CCXAP affirms Xingtai Transportation Construction Group Co., Ltd.'s long-term credit rating at BBB_g+, with stable outlook.

Hong Kong, 20 November 2025 – China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") has affirmed the long-term credit rating of Xingtai Transportation Construction Group Co., Ltd. ("XTCG" or the "Company") at BBB_g+, with stable outlook.

The BBB_g+ long-term credit rating of XTCG reflects Xingtai Municipal Government's very strong capacity to provide support and its very high willingness to provide support, based on our assessment of the Company's characteristics. Our assessment of Xingtai Municipal Government's capacity to support reflects Xingtai City's status as one of the prefectural-level cities in Hebei Province, with relatively good economic and industrial foundations.

The rating also reflects the local government's willingness to support, which is based on the Company's (1) important role in urban and rural construction as well as public services of Xingtai City; (2) good track record of receiving government support; and (3) diversified funding channels. However, the rating is constrained by the Company's (1) high exposure to commercial activities especially in engineering construction sector; and (2) increasing debt burden with high financial leverage.

Corporate Profile

Established in 2020, XTCG is one of the key integrated infrastructure construction, investment and operation groups in Xingtai City after consolidation of Xingtai Road and Bridge Construction Group Co., Ltd. ("XTRB") and other state-owned enterprises ("SOEs") in 2021. XTRB is a market-oriented SOE for the engineering and construction of transportation facilities and other infrastructure projects. XTRB maintains strong competitive advantage especially in the field of road and bridge construction in Hebei Province. XTCG focuses on 5 major business sectors including construction engineering, public transportation, urban renewal, urban and rural development, cultural tourism and commerce. The Company also expands business scopes to other commercial activities, such as industrial finance and investment, new energy and supply chain services. As of 30 September 2025, the Company was wholly and directly owned by the State-owned Assets Supervision and Administration Commission of Xingtai Municipal Government ("Xingtai SASAC").

Rating Rationale

Credit Strengths

Important role in urban and rural construction as well as public services of Xingtai City. As the major entity in urban and rural construction and provision of public welfare services in Xingtai City, the Company plays an important role in the investment, construction, and operation of Xingtai City. The Company is mainly engaged in infrastructure construction, including water system construction, road projects and resettlement housing projects, which are crucial for the urbanization and public welfare of Xingtai City. In addition, XTCG also provides public transportation services in the city.

Good track record of receiving government support. XTCG has a good track record of receiving government support in various forms such as equity transfer, asset injection, financial subsidies, and government payment for construction projects. Given the strategically important role of the Company in the development of Xingtai City, we believe that the Company will continue to receive different kinds of support from the local government.

Diversified funding channels. XTCG has good access to different funding channels, such as bank loans, onshore and offshore capital markets, as well as non-standard financing products, which could mitigate the capital expenditure pressure driven by expansion of engineering construction business and ongoing project investment. The debt from bank loans and bond issuances accounted for the majority of total debt. In addition, the Company's exposure to non-standard financing products was minor.

Credit Challenges

High exposure to commercial activities especially in engineering construction sector. In addition to public activities, XTCG is also engaged in commercial businesses such as engineering construction, property development, self-operated projects as well as construction materials sales. We consider the Company's exposure to commercial businesses to be high especially in engineering construction sector, accounting for more than 50% of its total assets. Large number of project receivables from engineering construction business would expose certain recovery risk to the Company. In addition, the investment cycle of PPP projects is long and repayment is highly linked to the fiscal strength of the government where the project is located and bears a high degree of volatility during the downturn of land market.

Increasing debt burden with high financial leverage. XTCG maintained fast debt growth driven by its ongoing project investments, the expansion of engineering construction business, as well as the business characteristic of high-leverage operation in the construction engineering industry. As of 30 June 2025, the Company's total debt increased to RMB32.7 billion from RMB25.5 billion as of end-2023. Considering that the large number of engineering construction projects in pipeline and the ongoing project investments, we expect that the Company will rely on external financing to fulfill its investment needs, further increasing its debt burden in the next 12-18 months.

Rating Outlook

The stable outlook on XTCG's rating reflects our expectation that the local government's capacity to support will remain stable, and the Company will maintain its important role in the urban development of Xingtai City in the next 12-18 months.

What could upgrade the rating?

The rating could be upgraded if (1) the Xingtai Municipal Government's capacity to support strengthens; and (2) the Company's characteristics change in a way that strengthens the local government's willingness to support, such as decreased exposure to risky commercial activities and improved debt management.

What could downgrade the rating?

The rating could be downgraded if (1) the Xingtai Municipal Government's capacity to support weakens; or (2) the Company's characteristics change in a way that weakens the local government's willingness to support, such as reduced regional significance or deteriorated financing ability.

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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