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

Hong Kong, 24 October 2025 – China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") has affirmed Jiangsu Xinkai Investment Group Co., Ltd.'s ("Xinkai Group" or the "Company") long-term credit rating at A_g-, with stable outlook.

The A_g- long-term credit rating of Xinkai Group 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 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 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").

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.

Rating Rationale

Credit Strengths

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 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.

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. 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.

Credit Challenges

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.

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. However, the Company continued to face certain short-term debt pressure. 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.

Large exposure to external guarantees. Xinkai Group's credit profile is constrained by its large external guarantees, which could potentially increase its repayment obligations. 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.

Rating Outlook

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.

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.

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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