

Taixing Runjia Holdings Ltd.

Surveillance Report

Lianhe Ratings Global Limited (“Lianhe Global”) has upgraded the global scale Long-term Issuer Credit Rating of Taixing Runjia Holdings Ltd. (“TRH” or “the company”) to ‘BBB’ from ‘BBB-’; Issuer Rating Outlook Revised to Stable

Summary

The Issuer Credit Rating upgrade reflects the company’s increasing strategic importance in Taixing, especially in the Taixing Economic Development Zone (“Taixing EDZ”), given its deepening role in the involvement in land development and industrial development under the guidance of the People’s Government of Taixing City (“Taixing government”), as well as continuous support received from the Taixing government.

We believe this continues to reflect a high possibility that the Taixing government would provide strong support to TRH if needed, in light of Taixing government’s indirect majority ownership of TRH, TRH’s strategic importance as an important local investment and development company (“LIDC”) that is responsible for infrastructure construction, area development and state-owned asset operation and management in Taixing, especially in Taixing EDZ, and the linkage between the Taixing government and TRH, including appointment and supervision of the senior management, strategic alignment, major investment and financing plan decisions and ongoing operational and financial support. In addition, the Taixing government may face significant negative impact on its reputation and financing activities if TRH encounters any operational and financial difficulties.

Taixing is a county-level city in Jiangsu that is managed by Taizhou City. It is one of the top 100 counties in China, with a GDP of RMB143.5 billion in 2023. Taixing’s GDP grew by 5.5% in 2024 and realized budgetary revenue of RMB10,010 million in 2024, representing a year-over-year growth rate of 3.0%.

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

Rating Rationale

Government’s Ownership and Supervision: The Taixing government indirectly holds the majority ownership of TRH through Taixing Municipal People’s Government State-owned Assets Supervision and Administration Office (“Taixing SASAO”), and is the ultimate shareholder of the company. The Taixing SASAO has the final decision-making authority and supervises the company, including management appointment, decision on its strategic development and investment plan and supervision of its major funding decisions, via the Taixing Economic Development Zone Management Committee (“TEDZMC”). In addition, the Taixing SASAO has assessment mechanism over the company and it appoints auditor to supervise the operating performance and financial position on a periodic basis via TEDZMC.

In July 2024, Taixing Jinjiang Investment Co., Ltd. and Taixing Chengxing State-owned Assets Operation and Investment Co., Ltd. (“TCSAOI”) transferred 18.75% and 10.00% of the company’s equity to TEDZMC, respectively. At end-2024, TEDZMC, Taixing Port Group Co., Ltd. and TCSAOI held 59.75%, 30.25% and 10.00% of the company’s equity, respectively.

Summary

Issuer Rating	BBB
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	28 February 2025

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Applicable Criteria

[China Local Investment and Development Companies Criteria \(31 July 2024\)](#)

Strategic Importance and Strategic Alignment: TRH continues to be the core entity for infrastructure construction and the operation of state-owned assets development in Taixing and Taixing EDZ. As an important LIDC in the area, it is mainly responsible for infrastructure investment and construction, operation and management of state-owned assets etc., with strong regional advantages. In addition, TRH is also responsible for the construction of administrative and business areas in the region and related investment attraction work to promote the industrial upgrading and transformation of Taixing EDZ.

TRH's strategic importance is strengthened as the company increasingly involves on land development and consolidation operations and industrial development business within the Taixing EDZ. It plays an important role in promoting the economic and social development of the region. TRH's business operation and development have been aligned with the government's development plans.

Ongoing Government Support: TRH continued to receive support from the Taixing government. Between 2021 and 2023, the Taixing government has provided operational subsidies amounting to RMB130.2 million to support TRH's businesses. Besides, the Taixing government also injected assets and capital totaled RMB1,773.6 million over the past three years. We believe TRH is likely going to receive government support in the form of operational and/or financial subsidies to support its daily business operation.

TRH's Financial Matrix and Liquidity Position: TRH's asset size increased to RMB27,375 million at end-2023 from RMB24,265 million at end-2022. The company's total debt expanded to RMB10,227 million from RMB7,514 million over the same period. Its financial leverage, as indicated by the total debt/capitalization ratio, elevated to 39.0% at end-2023 from 32.0% at end-2022.

TRH's asset liquidity remained weak. Inventories (primarily construction costs and land to be developed), account receivables and other receivables (mainly due from government agencies and SOEs in Taixing) accounted for approximately 88.5% of the company's total assets at end-2023. These assets typically take a long time to monetize.

TRH's short-term debt servicing pressure was tight. At end-2023, TRH had an unrestricted cash balance of RMB0.8 billion compared to its debt due within one year of RMB5.6 billion. However, TRH has access to various financing channels, including bank loans, bond issuance and non-traditional financing (e.g., trust loans), to support its debt repayment and business operations. At end-September 2024, the company had unused credit facilities of RMB0.9 billion.

Rating Sensitivities

We would consider downgrading TRH'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 TRH, or (3) there is a downgrade in our internal credit assessment on the Taixing government.

We would consider upgrading TRH'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.

Operating Environment

Economic Condition of Taixing

Taixing is a county-level city in Jiangsu Province and is managed by Taizhou City. It is one of the central cities in the economically well-developed Yangtze River Delta region. Taixing was ranked 20th among China's top 100 counties in terms of economic competitiveness in 2023. Its pillar industries include machinery and electronics, chemicals and pharmaceuticals. Taixing maintained moderate to high economic growth in the past three years. Its GDP size was ranked first among six jurisdictions in Taizhou.

Taixing's GDP and Fixed Asset Investment			
(RMB billion)	2021	2022	2023
GDP	127.3	136.7	143.5
-Primary industry (%)	5.6	5.5	5.3
-Secondary industry (%)	50.0	51.1	49.9
-Tertiary industry (%)	44.4	43.4	44.8
GDP growth rate (%)	9.9	5.3	6.5
Fixed asset investment growth rate (%)	7.1	9.5	7.3
Population (million)	0.99	0.99	0.99

Source: Financial Bureau of Taixing, statistical bureau of Taixing and Lianhe Global's calculations

Fiscal Condition of Taixing

The aggregate fiscal revenue of the Taixing government was mainly derived from the budgetary revenue and government fund income. The budgetary revenue of the Taixing government grew by 8.0% in 2023, reaching RMB9,721 million. However, the government fund income, mainly generated from land sales, is vulnerable to property market conditions and policy changes. In 2023, it dropped to RMB10,248 million from RMB12,014 million in 2022.

The outstanding debt of the Taixing government remained at approximately RMB26,741 million at end-2023. Its government debt ratio (total outstanding debt/ aggregate fiscal revenue) stayed at a relatively high level of 111 % at end-2023.

Taixing's Fiscal Condition			
(RMB billion)	2021	2022	2023
Budgetary revenue	9.3	9.0	9.7
Budgetary revenue growth rate (%)	9.0	-3.3	8.0
Tax revenue	7.5	6.2	7.0
Tax revenue (% of budgetary revenue)	80.7	69.1	72.3
Government fund income	13.9	12.0	10.2
Transfer payment	2.9	3.9	4.0
Aggregate revenue	26.2	24.4	24.1
Budgetary expenditure	11.8	12.8	13.7
Budget balance ¹ (%)	-27.1	-42.4	-41.1

¹ Budget balance = (1 - budgetary expenditure / budgetary revenue) * 100%

Source: Financial Bureau of Taixing, statistical bureau of Taixing and Lianhe Global's calculations

Company Profile

TRH was established in 2018 with an initial registered capital of RMB500 million, which was fully contributed by TEDZMC. After a series of equity transfers, TEDZMC was still the largest shareholder, holding around 59.75% of the company's equity at end-2024, nearly doubled that compared with end-2023. TEDZMC, Taixing Port Group Co., Ltd. and TCSAOI held 59.75%, 30.25% and 10.00% of the company's equity, respectively, at end-2024.

TRH is mainly responsible for infrastructure investment and construction, operation and management of state-owned assets and related public services (such as road maintenance, greening projects, firefighting, etc.) in Taixing, especially in the Taixing EDZ with strong regional advantage.

TRH's total revenue surged to RMB2,763 million in 2023, mainly due to the increased income from the wholesaling business, which contributed more than 60% to the company's total revenue. The company's gross margin experienced a downward trend in 2022-2023, from 15.0% to 7.5%.

Key Financial Data

(RMB million)	2021	2022	2023
Total Assets	21,232	24,265	27,375
Equity	14,944	15,943	16,019
Debt	6,277	7,514	10,227
Debt / (Debt + Equity) (%)	29.6	32.0	39.0
Unrestricted cash/ST Debts (x)	0.2	0.2	0.1
Debt/EBITDA (x)	45.6	23.2	45.9
Guarantees/Equity (%)	-	0.6	0.2
Revenue	777	983	2,763
Operation Profit	109	132	178
Gross Margin (%)	11.4	15.0	7.5
Cash from sales or services/ Revenue (%)	52.1	82.8	78.5

Source: TRH and Lianhe Global's calculations

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