

Credit Opinion

3 December 2025

Ratings	
Category	Corporate
Domicile	China
Rating Type	Solicited Rating
Long-Term Credit Rating	BBB _g -
Outlook	Stable

Analyst Contacts

Christy Liu +852-2860 7127

Senior Credit Analyst

christy_liu@ccxap.com

Leimen Chen +852-2860 7130

Assistant Credit Analyst

leimen_chen@ccxap.com

Elle Hu +852-2860 7120

Executive Director of Credit Ratings

elle_hu@ccxap.com

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

Client Services

Hong Kong +852-2860 7111

Xi'an Free Trade Port Construction Operation Co., Ltd.

Surveillance credit rating report

CCXAP affirms Xi'an Free Trade Port Construction Operation Co., Ltd.'s long-term credit rating at BBB_g-, with stable outlook.

Summary

The BBB_g- long-term credit rating of Xi'an Free Trade Port Construction Operation Co., Ltd. ("XFTP" or the "Company") reflects the Company's leading market position among all operators of China Railway Express ("CR Express") with a strong competitive position, under the guidance of the Belt and Road Initiative ("BRI").

However, the rating is constrained by the Company's (1) weak profitability from freight train operation, which is subject to fluctuations due to the macro environment and market competition; (2) high leverage level with large short-term debt pressure; and (3) moderate asset liquidity with high proportion of account receivables.

The rating also reflects our expectation of a high likelihood of support from the local government and XFTP's parent company, namely Xi'an International Port Group Co., Ltd. ("Port Group"), which is based on the Company's (1) status as the core subsidiary of Port Group; (2) ultimate control by the Management Committee of Xi'an Chanba International Port; (3) regional importance in terms of freight forwarding and freight train operation in Xi'an International Trade & Logistic Park ("International Park"); and (4) good track record of receiving support from the local government and the parent company.

The stable outlook on XFTP's rating reflects our expectation that the Company's important position to the International Park and its parent company is unlikely to change. We also expect that the Company will maintain its competitiveness and importance in Chang'an freight train operation over the next 12-18 months.

Rating Drivers

- Rapid development of the CR Express despite macroeconomic and geopolitical risks
- Leading market position among all operators of CR Express
- Supplementary revenue from trading and venue operation business
- Revenue growth and profitability challenged by market competition
- High leverage level with large short-term debt pressure
- Moderate asset liquidity with high proportion of receivables
- High likelihood of support from the local government and the parent company

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) the government support or parental support is expected to be strengthened; or (2) the Company's stand-alone credit profile improves significantly, including increased profitability, improvement in debt structure and liquidity.

What could downgrade the rating?

The rating could be downgraded if (1) the government support or parental support is expected to be weakened; or (2) the Company's stand-alone credit profile weakens significantly, including deterioration in credit metrics, and poor liquidity management.

Key Indicators

	2022FY	2023FY	2024FY	2025H1
Total Assets (RMB billion)	21.5	22.7	21.4	24.4
Total Equity (RMB billion)	7.0	7.0	6.4	6.2
Total Revenue (RMB billion)	5.1	6.6	7.8	3.9
Net Profits (RMB million)	25.1	51.8	55.5	-215.0
EBIT Margin (%)	9.0	9.4	7.9	-
Return on Assets (%)	2.7	2.8	2.8	-
Total Debt/Total Capital (%)	59.3	64.4	69.5	73.6
Total Debt/EBITDA (x)	21.9	18.8	21.4	-
EBITDA/Interest (x)	1.0	1.2	0.9	-
FFO/Total debt (%)	4.7	4.8	3.3	-

All ratios and figures are calculated using CCXAP's adjustments.

Source: Company data, CCXAP research

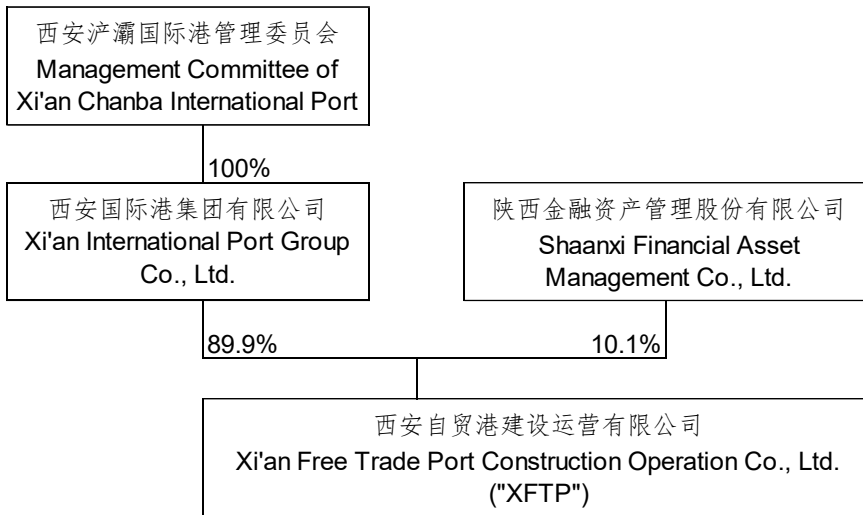
Corporate Profile

Established in 2018, XFTP is an important state-owned enterprise ("SOE") located in the International Park. The Company is the largest freight forwarding entity and the primary operator of CR Express starting from Xi'an City, namely Chang'an freight train. CR Express is one of the key projects of the BRI, with a high strategic position to connect China with the Eurasian continent. Chang'an freight train has the most complete routes with the widest coverage, the highest efficiency and the fastest speed among CR Express in China. In addition, the

Company also engages in diversified businesses including commodity sales, venue operation, consulting and investment.

As of 30 June 2025, Port Group directly held 89.9% of stake in XFTP, and the rest of the shares were held by Shaanxi Financial Asset Management Co., Ltd. The actual controller of XFTP is the Management Committee of Xi'an Chanba International Port. Port Group is the primary investment, financing and construction entity for the infrastructure construction of the International Park. As of 30 June 2025, XFTP had total assets of RMB24.4 billion and net assets of RMB6.2 billion.

Exhibit 1. Shareholding chart as of 30 June 2025



Source: Company information, CCXAP research

Exhibit 2. Revenue structure in 2024

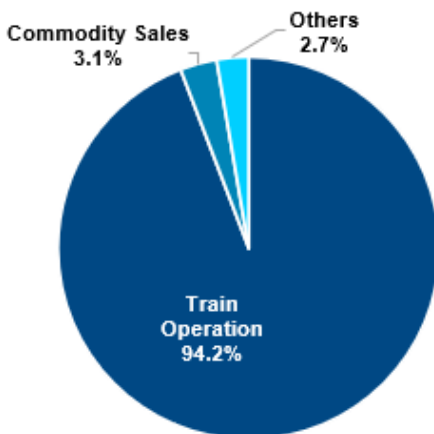
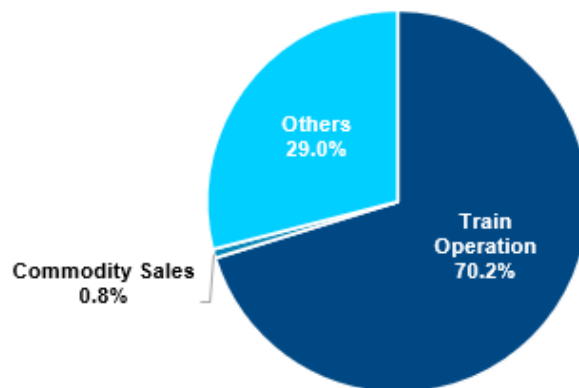


Exhibit 3. Gross profit structure in 2024



Source: Company information, CCXAP research

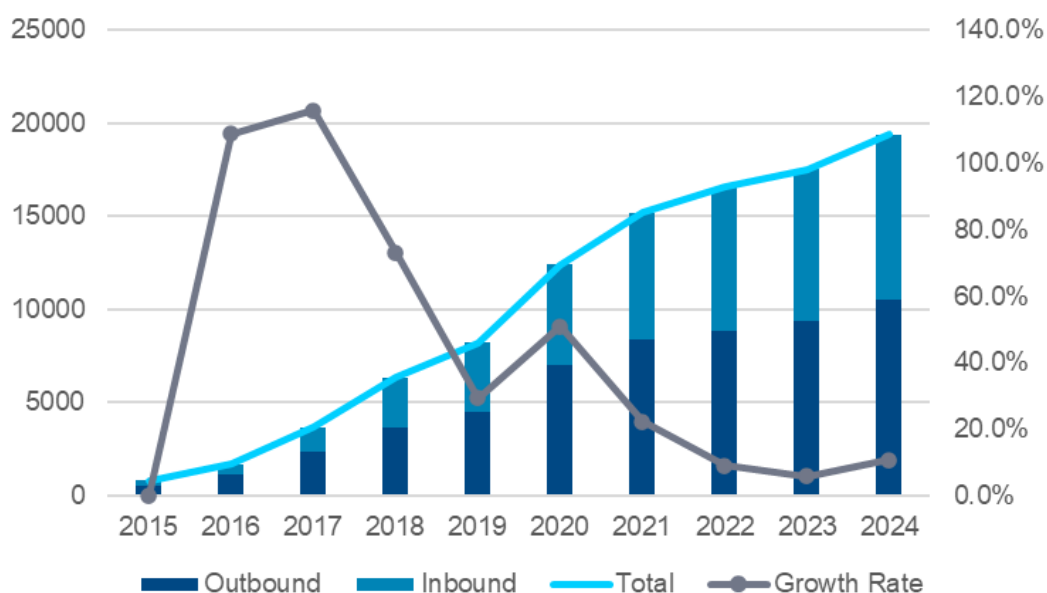
Rating Considerations

Business Profile

Rapid development of the CR Express despite macroeconomic and geopolitical risks

In 2013, China launched the BRI to promote construction of the world's most extensive and largest international cooperation platform with countries in 5 continents. As the flagship project of BRI, CR Express represents internationally joint railway transport services including container transport based on fixed train numbers and lines, schedules and whole-course operation hours between China and Europe and other BRI countries and facilities trade among them. After the fast development for more than 10 years, the CR Express has passed through more than 100 cities in 11 Asian countries and regions, and reached more than 200 cities in 25 European countries. Moreover, the import and export value between China and countries along BRI in 2024 was RMB22.1 trillion, a YoY increase of 6.4%, accounting for 50.3% of China's total import and export value, reaching the highest level since the initiative was launched. In 2024, the total number of train trips operated by CR Express reached 19,392 (including outbound and inbound), and the volume of cargo transportation reached 2.1 million Twenty-foot Equivalent Units ("TEUs"), a year-over-year ("YoY") increase of 10.7% and 9.2%, respectively. In addition, to boost freight volume, the government has implemented policy adjustments such as freight reduction within China during the returning of CR Express. Meanwhile, Chinese government has provided important policy and subsidy support for the development of the CR Express. In the early stages of development of CR Express, local governments including provincial, municipal and district levels are required to provide operating subsidies to promote the fast development of the CR Express. Since 2018, the Ministry of Finance has required local governments to reduce the subsidy standards for CR Express to reduce the dependence of freight train operations on subsidies and improve market development.

Exhibit 4. Number and growth rate of CR Express's trains outbound and inbound in 2015-2024



Source: CR Express, CCXAP research

Despite rapid development in the past decade, CR Express's operation faces macroeconomic and geopolitical risks. The 2022 Russia-Ukraine conflict, for instance, disrupted XFTP's freight routes and reduced train frequencies on several lines. The previous railway transportation to Ukraine has been terminated, and the number of trains going to Russia exceeded that going to Europe, becoming the main operating route. Moreover,

many dual-use and advanced technology products are also unable to be transported via railways passing through Russia due to EU's sanctions on Russia, which further limited the products transported.

The CR Express operation is also influenced by global shifts in the logistics industry, particularly the intensifying competition from shipping markets. China's international trade is dominant by shipping and around 95% of China's import and export cargo is carried by shipping in terms of freight volume. While shipping generally offers significantly lower costs, it comes with considerably longer and more volatile transit times due to factors like natural disasters and geopolitical crises. In contrast, although being more expensive, the CR Express provides a faster and more stable transportation solution.

Leading market position among all operators of the CR Express

XFTP is the largest freight forwarding entity and primary operator of Chang'an freight train in International Park, Xi'an City. Supported by good location, cost and policy advantages, Xi'an City has developed into a key gathering city along BRI, and its major international freight train, namely Chang'an, also became the international freight train with the most complete routes, the widest coverage, the highest efficiency and the fastest speed among all the CR Express operated in other cities. In 2024, Chang'an freight train operated 4,985 train trips in total, ranking first among all cities in China, followed by Chongqing City and Zhengzhou City.

There are 2 companies operating Chang'an freight train including XFTP and Xi'an International Inland Port Multimodal Transport Co., Ltd. ("XIIP"). XFTP is mainly responsible for the routes to Russia, Belarus, Central Asia and some cities in Europe, while XIIP is mainly responsible for the routes to Europe. With the outbreak of the Russian-Ukrainian conflict in 2022, the main structure of the Chang'an freight train route has shifted from China-Europe to China-Russia, and XFTP became the largest freight forwarding entity. In 2024, XFTP operated 4,296 train trips, accounting for 86.2% of total train trips operated by Chang'an freight train, indicating its strong market position in the CR Express.

Specifically, the Company provides freight forwarding services to customers, mainly freight companies and enterprises with freight demands, thereby charging loading and unloading fees, as well as agency service fees. In addition, the Management Committee of Xi'an Chanba International Port would provide freight forwarding subsidies based on freight. Some of the freight collected from downstream has a payment period of 1 to 2 months. For the upstream, the Company needs to pay the full freight deposit to the main upstream supplier, namely China Railway International Multimodal Transport Co., Ltd. ("CRIM"), and settle on a quarterly basis. XFTP has limited bargaining power to CRIM. As a result, XFTP needs to advance a large amount of capital to run freight forwarding services. The Company serves a diversified downstream customer base across broad geographic and industrial sectors, including the Yangtze River Delta, Pearl River Delta, and Beijing-Tianjin-Hebei region. Its major clients are predominantly logistics companies. The Company also offers a range of ancillary services such as customs clearance, container leasing, and financial solutions.

The Company expects to rely on complete and intelligent services with relatively low comprehensive cost, high transportation efficiency, and the widest route coverage to strengthen competitiveness and maintain market position. However, the operating income of freight forwarding business of XFTP could not cover the freight due to the low pricing for Chang'an freight train to downstream customers, and the Company highly relied on government subsidies to achieve fund balance. Therefore, we should keep track of the sustainability and timeliness of subsidies for the Chang'an freight train.

Supplementary revenue from trading and venue operation business

XFTP also engages in other diversified businesses including commodity sales and venue operation in Xi'an Chanba International Port, primarily in the International Park. These businesses have brought supplements to the Company's total revenue, but the gross profit margins remain low and the profit contribution is limited.

The Company's commodity sales business is mainly operated by its subsidiary, which adopts a sales-based procurement business model. XFTP's trading business is divided into domestic trade and international trade. The primary products in its international trade segment are agricultural and sideline products sourced from other BRI countries, such as wheat and rapeseed oil. The domestic trading products include chrome ore, coal, steel, and electronic products. This business exhibits a high degree of upstream and downstream concentration. In the first half of 2025, purchases from the top five suppliers and sales to the top five customers accounted for 100.0% and 93.5% of the total procurement and total sales, respectively. The customer base is comprised primarily of enterprises situated in the Xi'an Chanba International Port. From 2023 to 2024, the revenue from the segment decreased from RMB319.1 million to RMB241.7 million, while the gross profit margin decreased from 1.8% to 1.7%, primarily due to the termination of domestic trading business on meat products since 2024. Furthermore, the Company offers account periods to some downstream customers, typically spanning 3-6 months, which could present potential payment recovery risks.

XFTP is also responsible for the operation and management of some venues held by Port Group, including cultural parks, industrial parks, and stadiums. In 2024, the Company generated revenue of RMB67.2 million from venue operation business, indicating a YoY growth of 67.7%, with a decent gross profit margin of 28.3%. The venue operation business generates more stable revenue than the trading segment. The Company anticipates growth in this revenue stream in the coming years, driven by an increasing number of events.

Financial Profile

Revenue growth and profitability challenged by market competition

XFTP's total revenue level has risen consistently over the past three years. The operation of Chang'an freight train is the Company's primary source of revenue, accounting for approximately 94.2% of total revenue in 2024. Furthermore, revenue from trading business and venue operations provide supplementary income for the Company. From 2023 to 2024, the Company's total revenue increased from RMB6.6 billion to RMB7.8 billion, representing a YoY growth of 18.2%.

However, XFTP's profitability has remained relatively weak and is subject to uncertainties. Due to the influence of global macroeconomic fluctuation and intensive market competition, the gross profit margin of Chang'an freight train operation fluctuated across time. From 2023 to 2024, the gross margin of Chang'an freight train operation slightly declined from 5.7% to 5.2%. The operation of Chang'an freight train highly relied on government subsidies due to its policy-driven nature. The Company recorded government subsidy income of RMB900.0 million and RMB1.7 billion in 2023 and 2024, which accounted for 15.3% and 23.9% of the Chang'an freight train's total operational income respectively. In the first half of 2025, the Company had received RMB1.1 billion of government subsidy to support its operation. However, geopolitical issues and rising unit transportation costs drove up the operating expenses of the Chang'an freight train in 2024, thereby squeezing the overall profitability of the business. According to the government policies, the government would provide operating subsidies to freight train operation business until 2026.

The profitability of other businesses such as commodity sales and venue operations was weak and their contribution to profits was limited. Meanwhile, the Company's EBIT margin decreased from 9.4% in 2023 to 7.9%

in 2024, and the return on assets remained relatively low at 2.8% over the same period. Affected by market competition, the Company recorded a revenue of RMB3.1 billion and a net loss of RMB215.0 million in the first half of 2025. The negative profit is attributable to the significant price reduction on the Chang'an freight train operated by the Company, which have resulted in losses on its return tickets. The profitability of the Chang'an freight train segment is likely to stay weak, making the sustainability of its governmental subsidies a key factor to monitor.

High debt leverage with large short-term debt pressure

XFTP's total debt demonstrated an increasing trend over the past three years, mainly driven by supporting construction and continuous operating expenses of Chang'an freight train project. As of 30 June 2025, the Company's total debt increased to RMB16.0 billion from RMB11.7 billion as of end-2023. Meanwhile, its capitalization ratio (total debt to total capital) climbed to 73.6% from 64.4% over the same period. The Company's heightened debt leverage is due to the transfer out of its shareholdings in two subsidiaries in 2024, which resulted in a corresponding decrease of RMB652.5 million in its capital reserve. XFTP has a relatively high short-term debt burden, with short-term debt accounted for 37.0% of its total debt, and the cash to short-term debt ratio was only 0.2x as of 30 June 2025.

Given the expanding scale of train operations, ongoing investment in the CR Express (Xi'an) Assembly Center, and its role in securing external financing for Port Group, we expect the Company will continue to rely on external funding to meet its capital needs. Consequently, we project its debt level and leverage ratio will increase over the next 12-18 months. Furthermore, as XFTP's funds are centrally allocated by Port Group, its liquidity position could be affected by changes in the creditworthiness of other local SOEs, with which it has substantial intercompany borrowing arrangements.

XFTP's debt burden and short-term repayment pressure could be partially alleviated by its good standby liquidity provided by large domestic banks and the parent company. Bank loans have been the primary funding source for XFTP, accounting for 86.3% of its total interest-bearing debt as of 30 June 2025. XFTP has established good relationships with domestic policy banks and large joint-stock commercial banks, such as the Export-Import Bank of China and Ping An Bank Co., Ltd., ensuring the debt continuation. In addition, the Company obtained support from Port Group in bank loans, as around 70% of the Company's debt is guaranteed by Port Group and its subsidiary. As of 30 June 2025, the Company had total credit facilities of more than RMB20.0 billion, with an available remaining portion of around RMB1.5 billion. Meanwhile, XFTP's exposure to non-standard financing products was moderate, at 9.0% of total debt. These primarily consisted of trust and financial leasing arrangements, which typically carry higher funding costs. In addition, the parent company could provide backup liquidity support if needed, thereby mitigating the Company's funding pressures.

Moderate asset liquidity with high proportion of account receivables

XFTP's liquidity profile was moderate, as its assets were dominant by account receivables, debt investment, and long-term equity investment, which could undermine its financial flexibility. As of 30 June 2025, the Company's account receivables and other receivables together constituted 66.5% of its total assets. These receivables were primarily from other SOEs in the Xi'an Chanba International Port and the Management Committee of the Xi'an Chanba International Port, causing large occupation of the Company's funds. As of 31 December 2024, the freight forwarding subsidies receivable from the Management Committee of the Xi'an Chanba International Port was RMB389.3 million. Since the Company's external debt and equity investment are mainly for the local entities with limited income, we expect the liquidity is relatively low. Overall, the Company's

moderate asset liquidity could weaken its financial flexibility and necessitate reliance on external financing when needed.

External Support

High likelihood of support from the local government and the parent company

We expect a high likelihood of government support from the local government and Port Group to XFTP in times of need. Our expectation incorporates the considerations of the Company's (1) status as the core subsidiary of Port Group; (2) ultimate control by the Management Committee of Xi'an Chanba International Port; (3) regional importance in the International Park, Xi'an City; and (4) good track record of receiving government support from the local government.

Xi'an City is the provincial capital of Shaanxi Province, and is also a sub-provincial city and a National Central City approved by the State Council. With its good economic development, locational advantages and political advantages, Xi'an City has an important strategic position in the national economic layout and development strategy, including the Western Development Strategy and the Belt and Road Initiative.

Established in 2008, the International Park is located in the northeast of the main urban area of Xi'an City. It is an economic pilot zone established by Shaanxi Province and Xi'an City with the aim to create a new highland for inland reform and opening up, as well as the core area of the Shaanxi Free Trade Zone. In December 2023, for the purpose of regional integration and optimization, the Xi'an Municipal Government merged the Chanba Ecological Zone and the International Park into the Xi'an Chanba International Port. Xi'an Chanba International Port recorded a GRP of RMB69.6 billion in 2024, a YoY growth rate of 6.1%. In the first half of 2025, the region recorded a GRP YoY growth rate of 7.2%, demonstrating relatively strong sustainability.

The Management Committee of the Xi'an Chanba International Port maintains a high degree of control over XFTP's operations through Port Group, including the formulation of business strategies and the appointment of the board of directors and key management personnel. As the main operator of Chang'an freight train, XFTP's train operation business is an important tool for Xi'an City and the International Port to deepen the BRI, and is crucial to local strategic planning and policy implementation. In addition, the inland port distribution centers and logistics centers that the Company is responsible for building and operating are also fundamental for local international trade business and foreign exchanges, and the Company's default will affect the operation and construction of such key facilities. With the coordination of the local government, XFTP received operational subsidies of RMB900.0 million in 2023 and RMB1.7 billion in 2024 from the provincial, municipal and district governments to support the operation of Chang'an freight train. However, there is a time lag from receiving the government subsidies.

Port Group is the most important infrastructure development and construction entity in the International Park. It is primarily responsible for infrastructure construction, land consolidation, freight forwarding, quasi-financial services and port-side trade businesses within the area. As of 30 June 2025, Port Group was wholly owned and controlled by the Management Committee of Xi'an Chanba International Port. XFTP is the major subsidiary of Port Group, particularly in the operation of Chang'an freight train and trading sector. As of end-2024, the Company had contributed approximately 22.2% of Port Group's total assets, with its revenue accounting for over 59.9% of the total revenue. The Company's operation of Chang'an freight train is one of the core businesses in Port Group's strategic planning and an important aspect of Port Group's completion of its regional policy positioning. XFTP has continuously received comprehensive support from Port Group, including capital injection and debt guarantees. Furthermore, XFTP has a moderate degree of legal affiliation with the parent company, as around 70% of the Company's loans are guaranteed by Port Group and its subsidiaries. Therefore,

the Company's default will have a significant impact on the reputation of Port Group and the local government, as well as on regional financing channels and financing costs.

Overall, we anticipate that the local government and the parent company will provide support to XFTP when necessary, given its regional importance in line with the government's strategy development blueprint and policy.

ESG Considerations

XFTP faces environmental risks because it has undertaken freight train operation in Xi'an City. Such risks could be moderated by conducting environmental studies and planning prior to the start of the projects, and close monitoring during the operation.

The Company also faces social risks. Demographic changes, public awareness and social priorities shape government's target for XFTP, or affect the government's propensity to support the Company.

XFTP's governance considerations are also material as the Company is subject to oversight by the Management Committee of Xi'an Chanba International Port and has to meet several reporting requirements, reflecting its status as a state-owned enterprise.

Rating Methodology

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

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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