

Xuchang Investment Group Co., Ltd.

Lianhe Ratings Global Limited (“Lianhe Global”) has affirmed ‘A-’ global scale Long-term Issuer Credit Rating of Xuchang Investment Group Co., Ltd. (“XIG”); Issuer Rating Outlook Stable

Summary

Issuer Rating	A-
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	10 April 2026

Summary

The Issuer Credit Rating reflects a high possibility that the People’s Government of Xuchang City (“Xuchang government”) would provide very strong support to XIG if needed, in light of its full ownership of XIG, XIG’s strategic importance as the most important local investment and development company (“LIDC”) that is responsible for infrastructure construction, industrial development and state-owned capital and asset operation in Xuchang, and the linkage between the Xuchang government and XIG, including appointment of the senior management, strategic alignment, supervision of major investment and financing plan decisions and ongoing operational and financial support. In addition, we believe that the Xuchang government has a very strong willingness to ensure XIG’s business and financial viability in order to safeguard its reputation and local financing activities.

Xuchang is a prefecture-level city of Henan Province (“Henan”) and is located in the center of Henan, bordering Zhengzhou on the north. Xuchang’s GDP increased steadily by 6.3% to RMB358.3 billion in 2025. Meanwhile, the Xuchang government’s budgetary revenue increased by 4.5% to RMB19.2 billion.

The Stable Outlook reflects our expectation that XIG’s strategic importance would remain intact while the Xuchang government will continue to ensure XIG’s stable operation.

Rating Rationale

Government’s Ownership and Supervision: The Xuchang government holds 100% ownership of XIG via the Xuchang Finance Bureau (“Xuchang FB”) and is the actual controller of the company. The Xuchang government has the final decision-making authority and supervision over the company, including appointment and supervision of the senior management, strategy alignment and major investment and financing plan decisions, etc. In addition, the Xuchang government formulates a performance assessment mechanism for the company and appoints auditors to review the company’s operating performance and financial position on a periodic basis.

Strategic Importance and Strategic Alignment: XIG is the most important LIDC in Xuchang that is responsible for the infrastructure construction, industrial development and state-owned capital and asset operation in Xuchang. The company engages in the investment, construction and operation of infrastructure facilities, together with land development and affordable housing sales in the region. The company also engages in entrusted loans, guarantee, commodity sales, rental and leasing, etc. It plays an important role in promoting the economic and social development of the region. Its business operation and strategic planning have been aligned with the government’s development plans.

Ongoing Government Support: XIG continues to receive financial subsidies and asset/capital injections from the Xuchang government to support its business operations. In 2024, XIG received subsidies with a total amount of RMB1.3 billion from the Xuchang government. We believe the government support will remain intact given the company’s strategic importance in Xuchang.

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Applicable Criteria

[China Local Investment and Development Companies Criteria \(31 July 2025\)](#)

XIG's Financial Matrix and Liquidity Position: XIG's total assets increased steadily to RMB118.3 billion at end-September 2025, compared with RMB101.3 billion at end-2023. Its total debt raised to RMB39.3 billion from RMB31.1 billion over the same period. The company's financial leverage ratio, as measured by the debt to capitalization ratio, also increased to 40.1% from 35.6% during the same period.

However, XIG's short-term debt servicing pressure was tight, as the company had cash of RMB2.5 billion (including restricted cash of RMB0.3 billion), compared with its debts due within one year of RMB18.6 billion at end-September 2025. Having said that, the company has access to various financing channels, including bank loans, onshore and offshore bond issuances and other non-traditional financing to support its debt repayments and business operations. At end-September 2025, XIG had total unused credit facilities of RMB14.4 billion.

Rating Sensitivities

We would consider downgrading XIG's rating if (1) there is perceived weakening in support from the Xuchang government, particularly due to its reduced strategic importance, or (2) there is a significant reduction of the Xuchang government's ownership of XIG, or (3) there is a downgrade in our internal credit assessment on the Xuchang government.

We would consider upgrading XIG's rating if there is an upgrade in our internal credit assessment on the Xuchang government.

Operating Environment

Economic Condition of Xuchang

Xuchang's GDP grew by 6.3% to RMB358.3 billion in 2025 from RMB344.1 billion in 2024, accelerating from 6.0% growth in the prior year. The GDP per capita was approximately RMB81,400 in 2025. In 2025, the local economy saw modest structural improvement, with the tertiary sector rising to 51.6% of GDP from 49.8% in 2024, while the secondary industry declined to 42.6% from 43.8% and the primary sector edged down to 5.8%. Fixed asset investment growth moderated to 5.4% in 2025 from 8.5% in 2024.

Xuchang's Economic Condition			
(RMB billion)	2023	2024	2025
GDP	324.8	344.1	358.3
-Primary industry (%)	4.1	6.4	5.8
-Secondary industry (%)	43.5	43.8	42.6
-Tertiary industry (%)	49.8	49.8	51.6
GDP growth rate (%)	0.9	6.0	6.3
Fixed asset investment growth rate (%)	6.1	8.5	5.4
Population (million)	4.4	4.4	4.4

Source: Statistical Bureau of Xuchang and Lianhe Global's calculations

Fiscal Condition of Xuchang

Xuchang's budgetary revenue grew by 4.5% to RMB19.2 billion in 2025, showing notable acceleration from 2.1% in 2024. However, the tax revenue ratio continued to decline to 64.3% from 66.0% in 2024 and 67.1% in 2023, indicating potential quality deterioration.

The outstanding debt of the Xuchang government increased substantially to RMB120.2 billion at end-2025 from RMB99.3 billion at end-2024, mainly due to the new issuance of special-purpose debts to support local public projects. As a result, its government debt ratio, as measured by total government debt to aggregate revenue ratio, expanded to 245.3% from 218.3% over the same period.

Xuchang's Fiscal Condition			
(RMB billion)	2023	2024	2025
Budgetary revenue	21.2	18.4	19.2
Budgetary revenue growth rate (%)	3.9	2.1	4.5
Tax revenue	14.2	12.1	12.4
Tax revenue (% of budgetary revenue)	67.1	66.0	64.3
Government fund income	6.9	7.9	8.0
Transfer payment	17.9	17.3	17.3
Aggregate revenue	46.2	45.5	49.0
Budgetary expenditure	34.8	36.4	38.1
Budget balance ¹ (%)	-64.3	-98.0	-98.3
Government debt ratio (%)	179.2	218.3	245.3

¹ Budget balance = (1-budgetary expenditure / budgetary revenue) * 100%

Source: Finance Bureau of Xuchang and Lianhe Global's calculations

Company Profile

XIG was established in August 1988 with an initial registered capital of RMB5.0 million, and it was funded by the Xuchang FB. In 2023, the Xuchang government injected cash capital of RMB100 million into XIG, enlarging its paid-in capital to RMB1.6 billion at end-September 2025 from RMB1.5 billion at end-2022. At end-September 2025, the Xuchang FB was the sole controlling shareholder, holding 100% shares of the company, and the Xuchang government was the actual controller of XIG.

XIG is responsible for the investment, construction and operation of infrastructure facilities within the region. The primary sources of the company's operating revenue are project construction, land development and affordable housing sales. The company also engages in entrusted loans, guarantee, commodity sales, rental and leasing, etc. The total revenue of XIG was RMB4.8 billion, RMB6.2 billion, and RMB4.3 billion in 2023, 2024 and the first nine months of 2025, respectively. The gross profit margin stayed at 18-25% over the same period.

Key Financial Data				
(RMB million)	2022	2023	2024	2025.9
Total Assets	106,570	101,286	114,454	118,307
Equity	57,091	56,312	58,515	58,745
Debt	31,729	31,113	37,149	39,345
Debt / (Debt + Equity) (%)	35.7	35.6	38.8	40.1
Unrestricted cash/ST Debts (x)	0.2	0.2	0.1	0.1
Debt/EBITDA (x)	17.4	20.6	22.9	-
Revenue	6,640	4,795	6,249	4,311
Operation Profit	550	304	289	262
Gross Margin (%)	22.0	25.0	21.4	18.4
Cash from sales or services/ Revenue (%)	90.7	120.7	94.5	92.0

Source: The company and Lianhe Global's calculations

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