

## Credit Opinion

19 September 2025

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

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## Xuancheng High-tech Investment Development Group Co., Ltd.

### Surveillance credit rating report

**CCXAP affirms Xuancheng High-tech Investment 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 Xuancheng High-tech Investment Development Group Co., Ltd. ("XCHT" or the "Company") reflects the local government's (1) strong capacity to provide support based on our assessment; and (2) very 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 Xuancheng City's 1<sup>st</sup> ranking status in GRP and Xuancheng High-tech Industrial Development Zone ("Xuancheng HIDZ")'s status as a provincial high-tech economic zone in Xuancheng City with rapid economic development and good industrial output, which provides a good operation environment for the Company.

The rating also reflects the local government's willingness to provide support, based on the Company's (1) crucial role in infrastructure construction of Xuancheng HIDZ; and (2) good track record of receiving government support.

However, the rating is constrained by the Company's (1) increasing exposure to commercial activities; (2) increasing debt burden and weak asset liquidity; and (3) medium contingent liabilities risk.

The stable outlook on XCHT's rating reflects our expectation that the local government's capacity to provide support will remain stable, and the Company will maintain its dominant role in the high-tech industrial development of Xuancheng District and Xuancheng City over the next 12-18 months.

## Rating Drivers

- Crucial role in infrastructure construction of Xuancheng HIDZ
- Increasing exposure to commercial activities
- Good track record of receiving government support
- Increasing debt burden and weak asset liquidity
- Good access to bank borrowing
- Medium contingent liabilities risk

## Rating Sensitivities

### What could upgrade the rating?

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

### What could downgrade the rating?

The rating could be downgraded if (1) the local government's capacity to provide support weakens; or (2) the Company's characteristics change in a way that weakens the local government's willingness to provide support, such as reduced strategic significance, decrease in government support or higher exposure to risky commercial activities.

## Key Indicators

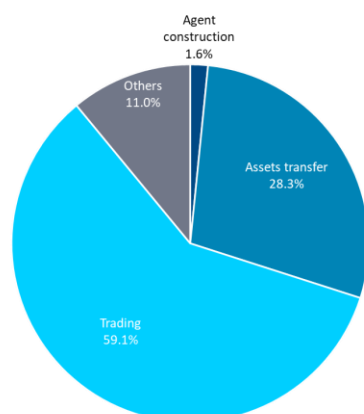
	2022FY	2023FY	2024FY	2025H1
Total Asset (RMB billion)	8.9	11.3	11.7	12.3
Total Equity (RMB billion)	4.5	5.4	5.0	5.0
Total Revenue (RMB billion)	0.7	0.7	0.8	0.5
Total Debt/Total Capital (%)	45.9	49.6	52.5	52.8

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

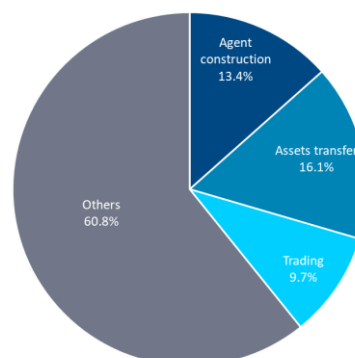
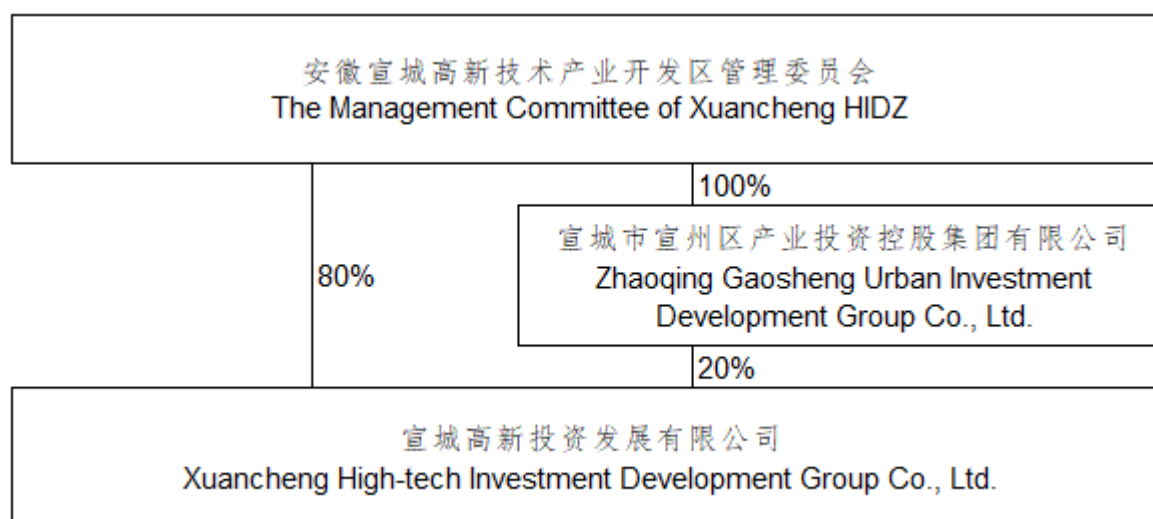
Source: Company information, CCXAP research

## Corporate Profile

Established in 2019, XCHT is the most important LIIFC in Xuancheng HIDZ, which plays an extremely important role to promote the development of local high-tech industries. XCHT is mainly responsible for the infrastructure construction in Xuancheng HIDZ. The Company also participates in different commercial activities, such as commodity trading, industrial parks construction and operation, property leasing, as well as green engineering. As of 30 June 2025, XCHT was 80.0% owned by and controlled by the Management Committee of Xuancheng HIDZ, the remaining was owned by Xuancheng Xuanzhou District Industrial Investment Holding Group Co., Ltd. ("XZII").

**Exhibit 1. Revenue structure in 2024**

Source: Company information, CCXAP research

**Exhibit 2. Gross profit structure in 2024****Exhibit 3. Shareholding Chart as of 30 June 2025**

Source: Company information, CCXAP research

## Rating Considerations

### Government's Capacity to Provide Support

We believe that the local government has a relatively strong capacity to provide support given Xuancheng HIDZ's status as the provincial high-tech economic zone in Xuancheng City with rapid economic development and good industrial output, which provide a good operation environment for the Company.

Located in the southeastern part of Anhui Province, Xuancheng City is one of the cities of the Yangtze River Delta urban agglomeration and one of the cities in the demonstration zone for industrial transfer of Wanjiang River City Belt. Following years of industrial development and advancement, Xuancheng City has cultivated 2 pillar industries, which are new energy industry and auto parts industry, along with three competitive sectors, namely the electronic information industry, high-end equipment manufacturing industry, and new materials and fine chemical industry. Due to the ongoing enhancement of transportation infrastructure and the continual refinement of industrial structure, Xuancheng City is experiencing good economic growth in the recent years. Its GRP has increased from RMB195.2 billion in 2023 to RMB205.4 billion in 2024. In the first half of 2025, it

recorded GRP of RMB106.9 billion, up 6.1% YoY (“year-on-year”). The general budgetary revenue of Xuancheng Municipal Government remained stable at RMB19.8 billion in both years. However, the fiscal balance and stability of Xuancheng Municipal Government still remained moderate. In 2024, the fiscal balance ratio (calculated by general budgetary revenue/general budgetary expenditure) was 50.4% and the fiscal stability ratio (calculated by tax revenue/general budgetary revenue) was 63.1%. Xuancheng Municipal Government’s debt profile is relatively weak. As of end-2024, its government debt balance amounted to RMB78.4 billion, accounting for 38.2% of GRP.

#### Exhibit 4. Key economic and fiscal indicators of Xuancheng City

	2022FY	2023FY	2024FY
GRP (RMB billion)	191.4	195.2	205.4
GRP Growth (%)	4.2	5.9	5.8
General Budgetary Revenue (RMB billion)	18.9	19.8	19.8
General Budgetary Expenditure (RMB billion)	34.6	36.8	39.3
Local Government Debt (RMB billion)	60.2	67.7	78.4

Source: Statistics of Bureau of Xuancheng City, CCXAP research

Xuanzhou District, the sole district under the jurisdiction of Xuancheng City, boasts the highest population among all districts and counties within the city. It administers two provincial-level development zones, including the High-Tech Zone and the Economic Development Zone. Xuanzhou District maintains a leading economic position within Xuancheng City, achieving a GRP of RMB56.3 billion in 2024, ranking the 1<sup>st</sup> among all districts/counties in the city. In the first half of 2025, it recorded GRP of RMB28.7 billion, up 5.3% YoY. Xuanzhou District Government’s general budgetary revenue decreased from RMB3.4 billion in 2023 to RMB3.1 billion in 2024. However, its fiscal metrics still remained moderate in 2024. Its fiscal balance ratio was 51.1% and stability ratio was around 63.9%. As of 31 December 2024, the outstanding debt of Xuanzhou District Government was RMB7.3 billion, accounting for 13.0% of its GRP, which indicates a moderate debt level.

#### Exhibit 5. Key economic and fiscal indicators of Xuanzhou District

	2022FY	2023FY	2024FY
GRP (RMB billion)	51.9	53.2	56.3
GRP Growth (%)	2.7	7.4	4.9
General Budgetary Revenue (RMB billion)	3.4	3.4	3.1
General Budgetary Expenditure (RMB billion)	6.1	6.5	6.1
Local Government Debt (RMB billion)	5.0	6.2	7.3

Source: Statistics of Bureau of Xuanzhou District, CCXAP research

Xuancheng HIDZ is a provincial high-tech zone located in the north part of Xuanzhou District with planned area of around 27.5 square kilometers. It holds a pivotal strategic position in Xuancheng City’s strategic plan for advancing and enhancing high-tech industries. It has developed 3 pillar industries which are new materials, biomedicine, as well as intelligent manufacturing. There are large industrial enterprises with growth potential established in Xuancheng HIDZ, such as Luxshare Precision Industry Co., Ltd., Ningbo Menovo Pharmaceutical Co., Ltd., and Anhui Shenlanhua Color Co., Ltd. In 2024, the Xuancheng HIDZ successfully secured 35 investment projects, with committed investment totaling RMB22.7 billion. This included 32 projects each valued at over RMB100.0 million and 2 major projects each worth RMB5.0 billion. The amount of utilized capital from outside the province reached RMB8.5 billion, demonstrating strong cross-regional economic cooperation and effective project implementation. Xuancheng HIDZ will concentrate on the development of five key zones in the

future, including the Southern Business District, Industrial Agglomeration Area, Chemical Industry Park, Intelligent Manufacturing Industrial Park, and Development Zone Wharf Phase I. These functional zones are designed to establish an integrated and innovation-oriented industrial base that enhances regional competitiveness and ensures long-term growth.

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

### **Crucial role in infrastructure construction of Xuancheng HIDZ**

In February 2024, with the approval of the State-owned Assets Supervision and Administration Commission of the Xuanzhou District People's Government of Xuancheng City, XZII was transferred to the administration of the Management Committee of Xuancheng HIDZ from XCHT, and the Management Committee of Xuancheng HIDZ transferred its 20% equity stake in the Company to XZII, which serves as the state-owned assets operation entity of Xuanzhou District. Despite the change in ownership, XCHT continues to play a crucial role in the development, construction, and operation of Xuancheng HIDZ, backed by ongoing governmental support. The Company maintains a strong regional competitive position in infrastructure construction, particularly in the delivery of municipal utility project. Furthermore, XCHT is also involved in property development and leasing business in the district, such as factories, office buildings, and talent apartments, substantially improving the investment environment in Xuancheng HIDZ.

XCHT implements a variety of infrastructure construction projects, such as roads, green spaces, and municipal projects within Xuancheng HIDZ, which significantly benefits people's livelihood and promotes the urbanization development in the district. From the perspective of project reserves, the Company had 10 infrastructure projects under construction and planning, with a total planned investment of RMB5.4 billion and an uninvested amount of RMB5.3 billion. The sufficient project reserves can ensure the sustainability of the Company's public-policy businesses.

The Company owns certain amount of state-owned land assets available for sale. As of the end of 2024, the Company's land available for trading had a book value of RMB392.9 million. Considering that the Company's land sales are primarily with government departments and are susceptible to factors such as government development plans and the Company's land transaction plans, there is significant uncertainty regarding the future scale of land transactions and the timing of revenue realization.

### **Increasing exposure to commercial activities**

XCHT participates in different commercial activities, mainly including commodity trading and property leasing. XCHT's exposure to commercial activities is medium with the assets of commercial activities accounting for around 30% of total assets. The self-operated projects have exerted high capital expenditure pressure to the Company.

In order to align with the investment attraction plan of Xuancheng HIDZ, the Company has increased its investments in self-operated project construction in recent years. Under self-operation model, the Company would achieve fund balancing by operating revenue. However, the self-operation projects generally have relatively long-term operation period and the revenue from self-operation projects bears more uncertainties compared to directly payment from local government. As of 31 March 2025, the Company had 19 key self-operation projects under construction, mainly involving industrial parks, with a total planned investment of RMB7.5 billion and an uninvested amount of RMB2.9 billion, and 4 projects under planning with a total estimated investment of RMB2.7 billion, indicating high capital expenditure pressure.

The Company engages in property leasing by leasing self-operated standardized factories and apartments to high-quality enterprises within Xuancheng HIDZ. As of 31 March 2025, the total leasable area was 376.4 thousand square meters, with average leasing rate of over 75.0%. In 2024, the Company recorded leasing revenue of RMB75.2 million. The current scale of the leasing business remains modest. While it is expected to gradually expand upon the completion of self-operated projects, its growth remains contingent on local economic development and the effectiveness of investment attraction efforts.

Besides, the Company's commodity trading business mainly includes aluminum rods, cement and concrete. This business provides a significant supplementary income for the Company, accounting for 59.1% of its total revenue in 2024 but with a relatively low gross profit margin of 1.9%. The Company adopts a supply chain financing model to help enterprises settled in Xuancheng HIDZ to purchase raw materials in a centralized manner, which may expose the Company to credit contagion risk. Moreover, the concentration risk from upstream and downstream customers are high, with its top 2 clients and top 5 suppliers accounting for around 100.0%, respectively.

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

Driven by investment in self-operated projects, XCHT's total debt has shown increasing trend. The Company's total debt had increased to RMB5.6 billion as of 30 June 2025 from RMB5.3 billion as the end of 2023. Meanwhile, its capitalization ratio increased from 49.6% to 52.8%. Considering the Company's large capital expenditure needs for its extensive construction projects in the pipeline, we expect it will rely on external financing for its financing needs and thus maintain a relatively high debt burden level for the next 12-18 months.

In addition, XCHT's asset liquidity is weak, which may undermine the Company's financial flexibility. As of 30 June 2025, its assets were primarily composed of inventories, receivables, and construction in progress, totally accounting for about 81.0% of total assets. Inventories and construction in progress are mainly development costs for self-operated projects, while receivables are mainly unreceived payments from the agencies of government or other state-owned companies, all of which are considered low liquidity.

### **Good track record of receiving government support**

The Company has a good track record of receiving support from the local government in the form of capital contributions, cash and asset injections, and fiscal subsidies to support its investments and operation of its businesses. In 2024, the Management Committee of Xuancheng HIDZ supported the Company by injecting capital of RMB73.1 million, which effectively enhanced its capital strength. From 2024 to 2025H1, the local government provided operating subsidies of about RMB292.4 million to the Company. Considering XCHT's strategic importance in promoting the development of Xuancheng HIDZ, we expect that the Company will receive support from the local government as needed.

### **Good access to bank borrowing**

XCHT mainly relies on bank loans and bond issuances for funding, which account for the majority of total debt. The Company maintains good relationships with large domestic banks such as China Construction Bank Corporation and China Development Bank. As of 31 March 2025, the Company had total credit facilities of RMB6.3 billion, with the available portion being RMB2.3 billion, indicating moderate standby liquidity. Besides, in May 2024, the Company had issued a private placement note in the onshore bond market, raising RMB500.0 million. Meanwhile, the Company has a manageable exposure to non-standard financing, which accounted for less than 5.0% of total debt as of the end-of 2025H1.

### Medium contingent liabilities risk from external guarantees to local state-owned enterprises

The Company bears moderate contingent risk resulting from its external guarantees. As of 30 June 2025, the Company's external guarantees amounted to RMB1.5 billion, accounting for 29.2% of its net assets. The external guarantees are mainly provided to the state-owned enterprises ("SOEs") in Xuancheng City and Xuanzhou District. In case a credit event occurs, the Company may face certain contingent liability risks and cross-default risks. However, we estimate most of these local SOEs are likely to be supported by the local government when necessary, and therefore contingent risk would be controllable.

### ESG Considerations

XCHT faces environmental risks because it has undertaken major 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.

The Company bears social risks as it implements public policy initiatives by building public infrastructure and industrial parks in Xuancheng 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.

XCHT's governance considerations are also material as the Company is subject to oversight by Xuancheng High-tech Management Committee 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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