

Credit Opinion

27 March 2025

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

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Taixing Jinjiang Investment Co., Ltd.

Surveillance credit rating report

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

Summary

The BBB_g long-term credit rating of Taixing Jinjiang Investment Co., Ltd. ("TXJI" or the "Company") reflects Taizhou Municipal Government's (1) very strong capacity to provide support and (2) moderate willingness to provide support based on our assessment of the Company's characteristics.

Our assessment of the Taizhou Municipal Government's capacity to provide support reflects its 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 the economic and industrial development of Taixing City, especially in Taixing Economic Development Zone ("Taixing EDZ"); and (2) track record of receiving government support.

However, the rating is constrained by the Company's (1) moderate exposure to commercial activities; (2) increasing debt burden and moderate asset liquidity; and (3) relatively high proportion of non-standard financing.

The stable outlook on TXJI'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 economic and industrial development of Taixing EDZ.

Rating Drivers

- Important role in the economic and industrial development of Taixing EDZ
- Moderate exposure to commercial activities
- Track record of receiving government support
- Increasing debt burden and moderate asset liquidity
- Relatively high proportion of non-standard financing

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 material reduction in exposure to commercial activities, an increase in strategic significance, or 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, decreased government support, or deteriorated debt management.

Key Indicators

	2021FY	2022FY	2023FY	2024Q3
Total Assets (RMB billion)	19.4	22.5	28.1	33.4
Total Equity (RMB billion)	11.7	12.0	12.0	12.1
Total Revenue (RMB billion)	1.4	1.9	2.3	2.4
Total Debt/Total Capital (%)	30.3	41.3	45.9	51.5

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

Source: Company data, CCXAP research

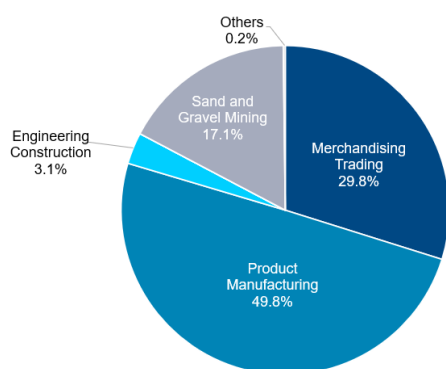
Corporate Profile

Established in 2017 with the approval of the People's Government of Taixing City and funded by the Management Committee of Taixing EDZ, TXJI is an important local infrastructure investment and financing company ("LIIFC") in Taixing City, especially in Taixing EDZ. TXJI is mainly responsible for the primary land development, infrastructure construction, resettlement housing construction in the southern area and Chemical Industry Park of Taixing EDZ. The Company also participates in different commercial activities, mainly including industrial park construction and operation, financial investment, merchandising trading, product manufacturing, as well as sand and gravel mining business.

In July 2024, one of the Company's shareholders, Taixing Chengxing State-owned Assets Management Investment Co., Ltd. ("Taixing Chengxing"), transferred its holding of the Company's shares to its subsidiary, Taixing Ruitai Industrial Investment Group Co., Ltd. ("Taxing Ruitai"). In addition, the Taizhou New Chemical Materials Industry Development Group Co., Ltd., which is wholly and directly owned by the State-owned Assets Supervision and Administration Commission of Taizhou Municipal Government ("Taizhou SASAC"), became the shareholder of Taixing Port Group Co., Ltd. ("Taixing Port Group") and Taixing Zhongxin Investment Group

Co., Ltd. since July and August 2024, respectively. As of 30 September 2024, Taixing Port Group and Taixing Ruitai hold 85% and 15% shares of the Company, respectively. The Company was ultimately controlled by the Taizhou SASAC.

Exhibit 1. Revenue structure in 2023



Source: Company information, CCXAP research

Exhibit 2. Gross profit structure in 2023

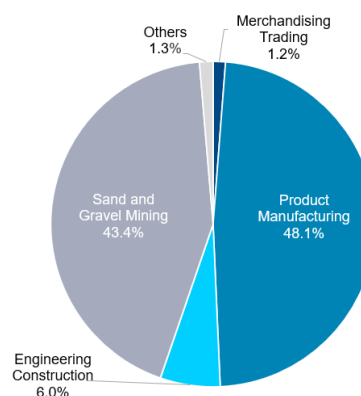
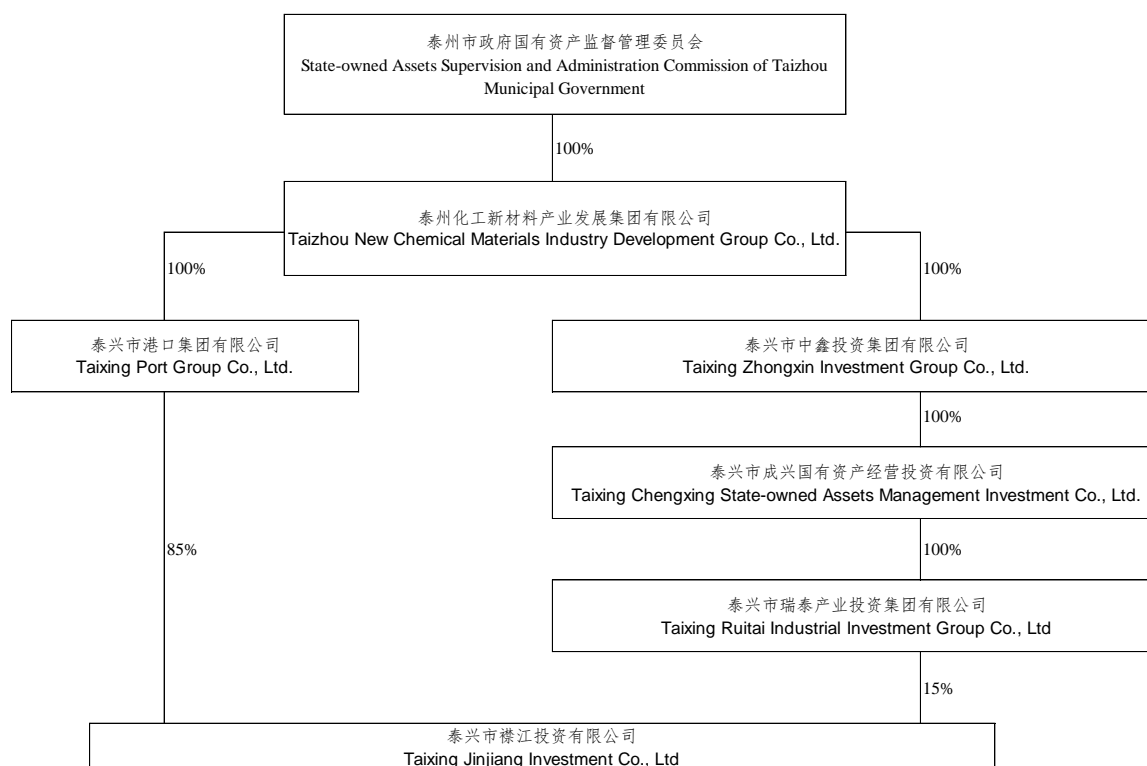


Exhibit 3. Shareholding chart as of 30 September 2024



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, based on its relatively 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%, ranking second among all provinces in the country.

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 preliminary GRP increased to RMB702.1 billion in 2024, representing a YoY growth of 5.1%. Meanwhile, Taizhou Municipal Government's general budgetary revenue increased steadily from RMB44.0 billion in 2023 to RMB45.3 billion in 2024. Taizhou City also has a good fiscal balance, with a fiscal balance ratio (general budgetary revenue to general budgetary expenditure) averaging 62.6% for the past three years. 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

Located in the center of Jiangsu Province and the lower reaches of the Yangtze River, Taixing City is a county-level city under the jurisdiction of Taizhou City and one of the pilot counties which are directly administered by the Jiangsu Provincial Government. Owning good natural conditions with rich mineral reserves and a natural harbor, Taixing City serves as an important port city and transportation hub in Jiangsu Province and the Yangtze River Delta Region. Taixing City has relatively good comprehensive strength, ranking 32nd among China's Top 100 counties in 2024, according to CCID Consulting. Benefiting from the growth in the industrial sector led by chemical, medicine, mechanical and electrical industries, and the policy to stimulate the development of emerging industries such as new chemical materials, new energy, and new food raw materials, Taixing City achieved rapid economic growth and a large economic volume. Taixing City's GRP ranked 1st among all districts or counties in Taizhou City over the past three years. In 2023, Taixing City recorded a GRP of RMB146.0 billion, increasing by 6.5% YoY. Taixing City's GRP grew by a YoY rate of 5.4% in 2024.

Taixing City has a good fiscal profile with good fiscal self-sufficiency and revenue-generating ability. In 2024, the general budgetary revenue increased to RMB10.0 billion from RMB9.7 billion in 2023, with tax revenue rising to RMB7.1 billion from RMB7.0 billion. At the same time, the 3-year average fiscal balance ratio was 71.1% and the 3-year average fiscal stability (tax revenue/general budgetary revenue) remained at a relatively high level of 70.9%. Government fund budget revenue is an important supplement to fiscal revenue. However, due to the sluggish land market, Taixing City's government fund budget revenue has been on a downward trend in the past three years. As at end-2024, Taixing City Government's outstanding direct debt increased to RMB29.8 billion.

Exhibit 5. Key economic and fiscal indicators of Taixing City

	2022FY	2023FY	2024FY
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GRP (RMB billion)	136.7	143.5	-
GRP Growth (%)	5.3	6.5	5.4
General Budgetary Revenue (RMB billion)	9.0	9.7	10.0
General Budgetary Expenditure (RMB billion)	12.8	13.7	13.9
Local Government Debt (RMB billion)	26.8	26.7	29.8

Source: Taixing City Government, CCXAP research

Taixing EDZ was established in 1991, and was approved as a provincial development zone in November 1992. The total planning area is 68 square kilometers, and the core area is 20 square kilometers. It has formed high-end and special fine chemicals, new chemical materials, biological pharmaceuticals, high-end equipment (marine ship engineering) manufacturing and other industrial clusters. According to the Comprehensive Competitiveness Research on the Top 100 Chemical Parks by CCID Consulting, Taixing EDZ ranked 4th among 100 chemical parks in 2024 and has been ranked in the Top ten for 11 consecutive years. Taixing EDZ plays an important role in the industrial upgrading and economic development of Taixing City and Taizhou City.

Government's Willingness to Provide Support

Important role in the economic and industrial development of Taixing EDZ

The development of Taixing EDZ is supportive of the long-term sustainable development of TXJI. There are two main LIIFCs in the development of Taixing EDZ, namely Taixing Chengxing and TXJI. Taixing Chengxing is mainly responsible for the infrastructure construction and sewage treatment in the northern area of Taixing EDZ, such as sewage pipelines and pipe networks. TXJI focuses on the primary land development, infrastructure construction, resettlement housing construction in the southern area and Chemical Industry Park of Taixing EDZ.

TXJI adopts the entrusted construction mode and engineering construction mode for infrastructure construction projects. Under the entrusted construction mode, the local government authorizes Taixing Binjiang Pipe Gallery Construction Co., Ltd. ("Binjiang Construction") as the entrusting party to sign the entrustment agreement with TXJI. In February 2023, Binjiang Construction and Taixing Port Group signed an agreement that suspended the delivery and settlement of the ongoing infrastructure construction projects from January 2023. Therefore, the Company did not recognize revenue from the infrastructure construction business in 2023. As at end-2023, the Company had 3 key infrastructure construction projects under construction, with a total investment amount of RMB1.5 billion and an outstanding amount of RMB1.1 billion.

TXJI also shoulders the responsibilities of resettlement housing construction in Taixing EDZ. TXJI receives payments based on the actual costs plus a certain markup in return from the local government after examination of the projects. As at end-2023, the Company had 2 resettlement housing projects under planning with a total investment of RMB1.6 billion.

TXJI has signed an entrusted agreement with the local government for primary land development in the southern part and Chemical Industry Park of Taixing EDZ. The Company carries out the primary land development through self-financing, and the local government will pay the proceeds after the transfer of the relevant land parcels.

Moderate exposure to commercial activities

TXJI also engages in commercial business activities, mainly including industrial park construction and operation, financial investment, merchandising trading, product manufacturing, as well as sand and gravel mining business.

Based on our estimation, TXJI maintained a moderate commercial exposure, accounting for around 10% to 20% of its total assets.

To promote local investment attraction and industrial development, the Company participates in industrial park construction and operation through self-operation mode. Under self-operation mode, TXJI would achieve fund balancing through leasing and operating revenue from industrial parks. As at end-2023, the Company had operated 4 leasable properties, including the Chemical Industrial Park Standard Factory Project, with more than 20 enterprises settled in. Meanwhile, the Company had 2 projects under construction, with a total investment of RMB1.2 billion and an uninvested of RMB914.0 million, bringing certain capital expenditure pressure to the Company. These projects focus on the transformation of high-tech innovation achievements in chemical industrials and new materials, which is highly related to the pillar industries of Taixing EDZ. It also helps resettled enterprises quickly achieve large-scale industrialization and commercial production, which is beneficial to local industrial development and the competitiveness of Taixing EDZ. However, the relatively large initial investment and long payback period of industrial park projects will bring relatively large financial pressure on the Company.

TXJI is also involved in the financial investment to attract investment and promote industrial optimization and upgrading in Taixing EDZ through fund investments and equity investments. The Company's investments mainly focus on the high-end equipment manufacturing industry, biomedical and high-performance medical device industry, chemical and new material industry, as well as supporting facilities and services in the industrial parks. However, the returns of these investments are subject to the operation risk and financial performance of the investees, in our view.

TXJI conducts its merchandising business through its subsidiary Taixing Economic Development Zone Xinggang Trading Company Limited, which mainly engages in the sales of ethylene glycol. In 2023, the Company expanded its business scope to product manufacturing, in which the Company provides repackaging services. The merchandising business and product manufacturing segments contributed significantly to total revenue, accounting for 29.8% and 49.8%, respectively, in 2023. In addition, the gross profit margin of the merchandising business increased from 0.1% in 2022 to 0.4% in 2023, while the product manufacturing business had a relatively high gross profit margin of 8.8% in 2023. However, these businesses face relatively high concentration risk, as the top 5 customers and suppliers accounted for over 90% of sales and procurement in 2023.

TXJI started recording income from sand and gravel mining in 2023, with the sand mining rights transferred from the local government. The Company sells the extracted sand and gravel materials to developers and construction companies in Taizhou City and its surrounding areas. This segment provides supplementary income to the Company's overall revenue, amounting to RMB387.5 million and representing 17.1% of the total revenue in 2023. However, the Company is exposed to certain concentration risks. In 2023, the Company has a high reliance on its top 2 customers, which may adversely affect the stability of the business.

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. Since its establishment, the Company has received asset injections from the local government, such as equity shares and mining rights, which has greatly improved its capital strength and broadened its business scope. In July 2021, the local government transferred the sand and gravel rights to the Company, increasing capital reserve by RMB6.2 billion. In addition, from 2023 to 2024Q3, the Company received ongoing subsidies for carrying out policy-support activities such as infrastructure construction projects, with a total amount of approximately RMB2.7 million. Considering TXJI's important position and relationship

with the local government, we expect the local government will continue to support TXJI over the next 12 to 18 months.

Increasing debt burden and moderate asset liquidity

With continuous financing for construction projects, TXJI shows fast debt growth. As of 30 September 2024, the Company's total debt increased to RMB12.9 billion from RMB10.4 billion as of 30 September 2023, with a total capitalization ratio of 51.5%. Moreover, the Company faced increasing short-term debt pressure. Over the same period, TXJI's short-term debt increased to RMB6.5 billion from RMB3.5 billion, accounting for 50.6% of the total debt. At the same time, the cash to short-term debt ratio maintained at around 0.7x, indicating that its cash balance could not fully cover its short-term debt. Given the large capital needs from infrastructure construction and self-operated projects, we expect the Company's debt burden would further increase in the next 12 to 18 months.

TXJI maintained moderate asset liquidity, and its assets mainly consist of inventories, receivables and intangible assets. As of 30 September 2024, its inventories accounted for 21.1% of total assets, mainly consisting of land and infrastructure construction project costs. In addition, the Company's accounts receivables and other receivables mainly consisted of transactions with other state-owned enterprises, accounting for 8.0% of total assets. The intangible assets, mainly the sand mining rights transferred from the government, accounted for 16.7%. Furthermore, the Company had pledged assets of RMB32.8 billion for loans, accounting for 9.8% of total assets as of 30 September 2024.

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. The Company maintained relatively high exposure to non-standard products, which accounted for around 39.4% of the total debt as of 30 September 2024. These non-standard financing products generally have high financing cost, increasing TXJI's refinancing pressure and financial burden. Nevertheless, the Company maintains a good relationship with joint-stock commercial banks and large domestic banks. As of 30 September 2024, its total bank credit facilities amounted to RMB5.0 billion, of which the unutilized portion was around RMB886.5 million. They were mainly provided by diversified large domestic banks such as the Bank of China and China Construction Bank. Furthermore, TXJI has continued to widen its funding channels. The Company has tapped into the offshore debt market since 2022. In March 2025, the Company issued a tranche of 3-year offshore bond, raising JPY4.1 billion, with a coupon rate of 3.6%.

ESG Considerations

TXJI is exposed to environmental risks because it has undertaken the infrastructure 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.

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

In terms of corporate governance, TXJI's governance considerations are also material as the Company is subject to local government oversight and 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 \(July 2022\)](#).

Appendix

Exhibit 6. Peer comparison

	Taixing City Investment Development Group Co., Ltd.	Taixing Jinjiang Investment Co., Ltd.
Long-Term Credit Rating	BBB _g +	BBB _g
Shareholder	Jiangsu Pingzhong Technology Development Group Co., Ltd. (100%)	Taixing Port Group Co., Ltd. (85%) and Taixing Ruitai Industrial Investment Group Co., Ltd. (15%)
Positioning	Core entity in the infrastructure construction and public activities of Taixing City	Key role in construction and development of the southern area and Chemical Industry Park of Taixing EDZ
Total Assets (RMB billion)	73.3	28.1
Total Equity (RMB billion)	27.7	12.0
Total Revenue (RMB billion)	6.3	2.3
Total Debt/Total Capital (%)	57.6	45.9

All ratios and figures are calculated using CCXAP's adjustments based on financial data in 2023.

Source: Company information, CCXAP research

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