

CCXAP affirms Fengyang County Xiaogang Industrial Development Investment Co., Ltd.'s long-term credit rating at BBB_g, with stable outlook.

Hong Kong, 26 October 2026 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has affirmed the long-term credit rating of Fengyang County Xiaogang Industrial Development Investment Co., Ltd. (“FXID” or the “Company”) at BBB_g, with stable outlook.

The BBB_g long-term credit rating of FXID is underpinned by the Company’s (1) strategic role in industrial development of Fengyang County through asset leasing and industrial fund investments; and (2) diversifying business mix, with certain degree of regional exclusivity in water supply operation and ore sales. However, the rating is also constrained by the Company’s (1) relatively small revenue scale and relatively weak profitability; (2) increasing debt burden driven by large capital expenditure needs; and (3) modest debt servicing capability with limited financial flexibility.

The rating also reflects our expectation of a very high likelihood of strong support from the Fengyang County Government and its parent company, Fengyang County Haozhou Investment Group Co., Ltd. (“FHIG”), when necessary, given the Company’s (1) status as a key subsidiary of FHIG, which is ultimately owned by the State-owned Assets Supervision and Administration Commission of the People’s Government of Fengyang County (“Fengyang SASAC”) and controlled by the Fengyang County Government; (2) important role in the operation of state-owned assets and investment in key industries in Fengyang County; and (3) good track record of receiving government support.

Corporate Profile

Founded by Fengyang SASAC in 2019, FXID is an important industrial investment platform and state-owned assets operator in Fengyang County. It mainly engages in property leasing, water supply, surplus-ore sales and fund investments. Since January 2026, the Company has further expanded its core business to include the production of lighting products and magnetic devices through the acquisition of shares in the publicly listed company, Gloria Digital Technology Co., Ltd. (“Gloria”, stock code: 920641.BJ). As of 30 June 2026, FHIG held 100.0% of the Company’s shares as sole shareholder, and Fengyang SASAC remained the ultimate owner. As of the same date, the Company reported total assets of RMB10.3 billion with paid-in capital of RMB1.1 billion.

Rating Rationale

Credit Strengths

Strategic role in industrial development of Fengyang County through asset leasing and industrial fund investments. FXID plays a pivotal role in advancing the development of Fengyang County’s leading industries primarily through asset leasing and industrial fund investments. We believe the Company is of significant importance to Fengyang County’s industrial development, and its activities are well-aligned with the government’s long-term policy strategies, thereby promoting sustainable regional economic growth and industrial expansion.

Diversifying business mix, with certain degree of regional exclusivity in water supply operation and ore sales. FXID is responsible for water supply across Fengyang County's townships and the Economic Development Zone. As of 30 June 2026, FMWG operated 8 water treatment plants with a combined designed daily water supply capacity of 79,000 tons. In addition, Fengyang SASAC has granted the Company disposal rights for surplus ore from several abandoned mine sites. However, the scale of this business is subject to uncertainty and volatility, as the supply of ore depends on allocations under the government's mine restoration project planning.

Good track record of receiving government support. FXID has a good track record of receiving ongoing support from the local government in terms of its business expansion, asset injections and financial subsidies. The Fengyang County Government granted the Company the disposal rights to surplus ore produced during abandoned mines ecological restoration projects, which turned out to be one of the major revenue sources of the Company. Given FXID's role in the county's industrial platforms, we believe the local government will continue to support the Company over the next 12 to 18 months.

Credit Challenges

Relatively small revenue scale and relatively weak profitability. In 2025, the Company's total revenue increased to RMB127.1 million, representing a 29.0% year-on-year growth. FXID's profitability is relatively weak as reflected by the weak return on assets ("ROA") and moderate EBIT margin. Its ROA fell from 2.2% in 2024 to 1.9% in 2025, mainly reflecting the increase in fund investments that have not yet generated returns, as well as a rise in construction-in-progress. Overall, FXID's relatively diversified business portfolio could partially support its income over the next 12 to 18 months.

Increasing debt burden driven by large capital expenditure needs. FXID's debt burden has increased alongside business expansion, with total debt rising from RMB3.5 billion at the end of 2024 to RMB6.4 billion as of 30 June 2026, with a relatively high total capitalization ratio of 68.7%. The increase reflects continued capital expenditure on industrial plants and water and sewage projects, as well as acquisition-related borrowings in the first half of 2026. We expect the Company to rely on external financing to meet its capital expenditure needs, with total debt continuing to increase over the next 12 to 18 months.

Modest debt servicing capability with limited financial flexibility. Due to FXID's increasing debt burden and relatively weak profitability, it has modest debt servicing capability. The Company's total debt/EBITDA ratio increased from 22.6x in 2024 to 28.1x in 2025. In the meantime, its FFO/total debt ratio remained negative due to ongoing operating cash outflows. FXID's weak credit metrics can partly be mitigated by its funding access. We expect the Company to continue to use bank facilities and broaden onshore or offshore bond issuance, although bank loans are likely to remain the main source of debt service and investment funding.

Rating Outlook



The stable outlook on FXID's rating reflects our expectation that the Company will maintain its regional competitiveness, serving as an important industrial development platform in Fengyang County over the next 12-18 months.

What could upgrade the rating?

The rating could be upgraded if (1) the parent company's capacity or willingness to provide support strengthens; and (2) the Company's stand-alone credit profile improves significantly, such as a stronger market position and improvement in profitability.

What could downgrade the rating?

The rating could be downgraded if (1) the credit quality of the parent company deteriorates or the likelihood of parental support is expected to be weakened; or (2) the Company's standalone credit quality worsens significantly, including a material drop in credit metrics and poor debt management.

Rating Methodology

The methodology used in this rating is the [Rating Methodology for General Corporate \(May 2026\)](#).

Regulatory Disclosures

CCXAP's Rating Symbols and Definitions are available on its website at:

http://www.ccxap.com/en/rating_services/category/6/

This rating is solicited. Please refer to CCXAP's Policy for designating and assigning Solicited and Unsolicited Credit Ratings available on its website at:

http://www.ccxap.com/en/rating_services/category/9/

The rating has been disclosed to the rated entity or its related party prior to publication, and issued with no amendment resulting from that disclosure.

CCXAP considers a rated entity or its related party to be participating when it maintains an overall relationship with CCXAP. Unless specifically noted in the Regulatory Disclosures as a non-participating entity, the rated entity or its related party is participating and the rated entity or its related party generally provides CCXAP with information for the purposes of its rating process.

Regulatory disclosures contained here apply to press release, rating report, and if applicable, the related rating outlook or rating review.

CCXAP's public ratings are available at www.ccxap.com (Rating Results) and may be distributed through media and other means.

The first name below is the lead rating analyst for this rating and the last name below is the person primarily responsible for approving this rating.



Eddie Li

Credit Analyst

+852-2860 7130

eddie_li@ccxap.com

Elle Hu

Executive Director of Credit Ratings

+852-2860 7120

elle_hu@ccxap.com

Client Services: +852-2860 7111



Copyright © 2026 China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP"). All rights reserved.

No part of this publication may be reproduced, resold or redistributed in any form or by any means, without prior written permission of CCXAP.

A credit rating is the analytical result of current credit worthiness and forward-looking opinion on the credit risk of a rated entity or a debt issue. Credit ratings issued by CCXAP are opinions on the current and relative future credit risk of the rated entities or debt issues, but do not address any other risks, including but not limited to liquidity risk, market price risk, and interest rate risk.

Credit ratings, non-credit assessments, and other opinions included in CCXAP's publications are not recommendations for investors to buy, sell, or hold particular securities, nor measurements of market value of the rated entities or debt issues. While obtaining information from sources it believes to be reliable, CCXAP does not perform audit and undertakes no duty of independent verification or validation of the information it receives from the rated entities or third-party sources.

All information contained herein belongs to CCXAP and is subject to change without prior notice by CCXAP. CCXAP considers the information contained herein to be accurate and reliable. However, all information is provided on an "as is" and "as available" basis and CCXAP does not guarantee accuracy, adequacy, completeness, or timeliness of the information included in CCXAP's publications.

To the extent where legally permissible, CCXAP and its directors, officers, employees, agents and representatives disclaim liability to any person or entity (i) for any direct or compensatory losses or damages, including but not limited to by any negligence on the part of, and any contingency within or beyond the control of CCXAP or any of its directors, officers, employees, agents or representatives, arising from or in connection with the information contained herein or the use of or inability to use any such information; and (ii) for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if CCXAP or any of its directors, officers, employees, agents or representatives is advised in advance of the possibility of such losses or damages.

China Chengxin (Asia Pacific) Credit Ratings Company Limited

Address: Suites 1904-1909, 19/F, Jardine House,
1 Connaught Place, Central, Hong Kong

Website: www.ccxap.com

Email: info@ccxap.com

Tel: +852-2860 7111

Fax: +852-2868 0656