

Credit Opinion

27 June 2025

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

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Taicang State-owned Capital Investment Holding Co., Ltd.

Surveillance credit rating report

CCXAP affirms Taicang State-owned Capital Investment Holding Co., Ltd.'s long-term credit rating at A_g-, with stable outlook.

Summary

The A_g- long-term credit rating of Taicang State-owned Capital Investment Holding Co., Ltd. ("TCSI" or the "Company") reflects Taicang City Government's very strong capacity to provide support, and the local government's 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 Taicang City's comprehensive strengths with good economic fundamentals and good fiscal self-sufficiency. Taicang City's comprehensive economic strength ranked 6th among the Top 100 Counties in 2024 according to CCID Consulting.

The rating also reflects the local government's willingness to provide support, which is based on the Company's (1) important role in the development of Taicang City as the largest entity for infrastructure construction and state-owned capital operation under the direct control of Taicang City Government; (2) good track of receiving government support; and (3) good access to diversified financing channels.

However, the rating is constrained by the Company's (1) medium level of commercial business risk; and (2) increasing debt financing for property and public projects.

The stable outlook on TCSI's rating reflects our expectation that the Taicang City Government's capacity to provide support will remain stable, and the Company will maintain its important position in Taicang City over the next 12-18 months.

Rating Drivers

- Policy role as the largest state-owned enterprise under the control of Taicang City Government to carry out city and economic development in Taicang City
- Medium level of commercial business risk
- Good track record of receiving government support
- Increasing debt financing for property and public projects
- Good access to diversified financing channels

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) the local government's ability 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 decreased commercial business risks or improved debt management.

What could downgrade the rating?

The rating could be downgraded if (1) the local government's ability to provide support weakens; or (2) the Company's characteristics change in a way that decreases the local government's willingness to provide support, such as materially increased exposure to risky commercial activities or a deterioration in its financing ability.

Key Indicators

| | 2022FY | 2023FY | 2024FY | 2025Q1 |
|------------------------------|--------|--------|--------|--------|
| Total Assets (RMB billion) | 100.2 | 114.6 | 131.9 | 136.6 |
| Total Equity (RMB billion) | 34.9 | 40.1 | 44.4 | 44.4 |
| Total Revenue (RMB billion) | 8.4 | 9.5 | 9.5 | 3.4 |
| Total Debt/Total Capital (%) | 55.9 | 57.3 | 59.4 | 60.6 |

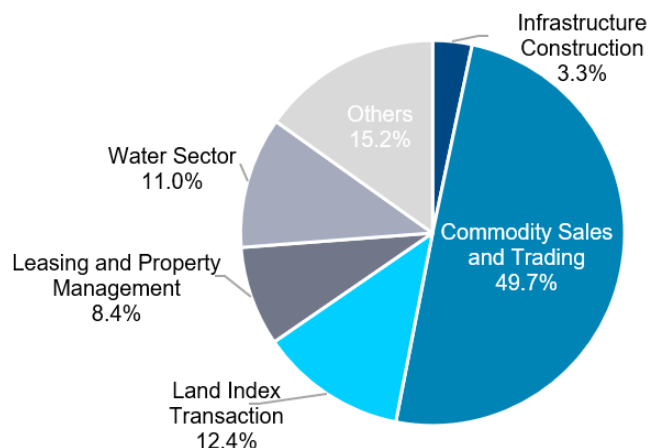
All ratios and figures are calculated using CCXAP's adjustments.

Source: Company data, CCXAP research

Corporate Profile

Established in 2020, TCSI is one of the essential entities for construction and state-owned capital operation in Taicang City, Suzhou City. In December 2022, the State-owned Assets Supervision and Administration Office of Taicang City Government ("Taicang SASAO") transferred its shares in five key state-owned enterprises ("SOEs") to the Company, all of which were important SOEs with clear function divisions in Taicang City. TCSI's businesses cover key urban construction and development projects in Taicang City, which include infrastructure construction, resettlement housing construction, transportation, and water. It also engages in commercial activities such as commodity sales, real estate development and property leasing. Most of the business is undertaken by its operating subsidiaries. As of 31 March 2025, Taicang SASAO was the ultimate controller of the Company.

Exhibit 1. Revenue structure in 2024



Source: Company information, CCXAP research

Rating Considerations

Government's Capacity to Provide Support

We believe that the Taicang City Government has a very strong capacity to provide support, given its comprehensive economic strengths with good economic fundamentals and high fiscal self-sufficiency. Taicang City's comprehensive economic strength ranked 6th among the Top 100 Counties in 2024 according to CCID Consulting.

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 2nd among all provinces in the country.

Suzhou City is a prefecture-level city located in the southeast of Jiangsu Province and is regarded as one of the top Chinese cities for its advanced economic and social developments. Suzhou City has a rich historical background and is known for its canals, classical gardens, and bridges. Suzhou City owns 14 national development zones, the most national development zones in one single city in China. Supported by its good location advantages, completed industrial chain, intensive layout of national-level incubators, world-class traditional cultural resources, and water ecological resources, Suzhou City's economic strength has long been ranked first in Jiangsu Province. In 2024, Suzhou City achieved a GRP of RMB2,672.7 billion with a YoY growth rate of 6.0%, and the general budgetary revenue increased to RMB245.9 billion. The contribution of tax revenue in Suzhou City has been stable, accounting for over 80.0% of general budgetary revenue over the past three years. Suzhou City also has a strong fiscal balance and good debt profile with a self-sufficiency ratio (general budgetary revenue/general budgetary expenditure) of over 90.0% in the past three years. As of 31 December 2024, the outstanding debt of Suzhou Municipal Government amounted to RMB365.8 billion, accounting for 13.7% of the GRP.

Exhibit 2. Key economic and fiscal indicators of Suzhou City

| | 2022FY | 2023FY | 2024FY |
|---|---------|---------|---------|
| GRP (RMB billion) | 2,395.8 | 2,465.3 | 2,672.7 |
| GRP Growth (%) | 2.0 | 4.6 | 6.0 |
| General Budgetary Revenue (RMB billion) | 232.9 | 245.7 | 245.9 |
| General Budgetary Expenditure (RMB billion) | 258.9 | 262.1 | 260.2 |
| Local Government Debt (RMB billion) | 177.2 | 204.6 | 365.8 |

Source: Suzhou Municipal Government, CCXAP research

Under the jurisdiction of Suzhou City, Taicang City is located in the southeast of Jiangsu Province, bordering Baoshan District and Jiading District of Shanghai City in the south, Kunshan City in the west, and Changshu City in the north. Taicang City has a national-level Taicang Port Economic and Technological Development Zone and a provincial-level High-tech Zone. It has a complete range of industries, mainly including precision machinery, auto parts, petrochemicals, new materials, high-end equipment manufacturing, and biomedicine, which has become an important driving force for regional economic development. Taicang City has shown continuous economic growth over the past three years. In 2024, its GRP reached RMB188.0 billion with a YoY increase of 6.8%. Taicang City is characterized by a good self-sufficiency ability and stability. Over the past three years, the tax revenue has accounted for an average of around 82.3% of general budgetary revenue. Also, Taicang City had a strong fiscal balance as its general budgetary revenue covered around 103.3% of its general budgetary expenditure on average over the past three years. At the end of 2024, the local government's outstanding debt was RMB30.2 billion, accounting for 16.1% of its GRP.

Exhibit 3. Key economic and fiscal indicators of Taicang City

| | 2022FY | 2023FY | 2024FY |
|---|--------|--------|--------|
| GRP (RMB billion) | 164.7 | 178.5 | 188.0 |
| GRP Growth (%) | 1.9 | 5.3 | 6.8 |
| General Budgetary Revenue (RMB billion) | 17.8 | 18.9 | 19.2 |
| General Budgetary Expenditure (RMB billion) | 17.9 | 18.4 | 17.8 |
| Local Government Debt (RMB billion) | 16.8 | 17.9 | 30.2 |

Source: Taicang City Government, CCXAP research

Government's Willingness to Provide Support**Position as the largest SOE after the equity transfer from the local government**

In December 2022, the Taicang City Government transferred its shares of five essential SOEs to TCSI, including 100.0% of Taicang Asset Management Group Co., Ltd. ("TCAM"), Taicang Taihe Holding Group Co., Ltd. ("TCTH"), Taicang Water Group Co., Ltd. ("TCWG"), Taicang City Development Group Co., Ltd. ("TCCD"), and 90.0% stake of Taicang Culture and Education Investment Group Co., Ltd. ("TCEI"). After the consolidation, TCSI became the largest SOE in terms of total assets under the control of Taicang SASAO. The Company's positioning has remained unchanged over the past two years. Owing to its policy role and strategic importance in state-owned assets operations and urban renewal in Taicang City, we believe that the Company is unlikely to be replaced by other state-owned enterprises in the foreseeable future.

The Company mainly carries out its businesses through its subsidiaries. Specifically, TCAM is responsible for state-owned capital investment and operation, asset management, and development of the modern service industry in Taicang City; TCTH is engaged in comprehensive urban transportation, industry-city integration and environmental protection and energy sector in Taicang City; TCWG is responsible for water supply and drainage

business, water environment management and water project construction in Taicang City; TCCD is responsible for urban construction, urban operation, and comprehensive real estate development in Taicang City; TCEI is mainly responsible for the development of Science and Education Innovation Area of Loujiang New City, Taicang City, including education and talents development, science and technology investment, and operation of incubators.

Important role in the urban construction and development in Taicang City

TCSI is mainly responsible for the construction projects in the central area of Taicang City which includes multiple projects such as major projects, municipal roads, water facilities, greening engineering, and supporting infrastructure in industrial parks. The Company undertakes infrastructure construction mainly under two models. One is the Company raises funds itself for development and will receive payments from entrusting parties generally equal to cost plus a markup after the settlement of relevant projects. Another is the management service model, which means the entrusting party pays the Company according to construction progress subject to the contract and the Company is responsible for the management of the project and earns a management fee, generally equal to 1.0%-2.0% of the invested amount. As of 31 March 2025, the Company had 7 key infrastructure projects under construction with a total investment of RMB6.9 billion and an uninvested amount of RMB3.3 billion. These projects mainly include urban renewal, roads, schools, and public facility improvement projects. Meanwhile, the Company had 2 construction projects under planning, with an estimated total investment of RMB1.6 billion. As the main construction entity in Taicang City, the Company has a privileged position in the infrastructure construction business. The Company would continue to carry out infrastructure construction and renovation projects in the future, aligning with the government's coordination, and its business sustainability is relatively good.

TCSI is also responsible for the development and construction of resettlement housing in Taicang City. In recent years, the projects were mainly located in Chengxiang Town (Old Town), Huangjing Town and High-tech Zone in Taicang City. The Company raises funds for project construction, and the housing will be sold to resettlement households directly or repurchased by relevant government departments after completion. As of 31 March 2025, TCSI had completed 4 key resettlement housing projects with a total investment amount of RMB1.6 billion. At the same time, there were no resettlement housing projects under construction and planning. In line with the future plan of the local government, the Company would continue to undertake affordable housing projects if needed.

TCSI is the sole entity for the water supply in Taicang City and has two water plants with a designed water supply capacity of 700,000 tons per day that can fully meet the water needs of Taicang City. TCSI also provides sewage treatment covering the whole city except the Taicang Port Development Zone and Taicang Economic Development Zone. As of 31 March 2025, the Company had 9 sewage treatment plants with a designed capacity of 395.0 thousand tons per day. The Company is expanding and upgrading its wastewater treatment plants with a total investment amount of RMB219.0 million and an outstanding amount of RMB63.0 million. In addition, there was a sewage treatment plant project under planning with an estimated investment of RMB200.0 million. Along with the completion of these projects, the Company's sewage treatment capacity is expected to improve.

TCSI is also engaged in providing public services including public bus business and sanitation services. TCSI's public bus business has strong public welfare attributes and is currently experiencing gross profit losses. Taicang Municipal Finance Bureau provides subsidies every year to make up for the losses. In addition, it invested in 5 railway projects within Taicang City in representation of the Taicang City Government, demonstrating prominent policy functions. The total investment of the projects is RMB10.2 billion, and the

Company's planned investment is RMB8.4 billion, with RMB6.3 billion invested as of 31 March 2025. These projects received government support, including financial subsidies and government special bonds totaling RMB4.5 billion at end-March 2025, which could partially alleviate the financing pressure on the Company.

We believe that the strategic role of TCSI in Taicang City's urban and economic development is irreplaceable in the short-to-medium term, in view of TCSI and its subsidiaries having a track record of providing diversified public services and engaging in the entire urban construction.

Medium level of commercial business risk

TCSI has medium risk exposure to commercial activities, such as commodity sales, real estate development, property leasing and management and financial investments, based on our assessment. These activities have been a good supplement to the Company's operating revenue but pose the Company to related business risks that require prudent risk control.

TCSI's commodity sales business includes import and export agency business and domestic trade, which is the main source of the Company's operating revenue. In 2024, the revenue from the commodity sales and trading business was RMB4.7 billion, accounting for 49.7% of the total revenue, but recording a low gross profit margin of around 1.5%. However, the stability of the Company's import and export agency business is highly affected by the market fluctuation, including currency exchange rate volatility, political instability, and supply chain disruptions, imposing high operating risks to the Company. Moreover, as most of the clients are privately-owned companies, the Company may face more risk in the recovery of the receivables during economic downturn, most of which are generated by early trading business with long account periods and small provisions.

TCSI owns leasable assets including real estate, shops, and standard factory buildings, mainly located in Taicang City and have brought stable property leasing profit to the Company. With the increase in leasable assets and the marketization of rental prices, TCSI's revenue from property leasing and management had increased steadily over the past three years, reaching RMB792.3 million in 2024. As of 31 March 2025, TCSI has leasable assets with a total leasable area of 1.8 million square meters. We believe its rental income is recurring and stable, as a high rental rate of over 80.0% on average. In addition, the Company's leasing properties will increase significantly in the future and become more diversified. At the end of March 2025, there were 13 properties under construction including office buildings and industrial parks, with a total investment of approximately RMB10.7 billion and an outstanding amount of RMB6.9 billion, exerting capital expenditure pressure on the Company. Since the leasing and management fee business is highly related to the local economic prosperity and business environment, TCSI faces certain commercial and financial risks.

In addition, TCSI also engaged in self-operated projects, having a Taicang City Chengxiang Area Quality Improvement and Renewal Project, which will be balanced through future income. The project mainly includes the construction of a kindergarten, the construction and renovation of urban roads, and renovation of residential areas with a total investment of RMB5.3 billion and an uninvested amount of RMB227.0 million as of 31 March 2025. The balance of investment mainly relies on the leasing income from commercial buildings and operation income from industrial cultivation facilities. TCSI is also responsible for facilities construction for Taicang Station and Taicang South Station with a total planned investment of RMB1.9 billion and an invested amount of RMB1.2 billion as of 31 March 2025. The Company is expected to achieve a balance of project funds through the future operating income such as parking fees, leasing, and renting of advertising slots.

TCSI also participates in the construction and sales of commercial residential properties. As of 31 March 2025, the Company had 7 key residential property projects under construction with a total investment amount of

around RMB12.4 billion and an uninvested amount of RMB4.1 billion. Some of these projects have commenced pre-sales, with a collected payment of RMB817.0 million. Meanwhile, the Company had a key residential property project under planning with a total investment of RMB2.2 billion. Considering the relatively large-scale investment in real estate projects, TCSI is exposed to higher business risk due to its property development business amid the decelerated property market in China.

Good track of receiving government support

TCSI has a good track record in receiving government support in terms of cash injection, asset injection, and financial subsidies. In 2023 and 2024, the Company received a cash injection of RMB346.3 million and RMB722.0 million from the government, respectively. As of 31 March 2025, the Company recorded a paid-in capital of RMB2.0 billion and a capital reserve of RMB35.0 billion. During the period of 2023 to 2024, the local government transferred some operating assets such as greening assets, drainage vehicles, and municipal infrastructure to the Company, enhancing its capital strength. Moreover, the Company received government subsidies totaling RMB1.4 billion from 2023 to 2025Q1. In addition, the Company has a track record of obtaining the repayments for the infrastructure construction business. Since TCSI plays an important role in the urban construction and public welfare of Taicang City, it is expected that the Company will continue to receive government support, such as subsidies and repayments, to the agent construction projects.

Increasing debt financing for property and public projects

TCSI shows a rising debt burden owing to its debt-driven business expansion over the past years. As of 31 March 2025, the Company's total debt grew to RMB68.2 billion from RMB53.8 billion as of end-2023. The total capitalization ratio, as measured by total debt to total capital, has also increased to 60.6% from 57.3% during the same period. Meanwhile, the Company bore a relatively high short-term debt burden with the short-term debt accounting for 43.2% of the total debt, and the cash to short-term debt ratio was low at 0.3x. Considering the Company's ongoing investment needs, we expect that the Company will rely on external financings to meet its capital expenditures, and the total debt level will continue to increase.

Besides, TCSI's asset liquidity was constrained by a relatively high portion of restricted assets. As of 31 March 2025, the Company's pledged a number of assets for loans, including cash, inventories, and investment properties, with a total restricted amount of RMB14.9 billion, accounting for 10.9% of its total assets. Meanwhile, the Company holds a relatively large scale of trading financial assets, long-term equity investment, other equity instrument investments, other non-current financial assets, and investment properties, accounting for around 27.0% of total assets and generating supplementary income to the Company.

Good access to diversified financing channels

TCSI has good access to bank borrowing and capital market, which can partially relieve the pressure on debt repayment and capital expenditure. It maintains good relationships with policy banks and large state-owned commercial banks. As of 31 March 2025, the Company had a total bank credit facility of RMB94.1 billion, with an available amount of RMB40.0 billion, providing standby liquidity. In addition, the Company and its subsidiaries have a good track record of fund-raising activities in the capital market with low financing costs. For example, the Company issued two tranches of corporate bonds in March 2024, raising RMB950.0 million with a low coupon rate of 2.5% and 2.8%, respectively. Furthermore, the Company has a low exposure to non-standard financing products, which accounted for less than 5.0% of the total debt as of 31 March 2025.

As TCSI's credit profile has been recognized by financial institutions and investors, the Company's average financing cost has been gradually decreasing, which could benefit capital replenishment and relieve its debt repayment pressure. Taicang City and Suzhou City are well-developed cities in Jiangsu Province with strong economic strengths and good financial environment. As the largest SOE in Taicang City, the Company is expected to maintain good access to both bank borrowing and debt capital market, which thereby relieves the pressure of capital expenditure.

Certain level of contingent risks

TCSI's contingent risk is controllable as the total amount of external guarantees accounted for a limited proportion of its net assets and most of the guarantees are provided to the SOEs within Taicang City. As of 31 March 2025, the total amount of external guarantees was approximately RMB1.8 billion, representing 3.9% of its net assets. Among them, there were around RMB535.8 million in guarantees provided to privately-owned enterprises, part of whose equity is held by the Company, decreasing from RMB1.2 billion at end-September 2023. The remaining part of the guarantees were provided to local SOEs. In case of credit event occurs, the Company may face certain contingent liability risks, which could negatively impact its credit quality. We believe that the credit risk of the guarantee could be partially relieved by the local government's support to some of these local SOEs in times of need. Meanwhile, TCSI engaged in operating guarantee business through a subsidiary with a total balance on guarantee of RMB1.0 billion as of 31 March 2025, accounting for around 2.4% of its net assets.

ESG Considerations

TCSI faces environmental risks because it has undertaken construction business. 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.

TCSI bears social risks as it implements public policy initiatives by building public infrastructure in Taicang City. Demographic changes, public awareness and social priorities shape the Company's development targets and ultimately affect the local government's propensity to support the Company.

TCSI's governance considerations are also material as the Company is subject to oversight by the Taicang City 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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