

# New Town Construction Investment (Jizhou, Tianjin) Co., Ltd. (“NTCI” or “the company”)

## Initial Issuer Report

### Summary

Issuer Rating	BBB
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	17 April 2025

Lianhe Ratings Global Limited (“Lianhe Global”) has assigned ‘BBB’ global scale Long-term Issuer Credit Rating with Stable Outlook to New Town Construction Investment (Jizhou, Tianjin) Co., Ltd. (“NTCI” or “the company”)

### Summary

The Issuer Credit Rating reflects a high possibility that the Jizhou District People’s Government (“the Jizhou government”) would provide very strong support to NTCI if needed. This mainly considers the Jizhou government’s indirect full ownership of NTCI, NTCI’s strategic importance as a major local investment and development company (“LIDC”) responsible for project development in Tianjin’s Jizhou District (“Jizhou”). In addition, the linkage between the Jizhou government and NTCI is strong, including management supervision, strategic alignment and ongoing operational and financial support. Moreover, the Jizhou government may face significant negative impact on its reputation and financing activities if NTCI encounters any operational and financial difficulties.

Jizhou is a municipal district under Tianjin’s jurisdiction. In 2024, Jizhou’s GDP grew steadily by 3.0% to RMB29.9 billion.

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

### Rating Rationale

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#### Applicable Criteria

China Local Investment and Development Companies Criteria (31 July 2024)

**Government’s Ownership and Supervision:** State-owned Assets Supervision and Administration Commission of Jizhou District (“Jizhou SASAC”) holds 100% shares of NTCI through Tianjin Guangcheng Investment Group Co., Ltd., (“TGIG”) and is the company’s actual controller. The Jizhou government has the final decision-making authority and strong supervision over NTCI, including the appointment of senior management and decisions on its major investment and financing plan. In addition, the Jizhou government has an assessment mechanism over the company and regularly appoints auditors to review the company’s operating performance and financial position.

**Strategic Importance and Strategic Alignment:** NTCI is an important LIDC responsible for project development in Jizhou District, especially in Jizhou Newtown. The company undertakes major development projects within the area, including city infrastructure, public facilities, land consolidation and social housing. Its business operation and strategic planning have been aligned with the Jizhou government’s social and economic development plans.

**Strong Government Support:** NTCI enjoys robust backing from the Jizhou government, which includes advantageous policies, capital/asset injections and operational subsidies. Between 2021 and September 2024, the company received operational subsidies related to its provision of public goods totaling RMB1,237 million. During the same period, the Jizhou government injected cash capital amounting to RMB9,849 million into NTCI through TGIG. Given NTCI’s strategic significance in Jizhou, we believe that NTCI is likely to continue receiving government support in the future.

**NTCI's Financial and Liquidity Position:** NTCI's total assets increased to RMB70.7 billion at the end of September 2024 from RMB59.1 billion at the end of 2021, as the company actively engaged in project development in. Its total debts also rose to RMB30.0 billion from RMB26.2 billion during the same period. Benefited from Jizhou government asset injections, the company's financial leverage, indicated by debt to capitalization, stayed at approximately 50% level.

NTCI's short-term servicing pressure is high. At end-September 2024, the company had cash of RMB1.6 billion (most were restricted), compared short-term debt amounting to RMB7.8 billion. The company has access to various financing channels, including bank borrowings, onshore and offshore bond issuances and non-traditional financing options, to support its debt repayments and business operations. By end-June 2024, NTCI had total bank facilities of RMB35.0 billion, of which RMB3.0 billion were unused.

### Rating Sensitivities

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

We would consider upgrading NTCI's rating if there is an upgrade in our internal credit assessment on the Jizhou government.

### Operating Environment

#### Economic Condition of Jizhou

<b>Jizhou's GDP and Fixed Asset Investment (RMB billion)</b>			
	<b>2022</b>	<b>2023</b>	<b>2024</b>
GDP	27.9	28.7	29.9
-Primary industry (%)	19.2	18.5	18.9
-Secondary industry (%)	21.8	18.9	19.6
-Tertiary industry (%)	59.0	62.6	61.6
GDP growth rate (%)	-0.3	1.1	3.0
Fixed asset investment growth rate (%)	-28.0	-12.6	10.2
Population (million)	0.8	0.8	0.8

Source: Public information and Lianhe Global's calculations

Jizhou is a municipal district under the jurisdiction of Tianjin and located at the heart of Beijing, Tianjin, Tangshan, and Chengde. By the end of 2023, Jizhou's residential population was 0.8 million. It is actively integrating into the Beijing-Tianjin-Hebei coordinated development, a national-level regional development strategy aiming to achieve complementary advantages, promote the development of the northern hinterland of China.

Jizhou's GDP growth rate improved to 3.0% in 2023 from 1.1% in 2022. Its GDP amount reached RMB29.9 billion in 2023. The district's fixed asset investment growth rate turned positive to 10.2% in 2023 after experiencing negative growth in the previous two years (-28.0% in 2021 and -12.6% in 2022).

## Fiscal Condition of Jizhou

<b>Jizhou's Fiscal Condition</b>			
<b>(RMB billion)</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Budgetary revenue	2.1	2.3	1.5
Budgetary revenue growth rate (%)	-9.9	11.8	-33.0
Tax revenue	1.0	1.0	1.0
Tax revenue (% of budgetary revenue)	46.5	42.7	62.0
Government fund income	0.4	0.3	0.0
Transfer payment	4.5	5.0	5.4
<b>Aggregate revenue</b>	<b>7.0</b>	<b>8.2</b>	<b>6.9</b>
Budgetary expenditure	8.3	7.9	7.4
Budget balance <sup>1</sup> (%)	-305.3	-243.6	-382.1

<sup>1</sup> Budget balance = (1-budgetary expenditure / budgetary revenue) \* 100%

Source: Public information and Lianhe Global's calculations

The aggregate fiscal revenue of the Jizhou government primarily comes from budgetary revenue and transfer payments. Jizhou's budgetary revenue decreased to RMB1.5 billion in 2024 from RMB2.3 billion in 2022. Its fiscal self-sufficiency was very weak, with budget deficits of 305.3%, 243.6%, and 382.1% in 2021, 2022, and 2023, respectively. Therefore, Jizhou heavily relies on transfer payments from higher-level governments.

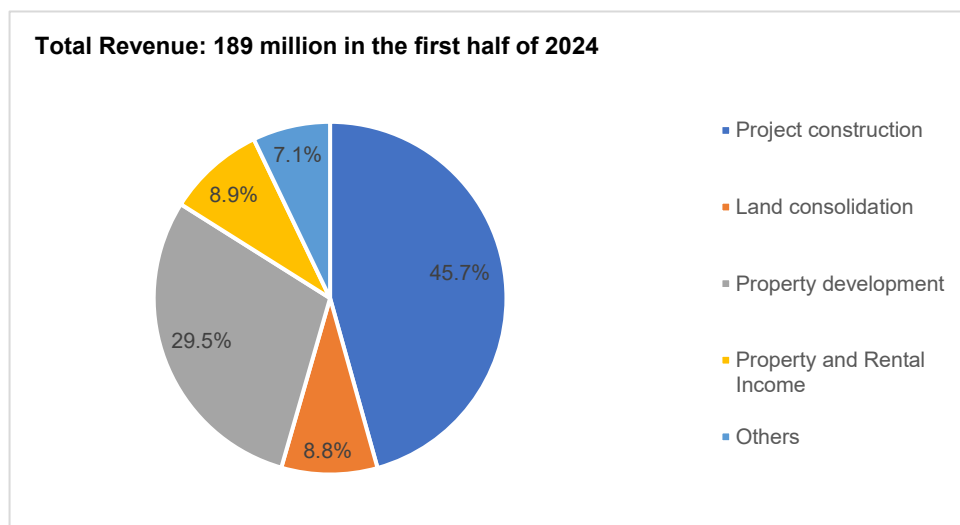
Jizhou's government debt increased to RMB38.5 billion at end-2024 from RMB28.6 billion at end-2022, mainly due to the increase in special debts to support its public projects. Its government debt ratio, measured by total debt/aggregate revenue raised to 555.2% from 406.1% over the same period.

## Company Profile

### Ownership Structure

NTCI was established in 2010 with initial registered capital of RMB100 million. After an array of capital injections and equity transfers, the company's registered capital was enlarged to RMB22 billion by end-September 2024; Jizhou SASAC held 100% shares of NTCI through TGIG, and is the company's actual controller.

### Revenue Breakdown



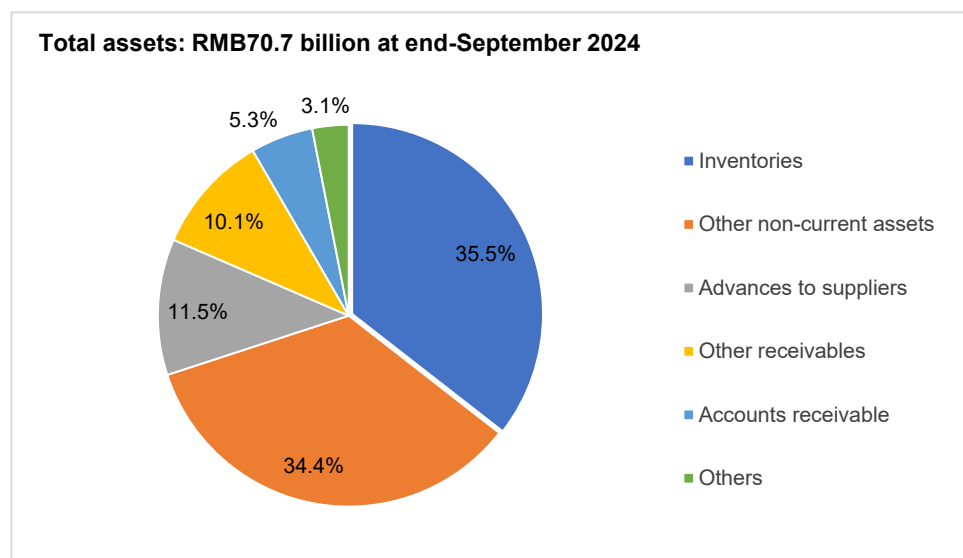
Source: The company's financial reports and Lianhe Global's calculations

NTCI is a key LIDC operating in Tianjin's Jizhou. The company's primary revenue streams consist of operational activities related to regional development projects and government-mandated initiatives. NTCI recorded total revenue of RMB1,073 million, 565 million, 606 million, and 306 million in 2021, 2022, 2023, and the first nine months of 2024, respectively. Its gross margin has deteriorated significantly, down to -33.7% in the first nine months of 2024 from 31.0% in 2022.

NTCI undertakes major development projects in Jizhou Newtown, including city infrastructure, public facilities, land consolidation and social housing. The company is responsible for projects' planning, fundraising and constructing, then generates incomes from the rebate of land transfer fees, property sales and rental earnings. By end-March 2024, NTCI had invested RMB44.5 billion in the phase I of Jizhou Newtown, which was expected to be completed in 2025. However, the return of the projects is subject to land sales amid weak property market.

NTCI also participates in businesses such as commercial leasing, catering and agriculture to diversify its revenue sources.

### Assets Breakdown



Source: The company's financial reports and Lianhe Global's calculations

NTCI's asset liquidity was weak. As of September 2024, the company's asset composition was dominated by inventories and other non-current assets, collectively representing approximately 70% of its RMB70.7 billion asset base. The substantial inventories comprised construction costs and undeveloped land parcels, while other non-current assets mainly consisted of compensation for demolition. These project related assets face extended monetization timeframes due to protracted development cycles and cash collection periods.

### Key Financial Data

(RMB million)	2021	2022	2023	2024.9
Total Assets	59,076	61,745	68,668	70,732
Equity	26,692	26,822	27,098	26,982
Debt	26,191	27,360	27,180	30,016
Debt / (Debt + Equity) (%)	49.5	50.5	50.1	52.7
Unrestricted cash/ST Debts (x)	0.08	0.01	0.11	0.01
Debt/EBITDA (x)	109.0	95.4	199.1	-



Revenue	1,073	565	606	306
Operation Profit	212	221	81	-103
Gross Margin (%)	-5.2	31.0	-6.2	-33.7
Cash from sales or services/ Revenue (%)	84.8	13.7	41.3	71.9

Source: NTCI and Lianhe Global's calculations

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