CCXAP affirms Xuancheng High-tech Investment Development Group Co., Ltd.'s long-term credit rating at BBB_g-, with stable outlook.

Hong Kong, 5 November 2026 – China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") has affirmed the long-term credit rating of Xuancheng High-tech Investment Development Group Co., Ltd. ("XCHT" or the "Company") at BBB_g-, with stable outlook.

The BBB_g- long-term credit rating of XCHT reflects the local government's (1) strong capacity to provide support based on our assessment; and (2) 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 Xuanzhou District's 1st ranking status in terms of gross regional product in Xuancheng City and Xuancheng High-tech Industrial Development Zone ("Xuancheng HIDZ")'s status as a provincial high-tech economic zone in Xuancheng City with rapid economic development and good industrial output, which provides a good operation environment for the Company.

The rating also reflects the local government's willingness to provide support, based on the Company's (1) crucial role in infrastructure construction of Xuancheng HIDZ; and (2) good track record of receiving government support. However, the rating is constrained by the Company's (1) increasing exposure to commercial activities; (2) weak asset liquidity; and (3) medium contingent liabilities risk.

Corporate Profile

Established in 2019, XCHT is the most important LIIFC in Xuancheng HIDZ, which plays an extremely important role to promote the development of local high-tech industries. XCHT is mainly responsible for the infrastructure construction in Xuancheng HIDZ. The Company also participates in different commercial activities, such as commodity trading, industrial parks construction and operation, property leasing, as well as green engineering. In 2025, the Management Committee of Xuancheng HIDZ transferred 20% and 4.2% equity interests in XCHT to Xuancheng Xuanzhou District Industrial Investment Holding Group Co., Ltd. and Xuancheng State-owned Assets Investment Co., Ltd., respectively, both state-owned enterprises in Xuancheng City. As of 30 June 2026, XCHT was 75.8% owned and ultimately controlled by the Management Committee of Xuancheng HIDZ.

Rating Rationale

Credit Strengths

Crucial role in infrastructure construction of Xuancheng HIDZ. XCHT plays a crucial role in the development, construction, and operation of Xuancheng HIDZ, backed by ongoing governmental support. The Company maintains a strong regional competitive position in infrastructure construction, particularly in the delivery of municipal utility project. Furthermore, XCHT is also involved in property development and leasing business in the district, such as factories, office buildings, and talent apartments, substantially improving the investment environment in Xuancheng HIDZ.

Good track record of receiving government support. XCHT has a strong track record of receiving support from the local government through capital contributions, cash and asset injections, and fiscal subsidies to support its investments and operations. From 2023 to 2025, the Company received government subsidies of RMB276.0 million, RMB237.0 million and RMB157.0 million, respectively. Considering XCHT's strategic importance in promoting the development of Xuancheng HIDZ, we expect that the Company will receive support from the local government as needed.

Credit Challenges

Increasing exposure to commercial activities. XCHT participates in different commercial activities, mainly including commodity trading and property leasing. XCHT's exposure to commercial activities is medium with the assets of commercial activities accounting for around 30% of total assets. Revenue from its trading business has remained stable in recent years and remains a key source of income. In line with the investment promotion strategy of Xuancheng HIDZ, XCHT has increased the investment and development of self-operated projects. The completion and subsequent leasing of these projects have generated rental income, but have also placed some pressure on the Company's capital expenditure.

Weak asset liquidity and decelerated debt growth. XCHT's asset liquidity remains weak. As of 30 June 2025, inventories, receivables and construction in progress together accounted for approximately 72.5% of total assets. Inventories and construction in progress mainly comprise development costs for infrastructure and self-operated projects, while receivables mainly comprise unpaid amounts from government agencies or other state-owned enterprises, all of which are considered low liquidity. XCHT's financial pressure from low asset liquidity is partially mitigated by its improving debt management. The Company's debt burden has remained broadly stable, and debt growth has slowed since 2025 owing to its debt-management measures. As of 30 June 2026, total debt was RMB5.5 billion, slightly lower than at end-2024.

Medium contingent liabilities risk. As of 30 June 2026, the Company's external guarantees amounted to RMB1.9 billion, accounting for 39.4% of its net assets. The external guarantees are all provided to the state-owned enterprises in Xuancheng City and Xuanzhou District. In case a credit event occurs, the Company may face certain contingent liability risks and cross-default risks. However, we estimate most of these local SOEs are likely to be supported by the local government when necessary, and therefore contingent risk would be controllable.

Rating Outlook

The stable outlook on XCHT's rating reflects our expectation that the local government's capacity to provide support will remain stable, and the Company will maintain its dominant role in the high-tech industrial development of Xuanzhou District and Xuancheng 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 enhances the local government's willingness to provide support, such as lower exposure to risky commercial activities and improved asset liquidity.

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 reduced strategic significance, decrease in government support or higher exposure to risky commercial activities.

Rating Methodology

The methodology used in this rating is the Rating Methodology for China's Local Infrastructure Investment and Financing Companies (July 2022).

Regulatory Disclosures

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