

**Lianhe Global has assigned ‘BBB-’ global scale Long-term Issuer Credit Rating with Stable Outlook to Taixing Port Group Co., Ltd.**

HONG KONG, 1 March 2023 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has assigned ‘BBB-’ global scale Long-term Issuer Credit Rating to Taixing Port Group Co., Ltd. (“TPG” or “the company”). The Outlook is Stable.

The Issuer Credit Rating reflects a high possibility that the People’s Government of Taixing City (“Taixing government”) would provide strong support to TPG if needed, in light of its full ownership of TPG, TPG’s strategic importance as an important local investment and development company (“LIDC”) for port infrastructure construction and municipal public utilities operation in Taixing, and the linkage between the Taixing government and TPG, including appointment and supervision of the senior management, strategic alignment, major investment and financing plan decisions and other government support. In addition, the Taixing government may face significant negative impact on its reputation and financing activities if TPG encounters any operational and financial difficulties.

The Stable Outlook reflects our expectation that TPG’s strategic importance would remain intact while the Taixing government will continue to ensure TPG’s stable operation.

**Key Rating Rationales**

**Government’s Ownership and Supervision:** TPG was established in June 2017. At end-September 2022, the Taixing government via the State-owned Assets Supervision and Administration Office of Taixing (“Taixing SASAO”) holds 100% stake of TPG, and it is the sole shareholder and actual controller of the company. The Taixing government has strong supervision over TPG, including appointment and supervision of the senior management, development strategy alignment, major investment and financing plan decisions and daily operations. In addition, the Taixing government has formulated a performance appraisal policy for the company, and regularly appoints auditors to review the company’s operating performance and financial position.

**Strategic Importance and Strategic Alignment:** TPG is an important LIDC that is mainly responsible for infrastructure investment, development and construction in Taixing. It mainly undertakes Taixing’s port infrastructure and major municipal projects construction. Taixing government has assigned TPG to take the responsibility for the construction of municipal projects such as the exhibition center, the enterprise office center, the economic and commercial center, the oil product trading center, the petrochemical trading center, and the bonded warehousing center, etc. Meanwhile, the company is also responsible for grain reserve and trade in Taixing, Tianxingzhou Project development, sand and stone management and other aspects of construction and operation. The company’s development strategy is aligned with the development plan of the local government, aiming to integrate and

develop the port industry along the Yangtze River and then extend other related industries in Taixing.

**Ongoing Government Support:** The company has received support from local government in the form of asset allocation and government subsidies. In recent years, TPG and its subsidiaries have received large amounts of assets allocated by the Taixing government, and some related projects have received support from the local government. In 2021, the registered capital of TPG increases to RMB5 billion. In terms of government subsidies, the amount of government subsidies received by the company from 2019 to 2021 and in the first nine months of 2022 was approximately RMB168 million, RMB223 million, RMB518 million and RMB340 million, respectively. Given the company's role, we believe that the company is likely going to receive timely government support in the form of operational and/or financial subsidies in the future.

**TPG's Financial and Liquidity Position:** The total assets of TPG increased rapidly from c. RMB6.7 billion at end-2019 to RMB37.3 billion at end-2021, with a compound annual growth rate of 135.2%, mainly due to assets injection and equity transfer received in 2020 and 2021. At end-September 2022, the company's total assets have further increased to RMB41 billion and its financial leverage (total liabilities/total assets) was 48.49%. The company's outstanding debt grew rapidly as well. At end-September 2022, the total adjusted debt of the company was c. RMB15.94 billion, of which short-term and long-term debt accounted for 30.4% and 69.6% of its total debt, respectively. The asset structure of TPG was mainly non-current assets (i.e., long-term equity investments and intangible assets) and the asset liquidity of the company was weak. At end-September 2022, TPG had a cash balance of c. RMB3.18 billion (among which the restricted cash was RMB1.42 billion) and unused credit facilities of c. RMB2.86 billion, compared with its debt due within one year of c. RMB4.85 billion. TPG has access to limited financing channels, mainly includes bank loans and non-traditional financing (such as trust loan, financial lease and factoring).

**Economy and Fiscal Condition of Taixing:** Taixing is a county-level city in Jiangsu Province, which is an important economic link between the north and south of the Yangtze River. Taixing maintained growth in economic development in 2021, achieving a GDP of c. RMB127.3 billion, with a year-on-year growth of 9.9%. The aggregate fiscal revenue of the Taixing government was mainly derived from the budgetary revenue and government fund income. In 2021, the budgetary revenue of the Taixing government reached c. RMB9.3 billion, with a year-on-year increase of 9.0%, of which tax revenue accounted for 80.7% of its budgetary revenue. In addition, the government fund income was another important part of its aggregate fiscal revenue. However, it was vulnerable to market and policy changes. In 2021, the government fund income of the Taixing government was c. RMB13.9 billion, up 10.7% year-on-year. Taixing government's debt ratio (total outstanding debt/ aggregate fiscal revenue) was relatively high. At end-2021, the local government's outstanding debt was c. RMB27.5 billion, including RMB10.4 billion of general obligations and RMB17.1 billion of special debt.

## Rating Sensitivities

We would consider downgrading TPG's rating if (1) there is perceived weakening in support from the Taixing government, particularly due to its reduced strategic importance with diminished government functions, or (2) there is a significant reduction of the Taixing government's ownership of TPG, or (3) there is a downgrade in our internal credit assessment on the Taixing government.

We would consider upgrading TPG's rating if (1) there is strengthened support from the Taixing government, or (2) there is an upgrade in our internal credit assessment on the Taixing government.

### **About Lianhe Global**

Lianhe Global is an international credit rating company that provides credit ratings to corporations, banks, non-bank financial institutions, local investment and development companies, and other asset classes around the globe. Lianhe Global also provides credit risk research and other services related to credit ratings.

### **Rating Methodology**

The principal methodology used in this TPG's rating is Lianhe Global's China Local Investment and Development Companies Criteria published on 5 December 2022, which can be found at the website [www.lhratingsglobal.com](http://www.lhratingsglobal.com).

**Note:** The above Issuer/Issuance Credit Ratings are solicited at the request of the rated entity or a related third party.

### **Contact Information**

Primary Analyst  
Ben Yau  
Senior Director  
(852) 3462 9586  
[ben.yau@lhratingsglobal.com](mailto:ben.yau@lhratingsglobal.com)

Committee Chairperson  
Toni Ho  
Director  
(852) 3462 9578  
[toni.ho@lhratingsglobal.com](mailto:toni.ho@lhratingsglobal.com)

Business Development Contact  
Joyce Chi  
Managing Director  
(852) 3462 9569  
[joyce.chi@lhratingsglobal.com](mailto:joyce.chi@lhratingsglobal.com)

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