

## Credit Opinion

29 December 2025

Ratings	
Category	Corporate
Domicile	China
Rating Type	Solicited Rating
Long-Term Credit Rating	BBB <sub>g</sub>
Outlook	Stable

### Analyst Contacts

Amy Chen +852-2860 7127

Credit Analyst

[amy\\_chen@ccxap.com](mailto:amy_chen@ccxap.com)

Cherry Chau +852-2860 7128

Credit Analyst

[cherry\\_chau@ccxap.com](mailto:cherry_chau@ccxap.com)

Elle Hu +852-2860 7120

Executive Director of Credit Ratings

[elle\\_hu@ccxap.com](mailto:elle_hu@ccxap.com)

*\*The first name above is the lead analyst for this rating and the last name above is the person primarily responsible for approving this rating.*

### Client Services

Hong Kong +852-2860 7111

## Taizhou Xinghua State-owned Assets Investment Holding Co., Ltd.

### Surveillance credit rating report

**CCXAP affirms Taizhou Xinghua State-owned Assets Investment Holding Co., Ltd.'s long-term credit rating at BBB<sub>g</sub>, with stable outlook.**

### Summary

The BBB<sub>g</sub> long-term credit rating of Taizhou Xinghua State-owned Assets Investment Holding Co., Ltd. ("TXSI" or the "Company") reflects the Xinghua City Government's (1) strong capacity to provide support; and (2) very 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 Xinghua City's relatively good comprehensive strength, with stable economic and fiscal growth.

The rating also reflects the local government's willingness to provide support, which is based on the Company's (1) important role in urban construction and state-owned assets operation in Xinghua City, with important regional status and functional positioning; (2) relatively large reserves in infrastructure construction projects under construction; and (3) good track record of receiving support from the local government.

However, the rating is constrained by the Company's (1) moderate exposure to commercial activities; (2) fast debt growth and moderate asset liquidity; and (3) moderate contingent risk from external guarantees.

The stable outlook on TXSI's rating reflects our expectation that the local government's capacity to provide support will remain stable, and the Company will maintain its most important position in public-related activities in Xinghua City over the next 12-18 months.

## Rating Drivers

- Most important role in urban development and operation in Xinghua City, with large project reserves
- Moderate exposure to commercial activities
- Good track record of receiving government support
- Fast debt growth and moderate asset liquidity
- Access to diversified funding channels
- Moderate contingent risk from external guarantees

## 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 improved debt management or decreased exposure to commercial activities.

### 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 a material reduction in the importance of its policy role or government support.

## Key Indicators

	2022FY	2023FY	2024FY	2025H1
Total Assets (RMB billion)	90.2	98.8	110.7	123.6
Total Equity (RMB billion)	32.2	32.4	33.8	37.5
Total Revenue (RMB billion)	6.0	5.6	5.5	2.7
Total Debt/Total Capital (%)	61.8	65.0	67.4	67.3

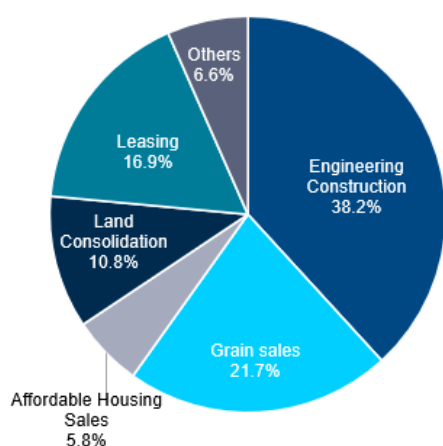
All ratios and figures are calculated using CCXAP's adjustments.

Source: Company data, CCXAP research

## Corporate Profile

Established in 2016, TXSI is the most important and largest construction and operation entity in Xinghua City, Taizhou City. As the main operator and developer in Xinghua City, the Company plays important roles in public activities, including grain sales and storage, infrastructure construction, affordable housing sales, water-related business, and public transportation services. In addition, the Company also undertakes commercial activities such as self-operated projects and leasing businesses. As of 30 June 2025, the Company was wholly owned and ultimately controlled by the State-owned Assets Supervision and Administration Office of Xinghua City Government ("Xinghua SASAO").

### Exhibit 1. Revenue structure in 2024



Source: Company information, CCXAP research

## Rating Considerations

### Government's Capacity to Provide Support

We believe the Xinghua City Government has a strong capacity to provide support, based on its relatively good comprehensive strength, with stable economic and fiscal 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 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 three quarters of 2025, Jiangsu Province recorded a GRP of RMB10.3 trillion, representing a YoY increase of 5.4%.

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, representing a YoY growth of 5.1%, ranking 9<sup>th</sup> among all cities in Jiangsu Province. In the first three quarters of 2025, its GRP increased by 5.4% YoY to RMB537.0 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 2. 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)	69.7	69.7	69.6
Local Government Debt (RMB billion)	100.1	107.1	131.6

Source: Taizhou Municipal Government, CCXAP research

Xinghua City is a county-level city under the jurisdiction of Taizhou City and one of the top 100 counties in China according to the *2024 Study on High Quality Development Index for Small and Medium-sized Cities in China*. It has three leading industries including stainless steel, health food, and high-end equipment. Benefited by the ongoing development of its three pillar industries, Xinghua City achieves steady economic growth. In 2024, Xinghua City achieved a GRP of RMB124.0 billion with a YoY growth of 5.7%, ranking third among all cities/districts in Taizhou City. In the first three quarters of 2025, Xinghua City's GRP reached RMB92.4 billion with a YoY increase of 5.5%. The general budgetary revenue of the Xinghua City Government also demonstrated an increasing trend over the past three years, reaching RMB5.1 billion in 2024, ranking fourth among all cities/districts in Taizhou City. Affected by the land market, Xinghua City's government fund revenue increased significantly from RMB3.9 billion in 2023 to RMB5.5 billion in 2024, which is an important supplement to its fiscal strength. However, Xinghua City has a relatively weak fiscal balance, with an average fiscal balance rate of 37.2% over the past three years. The local government relies on subsidies from higher level government and government fund income to achieve balance. As of end-2024, Xinghua City Government's outstanding direct debt increased to RMB17.2 billion, accounting for about 13.9% of GRP.

### Exhibit 3. Key economic and fiscal indicators of Xinghua City

	2022FY	2023FY	2024FY
GRP (RMB billion)	108.5	115.5	124.0
GRP Growth (%)	4.3	7.3	5.7
General Budgetary Revenue (RMB billion)	4.8	5.1	5.1
General Budgetary Expenditure (RMB billion)	12.9	13.0	14.5
Local Government Debt (RMB billion)	12.4	13.4	17.2

Source: Xinghua City Government, CCXAP research

### Government's Willingness to Provide Support

#### Most important role in urban development and operation in Xinghua City, with large project reserves

TXSI remains the most important construction and operation entity in Xinghua City, with strong regional franchise advantages in various activities such as grain sales, engineering construction, water supply, and affordable housing development. The Company's main business is carried out by its three core subsidiaries, namely Xinghua Urban Construction Investment Co., Ltd. ("XUCI"), Xinghua Transportation Industry Investment Co., Ltd. ("XTII"), and Xinghua Cultural Tourism Development Co., Ltd. ("XCTD"). We believe that TXSI's strategic role in local economic development and public welfare undertakings is irreplaceable in the next 12-18 months.

The Company mainly conducts infrastructure construction projects through agency construction model. Under the agent construction model, the Company signs agreements with related government units to undertake project financing and construction. After the project is completed, the government will allocate the project settlement funds to the Company in instalments, with a 20% markup on the total cost. For projects started after 2023, the construction funds will be financed directly by the government, and the Company will recognize the construction management fee as income, at a rate of 1.5% of the construction cost. As of 30 June 2025, the Company had completed a wide range of infrastructure construction projects, mainly including the construction and upgrading projects of roads, with a total investment of RMB12.3 billion. However, progress on project settlement and payment collection was relatively slow, with payments received totaling RMB3.0 billion as of mid-2025. As of 30 September 2025, the Company had 30 key construction projects under construction, with a total estimated investment of around RMB6.9 billion and an uninvested amount of RMB5.1 billion, exerting

capital expenditure pressure on the Company. As of the same date, the Company had no infrastructure construction projects under planning.

In addition, the Company is the only entity engaging in affordable housing construction in Xinghua City, with its construction funds invested, and construction companies are selected for construction in a market-oriented manner. Upon completion of construction, most projects are marketed to citizens who meet the specified criteria. As of 30 September 2025, the Company completed 20 key affordable housing projects with a total investment of RMB6.1 billion, recognized revenue of RMB4.1 billion, and collected RMB3.4 billion in payments. In recent years, the sales progress of newly completed projects is slow. At the same time, there were no affordable housing projects under construction or planning.

In addition, the Company is the only land consolidation business entity in Xinghua City, including land transfer and land quota sales, covering 23 townships and 3 subdistricts of Xinghua City. As of 30 June 2025, the Company had no land under development, but had land to be developed totaling 500 mu, with a planned total investment of RMB500.0 million. At the same time, the Company's outstanding land development costs (including completed but not yet transferred land) amounted to RMB1.6 billion. However, the Company's land consolidation business settlement and payment collection progress are affected by the regional planning and fiscal budget arrangements.

### **Recurring revenue from public-related activities**

TXSI is engaged in the grain sales and reserve business through its subsidiary, which is the most important grain trading enterprise in Xinghua City. While participating in the market-oriented grain business in Xinghua City, the Company manages the grain circulation in the city on behalf of the Grain Bureau of Xinghua to maintain market order and price stability. The Company executes the grain reserve and rotation business on behalf of the government, and the government provides storage subsidies and purchase subsidies for the Company's grain reserve business. The grain sales business model involves the centralized procurement of high-quality, low-priced grain products, then screening and selling them to the open market through its own sales outlets or entrusted partners. The profit is made by earning the price difference. The Company's upstream suppliers are relatively dispersed. However, the Company faced a relatively high downstream concentration risk during the first three quarters of 2025, with the top 5 customers accounting for 98.7% of the total sales. Grain procurement is mainly concentrated in the suburbs and surrounding areas of Xinghua City, as well as farmers and other suppliers, with a small portion sourced from neighboring areas and areas outside the province. Revenue from grain sales slightly increased in 2024, mainly due to an increase in sales volume. However, the gross profit margin remained low, primarily due to a decline in selling prices in a volatile market.

Moreover, TXSI is responsible for the water supply and sewage treatment services in Xinhua City, covering the entire city. This business has a regional monopoly advantage with strong stability and sustainability. The Company also operates bus service business covering the entire Xinghua City. As of mid-2025, the Company had a total of 410 buses, including 167 urban buses, 243 urban and rural buses; and 126 operating lines, including 29 urban lines and 97 urban and rural lines.

### **Moderate exposure to commercial activities**

TXSI also engages in commercial activities, including self-operated construction projects and leasing. Based on our assessment, TXSI maintained a medium level of commercial exposure, with commercial business-related assets accounting for approximately 15.0-20.0% of total assets. These activities are aligned with the Company's aim of promoting industrial and urban development in Xinghua City. As TXSI is expanding its business scope

to the construction of self-operated projects, such as industrial parks and commercial housing, we expect that the exposure of the Company's commercial business will increase in the following years when the projects are completed.

The Company carried out self-operated projects, primarily factories and commercial housing. As of mid-2025, 5 key self-operated projects were under construction, with an estimated total investment of approximately RMB823.0 million and an uninvested amount of RMB733.0 million. The Company mainly relies on leasing or sales to achieve fund balance. However, given moderating macroeconomic growth, this business segment may face uncertainty regarding future cash inflows, and the ongoing project investment imposes capital expenditure pressure on the Company.

In addition, TXSI engaged in asset leasing, thereby fostering industrial development in Xinhua City. The Company had a diverse range of leasable assets, including water areas, educational projects, parks, commercial properties, and parking spaces. In 2024, the Company recognized a rental income of RMB929.1 million. However, the recovery of accounts receivable was slow. As of mid-2025, the Company's outstanding balance of receivables from its tenants, mainly local state-owned enterprises, totaled RMB2.0 billion.

### **Good track record of receiving government support**

TXSI has a good track record of receiving support from the local government in the form of equity and asset injections, financial subsidies, fiscal fundings, and project payments. In 2024, the Xinhua SASAO repaid RMB1.0 billion debts for TXSI's subsidiary, XCTD, which was treated as a capital injection for XCTD, and therefore the Company's capital reserves increased by RMB1.0 billion. In addition, during the first half of 2025, the local government transferred pipeline assets with a value of RMB3.5 billion to the Company. Meanwhile, from 2024 to 2025H1, the Company continued to receive ongoing financial subsidies totaling RMB2.4 billion from the local government, supporting its operation. Given TXSI's strong policy role and its important position in Xinhua City, we expect the Company to continue to receive government support over the next 12 to 18 months.

### **Fast debt growth and moderate asset liquidity**

Over the past two years, the Company has reported rapid debt growth, driven by its infrastructure construction and self-operated projects, with a relatively high proportion of short-term debt. The Company's total debt increased from RMB60.1 billion at end-2023 to RMB77.2 billion at mid-2025. Its total capitalization ratio, calculated by total debt to total capital, also increased from 65.0% to 67.3% over the same period, remaining relatively high. Meanwhile, short-term debt remained a relatively large share of total debt, accounting for 47.9% as of mid-2025. At the same time, the cash to short-term debt ratio was 0.2x, indicating that its cash balance was insufficient to cover its short-term debt. Therefore, the Company's debt rollover is highly dependent on external refinancing. Given the significant capital requirements of its construction projects, we expect the Company's debt leverage to remain relatively high over the next 12 to 18 months.

TXSI maintained moderate asset liquidity. The Company's assets mainly consisted of inventories, receivables, and intangible assets, accounting for 55.7% of total assets as at mid-2025. The relatively high proportion of assets with relatively low liquidity may cause capital occupation to the Company. Inventories were mainly development costs for infrastructure construction and lands. Other receivables were mostly payment receivables from the local government or other local state-owned companies. Intangible assets included aquaculture contracting rights, land use rights, and franchise rights for public parking spaces in Xinhua City. Furthermore, as of 30 June 2025, the Company's pledged assets amounted to RMB12.4 billion, accounting for 10.0% of total assets.

## Access to diversified funding channels

TXSI mainly relies on bank borrowing to meet its capital expenditure needs, accounting for more than half of the total debt at mid-2025. The Company has maintained a good relationship with various large domestic banks, including Agricultural Development Bank of China, China CITIC Bank Corporation Limited, and Bank of Jiangsu Co., Ltd. As of 30 June 2025, the Company obtained total credit facilities from banks of RMB14.8 billion and available credit facilities of RMB3.2 billion. Furthermore, TXSI has a proven track record of financing from the debt capital market. The Company and its subsidiaries, XUCI and XTII, are active in issuing different financial products in the domestic bond market, including commercial papers, MTNs, PPNs, and corporate bonds. From January 2024 to November 2025, the Company and its subsidiaries raised funds of RMB24.6 billion via several tranches of onshore bonds, with coupons ranging from 1.89% to 3.2%. Besides, the Company had moderate exposure to non-standard financing, accounting for around 14.2% of total debt at mid-2025.

## Moderate contingent risk from external guarantees

The Company's credit profile is constrained by its relatively large external guarantees relative to its net assets. Its external guarantees increased to RMB15.2 billion at mid-2025, accounting for 40.5% of net assets. All of the external guarantees were provided to local state-owned enterprises. In case a credit event occurs, the Company may face certain contingent liability risks and cross-default risks, which are negative to its credit quality. However, we estimate the contingent risk would be controllable, as most of these local state-owned enterprises are likely to be supported by the local government when necessary.

## ESG Considerations

TXSI is exposed to environmental risks because it has undertaken the engineering construction business. Such risks could be moderated by conducting environmental studies and planning before the commencement of projects, as well as close supervision during the construction phase.

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

In terms of corporate governance, TXSI has established a sound and effective internal control framework, and has also set up a corporate governance structure, with the shareholders, directors, supervisors, senior management teams and internal departments performing their duties collectively and efficiently. The Company is subject to oversight and reporting requirements to Xinghua SASAO, which has full control and supervision of the Company's operation.

## 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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**China Chengxin (Asia Pacific) Credit Ratings Company Limited**

Address: Suites 1904-1909, 19/F, Jardine House,  
1 Connaught Place, Central, Hong Kong

Website: [www.ccxap.com](http://www.ccxap.com)

Email: [info@ccxap.com](mailto:info@ccxap.com)

Tel: +852-2860 7111

Fax: +852-2868 0656