

## **CCXAP affirms Qufu Xingda Investment Development Co., Ltd.'s long-term credit rating at BBB<sub>g-</sub>, with stable outlook.**

Hong Kong, 4 September, 2025 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has affirmed Qufu Xingda Investment Development Co., Ltd.’s (“QFXD” or the “Company”) long-term credit rating at BBB<sub>g-</sub>, with stable outlook.

The BBB<sub>g-</sub> long-term credit rating of QFXD reflects Qufu City Government’s relatively strong capacity to provide support and its extremely high willingness to provide support to the Company, based on our assessment of the Company’s characteristics. Our assessment of Qufu City Government’s capacity to support reflects Qufu City’s ongoing economic growth and moderate fiscal metrics, supporting by its rich tourism resources base.

The rating also reflects the local government’s willingness to support, which is based on the Company’s (1) full ownership and ultimate control by Qufu City Government; (2) sole entity undertaking public infrastructure construction projects within Qufu City; and (3) solid track record of government support. However, the rating is constrained by the Company’s (1) medium risk exposure to commercial activities, especially in property development; (2) ongoing debt growth with certain capital expenditure pressure; and (3) large exposure to external guarantees.

### **Corporate Profile**

Founded in September 2015, QFXD is the pivotal local infrastructure investment and financing company (“LIIFC”) in Qufu City with the largest total assets. In accordance with the economic development strategy and social development requirements of Qufu City, QFXD is responsible for public infrastructure and policy-driven projects, including infrastructure construction and resettlement housing construction. The Company also carries out some commercial activities, consisting of property development, gravel sales, property management, and industrial parks construction and operation. As of 30 June 2025, it was directly and wholly owned by The Stated-owned Asset Affairs Center of Qufu City (“Qufu SAAC”), and Qufu City Government was its ultimate controller.

### **Rating Rationale**

#### **Credit Strengths**

**Sole entity undertaking public infrastructure construction projects within Qufu City.** QFXD is the largest LIIFC in Qufu City, which controls and manages most of the key LIIFCs in the region. The Company has an essential strategic role in the development of Qufu City, with a policy mandate to undertake major construction projects, along with the local government’s broad strategy in developing Qufu City.

**Solid track record of government support.** As an essential entity in infrastructure construction and public utility operation in Qufu City, QFXD has solid track record of receiving ongoing support from the local government in terms of asset injections, equity transfers and operating subsidies. In our view, the local government may focus on capital and operational

asset injections to support QFXD's development, which will enhance its operating and capital strength accordingly.

### Credit Challenges

#### **Medium risk exposure to commercial activities, especially in property development.**

QFXD's major commercial businesses include property development, gravel sales, property management, and industrial park construction and operation, exerting certain capital expenditure pressure. The Company's risk exposure to commercial business was medium as we estimated the commercial assets accounted for around 15.0% of total assets as of 31 December 2024. Moreover, the fund balancing of property development business would suffer from high volatility especially during the downturn in China's property market.

#### **Ongoing debt growth with certain capital expenditure pressure.**

Driven by continuous financing and investment for construction projects, QFXD's total debt has been growing over the past three years. The Company's total debt has increased from RMB6.7 billion as of 31 December 2023 to RMB8.1 billion as of 30 June 2025, while the total capitalization ratio rose from 48.1% to 52.5%, indicating a relatively high debt leverage. The significant increase in the total debt is mainly driven by the investment in several infrastructure construction projects; we believe its debt growth is in line with the region's development need.

#### **Medium contingent liability risk associated with large external guarantees.**

QFXD is exposed to contingent liability risks stemming from its substantial external guarantees. These guarantees were all provided to local SOEs within Qufu City, which are generally considered to pose moderate credit risk. However, in case a credit event occurs, the Company could face material repayment obligations and potential cross-default risks arising from the contingencies.

### Rating Outlook

The stable outlook on QFXD rating reflects our expectation that Qufu City Government's capacity to provide support will be stable, and the Company's characteristics such as its strategic role in the development and operation of Qufu City will remain unchanged over the next 12 to 18 months.

#### **What could upgrade the rating?**

The rating could be upgraded if (1) Qufu City Government's capacity to provide support strengthens; and (2) the Company's characteristics change in a way that strengthens the local government's willingness to provide support, such as lowering exposure to risky commercial activities, and diversifying the financing channels.

#### **What could downgrade the rating?**

The rating could be downgraded if (1) Qufu City 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, deteriorated debt management, or increased exposure to commercial activities.



## Rating Methodology

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

## Regulatory Disclosures

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