

CCXAP affirms Mengcheng Development Zone Xingmeng Investment Co., Ltd.'s long-term credit rating at BBB_{g-}, with stable outlook.

Hong Kong, 5 November 2025 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has affirmed the long-term credit rating of Mengcheng Development Zone Xingmeng Investment Co., Ltd. (“XMIC” or the “Company”) at BBB_{g-}, with stable outlook.

The BBB_{g-} long-term credit rating of XMIC reflects the Company’s (1) important position in industrial development of Mengcheng County; and (2) moderating debt burden after restructuring. However, the rating is constrained by the Company’s (1) relatively weak profitability; (2) relatively high short-term debt repayment pressure; and (3) modest debt servicing capability.

The rating also reflects a high likelihood of support from the Mengcheng County Government and its parent company, Mengcheng County Industrial Investment Group Co., Ltd. (“MCII”), when needed, which is based on the Company’s (1) ultimate control by the Mengcheng County Government; (2) strategic importance in industrial investment in Mengcheng County; and (3) solid track record of receiving support from the local government including subsidies, capital injections and asset transfers.

Corporate Profile

Founded in 2017, XMIC is a key state-owned enterprise in Mengcheng County of Bozhou City. In 2025, in accordance with government directives, the Company was repositioned as an industrial investment entity following a restructuring. The Company is mainly engaged in property leasing, engineering construction, and industrial investment. At mid-2025, the Mengcheng County Finance Bureau was the ultimate controlling shareholder of the Company, holding 100.0% of the Company’s equity interests through MCII.

Rating Rationale

Credit Strengths

Important position in industrial development of Mengcheng County. XMIC plays an important strategic role in supporting and promoting the urbanization and industrialization of Mengcheng County. In line with its platform company mandate, XMIC also invests in industries such as healthcare, new energy vehicles through industrial funds. The Company is also involved in the property leasing business, mainly including factories.

Moderating debt burden after restructuring. Due to restructuring of MCII and XMIC in July 2025, the Company’s total debt decreased to RMB2.1 billion as of 30 June 2025 from RMB5.0 billion at end-2023. Moreover, the Company’s total equity decreased from RMB4.5 billion to RMB3.5 billion, and the total capitalization ratio decreased to 38.0% from 52.4% over the same period.

High likelihood of support from the local Government and its parent company. We anticipate the Company has a high likelihood of support from the Mengcheng County Government and its shareholder when necessary, given its (1) ultimate control by the Mengcheng County Government; (2) strategic importance in industrial investment in Mengcheng County; and (3) solid track record of receiving support from the local government including subsidies, capital injections and asset transfers.

Credit Challenges

Relatively weak profitability. XMIC's profitability is relatively weak as reflected by the weak return on assets and moderate EBIT margin. In 2024, the Company's EBIT margin was 16.6%, while the return on assets was 0.2%. We expect the Company's gross profit to be heavily affected by the transfer out of subsidiaries in July 2025 and the Company's profitability is expected to remain relatively weak.

Relatively high short-term debt repayment pressure. The Company is exposed to relatively high short-term debt repayment pressure as its short-term debt accounted for 64.2% of its total debt as of 30 June 2025. Meanwhile, after excluding restricted cash, the cash to short-term debt ratio was 0.5x, indicating that its cash reserve could not fully cover the short-term debt.

Modest debt servicing capability. As the Company's revenue decreased, XMIC's long-term debt servicing capability is modest. Total debt/EBITDA ratio increased to 50.5% in 2024, compared with 29.2% in 2023. The sharp decline in the EBITDA interest coverage ratio (from 4.9x at end-2023 to 0.9x at end-2024) indicates a severely weakened ability to service its debt from core operating earnings.

Rating Outlook

The stable outlook on XMIC's rating reflects our expectation that the Company will continue to receive solid support from the Mengcheng County Government. We also expect the Company to maintain its strategic role as the important industrial development platform in Mengcheng County over the next 12 to 18 months.

What could upgrade the rating?

The rating could be upgraded if (1) the local government and parent company's capacity or willingness to provide support strengthens; and (2) the Company's stand-alone credit profile improves significantly, such as stronger market position and improvement in profitability.

What could downgrade the rating?

The rating could be downgraded if (1) the credit quality of local government and parent company deteriorates or the likelihood of support is expected to be weakened; or (2) the Company's standalone credit quality worsens significantly, including a material deterioration in credit metrics and poor debt management.



Rating Methodology

The methodology used in this rating is the [Rating Methodology for General Corporate \(April 2019\)](#).

Regulatory Disclosures

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The first name below is the lead rating analyst for this rating and the last name below is the person primarily responsible for approving this rating.

Peter Chong

Associate Director of Credit Ratings

+852-2860 7124

peter_chong@ccxap.com

Elle Hu

Executive Director of Credit Ratings

+852-2860 7120

elle_hu@ccxap.com

Client Services: +852-2860 7111



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China Chengxin (Asia Pacific) Credit Ratings Company Limited

Address: Suites 1904-1909, 19/F, Jardine House,
1 Connaught Place, Central, Hong Kong

Website: www.ccxap.com

Email: info@ccxap.com

Tel: +852-2860 7111

Fax: +852-2868 0656