

Credit Opinion

31 July 2025

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

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Xiangtan Urban & Rural Construction Development Group Co., Ltd.

Surveillance credit rating report

CCXAP affirms Xiangtan Urban & Rural Construction Development Group Co., Ltd.'s long-term credit rating at BBB_g+, with stable outlook.

Summary

The BBB_g long-term credit rating of Xiangtan Urban & Rural Construction Development Group Co., Ltd. ("XCDG" or the "Company") reflects Xiangtan Municipal Government's (1) strong capacity to provide support; and (2) extremely high willingness to provide support, based on our assessment of the Company's characteristics.

Our assessment of Xiangtan Municipal Government's capacity to provide support reflects Xiangtan City's key location advantage in Hunan Province, with ongoing economic growth, but constrained by heavy regional debt burden.

The rating also reflects the local government's willingness to provide support, which is based on the Company's (1) dominant position as infrastructure and land developer in Xiangtan City; and (2) good track record of receiving government support.

However, the rating is constrained by the Company's (1) relatively high debt leverage with certain short-term debt repayment pressure; and (2) weak asset liquidity.

The stable outlook on XCDG's rating reflects our expectation that the local government's capacity to provide support will remain stable, and the Company will maintain its leading position in the development of Xiangtan City.

Rating Drivers

- Dominant infrastructure and land developer in Xiangtan City
- Limited commercial business exposure
- Good track record of receiving government support
- Relatively high debt leverage with certain short-term debt repayment pressure
- Weak asset liquidity
- Multiple access to funding

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) the local government's ability to provide support strengthens; and (2) the Company's characteristics change in a way that strengthens local government's willingness to provide support, such as reduction in exposure to contingent liabilities.

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 access to funding.

Key Indicators

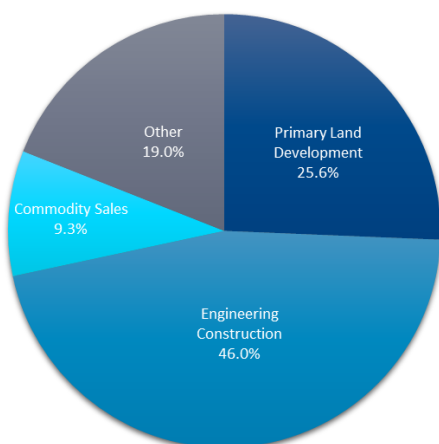
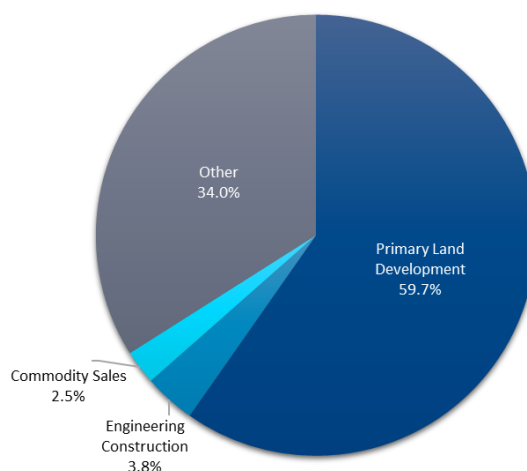
	2022FY	2023FY	2024FY
Total Asset (RMB billion)	89.0	87.7	90.5
Total Equity (RMB billion)	31.2	31.5	31.8
Total Revenue (RMB billion)	1.5	1.9	1.4
Total Debt/Total Capital (%)	62.2	55.4	54.6

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

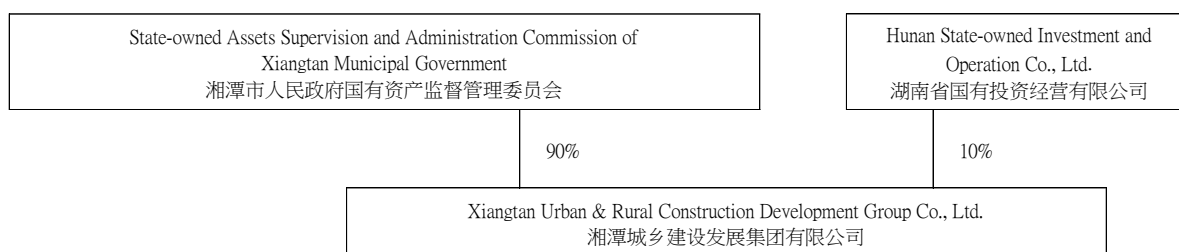
Source: Company data, CCXAP research

Corporate Profile

Established in 2012, XCDG is the major local infrastructure investment and financing company ("LIIFC") in Xiangtan City, primarily focusing on infrastructure construction and primary land development as well as state-owned assets operation and management. In addition, the Company is also engaged in commercial activities such as commodity sales and engineering construction businesses. As of 31 December 2024, XCDG was 90% owned by State-owned Assets Supervision and Administration Commission of Xiangtan Municipal Government ("Xiangtan SASAC"), and Hunan State-owned Investment and Operation Co., Ltd. held the remaining 10%. Xiangtan SASAC is the ultimate controlling shareholder of the Company.

Exhibit 1. Revenue Structure in 2024**Exhibit 2. Gross Profit Structure in 2024**

Source: Company information, CCXAP research

Exhibit 3 Shareholder structure as of 31 December 2024

Source: Company information, CCXAP research

Rating Considerations

Government's Capacity to Provide Support

We believe Xiangtan Municipal Government has a strong capacity to provide support given Xiangtan City's key location advantage in Hunan Province, with ongoing economic growth, but constrained by heavy regional debt burden.

Located in the center of Hunan Province, Xiangtan City is an important part of the Changsha-Zhuzhou-Xiangtan City Cluster, which has focused on the development of pillar industries, such as specialized equipment, automobile manufacturing, aviation industry, and supply chain. Xiangtan City is a transportation hub in the central region of China, with the Beijing-Guangzhou Railway and the Shanghai-Kunming Railway lines intersecting in the city. Xiangtan City is also an important base for the mechanical and electrical industries in China, where key sectors such as metallurgy, electromechanical, textiles, chemical engineering and building material manufacturing form competitive pillar industries. Its gross regional product ("GRP") increased to RMB295.7 billion in 2024 from RMB274.2 billion in 2023 with a year-over-year increase of 5.7%, ranking 7th by GRP among 14 prefecture-level cities/ autonomous prefectures in Hunan Province. The general budgetary revenue of Xiangtan City decreased from RMB12.4 billion in 2023 to RMB10.5 billion in 2024 mainly due to the downturn of land market. Besides, Xiangtan City's fiscal balance is relatively weak, with the ratio of general budgetary revenue to general budgetary expenditure averaging at 42.3% in the past three years.

Xiangtan Municipal Government's capacity to support is constrained by its heavy regional debt burden caused by excessive financing for infrastructure construction in the past years. As of end-2024, its government debt balance amounted to RMB209.1 billion, accounting for 70.7% of GRP. Supported by the Central and provincial government's measures to resolve hidden government debt, Xiangtan City has obtained large support from the special refinancing bonds since 2023, relieving its debt pressure. In 2023, Xiangtan City received RMB65.1 billion in special bond from the government for debt restructuring. In 2024, it also obtained RMB46.2 billion in fiscal funds, including transfer payments and special bond. Furthermore, Xiangtan Municipal Government aims to reduce its comprehensive debt cost through debt swaps in 2025.

Exhibit 4. Key Economic and Fiscal Indicators of Xiangtan City

	2022FY	2023FY	2024FY
GRP (RMB billion)	269.8	274.2	295.7
GRP Growth (%)	4.6	5.1	5.7
General Budgetary Revenue (RMB billion)	12.7	12.4	10.5
General Budgetary Expenditure (RMB billion)	27.0	28.4	29.1
Local Government Debt (RMB billion)	96.0	177.9	209.1

Source: Statistic Bureau of Xiangtan City, CCXAP research

Government's Willingness to Provide Support

Dominant infrastructure and land developer in Xiangtan City

As the dominant infrastructure developer and primary urban land operator, XCDG is the most important LIIFC in Xiangtan City. Designated by Xiangtan Municipal Government as the primary urban development executor, the Company plays a key role in promoting the economic and social development of Xiangtan City by undertaking a wide variety of public policy projects including the construction of important roads, bridges as well as sewage treatment facilities. Given its strong regional importance in Xiangtan City, we believe the Company maintains an irreplaceable position among local state-owned enterprises in the foreseeable future.

Entrusted by the Xiangtan Municipal Government, the Company undertakes infrastructure construction projects under agent construction model. The Company is undertaking a large amount of infrastructure construction projects in Xiangtan City, ensuring its business sustainability. As of 31 December 2024, the Company had 35 infrastructure construction projects under construction, with a total planned investment of around RMB28.3 billion and uninvested amount of around RMB9.4 billion, indicating high capital expenditure pressure. Nonetheless, most of the infrastructure construction projects are supported by government special funds, partially alleviating its investment pressure. In addition, affected by the slow project settlement progress, there were RMB535.4 million of completed projects remained unsettled at end-2024, causing uncertainty to the future project payments.

The Company has been authorized to undertake the primary land development projects in Xiangtan City by the local government through its subsidiaries. As of 31 December 2024, the Company had 6 ongoing primary development projects, with total area of 1,589.2 mu and total invested amount of RMB2.1 billion. The Company received payments of about RMB1.3 billion for competed land development projects. However, repayments from land consolidation remain moderate, as this business is highly dependent on local land and property markets. With no planned projects in the pipeline, its business sustainability remains moderate.

Limited commercial business exposure

While primarily engaged in public policy projects, XCDG maintains a low commercial business exposure, including commodity trading and engineering construction services. At present, the Company's commercial businesses represent only 10% of its total assets. However, as the Company conducts more market-driven businesses in urban operation in the future, we expect its exposure to commercial activities will increase gradually.

The Company's engineering construction projects including municipal and gardening engineering construction. This business is the largest income source of the Company. In 2024, the revenue from engineering construction business accounted for 46.0 % of total revenue. However, mainly due to intensified industry environment, the profitability decreased with gross profit margin of around 2.1% compared with 10% in 2023. As of 31 December 2024, the Company had completed 36 engineering construction projects, with the total contract amount of RMB3.9 billion, and had 9 projects under construction, with total contract amount of RMB1.5 billion. In addition, it had contract at hand with total value of RMB977.0 million and newly signed contract amounts of RMB1.3 billion, which can ensure its business sustainability.

The Company has been engaged in commodity sales business through its subsidiaries. Trading products mainly include commercial concrete, new energy materials and petroleum. This business has provided supplementary income to the Company. In 2024, the revenue from commodity sales business accounted for 9.3% of total revenue. In addition, this business is subject to high concentration risks as the Company has relatively high reliance on its top 5 customers and suppliers. In 2024, the sales from the top five customers accounted for 73.9% of the total sales and the top five suppliers accounted for 60.1% of the total procurement.

Good track record of receiving government support

As the important infrastructure construction entity in Xiangtan City, XCDG has a proven track record of receiving government support in the form of capital injection, asset transfers, and financial subsidies. Since 2020, the local government has transferred land assets and equity interests of state-owned enterprises to the Company, significantly increasing its capital reserves and expanding its business scope. In 2020, the Company obtained 100% equity of Xiangtan Cultural Tourism Group Co., Ltd., increasing its capital reserve by RMB2.3 million. In 2024, the local government transferred equity assets of RMB239.4 million and trading financial assets with a book value of RMB252.0 thousand, to the Company without compensation, enhancing its profitability. Besides, the Company received debt swap funds from the local government of RMB14.7 billion in 2023 and RMB2.9 billion in 2024. The Company also received special bonds of RMB1.9 billion and replacement bonds of RMB2.9 billion in 2024. From 2023 to 2024, the local government has provided subsidies of RMB24.3 million to the Company to support its operations. Given its important position in the development of Xiangtan City, we believe that the Xiangtan Municipal Government will continue to provide support to the Company.

Relatively high debt leverage with certain short-term debt repayment pressure

The Company had relatively high debt burden in the past years due to ongoing investment needs for infrastructure construction. Nevertheless, owing to the Company's active debt management and the government's support of special funds, XCDG's debt burden has decreased. The Company's total debt had decreased from RMB39.1 billion at end-2023 to RMB38.3 billion at end-2024, with total capitalization ratio of 54.6%. However, it has a certain short-term debt repayment pressure. As of 31 December 2024, its short-term debt accounted for about 21.4% of total debt and its cash to short-term debt ratio was 0.2x. Given its large capital expenditure pressure, we expect the Company's debt leverage will remain at high level in the next 12 to 18 months.

XCDG's external guarantee exposure is controllable. As of 31 December 2024, its external guarantee amount was RMB4.2 billion, accounting for 13.3% of its total equity. Most external guarantees of the Company are provided to state-owned enterprises in Xiangtan City. In case a credit event occurs, the Company may face certain contingent liability risks and cross default risks, which could negatively impact its credit quality.

Weak asset liquidity

XCDG's asset liquidity is weak, which may undermine its financing flexibility. As of 31 December 2024, the Company's total asset mainly consisted of inventories and other receivables, accounting for 68.0% of its total asset. Inventories are mainly lands and investment costs for land development and infrastructure construction projects, while the other receivables consist of unreceived payments from local state-owned enterprises, all of which are considered to be low liquidity.

Multiple access to funding

XCDG has various access to funding mainly from banks and bond market. The Company has sufficient standby liquidity. As of 31 December 2024, it had obtained total credit facilities of RMB50.4 billion from diversified domestic policy banks and commercial banks, with available amount of RMB14.0 billion. The Company also has access to debt capital markets. In March 2024, the Company issued a MTN of RMB910.0 million, with coupon rate of 2.96%. Besides, it has outstanding offshore debt of RMB713.3 million. In addition, the Company has low exposure to non-standard debt, accounting for less than 10% of total debt. We expect that the Company will continue to broaden its financing channels, such as increasing its credit facilities, and issuing onshore bonds.

ESG Considerations

XCDG faces environmental risks because it has undertaken infrastructure construction and land 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.

XCDG bears social risks as it implements public policy initiatives by undertaking infrastructure construction and land development in Xiangtan 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.

XCDG's governance considerations are also material as the Company is subject to oversight by the Xiangtan Municipal 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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