

## Credit Opinion

3 April 2025

Ratings	
Category	Corporate
Domicile	China
Rating Type	Solicited Rating
Long-Term Credit Rating	BBB <sub>g</sub> -
Outlook	Stable

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## Xixian New Area Jinghe New City Industrial Development Group Co., Ltd.

### Surveillance credit rating report

**CCXAP affirms Xixian New Area Jinghe New City Industrial Development Group Co., Ltd.'s long-term credit rating at BBB<sub>g</sub>-, with stable outlook.**

### Summary

The BBB<sub>g</sub>- long-term credit rating of Xixian New Area Jinghe New City Industrial Development Group Co., Ltd. ("JHID" or the "Company") reflects (1) Xixian New Area Government's very strong capacity to provide support, based on its comprehensive economic and fiscal strength; and (2) the local government's 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 Xixian New Area's status as one of 19 state-level new areas with sound fundamentals, but is constrained by its high debt burden of government and local state-owned enterprises.

The rating also reflects the local government's willingness to provide support, which is based on the Company's (1) important role in infrastructure construction and industry development of Jinghe New City; (2) solid track record of receiving government supports.

However, the rating is constrained by the Company's (1) high exposure to commercial activities with large capital expenditure; (2) increasing debt burden driven by construction projects; (3) moderate asset liquidity; and (4) medium contingent liabilities risk.

The stable outlook on JHID's rating reflects our expectation that Xixian New Area Government's capacity to provide support will remain stable, and the Company will maintain its significant strategic position in the development of Jinghe New City.

## Rating Drivers

- Important role in infrastructure construction and industry development of Jinghe New City
- High exposure to commercial activities with large capital expenditure
- Solid track record of receiving government supports
- Increasing debt burden and moderate asset liquidity
- Fair access to funding, but higher refinancing risk
- Medium contingent liabilities risk associated with local state-owned enterprises (“SOEs”)

## Rating Sensitivities

### What could upgrade the rating?

The rating could be upgraded if (1) Xixian New Area 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 improved debt management or reduced exposure to commercial activities.

### What could downgrade the rating?

The rating could be downgraded if (1) Xixian New Area 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 deteriorated financing ability.

## Key Indicators

	2021FY	2022FY	2023FY	2024Q3
Total Asset (RMB billion)	15.2	22.1	31.9	34.5
Total Equity (RMB billion)	5.6	8.3	10.2	10.5
Total Revenue (RMB billion)	0.9	0.9	1.0	0.5
Total Debt/Total Capital (%)	49.4	54.9	59.0	60.9

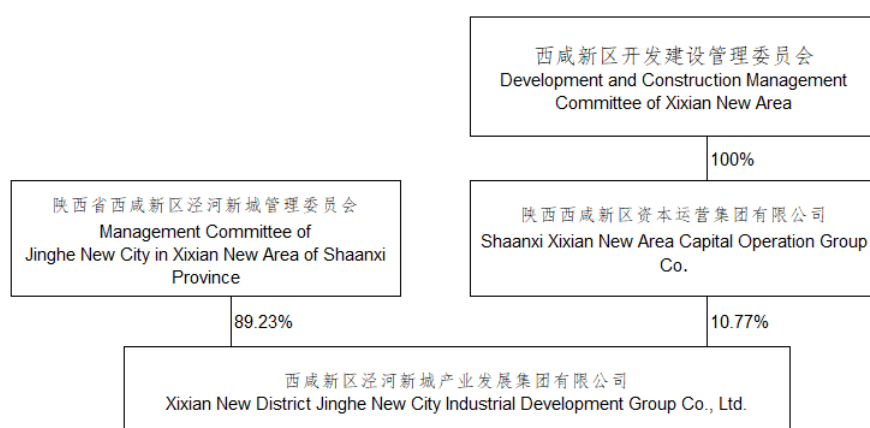
All ratios and figures are calculated using CCXAP's adjustments.

Source: Company data, CCXAP research

## Corporate Profile

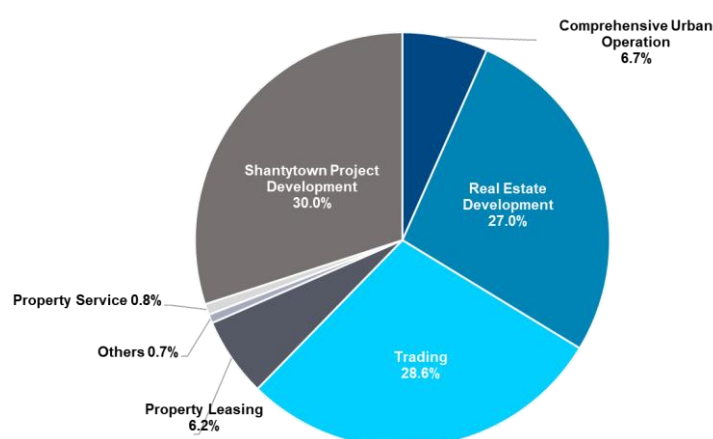
Founded in 2019, JHID is one of the key state-owned enterprises of Xixian New Area and plays important role in the local urban development and operation. The Company mainly engages in public infrastructure projects, including infrastructure construction, land consolidation, and affordable housing construction. It also engaged in commercial businesses such industrial parks construction and operation, real estate development, trading, property service and leasing. As the end of 2024, the Management Committee of Jinghe New City in Xixian New Area of Shaanxi Province (“Management Committee of Jinghe New City”) directly owned and controlled the Company by holding 89.23% of its shares. The rest of the shares are owned by Shaanxi Xixian New Area Capital Operation Group Co., Ltd. (“XNCO”).

## Exhibit 1. Shareholding chart as of 31 December 2024



Source: Company information, CCXAP research

## Exhibit 2. Revenue structure in 2023



Source: Company information, CCXAP research

## Rating Considerations

### Government's Capacity to Provide Support

We believe that the Xixian New Area Government has very strong capacity to provide support for the Company, given its status as one of 19 state-level new areas with sound fundamentals, but is constrained by its high debt burden.

Shaanxi Province has a relatively stable economic growth, providing a good support for the industrial development of Shaanxi Province. Shaanxi Province is located in the hinterland of China, with advantageous geographical location to serve as a bridge between the eastern and western regions of China. Meanwhile, Shaanxi Province is also an important transportation hub in China, with a well-developed high-speed rail network and expressway network. With the good transportation and location advantages, Shaanxi Province's economic strength improved steadily with general regional product ("GRP") increased from RMB3.3 trillion to RMB3.4 trillion from 2022 to 2023, ranking 14<sup>th</sup> among all provinces in China. Shaanxi Provincial Government's fiscal strength also improved along with the economic growth. In 2023, the general public budgetary revenue of Shaanxi Province amounted to RMB343.8 billion.

Xi'an City is the provincial capital of Shaanxi Province and is located in the center of Shaanxi Province. It is also a Vice-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 GRP ranked first in Shaanxi Province over the past five years. In 2023, Xi'an City recorded a GRP of over RMB1.2 trillion, representing a Year-on-year ("YoY") growth of 5.2% and accounting

for approximately 35.5% of Shaanxi Province's GRP. It also has good fiscal stability with tax income contributing to over 70% of the general budgetary revenue over the past three years. However, its fiscal balance ratio (general budgetary revenue/general budgetary expenditure) was relatively weak at 55.1% in 2023. Xi'an City also had a relatively high debt burden as its outstanding government debt was RMB403.0 billion as of 31 December 2023, accounting for 32.7% of its GRP.

### Exhibit 3. Key economic and fiscal indicators of Xi'an City

	2021FY	2022FY	2023FY
GRP (RMB billion)	1,068.8	1,148.7	1,201.1
GRP Growth (%)	4.1	4.4	5.2
General Budgetary Revenue (RMB billion)	85.6	83.4	95.2
General Budgetary Expenditure (RMB billion)	147.5	157.3	172.9
Local Government Debt (RMB billion)	323.1	362.6	403.0

Source: Statistics Bureau of Xi'an City, CCXAP research

Xixian New Area is a state-level new area located between Xi'an City and Xianyang City. It was established by the Shaanxi Provincial Government in 2011 and became the seventh state-level new area in 2014 with the approval of the State Council. It is strategically positioned as the new modern center of Xi'an City, the new engine of the western development, an important fulcrum of the Silk Road Economic Belt, as well as the national experimental area for innovative urban development. From 2022 to 2023, Xixian New Area's GRP increased from RMB62.5 billion to RMB69.0 billion. Its fiscal strength maintains at a relatively stable level, with its general budgetary revenue increased from RMB9.5 billion to RMB12.6 billion over the same period. Meanwhile, its fiscal balance ratio improved from 57.6% in 2022 to 72.2% in 2023. The average fiscal balancing ratio over the past three years was 66.8%. Moreover, Xixian New Area has a relatively high debt burden, its outstanding government debt amounted to RMB100.4 billion by the end of 2023, accounting for about 145.5% of GRP. Besides, Xixian New Area has high level of broad debt, which concentrated in the local Infrastructure and Investment Financing Companies, imposing refinancing pressure to the government.

### Exhibit 4. Key economic and fiscal indicators of Xixian New Area

	2021FY	2022FY	2023FY
GRP (RMB billion)	65.3	62.5	70.0
GRP Growth (%)	3.7	3.5	7.9
General Budgetary Revenue (RMB billion)	10.6	9.5	12.6
General Budgetary Expenditure (RMB billion)	15.1	16.5	17.5
Local Government Debt (RMB billion)	72.5	89.6	100.4

Source: Xixian New Area Government, CCXAP research

Jinghe New City is one of the five regions and is located in the northeastern part of the Xixian New Area. Leveraging its geographical advantages, Jinghe New City is designated to be developed into an industrial base

focusing on emerging industries such as new energy, new materials and manufacture of high-end equipment; developing priority industries such as geological information, modern services, modern agriculture, and cultural tourism. Jinghe New City's GRP increased by 25.3% YoY in 2023, which was 17.4 percentage points higher than the growth rate of Xixian New Area and 20.1 percentage points higher than that of Xi'an City. In 2023, the general budgetary revenue of Jinghe New City was RMB3.4 billion.

## **Government's Willingness to Provide Support**

### **Important role in urban and industry development of Jinghe New City**

As an important urban operator in Jinghe New City, JHID plays a vital role in urban and industry development of Jinghe New City. The Company mainly engages in infrastructure construction, land consolidation, and affordable housing construction projects. The Company conducts infrastructure construction business mainly through agency construction model. Under agency construction model, the Company signs construction agreements with entrusting parties, usually with a certain degree of markup. From the perspective of project reserves, the Company had 7 infrastructure projects under construction and planning as of 30 September 2024, with a total planned investment of RMB2.5 billion and an uninvested amount of RMB1.9 billion. The sufficient project reserves demonstrated the sustainability of the Company's businesses, but it also put significant capital expenditure pressure in the upcoming years.

JHID also engages in affordable housing construction in Jinghe New City. The local government would repurchase the affordable housing and pay the project construction management fee to the Company upon acceptance of the project. As of 30 September 2024, the Company had 7 projects under construction, with uninvested amount of RMB6.8 billion, exerting high capital expenditure pressure. JHID also had one affordable housing project under self-constructed mode, with a total planned investment of RMB857.0 million and outstanding investment of RMB721.0 million. The Company will balance its investment through sales and leasing.

Entrusted by the management committee of Jinghe New City, the Company participates in land development and consolidation business in Jinghe New City. Entrusted by the Land Reserve Center of Jinghe New City, the Company would pay land consolidation fees to the sub-district and street offices, who would be responsible for land acquisition, demolition, compensation, development, and consolidation within the planned area. The Land Reserve Center of Jinghe New City would pay the Company based on the cost of land consolidation plus 12.0% markup after completion of the land consolidation. From 2021 to 2023, the Company had invested RMB445.0 million in land consolidation projects. As of 30 September 2024, the Company had one land project under consolidation, with an invested amount of RMB6.0 million. The Company had no planned land consolidation project at the same time.

Overall, considering the JHID's important position in undertaking urban construction projects in Jinghe New City, we believe the Company will not be easily replaced by other state-owned enterprises in the foreseeable future.

### **High exposure to commercial activities with large capital expenditure**

JHID also engages in commercial activities including industrial parks construction and operation, real estate development, trading, and leasing. While the commercial activities generate supplemental income, they may pose higher operational and business risks than infrastructure construction business under agency construction model. Moreover, large future investments in industrial parks would bring large capital expenditure pressure to the Company. In our view, the Company's exposure to commercial businesses is high, accounting for more than 30% of its total assets as of 30 September 2024.

With the aim to attract investments and promote the development of local industries, JHID actively engages in industrial parks construction mainly through self-operated model. The Company would achieve fund balancing through selling and leasing after the projects are completed. Compared with direct payment from the local government, the self-operated construction projects expose the Company to more funding and business risks. As of 30 September 2024, there were 9 industrial parks under construction, with a total investment of RMB34.1 billion and an outstanding amount of RMB30.2 billion. The largest two projects in terms of total investment are Jinghe Smart Valley Project and Photovoltaic New Energy Industrial Park Project, with the total investment of each project exceeding RMB10.0 billion. We believe the riskiness of this business is manageable as the development of industrial parks is more policy-driven and beneficial to the local industrial development, which also aligns with the development blueprint of Xixian New Area Government. However, the large amount of future investment of industrial park projects would bring large capital expenditure pressure to the Company.

JHID also engages in real estate development business in Jinghe New City, mainly to improve the regional business environment. The main customers of the Company are employees of enterprises attracted and settled in Jinghe New City. As of 30 September 2024, there were 4 commercial residential housing under construction, with an uninvested amount of RMB1.2 billion. As of 30 September 2024, the Company had one completed commercial housing project, of which around 80% have been sold. Moreover, there were 6 proposed properties construction, as of 30 September 2024, including residential housing and commercial properties, with a total planned investment of RMB9.1 billion. The real estate development business may expose the Company to certain business risks. Moreover, under the downturn of the real estate market, increasing investment in property development may bring more operational uncertainties and financial risks to the Company.

In addition, the Company expanded its business to trading business, which has generated considerable amount of revenue to the Company, accounting for around 28.6% of the total revenue in 2023. However, the gross profit margin of this business sector is relatively low. The main products of trading business are chemical raw materials and electronic equipment. The Company also bears relatively high concentration risks in trading business. Xi'an High-Tech Supply Chain Co., Ltd. and Shaanxi Xixian Fengdong Business Development Co., Ltd. were JHID's important supplier and customer respectively, accounting for 56.5% and 69.0% of its total procurements and total sales, respectively.

### **Solid track record of receiving government supports**

In recognition of the importance of JHID's businesses to Jinghe New City, the Company has received comprehensive supports from the government, in terms of capital injections, project repayments, and operating subsidies. The Company continuously received capital injection from the Management Committee of Jinghe New City and XNCO over the past three years, increasing its paid-in capital to RMB5.9 billion, as of 30 September 2024, substantially enhancing JHID's capital strength. JHID also has a good track record of receiving government payments. In 2023, the Company received operating subsidies from the local government with a total amount of around RMB6.2 million. Overall, we expect JHID to receive ongoing government support in the next 12-18 months given its important role in the development of Jinghe New City.

### **Increasing debt burden and moderate asset liquidity**

JHID shows a rising debt burden owing to its expansion in the construction of urban construction projects and investment in commercial activities over the past few years. As of 30 September 2024, the Company's total debt increased to RMB16.4 billion from RMB10.3 billion at the end of 2022. Its capitalization ratio, as measured by total debt to total capital, also increased to 60.9% from 54.9%. As of 30 September 2024, the Company's short-term debt to total debt ratio increased to 30.9% from 23.2% at the end of 2022. Meanwhile, the cash to short-



term debt ratio was 0.2x as of the same date, indicating certain short-term debt repayment pressure. As of 30 September 2024, the Company has planned to invest more than RMB50.0 billion in key projects including industrial parks, infrastructure construction, affordable housing, and property development projects. We expect the Company may rely on external financing and its debt leverage will be maintained at a high level in the next 12 to 18 months.

JHID's asset liquidity was relatively weak. As of 30 September 2023, the Company had pledged some assets for loans, including cash, inventories, and investment properties, with a total restricted amount of RMB4.0 billion, accounting for 41.6% of the net assets and 13.6% of the total assets. On top of that, as of 30 September 2024, the Company's inventories, other non-current assets, other receivables, and investment properties accounted for more than 85% of the total assets. The Company's inventories mainly include the cost of construction works, while other receivables are mainly receivables from the local government, which had low liquidity.

### **Fair access to funding, but with higher refinancing risk**

JHID has access to financing channels including banks and non-standard financing products, of which bank borrowing is the major financing channel. The Company has maintained a good relationship with policy banks, large state-owned banks, commercial banks, and rural commercial banks. As of 30 November 2024, the Company has obtained total bank credit facilities of RMB35.0 billion, with an unutilized amount of RMB11.5 billion. However, the funding sources of the Company were concentrated from regional banks in Xi'an City. As of 30 September 2024, bank loans from Shaanxi Qinnong Rural Commercial Bank Co., Ltd and Bank of Xi'an Co., Ltd. accounted for more than 35% of total bank loans. The borrowing from local banks has higher costs compared to large national banks and is highly linked to the changes in local financing environment. Moreover, the Company's exposure to non-standard financing was relatively large, which accounted for 25.0%-30.0% of the total debt. The major non-standard financing channels of JHID were entrusted loans, trusts and financial lease, which have higher financing cost and put greater refinancing pressure on the Company. As of 14 March 2025, the Company and its subsidiaries had overdue payments on non-standard financing products of RMB1.6 billion, which could undermine the Company's ability to refinance. The Company is negotiating debt rollover plans with creditors. Moreover, the rising debt level in Xixian New Area and Jinghe New City may put certain pressure on the financing activities of the Company.

### **Medium contingent liability risks associated with local SOEs**

JHIC demonstrated moderate exposure to contingent liabilities, which could potentially increase its debt service obligations. As of 31 December 2023, its external guarantees amounted to RMB3.9 billion, which accounted for 38.1% of its net assets. All external guarantees were provided to other local SOEs in Xixian New Area, with relatively low level of risks. However, in case of credit event, these contingent liabilities may deteriorate the credit metrics of the Company. Moreover, one of the guaranteed entities, Jinghe New City Development and Construction (Group) Co., Ltd. of Xixian New Area, Shaanxi Province, has been overdue on bank loan interest with a total amount of RMB27.0 million as of 14 March 2025, which may trigger the compensation of JHIC as guarantor.

## **ESG Considerations**

JHID faces environmental risks because it has undertaken land consolidation, social housing, and infrastructure construction 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.

JHID bears social risks as it implements public policy initiatives by building public infrastructure in Jinghe New City. 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.

JHID's governance considerations are also material as 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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