly responsible for the development, construction, and operation of urban and industrial infrastructure in Taizhou City New City District and Jiangyan District. The Company’s business is mainly carried out by its subsidiaries, JYED, TZLM, and TGCD, mainly responsible for land consolidation, infrastructure construction and resettlement housing construction. Apart from public projects, the Company also derives revenue from commercial activities, such as commodity sales, real estate sales, self-constructed projects and property leasing.

On 12 September 2024, the Taizhou State-owned Assets Supervision and Administration Commission ("Taizhou SASAC"), the Company's shareholder and ultimate controller, agreed to transfer 100% of the Company's shares to Jiangsu Xinkai Holding Group Co., Ltd. ("Xinkai Holding") and all shares of Xinhai Holding transferred to Taizhou SASAC. As of 31 March 2025, Taizhou SASAC was the Company's ultimate controller, holding 100% stakes through Xinkai Holding.

Exhibit 1. Shareholding chart as of 31 March 2025

Source: Company information, CCXAP research

Exhibit 2. Revenue structure in 2024

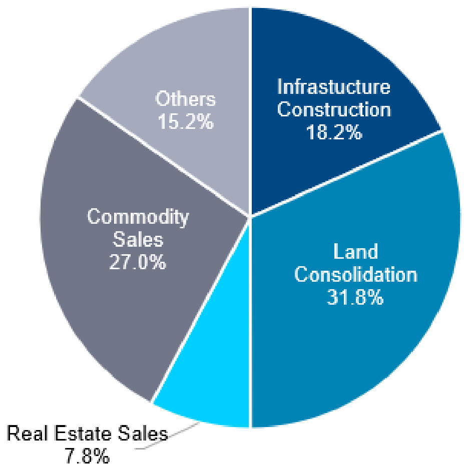
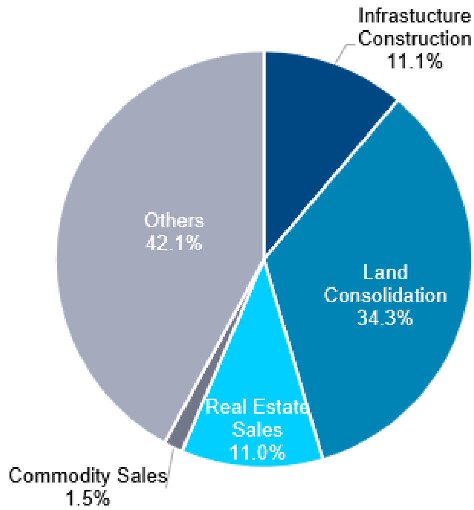


Exhibit 3. Gross profit structure in 2024



Source: Company information, CCXAP research

Rating Considerations

Government's Capacity to Provide Support

We believe the Taizhou Municipal Government has a very strong capacity to provide support given its good industrial base and ongoing economic growth.

Jiangsu Province is one of the leading developed provinces in China. It is home to many of the world's leading electronic equipment, chemical, and textile enterprises and is the second largest province in China by gross regional product ("GRP"), after Guangdong Province. In 2024, Jiangsu Province's total GRP amounted to RMB13.7 trillion, a year-over-year ("YoY") increase of 5.8%. In the first half of 2025, Jiangsu Province recorded a GRP of RMB6.7 trillion, representing a YoY increase of 5.7%.

Taizhou City is a prefecture-level city located in the central region of Jiangsu Province, with pharmaceuticals, electricity, chemicals, and shipbuilding as its pillar industries. Over the past years, Taizhou City has achieved sustained economic growth. Taizhou City's GRP increased to RMB702.1 billion in 2024, ranking 9th among all cities in Jiangsu Province, and achieved a YoY growth of 5.1%. In the first half of 2025, its GRP increased by 5.7% YoY to RMB350.0 billion. Meanwhile, Taizhou Municipal Government's general budgetary revenue increased steadily from RMB44.0 billion in 2023 to RMB45.3 billion in 2024. Taizhou City's fiscal self-sufficiency ratio has improved consistently, while affected by the cooling land market, Taizhou Municipal Government's fund budget revenue has been declining gradually since 2022. As at end-2024, the outstanding debt of Taizhou Municipal Government increased to RMB131.6 billion, accounting for 18.7% of the GRP.

Exhibit 4. Key economic and fiscal indicators of Taizhou City

	2022FY	2023FY	2024FY
GRP (RMB billion)	640.2	673.2	702.1
GRP Growth (%)	4.4	6.8	5.1
General Budgetary Revenue (RMB billion)	41.7	44.0	45.3
General Budgetary Expenditure (RMB billion)	70.4	69.7	69.6
Local Government Debt (RMB billion)	100.1	107.1	131.6

Source: Taizhou Municipal Government, CCXAP research

As one of the main urban districts of Taizhou City, Jiangyan District is located in the central and eastern part of Taizhou City, between the Yangtze River and the Huai River. After years of development, Jiangyan District has formed four pillar emerging industries: new energy and materials, intelligent machinery manufacturing, health, and electronic information. In 2024, Jiangyan District's GRP increased by 5.9% YoY to RMB95.1 billion, ranking 2nd among all the cities/districts in Taizhou City in terms of GRP growth. Jiangyan Economic Development Zone ("Jiangyan EDZ"), a provincial development zone in Taizhou City, achieved a GRP of RMB22.4 billion and a general budgetary revenue of RMB980.0 million in 2024. Jiangyan EDZ has focused on forming a "2+1" industrial structure, comprising new energy equipment manufacturing, transport transit component manufacturing, and electronic information intelligent manufacturing. At end-2024, there are more than 3,000 enterprises in Jiangyan EDZ with more than ten industries such as photovoltaic, auto parts, textile, and semiconductor. Jiangyan High-tech Industrial Development Zone ("Jiangyan High-tech Zone"), formerly as the Jiangyan District Modern Science and Technology Industrial Park, was approved as a provincial-level high-tech zone in May 2025. It is located in the southern part of Jiangyan District's main urban area, with a planned area of 7.7 square kilometers. Jiangyan High-tech Zone has formed a "1+2" industrial cluster, led by precision manufacturing and supported by new-generation electronic information and healthcare.

Government's Willingness to Provide Support

Important role in infrastructure construction in the Dongjin area of Taizhou City New City District and Jiangyan District with sufficient project reserves

Xinkai Group is one of the important local infrastructure investment and financing companies ("LIIFCs") in Taizhou City, particularly mandated for the investment and infrastructure construction of the Dongjin area of Taizhou City New City District and Jiangyan District, including the Jiangyan EDZ, Jiangyan High-tech Zone, Jiangyan District High-tech Equipment Industrial Park, Taizhou North Yangtze River High-speed Railway New City Zhangdian Area and Jiangyan Longxi Industrial Park, which promote the industrial and economic development of Taizhou City. The large project reserves in infrastructure construction and resettlement housing businesses support good sustainability of the Company's public policy businesses. Considering the Company's strategic significance to the development of Taizhou City and Jiangyan District, with sufficient project reserves, we believe the Company will not be easily replaced by other local SOEs in the next 12-18 months.

Entrusted by the local government or related government units, Xinkai Group undertakes infrastructure construction mainly under the agency construction model. The Company would receive payments based on the total cost plus a certain markup in return during the construction progress or after the project is completed. As of end-2024, the Company had completed a wide range of infrastructure construction projects with a total investment of RMB912.0 million, realizing RMB669.0 million in revenue and receiving payment of RMB642.0 million. The Company also had 9 infrastructure construction projects under construction as of the same date, mainly roads, kindergartens, and industrial parks, with a total investment amount of RMB3.3 billion and an uninvested amount of RMB1.5 billion. Meanwhile, the Company had 3 infrastructure construction projects under planning, requiring a total estimated investment of RMB998.0 million.

The Company also undertakes resettlement housing projects in the Jiangyan High-tech Zone (Luotang Street). The Company is responsible for fundraising and management of the construction of resettlement housing projects. Jiangyan District Government would purchase the housing based on actual costs with a mark-up of 15% upon project completion. As of 31 December 2024, the Company successfully delivered 5 main resettlement housing projects with an investment amount of RMB3.9 billion. However, the settlement and payment collection progress of completed projects was relatively slow. The Company only received RMB1.7 billion as of same date, leaving an amount of RMB4.4 billion to be collected. Meanwhile, the Company had a large number of projects under construction and planning. It had 4 resettlement housing projects under construction, with a total investment amount of RMB2.4 billion and an outstanding amount of RMB1.4 billion. Additionally, 4 resettlement housing projects were under planning, with an estimated total investment of RMB1.1 billion.

In addition, entrusted by the Jiangyan District Government and the Management Committee of Jiangyan EDZ, the Company is responsible for the land development in Jiangyan High-tech Zone (Luotang Street) and Jiangyan EDZ, including demolition and land levelling. The land project-related expenses are advanced by the Company, and the settlement amount between the relevant units and the Company is composed of the total land levelling expenditure plus interest and management fees (according to a certain proportion of the project expenditure). Revenue from land consolidation has shown a growth trend over the past three years; however, the payback collection of these projects is relatively prolonged. As of 31 December 2024, the Company's inventory consisted of land development costs (including completed lands for transfer) of RMB14.7 billion that had not been transferred, providing certain support for the subsequent revenue recognition of this segment but requiring attention to the cost transfer. At the same time, the Company had 1,303.6 mu of land under consolidation, with a total investment amount of RMB2.4 billion and an outstanding amount of RMB143.5 million. There was no land consolidation project under planning.

Moderate risk exposure to commercial activities

In addition to public activities, Xinkai Group is also engaged in various commercial activities, such as commodity sales, self-operated projects and property leasing as well as real estate sales. These activities are associated with the Company's aim to promote industrial and urban development of Taizhou City; however, they expose the Company to higher business risks and impose a capital expenditure burden. The self-operated projects have exerted high capital expenditure pressure to the Company. Based on our assessment, the Company's exposure to commercial activities risk is moderate, with commercial assets accounting for less than 20% of its total assets.

Xinkai Group is engaged in commodity sales business through its subsidiaries. The Company's commodity sales business is mainly carried out with enterprises in the industrial parks, and trading products mainly include steel and new energy materials. However, the scale of commodity sales revenue fluctuates greatly with changes in the product structure, and the concentration risk from suppliers is relatively high. This business provides a significant supplementary income for the Company, accounting for 31.8% of its total revenue in 2024 but with a low gross profit margin of 0.8%. As of the end of 2024, the top 5 suppliers accounted for approximately 70.8% of the total procurement.

Xinkai Group’s self-operated projects primarily include carriers in industrial parks, such as factories and office buildings, as well as supporting facilities, including sewage treatment plants, which generate returns through leasing and sales. Along with the completion of the Company’s self-built property assets and the increase in asset occupancy rate, leasing income has shown a fluctuating growth trend over the past three years. In the future, the revenue from the leasing business is expected to grow with the completion of self-operated projects under construction, bringing additional revenue to the Company. Concurrently, the leasing business scale is relatively small, generating revenue of RMB109.0 million in 2024. As of 31 December 2024, the Company had 9 key self-operated projects under construction with a total investment of around RMB2.8 billion and an outstanding amount of RMB2.1 billion, including standardized factories, industrial parks, and talent apartments, which exerted high capital expenditure pressure on the Company. The capital balance will also be largely affected by the subsequent leasing and sales progress of these projects, and the investment return cycle is expected to be long.

In addition to resettlement housing, Xinkai Group has engaged in the development and sales of commercial housing in the Jiangyan District since 2023. This segment brings supplementary revenue of RMB281.0 million to the Company in 2024, with a gross profit margin of 20.4%. The revenue mainly comes from its completed project, namely the Jingyuan Community Phase I Project, with a total investment of around RMB530.0 million. The project is nearing the end of sales, with a small saleable area, and is expected to contribute limited revenue in the future. As of end-2024, the project had the remaining saleable area of 55,300 square meters and a sold area of 54,900 square meters. In the meantime, the Company has no other commercial housing projects under construction or planning.

Track record of receiving government support

Since its establishment, Xinkai Group has received ongoing support from the local government, including capital injection, equity and asset transfers and financial subsidies. From 2024 to 2025Q1, the Company continued to receive operating subsidies from the local government totaling RMB420.2 million, supporting its operations. In accordance with the terms of the agency agreement, the Company is also expected to receive repayments form the local government for its public projects. As of the end of 2024, the Company had received government repayments of RMB4.9 billion, with outstanding of RMB3.4 billion expected to be collected. Given the Company’s strategic position in the regional development of the Dongjin Area of New City District and the Jiangyan District, we expect the Company will continue to receive support from the local government in the future.

Near-term debt pressure and weak asset liquidity

Xinkai Group’s total debt moderately decreased from the end of 2023, benefiting from its prudent control over the investment pace and the receipt of government support funds for debt repayment. As of 31 March 2025, the Company’s total debt decreased to RMB35.5 billion from RMB37.5 billion at end-2023. Meanwhile, its total capitalization ratio (total debt/total capital) dropped to 52.2% from 54.0% over the same period, maintain at a relatively high level. The Company continued to face certain short-term debt pressure. As of 31 March 2025, the short-term debt accounted for around 46.0% of the total debt, and the cash to short-term debt ratio was 0.5x. Considering its ongoing project commitments and debt service obligations, the Company is expected to rely on external financing to cover the funding needs, and its total debt and leverage are projected to remain high for the next 12-18 months.

In addition, Xinkai Group’s short-term liquidity is also constrained by its less liquid asset profile, which poses a challenge in managing its near-term obligations. The Company’s total assets mainly consist of inventories, other receivables, and investment properties, which accounted for 78.4% of its total assets as of 31 March 2025. Inventories were mainly development costs for infrastructure construction and land consolidation projects. Other receivables were mainly unreceived payments from the local government or other local SOEs. The carry-forward of development costs and the recovery of accounts receivable are mostly related to local governments and SOEs with relatively low recovery risk, but the recovery period is long and is affected by the debt pressure of the local government and SOEs. Investment properties were mainly transferrable land and leasable assets. At the same time, the Company’s restricted assets amounted to RMB11.8 billion, accounting for 15.9% of its total assets, which could undermine its financial flexibility.

Access to diversified financing channels

Xinkai Group has access to funding channels such as bank borrowing, debt capital market, and non-standard financing, which can partially relieve the pressure on debt repayment and capital expenditure. Bank loans are the Company’s primary source of financing, accounting for around half of the total debt. The Company maintains good relationships with policy banks, joint-stock commercial banks and large state-owned commercial banks, such as China Development Bank, China Construction Bank and Bank of China. As of 31 March 2025, the Company had total credit facilities of RMB32.1 billion from banks, with an unused amount of RMB13.2 billion.

The Company and its subsidiary, JYED, have an active track record of fund-raising activities in the debt capital markets by issuing various types of debt instruments, including corporate bonds, commercial paper, and medium-term notes. For example, in June 2025, the Company issued a tranche of 5-year private bonds with a relatively low coupon rate of 2.4%, raising a total of RMB970.0 million. Moreover, JYED has had an active presence in the offshore debt capital market in recent years. It issued two tranches of offshore bonds in December 2024 and January 2025, respectively. In addition, the Company's exposure to non-standard financing products decreased slightly, accounting for around 25.0% of its total debt as of 31 March 2025.

Large exposure to external guarantees

Xinkai Group’s credit profile is constrained by its large external guarantees, which could potentially increase its repayment obligations. As of 31 March 2025, the total amount of external guarantees was approximately RMB33.3 billion, representing 102.5% of net assets. In case a credit event occurs, the Company may face certain contingent liability risks, which could negatively impact its credit quality. Nevertheless, the vast majority of them are provided to the local SOEs in Jiangyan District; only 0.02% are provided to individual homebuyers for the Company’s real estate sales business. However, we viewed these SOEs as having relatively low credit risks considering the government support in times of need. As a result, we consider that the Company’s contingent liability risk is relatively controllable.

ESG Considerations

Xinkai Group faces environmental risks because it has undertaken infrastructure construction projects. Such risks could be moderated by conducting environmental studies and planning prior to the start of the projects, and close monitoring during the construction phase.

Xinkai Group is also exposed to social risks as it implements public-policy initiatives by building public infrastructure in Taizhou City. Demographic changes, public awareness and social priorities shape government's development strategy, and it will affect the government's propensity to support the Company.

Xinkai Group's governance considerations are also material as the Company is subject to oversight by the Taizhou Municipal Government and must meet several reporting requirements, 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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