

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

Hong Kong, 19 September 2025 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has affirmed Xuancheng High-tech Investment Development Group Co., Ltd. (“XCHT” or the “Company”)’s long-term credit rating 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 Xuancheng City’s 1st ranking status in GRP 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) increasing debt burden and 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. As of 30 June 2025, XCHT was 80.0% owned by and controlled by the Management Committee of Xuancheng HIDZ, the remaining was owned by Xuancheng Xuanzhou District Industrial Investment Holding Group Co., Ltd. (“XZII”).

Rating Rationale

Credit Strengths

Crucial role in infrastructure construction of Xuancheng HIDZ. In February 2024, with the approval of the State-owned Assets Supervision and Administration Commission of the Xuanzhou District People's Government of Xuancheng City, XZII was transferred to the administration of the Management Committee of Xuancheng HIDZ from XCHT, and the Management Committee of Xuancheng HIDZ transferred its 20% equity stake in the Company to XZII, which serves as the state-owned assets operation entity of Xuanzhou District. Despite the change in ownership, XCHT continues to play 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. The Company has a good track record of receiving support from the local government in the form of capital contributions, cash and asset injections, and fiscal subsidies to support its investments and operation of its businesses. 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. The self-operated projects have exerted high capital expenditure pressure to the Company.

Increasing debt burden and weak asset liquidity Driven by investment in self-operated projects, XCHT's total debt has shown increasing trend. The Company's total debt had increased to RMB5.6 billion as of 30 June 2025 from RMB5.3 billion as the end of 2023. Meanwhile, its capitalization ratio increased from 49.6% to 52.8%. As of 30 June 2025, its assets were primarily composed of inventories, receivables, and construction in progress, totally accounting for about 81.0% of total assets. Inventories and construction in progress are mainly development costs for self-operated projects, while receivables are mainly unreceived payments from the agencies of government or other state-owned companies, all of which are considered low liquidity.

Medium contingent liabilities risk. As of 30 June 2025, the Company's external guarantees amounted to RMB1.5 billion, accounting for 29.2% of its net assets. The external guarantees are mainly provided to the state-owned enterprises ("SOEs") 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; and (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 debt management.

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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