

Credit Opinion

7 August 2025

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

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Qixian State-owned Construction Investment Development Co., Ltd.

Surveillance credit rating report

CCXAP affirms Qixian State-owned Construction Investment Development Co., Ltd.'s long-term credit rating at BBB_g-, with stable outlook.

Summary

The BBB_g- long-term credit rating of Qixian State-owned Construction Investment Development Co., Ltd. ("QXSI" or the "Company") reflects Qi County Government's (1) relatively 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 Qi County Government's capacity to support reflects Qi County's status as an important agricultural county and third largest county by Gross Regional Product ("GRP") in Kaifeng City, but constrained by its relatively weak fiscal metrics.

The rating also reflects the local government's willingness to support, which is based on the Company's (1) important role in infrastructure construction and state-owned asset operation in Qi County; and (2) track record of receiving government support.

However, the rating is constrained by the Company's (1) increasing exposure to commercial activities with relatively large investment need in the future; (2) relatively large short-term debt pressure along with weak asset liquidity; and (3) limited and concentrated financing channel.

The stable outlook on QXSI's rating reflects our expectation that the Qi County Government's capacity to provide support will be stable, and the Company's characteristics such as its important position in infrastructure construction and state-owned asset operation in Qi County will remain unchanged over the next 12 to 18 months.

Rating Drivers

- Important infrastructure construction and state-owned asset operation entity in Qi County
- Track record of receiving government support
- Increasing exposure to commercial activities with relatively large investment need in the future
- Relatively large short-term debt pressure along with weak asset liquidity
- Limited and concentrated financing channel

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) Qi County Government's capacity to support strengthens; and (2) the Company's characteristics change in a way that strengthens the local government's willingness to support such as decreased exposure to commercial activities and enhanced financing ability.

What could downgrade the rating?

The rating could be downgraded if (1) Qi County Government's capacity to support weakens; or (2) the Company's characteristics change in a way that weakens the local government's willingness to provide support, such as decreased regional significance or increased exposure to commercial activities.

Key Indicators

	2022FY	2023FY	2024FY	2025Q1
Total Asset (RMB billion)	8.3	9.1	9.6	9.5
Total Equity (RMB billion)	7.8	7.9	8.1	8.1
Total Revenue (RMB billion)	1.1	1.4	1.2	0.3
Total Debt/Total Capital (%)	0.4	2.0	2.3	2.4

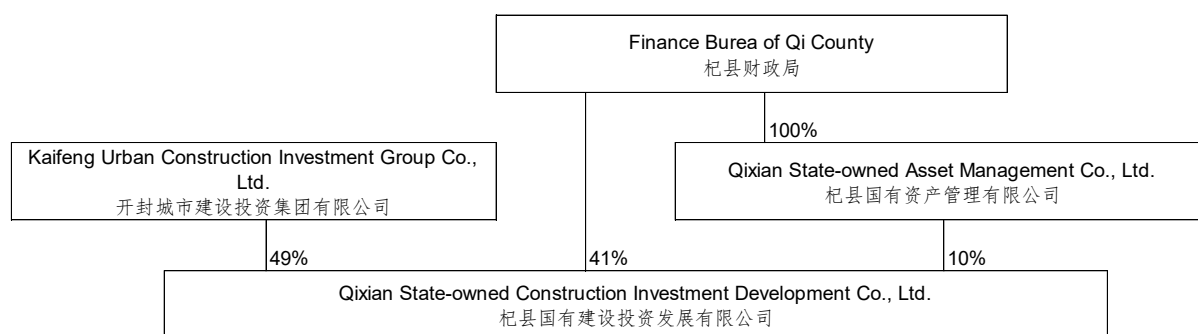
All ratios and figures are calculated using CCXAP's adjustments.

Source: Company data, CCXAP research

Corporate Profile

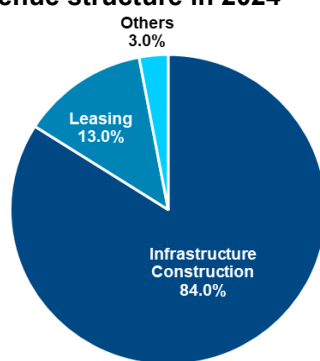
Established in 2016, QXSI is one of the key local infrastructure investment and financing companies ("LIIFCs") in Qi County and is mainly responsible for infrastructure construction in Qi County. The Company's infrastructure construction projects include basic farmland improvement, water environment governance, rectification of river, ecological rehabilitation, pipe network facility maintenance, as well as sewage treatment. The Company has also participated in other commercial business, such as self-operated project construction and leasing. In August 2024, Kaifeng Xinsongfeng Construction Investment Co., Ltd. transferred all of its shares in the Company to Kaifeng Urban Construction Investment Group Co., Ltd ("KUCI"). As of 30 June 2025, the Finance Bureau of Qi County directly owned 41% of the Company's shares and indirectly owned 10% of the shares through Qixian State-owned Asset Management Co., Ltd. The remaining 49% of shares were owned by KUCI, and the Qi County Government was the actual controller of the Company.

Exhibit 1. Shareholding chart as of 30 June 2025



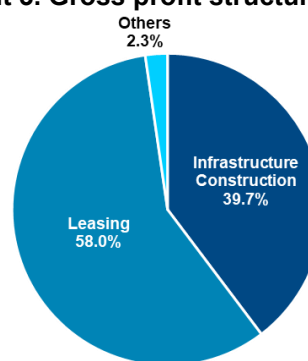
Source: Company information, CCXAP research

Exhibit 2. Revenue structure in 2024



Source: Company information, CCXAP research

Exhibit 3. Gross profit structure in 2024



Rating Considerations

Government's Capacity to Provide Support

We believe that the Qi County Government has a relatively strong capacity to provide support, reflects Qi County's status as the important agricultural county and third largest county by GRP in Kaifeng City, but constrained by its relatively weak fiscal metrics.

Henan Province is located at the junction of the three major regions in China, including eastern, central and western regions. It has a strategic position as an important transportation and communication hub, and a material distribution center in China. With the good transportation and location advantages, Henan Province's GRP ranked 6th among all provinces in China in 2024.

Kaifeng City is located in the middle eastern of Henan Province, which is the emerging sub-central city in Henan Province and the one of the core cities in the Central Plains Urban Agglomeration and Central Plains Economic Zone. Kaifeng City is also the one of the first batch of historical and cultural cities named by the State Council of China, demonstrating rich cultural tourism resources. Kaifeng City has initially formed ten major industrial clusters including automobile and auto parts, equipment manufacturing, high-end chemicals, new materials, food processing, textile and apparel, photovoltaics, timber industry, biopharmaceuticals, and electronic information. In 2024, it reported a GRP of RMB276.1 billion, representing 5.5% Year-over-Year ("YoY") growth. However, Kaifeng Municipal Government's general budgetary revenue declined from RMB15.4 billion in 2023 to RMB13.3 billion in 2024. Moreover, Kaifeng Municipal Government's fiscal balance ratio (general budgetary

revenue/general budgetary expenditure) was relatively low, averaging at 37.7% over the past three years. Kaifeng Municipal Government highly relied on fiscal support from higher-tier government. In addition, the Kaifeng Municipal Government's government fund revenue significantly decreased to RMB10.9 billion in 2024 from RMB17.0 billion in 2022 due to the reduction of transfer income of state-owned land use rights. As of 31 December 2024, the outstanding debt amount of Kaifeng Municipal Government was RMB86.2 billion, accounting for 31.2% of its GRP.

Exhibit 4. Key economic and fiscal indicators of Kaifeng City

	2022FY	2023FY	2024FY
GRP (RMB billion)	265.7	253.4	276.1
GRP Growth (%)	4.3	0.9	5.5
General Budgetary Revenue (RMB billion)	19.9	15.4	13.3
General Budgetary Expenditure (RMB billion)	45.6	41.3	41.4
Local Government Debt (RMB billion)	62.4	73.7	86.2

Source: Kaifeng Municipal Government, CCXAP research

Qi County is a county-level city under the jurisdiction of Kaifeng City and is located in the east of Henan Province. As an important agricultural county in Henan Province, Qi County has formed agricultural products production bases for garlic, peppers, peanuts, cotton, wheat, cauliflower, and edible fungi. Qi County is also the key county for animal husbandry development in Henan Province. After years of development, Qi County has developed key industries such as chemical manufacturing, textile production, papermaking, leather processing, machinery manufacturing, grain processing, vegetable processing, garment manufacturing, and magnetic materials. From 2022 to 2024, Qi County's GRP was RMB42.7 billion, RMB39.3 billion, and RMB41.9 billion, respectively, ranking top 3 among all districts and counties in Kaifeng City. In 2024, Qi County Government's general budgetary revenue decreased to RMB1.1 billion from RMB2.3 billion in 2022 due to the significant reduction of tax revenue, which decreased from RMB1.8 billion to RMB513.0 million over the same period. The decline in tax revenue is primarily due to the decrease in income from aluminum profile industry in Qi County under the downturn of real estate market. The fiscal metrics of Qi County Government were relatively weak, with average fiscal balance ratio of 29.9% over the past three years. Qi County Government highly relied on fiscal support from higher-tier government. As of 31 December 2024, the outstanding debt of Qi County Government was RMB8.5 billion, accounting for 20.3% of its GRP.

Exhibit 5. Key economic and fiscal indicators of Qi County

	2022FY	2023FY	2024FY
GRP (RMB billion)	42.7	39.3	41.9
GRP Growth (%)	4.8	-1.0	5.5
General Budgetary Revenue (RMB billion)	2.3	1.4	1.1
General Budgetary Expenditure (RMB billion)	6.2	4.6	4.8
Local Government Debt (RMB billion)	6.1	7.0	8.5

Source: Qi County Government, CCXAP research

Government's Willingness to Provide Support

Important role in infrastructure construction and state-owned asset operation in Qi County

As the significant state-owned asset operation entity in Qi County, QXSI is primarily responsible for the local infrastructure construction and state-owned asset operation. The Company undertakes infrastructure

construction mainly through agency construction model and the main infrastructure construction projects include basic farmland improvement, water environment governance, rectification of river, ecological rehabilitation, pipe network facility maintenance, as well as sewage treatment. These projects are essential to the local agricultural development and social development. Under agency construction model, the Company is entrusted by local state-owned enterprises to conduct project construction. As of 31 March 2025, the Company had 6 projects under construction, with a total investment of RMB4.6 billion, and uninvested amount of RMB764.0 million. Despite the relatively large investment requirement, some of the projects' funding come from the local government, and the Company will carry out construction based on the progress of government fund. However, the government payment has slowed down over the past two years. Meanwhile, the Company had 2 completed infrastructure projects as of the same date, with total investment of RMB71.5 million and RMB17.4 million of government paybacks.

Track record of receiving government support

QXSI has track record of receiving support from the local government in the form of asset injection and equity transfer. From 2020 to 2022, the local government transferred infrastructure construction projects, office buildings, operating right of parking lots to the Company, which enlarged QXSI's business scope and capital strength. In 2023, the local government transferred 100% shares of some state-owned enterprises to QXSI, increasing its capital reserve by RMB7.4 million. In 2024, the Company's capital reserve further increased by RMB47.0 million due to the transfer of some properties. Considering the Company's important position in infrastructure construction and state-owned asset operation in Qi County, we expect QXSI will continue receiving support from the local government.

Increasing exposure to commercial activities with relatively large investment need in the future

QXSI is engaged in commercial activities, mainly including leasing. QXSI's exposure to commercial activities is medium, accounting for around 25% of the total assets. However, majority of the commercial assets are leasable assets transferred by the local government. The Company also participates in industrial park construction and operation, which may bring more capital expenditure pressure to the Company in the future.

The main leasable assets of the Company are parking lots and buildings, which were mainly transferred by the local government. The main tenants of the leasing business are government institutions. The Company has generated leasing revenue of RMB196.0 million annually over the past two years. However, the rent collection process has been sluggish, and the outstanding lease receivables reached RMB962.1 million by the end of March 2025.

Moreover, the Company also participates in industrial park construction and operation. As of 31 March 2025, there was one agricultural product processing industrial park under planning, with a total investment amount of RMB600.0 million. This industrial park was built to promote the local agricultural development. The Company expects to achieve fund balance through future operation of the projects, such as leasing income. However, the relatively large-scale of self-operated project under planning may increase the Company's future investment pressure and bring higher operating risk to the Company. Moreover, the investment recovery cycle of the self-operated project is long, making it more difficult to achieve fund balancing in short period of time.

Relatively large short-term debt pressure along with weak asset liquidity

The Company's debt level has remained stable over the past two years, as current construction projects are primarily existing ones with government funding support. Therefore, its total debt amounted to RMB197.6 million

as of 31 March 2025, slightly increased compared to RMB158.7 million as of end-2023. Furthermore, as of the same date, its total capitalization ratio, as measured by total debt to total capital, was only 2.4%. However, the Company bears relatively large short-term debt pressure. The short-term debt of the Company was RMB162.6 million as of the same date, accounting for 82.3% of its total debt. Meanwhile, the cash to short-term debt ratio was less than 0.1x, indicate that the Company's cash reserve is insufficient to cover its short-term debt. Considering the future investment for infrastructure construction and self-operated projects, we expect the Company would continue to rely on external financings such as bank loans, and the total debt may increase over the next 12-18 months.

QXSI's asset liquidity is weak. Account receivables, investment properties and inventories accounted for around 88.9% of its total asset as of 31 March 2025. These assets mainly consist of project construction costs and outstanding payments owed by government entities, which are considered to be less liquid. Therefore, the low liquidity may undermine the Company's financial flexibility in the future.

Limited and concentrated financing channels

The Company has limited and concentrated financing channels. The main financing channel of QXSI is bank loan. Most of the bank loans were provided by Qixian Rural Commercial Bank Co., Ltd., at an average financing cost of around 5.0%, and the available bank facilities were limited. Moreover, the Company has tapped into offshore debt market. It had issued USD22.0 million of offshore bond in April 2025 at a coupon rate of 7.9%, broadening its financing channels.

ESG Considerations

QXSI bears environmental risks through its infrastructure construction projects. Such risks could be mitigated by conducting environmental studies and detailed planning before the commencement of the projects and close supervision during construction.

QXSI bears social risks as it implements public policy initiatives by building public infrastructure in Qi County. 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.

QXSI's governance considerations are also material as the Company is subject to oversight by local 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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