

Credit Opinion

17 December 2025

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

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Xi'an Gaoke Group Co., Ltd.

Surveillance credit rating report

CCXAP affirms Xi'an Gaoke Group Co., Ltd.'s long-term credit rating at BBB_g+, with stable outlook.

Summary

The BBB_g+

Our assessment of the local government's capacity to provide support reflects Xi'an HIDZ's status as one of the national-level high-tech zones with good high-tech industrial fundamentals and increasing economic strength, ranking first-tier among national-level high-tech zones in China.

The rating also reflects the local government's willingness to provide support, which is based on the Company's (1) important role in the development and urban operations of Xi'an HIDZ; (2) track record of receiving government support; and (3) good access to funding with sufficient bank facilities.

However, the rating is constrained by the Company's (1) high exposure to commercial activities especially in property development; (2) high debt leverage and moderate asset liquidity; and (3) moderate exposure to contingent risk.

The stable outlook on XAGK's rating reflects our expectation that the local government's capacity to provide support will remain stable, and the Company will maintain its important role in the development of Xi'an HIDZ over the next 12-18 months.

Rating Drivers

- Important role in the development and urban operations of Xi'an HIDZ
- High exposure to commercial activities especially in property development
- Track record of receiving government support
- High debt leverage and moderate asset liquidity
- Good access to funding with sufficient bank facilities
- Moderate exposure to contingent risk

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) the local government's ability to provide support strengthens; or (2) the Company's characteristics change in a way that strengthens local government's willingness to provide support, such as materially decreased exposure to commercial activities.

What could downgrade the rating?

The rating could be downgraded if (1) the local government's ability to provide support weakens; or (2) the Company's characteristics change in a way that decreases the local government's willingness to provide support, such as reduced regional significance or weakened refinancing ability.

Key Indicators

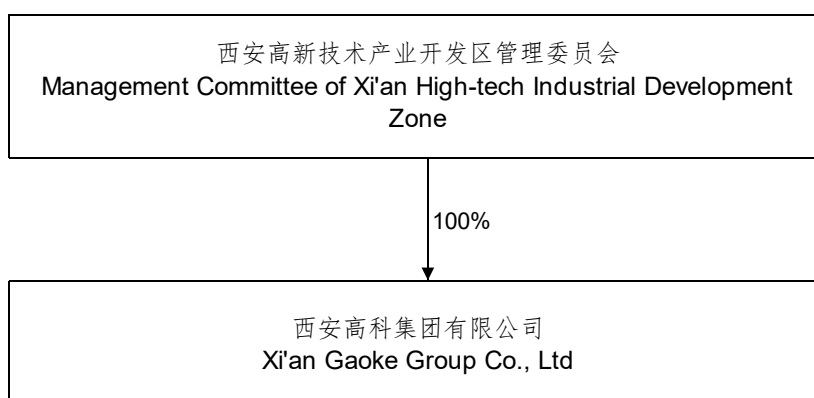
	2022FY	2023FY	2024FY	2025H1
Total Asset (RMB billion)	213.8	225.8	227.4	234.2
Total Equity (RMB billion)	23.9	24.0	25.0	25.1
Total Revenue (RMB billion)	34.5	35.0	34.6	10.6
Total Debt/Total Capital (%)	85.6	84.9	86.8	87.2

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

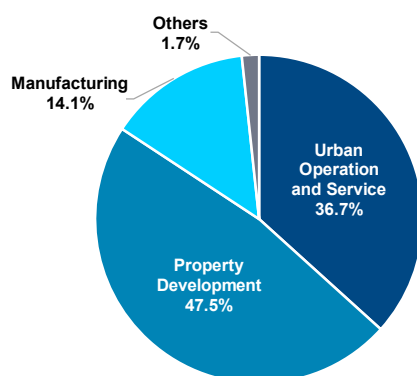
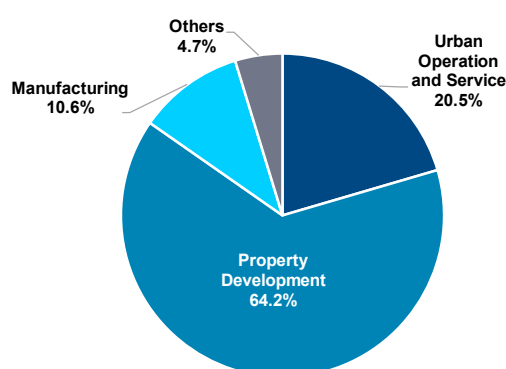
Source: Company data, CCXAP research

Corporate Profile

Founded in 1992, XAGK is one of the three major state-owned enterprises ("SOEs") directly owned by the Management Committee of Xi'an HIDZ. XAGK is positioned as the important entity of industry and urban investment and operation, responsible for regional infrastructure construction and provision of public services. XAGK also engages in diversified commercial activities, such as property development, industrial parks development and operation, manufacturing, as well as trading. As of 30 June 2025, the Company was directly and wholly owned by the Management Committee of Xi'an HIDZ, and its total assets and net assets were RMB234.2 billion and RMB25.1 billion, respectively.

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**Government's Capacity to Provide Support**

We believe that the Xi'an HIDZ Government has very strong capacity to provide support to the Company, given Xi'an HIDZ's status as one of the national-level high-tech zones with good high-tech industrial fundamentals and increasing economic strength, ranking first-tier among national-level high-tech zones in China in terms of comprehensive strength.

Xi'an City is the provincial capital of Shaanxi Province and is located in the center of Shaanxi Province. It is also a Sub-provincial City and a National Central City approved by the State Council. On the back of its geographical advantages, Xi'an City has developed six pillar industries, including electronic information manufacturing, automobiles, aerospace, high-end equipment manufacturing, new materials and new energy, as well as biomedicine. Xi'an City is the biggest city in Shaanxi Province in terms of economic size and its gross regional products ("GRP") ranked first in Shaanxi Province over the past five years. In 2024, Xi'an City reported GRP of over RMB1.3 trillion, representing a year-over-year ("YoY") growth of 4.6% and accounting for approximately 37.5% of Shaanxi Province's GRP. In the first three quarters of 2025, Xi'an's GRP reached RMB964.2 billion, a YoY increase of 5.1%. It also has good fiscal stability with tax income contributing to over 70% of the general budgetary revenue over the past three years. Meanwhile, its fiscal balance ratio (calculated by general budgetary revenue/general budgetary expenditure) has improved from 55.0% in 2023 to 64.2% in 2024. Xi'an

City also had a relatively high debt burden as its outstanding government debt was RMB464.4 billion as of 31 December 2024, accounting for 34.9% of its GRP.

Exhibit 4. Key economic and fiscal indicators of Xi'an City

	2022FY	2023FY	2024FY
GRP (RMB billion)	1,148.7	1,201.1	1,331.8
GRP Growth (%)	4.4	5.2	4.6
General Budgetary Revenue (RMB billion)	83.4	95.2	100.2
General Budgetary Expenditure (RMB billion)	157.0	173.0	156.2
Local Government Debt (RMB billion)	362.6	403.0	464.4

Source: Xi'an Municipal Government, CCXAP research

Formed in 1991, Xi'an HIDZ is one of the first batch of national-level high-tech industrial development zones approved by the State Council, ranking first-tier among all the national-level high-tech zones since 1994. After years of development, Xi'an HIDZ has formed 3 pillar industries, including electronic information, advanced manufacturing, as well as modern service. There are a large number of high-tech enterprises settled in Xi'an HIDZ, such as Intel Corporation, Samsung Electronics Co., Ltd., Huawei Technologies Co., Ltd., Alibaba Group Holding Limited, and BYD Co. Ltd., becoming one of the largest flash memory chip production bases and the largest new energy vehicle production base globally.

Supported by its comprehensive industrial structure and sound industrial fundamentals, Xi'an HIDZ has maintained a rapid economic growth in recent years. In 2024, Xi'an HIDZ's GRP increased to RMB337.2 billion from RMB333.3 billion in 2023, representing a YoY growth of 4.1% and accounting for 25.3% of Xi'an City's GRP. In the first half of 2025, Xi'an HIDZ recorded a GRP of RMB165.8 billion, indicating a YoY growth of 5.5%. However, the local government's fiscal pressure has increased, with its general budgetary revenue recording RMB8.7 billion in 2024, representing a YoY increase of 0.9% on a comparable basis. This change in revenue was primarily driven by the adjustment of fiscal mechanism in Xi'an City. Xi'an HIDZ's fiscal balance ratio (general budgetary revenue/general budgetary expenditure) was 67.7% in 2024, indicating a moderate level of self-sufficiency. Over the same period, government fund revenues fell sharply by 45.5% YoY to RMB12.5 billion, leading to a decline in the region's overall fiscal capacity, primarily due to reduced revenue from land sales. Therefore, continuous attention should be paid to the sustained impact of land sales revenue on local government income. Moreover, the local government's debt burden is relatively small. As of end-2024, Xi'an HIDZ's outstanding government debt amounted to RMB30.4 billion, accounting for about 9.2% of GRP. As a major development engine for Xi'an City, Xi'an HIDZ is expected to continue receiving strong local government support, enabling its continued contributions to the city.

Exhibit 5. Key economic and fiscal indicators of Xi'an HIDZ

	2022FY	2023FY	2024FY
GRP (RMB billion)	310.4	333.3	337.2
GRP Growth (%)	10.1	8.1	4.1
General Budgetary Revenue (RMB billion)	13.8	17.0	8.7
General Budgetary Expenditure (RMB billion)	16.9	18.2	12.8
Local Government Debt (RMB billion)	27.9	27.5	30.4

Source: Management Committee of Xi'an HIDZ, CCXAP research

Government's Willingness to Provide Support

Important role in the development and urban operations of Xi'an HIDZ

As one of the three major SOEs in Xi'an HIDZ, XAGK plays an important role in regional development of Xi'an HIDZ. The Company is mainly responsible for the urban operation services and supporting facilities construction of industrial parks in Xi'an HIDZ. Considering the large number of projects undertaken by the Company, we expect that the important role of XAGK is unlikely to be replaced in the foreseeable future.

As the major entity for the urban construction, XAGK engages in supporting facilities construction of industrial parks, infrastructure construction, resettlement housing and affordable rental housing construction in Xi'an HIDZ. The Company participates in the construction of resettlement housing and affordable housing through agency construction model, government purchase model, and self-operated model. Under agency construction model, the Company signs entrusted agreements with the local government and is responsible for planning, organization of construction, and bidding of the projects. The initial construction costs of the projects were to be covered by the entrusting parties, while XAGK would receive management fees in the form of a mark-up. Under government purchase model, the Company would receive projects repayments since the repurchase agreements were signed with the local government. As of 30 June 2025, all the projects under government purchase model were completed, with a total investment amount of RMB4.8 billion and project repayment of RMB3.5 billion. Meanwhile, the total investment of the completed construction projects under the agency construction model was RMB17.4 billion, and full payment has been collected for all of them. These projects mainly included shantytown renovations and municipal infrastructure facilities. As of 30 June 2025, the Company had no projects under construction or planning under the agency construction and government purchase models.

XAGK now mainly undertakes resettlement housing and affordable rental housing constructions under self-operated model, and is responsible for financing of the projects. For the resettlement housing projects, the Company would achieve fund balancing by selling the resettlement housing to resettlement households. The selling price is generally lower than the market price. For the affordable rental housing projects, the investment is expected to be balanced through rental income, and the projects' funding mainly came from bank loans. Moreover, the local government would also provide subsidies of RMB1,500.0 per square meter for the construction of affordable rental housing. As of 30 June 2025, there were 17 housing projects under construction, with a total investment of RMB50.7 billion and an uninvested amount of RMB14.9 billion. The large amount of remaining investment may generate certain capital expenditure pressure to the Company.

XAGK also provides heat supply service for the enterprises and residents in Xi'an HIDZ. The Company is responsible for the design, installation, repairment, maintenance, and renovation of the main heating equipment and pipelines in Xi'an HIDZ. As of 30 June 2025, the Company owned 4 thermal centers, 29 distributed heat sources, and steam and hot water pipe network of 160 kilometers, with an annual heating capacity of 3,008MW. At the same time, the Company also had one heating pipe network project under construction, with an uninvested amount of RMB47.0 million. The heat supply business generated stable income stream for the Company. It had recorded RMB800.0 million of revenue in 2024, representing a YoY growth of 5.0%.

High exposure to commercial activities especially in property development

XAGK also engages in diversified commercial activities, such as property development and manufacturing. We consider the Company's exposure to commercial businesses to be high, especially in property development during the downturn of China's real estate market. Moreover, there was certain recovery risk arising from its manufacturing and trading businesses.

XAGK conducts property development business mainly through its subsidiaries Tande Co., Ltd. (“Tande”, stock code: 600665.SH) and Xi’an Gaoke Real Estate Co., Ltd. The Company’s property development business primarily focuses on residential, office, and commercial real estate projects. Geographically, its business is concentrated in Xi’an City, with a number of projects also located in other key cities such as Guangzhou, Tianjin, Shenzhen, and Suzhou. Due to the downturn in China’s real estate market, the Company has slowed down its pace of property development, resulting in a continuous decline in newly constructed area over the past two years. Between 2024 and the first half of 2025, the Company purchased a total of four land parcels at an average price of approximately RMB23,000.0 per square meter. The Company’s contracted sales from real estate projects plummeted to RMB7.8 billion in 2024 from RMB18.3 billion in 2023. Meanwhile, the revenue recognized during the year was RMB16.4 billion, representing a YoY decrease of 8.3%. As of 30 June 2025, the Company’s top 10 property projects under construction had a total investment of RMB44.9 billion, and an uninvested amount of RMB16.6 billion. These projects had a total gross saleable area of 3.6 million square meters. The area sold was 1.6 million square meters, corresponding to a sales absorption rate of around 44.3%. At the same time, the Company also had 2 projects under planning, with a total planned investment of RMB4.4 billion. Furthermore, due to the continuous decline in real estate market prices, the Company’s subsidiary Tande recorded an inventory write-down and recorded a net loss of RMB972.9 million in 2024, which also led to a significant loss in the Company’s consolidated net profit. In the first three quarters of 2025, Tande recorded a net loss of RMB168.0 million, and its property sales remained under pressure. Overall, the Company still has a large scale of projects under construction and planning, creating relatively large future capital expenditure pressure. Meanwhile, the housing price and sales revenue also face uncertainties under the current downturn of the real estate market.

XAGK engages in industrial parks development and operation to promote the development of local high-tech industries. The Company undertakes the responsibilities of financing, construction, operation of industrial parks and is expected to achieve fund balance through leasing income. As of 30 June 2025, the Company had a total leasable area of 1.6 million square meters, including software research and development base, high-tech medical industrial park, new generation artificial intelligence park, and digital economy industrial park, with relatively high occupancy rates, which could provide supplementary revenue to XAGK. The main tenants are high-tech enterprises settled in Xi’an HIDZ. At the same time, there were 2 projects under construction, with a total investment of RMB9.6 billion and an uninvested amount of RMB7.2 billion. These projects are international conference center and smart park. However, the Company’s investments require long holding periods, which may entail elevated investment and execution risks.

The Company’s manufacturing segment, which includes building materials, curtain walls, doors and windows, concrete, and medicine, increases the business diversity of XAGK. Mainly affected by the downturn of real estate market, the Company’s revenue from concrete production business declined by 25.4% YoY to RMB2.2 billion in 2024. The revenue from curtain walls, doors and windows segment also continued to decrease from RMB1.6 billion in 2023 to RMB1.5 billion in 2024, while the net profit increased to RMB15.0 million from RMB9.0 million. In addition, the Company’s subsidiary, Xi’an Gaoke Curtain Wall Doors and Windows Co., Ltd. (“GKCD”) has established a long-term comprehensive strategic partnership with various property developers. Additionally, GKCD is diversifying its business into non-real estate sectors such as industrial plants, parks, schools, and hospitals, aiming to reduce its reliance on the property market. However, GKCD is listed as a dishonest judgment debtor and is involved in several dispute cases mainly arising from the overdue payments from China Evergrande Group. As of 26 November 2025, the total enforcement amount against GKCD is RMB19.5 million. GKCD is negotiating and resolving the bill disputes through various methods such as collateral assets or reconciliation.

Additionally, the Company participates in trading business, including supply of steel, concrete, and supporting equipment. The Company adopts demand-on-purchase mode which means orders to upstream suppliers would be placed only when the sale contracts are signed with downstream customers. The Company usually make upfront payments to suppliers before receiving goods. However, the Company's capital repatriation cycle has been prolonged due to the overdue receivables, and it usually provides 20~30 days of account period to its downstream customers, which therefore lead to deterioration in profitability. Besides, this business faces relatively high concentration risk, as its top 5 suppliers and customers accounted for more than 65% of its procurement and sales in 2024, respectively. One of the suppliers, Xi'an Maike Metal International Group Co., Ltd. ("MK Group"), has encountered financial difficulties in business operation. As of 30 June 2025, the outstanding prepayment to MK Group was RMB245.0 million. The Company has stopped the trading business with MK Group since August 2022. In 2024, the revenue from trading business decreased to RMB1.6 billion from RMB3.3 billion in 2023, and the net loss was RMB37.0 million. The loss was primarily attributable to high operating costs and debt interest expense.

XAGK is also engaged in property management and urban operations businesses. The property management service is managed by its subsidiary, Xi'an Gaoke Property Service Management Co., Ltd, which primarily provides property services for real estate projects developed by the Company itself, covering diverse formats including residential buildings, office towers, commercial complexes, urban complexes, schools, industrial parks, public rental housing, and relocation housing. As of 30 June 2025, the business managed a portfolio of over 260 projects with a total service area surpassing 30 million square meters. In 2024, this segment reported revenue of RMB1.2 billion. The Company's urban services business includes landscape design, green space construction and maintenance, park management, and sanitation services, and it typically secures projects through public bidding and conducts project settlement based on milestone approvals. In 2024, this business segment generated operating revenue of RMB880.0 million, representing a YoY decrease of 44.6%. This decline was attributed to a reduction in government engineering projects and lower contract prices for maintenance and cleaning services.

Track record of receiving government support

XAGK has a track record of receiving support from the local government, such as operating subsidies, capital injection, equity transfer, government payment, as well as asset injection. These supports further enhanced the business scope and capital strength of XAGK. From 2024 to June 2025, the Company received operating subsidies of around RMB84.0 million from the local government, supporting its daily operation. In terms of project payments, the Company had received RMB6.5 billion and RMB3.8 billion of government paybacks for its construction projects in 2024 and the first half of 2025, respectively. Considering the Company's important role in regional development and urban operations of Xi'an HIDZ, we expect XAGK will continue to receive support from the local government.

High debt leverage and moderate asset liquidity

With the continuous financing for construction projects, XAGK's debt leverage remains high, and its refinancing pressure is still large. As of 30 June 2025, the Company's total debt (including perpetual bonds) increased to RMB143.1 billion from RMB125.6 billion as of end-2023. Its total capitalization ratio, as measured by total debt to total capital, was recorded at 87.2% as of the same date. Meanwhile, the Company's short-term amounted to RMB44.1 billion, accounting for 30.8% of its total debt and indicating refinancing pressure. Furthermore, its cash-to-short-term-debt ratio was less than 0.4x, which is inadequate to cover its upcoming debt obligations. Considering the relatively large remaining investment in resettlement housing and property development

projects, we estimate the Company would continue to rely on external financing such as bank loans to support its business, and its total debt would maintain at a high level over the next 12-18 months.

XAGK's asset liquidity was relatively weak. As of 30 June 2025, XAGK's inventories, receivables, investment properties, and construction in progress accounted for around 80% of the total assets. Majority of these assets were considered low liquidity. Inventories accounted for more than half of the total assets, which were mainly construction costs of real estate and infrastructure construction projects. Meanwhile, as of 30 June 2025, the total restricted assets of XAGK were RMB52.3 billion, including inventories, investment properties, cash, fixed assets, and long-term equity investment, accounting for 22.3% of total assets. These restricted assets were mainly assets pledged for loans, and therefore may undermine the Company's financial flexibility.

Good access to funding with sufficient bank facilities

XAGK has a good access to funding channels such as bank loans, onshore bonds, and non-standard financing. Bank loans contribute the most of total debts, which accounted for more than 65% as of 30 June 2025. The Company has built long-term and close relationships with policy banks, major state-owned banks and national joint-stock commercial banks in China, including China Development Bank, Agricultural Development Bank of China, Bank of China Limited, and China CITIC Bank Corporation Limited. As of 30 June 2025, it received total credit facilities of RMB158.1 billion and the available portion being RMB29.4 billion. The Company has demonstrated a strong track record in capital market fundraising. In 2024, it issued two tranches of corporate bonds, raising RMB3.2 billion with coupon rates ranging from 3.4% to 3.79%. As of 30 June 2025, the outstanding bonds of the Company and its subsidiaries amounted to RMB18.1 billion, accounting for 12.6% of its total debt. In addition, the Company's exposure to non-standard products such as financial leasing and trust loans decreases, accounting for around 14% of the total debts. These products usually have higher financing costs and may increase the Company's general cost of financing.

Moderate exposure to contingent risk

The Company's exposure to contingent liability risk is moderate. As of 30 June 2025, its external guarantees totaled at RMB4.4 billion, representing 17.6% of its net assets. We believe the exposure to external guarantees are controllable as all the guarantees were provided to local SOEs. Additionally, some of the Company's subsidiaries have been listed as judgement debtors, with total enforced payment obligations of more than RMB50.0 million as of 26 November 2025, which are expected to result in additional contingent liabilities to the Company in the future.

ESG Considerations

XAGK faces environmental risks because it has undertaken urban infrastructure construction and property development projects. Such risks could be moderated by conducting environmental studies and planning prior to the start of the projects, and close monitoring during the construction phase.

XAGK bears social risks as it is engaged in provision of public services in Xi'an HIDZ. Demographic changes, public awareness and social priorities shape the Company's development targets and ultimately affect the local government's propensity to support the Company.

In terms of corporate governance, the Company is subject to oversight by the local government and has to meet several reporting requirements, reflecting its public-policy role and status as a government-owned entity.

Rating Methodology

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

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