

Credit Opinion

4 September 2025

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

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Qufu Xingda Investment Development Co., Ltd.

Surveillance credit rating report

CCXAP affirms Qufu Xingda Investment Development Co., Ltd.'s long-term credit rating at BBB_g-, with stable outlook.

Summary

The BBB_g- long-term credit rating of Qufu Xingda Investment Development Co., Ltd. ("QFXD" or the "Company") 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.

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.

Rating Drivers

- Full ownership and ultimate control by Qufu City Government
- Sole entity undertaking public infrastructure construction projects within Qufu City
- Solid track record of government support
- Medium risk exposure to commercial activities, especially in property development
- Ongoing debt growth with certain capital expenditure pressure
- Large exposure to external guarantees

Rating Sensitivities

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.

Key Indicators

	2022FY	2023FY	2024FY	2025H1
Total Asset (RMB billion)	17.0	19.5	20.9	22.4
Total Equity (RMB billion)	7.1	7.2	7.2	7.3
Total Revenue (RMB billion)	1.2	1.5	1.7	0.6
Total Debt/Total Capital (%)	42.7	48.1	52.9	52.5

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

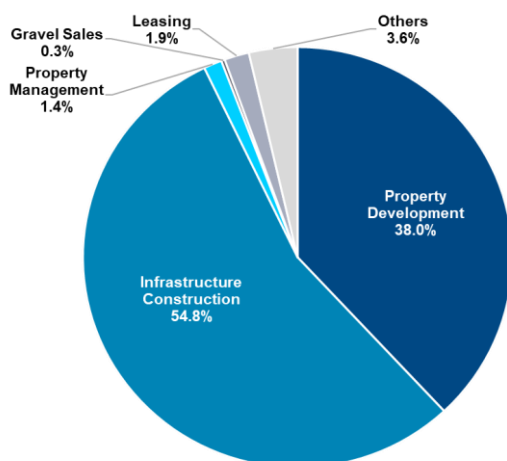
Source: Company data, CCXAP research

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.

Exhibit 1. Shareholding chart as of 30 June 2025

Source: Company information, CCXAP research

Exhibit 2. Revenue distribution in 2024

Source: Company information, CCXAP research

Rating Considerations**Government's Capacity to Provide Support**

We believe Qufu City Government has a relatively strong capacity to provide support given its ongoing economic growth and moderate fiscal metrics, supporting by its rich tourism resources base.

In 2024, Shandong is the third largest province in China by gross regional products ("GRP"), with solid industrial foundation in industries such as logistics, shipbuilding, marine technology, chemical, automotive and agri-food. Located in the southern part of Shandong Province, Jining City is one of the central cities in the Huaihai Economic Zone approved by the Shandong Provincial Government. Jining City's diversified industrial structure, comprising coal chemical industry, engineering machinery, biotechnology, new textile materials, auto parts, optoelectronics and electronic information, has underpinned a steady improvement in the local economic strength over the past three years. In 2024, Jining City reported a GRP of RMB586.7 billion, representing 5.8% year-over-year ("YoY") growth and ranking 6th among 16 prefecture-level cities in Shandong Province. Meanwhile, the general budgetary revenue was RMB49.6 billion in 2024, reflecting an upward trend over the past three years. However, the Jining Municipal Government has moderate fiscal strength and debt profile. The Jining Municipal Government's fiscal balance ratio (general budgetary revenue/general budgetary expenditure) was around 60% over the past three years. Tax incomes slightly decreased to RMB31.1 billion in 2024 from RMB32.4 billion in 2023, accounting for 62.7% of its general budgetary revenue. As of 31 December 2024, Jining City's government debt to GRP ratio was 34.4%.

Exhibit 3. Key economic and fiscal indicators of Jining City

	2022FY	2023FY	2024FY
GRP (RMB billion)	531.7	551.6	586.7
GRP Growth (%)	4.4	6.5	5.8
General Budgetary Revenue (RMB billion)	44.8	47.5	49.6
General Budgetary Expenditure (RMB billion)	74.7	78.3	80.0
Local Government Debt (RMB billion)	151.4	171.4	201.6

Source: Jining Municipal Government, CCXAP research

Qufu City is a county-level city managed by Jining City. As the hometown of Confucius, Qufu City has accumulated rich tourism resources and formed strong cultural tourism industry, supporting its economic development in the past years. Qufu City has also developed “2+3” pillar industrial clusters including new-generation information technology, high-end equipment, biomedicine, new building materials, and food processing. In 2024, Qufu City’s GRP was RMB46.8 billion, representing a YoY increase of 6.0%.

Meanwhile, its general budgetary revenue slightly increased to RMB2.6 billion in 2024 from RMB2.4 billion in 2023. Qufu City Government had relatively good fiscal stability, the tax income accounted for around 67.7% its general budgetary revenue over the past three years. However, Qufu City’s Government fund income has declined due to the drop in land transfer revenue over the past few years. From 2022 to 2024, the government fund income of Qufu City Government decreased from RMB2.7 billion to RMB2.4 billion. Moreover, Qufu City’s fiscal balance was moderate and its average general budgetary revenue/general budgetary expenditure ratio was around 53.1% over the past three years, indicating its reliance on transfer income from higher-level government and debt issuance to achieve fiscal balance. As of 31 December 2024, the outstanding government debt of Qufu City was RMB11.3 billion, accounting for 24.1% of its GRP.

Exhibit 4. Key economic and fiscal indicators of Qufu City

	2022FY	2023FY	2024FY
GRP (RMB billion)	42.7	44.2	46.8
GRP Growth (%)	4.6	6.3	6.0
General Budgetary Revenue (RMB billion)	2.3	2.4	2.6
General Budgetary Expenditure (RMB billion)	4.5	4.5	4.7
Local Government Debt (RMB billion)	9.4	10.0	11.3

Source: Qufu City Government, CCXAP research

Government’s Willingness to Provide Support**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.

QFXD’s subsidiaries conducted infrastructure construction mainly by agency construction model. Under the agency construction model, the Company signs an entrusted construction agreement with the Finance Bureau of Qufu City or the local state-owned enterprises (“SOEs”). After the project is completed, the entrusting parties would pay QFXD the construction cost plus generally 20% markup. As of 31 December 2024, QFXD had completed 14 major projects including roads, bridges, shanty town renovation, scenic renovation, and other

public facilities, with a total investment of RMB7.4 billion. As of the same date, the Company had received RMB5.0 billion of government repayments from these agency infrastructure construction projects.

Meanwhile, QFXD has relatively large construction projects and sufficient project reserves that ensured its business sustainability. These projects primarily encompass the development and construction of cultural tourism infrastructure, cemeteries and resettlement communities, playing a vital role in local economic development and the welfare of the populace. As of 31 December 2024, the Company had 6 infrastructure projects under construction and planning, with a total investment of approximately RMB3.8 billion and an invested amount of RMB2.1 billion. These projects adopt self-operated model instead of agency construction model according to the Company's development strategy. The Company finances its self-operated projects through a combination of self-owned funds and external financing, achieving fund balance through operating income of the project, such as pipeline network leasing, sales of resettlement housings, as well as cemetery leasing and sales. In addition, the Company had 2 infrastructure projects under planning as of end-2024, with total planned investment of RMB1.1 billion. We believe QFXD's policy function and its importance to Qufu City will be enhanced through the undertaking of these new projects. However, the relatively large investment amount for the projects under construction and planning may bring certain capital expenditure pressure to the Company in the future.

The visibility and predictability of the Company's business position is high and its policy mandate is strong, in our view. We also expect the Company to undertake most of the public projects in the mandated areas and transfer-out of its public projects is unlikely.

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 order to build the largest and the most important LIIFC in Qufu City, the local government transferred three major LIIFCs to QFXD in 2019, including Qufu State-owned Capital Investment and Operation Group Co., Ltd., Qufu Cultural Tourism Development Investment (Group) Co., Ltd., and Shandong Zhicheng Construction Group Co., Ltd. The consolidation of these LIIFCs significantly enlarged the range of business coverage of the QFXD.

QFXD continued to receive government payments and subsidies in support of its on-going operation. As of 31 December 2024, the Company had invested around RMB7.4 billion in completed infrastructure construction projects and received repayments of RMB5.0 billion from the local government. Moreover, from 2023 to 2024, QFXD received ongoing government subsidies of totaling RMB539.7 million, supporting its projects constructions. The magnitude and track record of government support indicates the government's propensity to support the Company.

Nevertheless, QFXD's business model in infrastructure construction is shifting from agency construction model to self-operated model, which will negatively affect its direct payments from the local government in the future with higher uncertainties in project fund balancing. 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.

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.

QFXD's conducts property development business and builds its local branding, which mainly includes commercial housing projects and resettlement housing projects. As of 31 December 2024, the Company had completed 3 housing projects, with a total investment of RMB3.6 billion, most of which had been sold. At the same time, the Company had 7 housing projects under construction, with total investment amount of RMB2.9 billion and uninvested amount of RMB488.0 million. The resettlement housing portion of several projects will be invested and constructed after the cash inflow is generated from the sale of commercial housing, according to the management. Meanwhile, the Company had realized RMB637.8 million of sales revenue from these housing projects in 2024, representing a YoY increase of 19.5%. However, the fund balancing of property development business would suffer from high volatility due to uncertainty of construction and sales progress during the downturn in China's property market. Moreover, increasing investment in property development may bring more operating uncertainties and financial risks to the Company as the property sales are easily affected by the market conditions.

QFXD also takes the responsibility to attract investments and promote the development of local industries by participating the industrial park construction and operation under the guidance of Qufu City Government. By the end of 2024, following the strategic restructuring of state-owned capital in Qufu City, the Company's subsidiary responsible for industrial park construction and operation was excluded from the scope of consolidation, resulting in a combined reduction of RMB124.4 million in the Company's capital reserves. Commencing in 2025, the Company will cease all activities related to industrial park construction and operation. However, as the Company's industrial parks projects are all in the early stages of development, the transfer of subsidiary is expected to have a limited impact on the Company's assets and equity based on our assessment.

Sand and gravel sales is also one of the main businesses of QFXD, of which the main products are sand and stones. The Company has the mining right of a mine in Qufu City which are valid until 5 August 2027 with mining area of 0.2 square kilometers and annual production capacity is 270 tons. The local government also continues to inject gravel resources in Qufu City into the Company, and the Company is assigned to carry out mining, restoration, and management of river gravel resources in a unified manner. However, due to the decrease in market demand and constraint of environmental policies, the revenue from gravel sales was volatile. In 2024, the Company realized RMB4.5 million of sand and gravel sales revenue, which declined by 33.0% as compare to 2023. Despite this, the sand and gravel sales business remained loss-making due to persistently high operational costs.

The Company is also engaged in various commercial activities, including tourism, property leasing, water supply, and media operations. However, these businesses currently have little revenue scale. Notably, the water supply and media segment are still in operating loss due to limited scale, which could increase business risk for QFXD in the future.

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 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.

The Company's total debt 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. Despite relatively fast debt growth, the Company has maintained a moderate debt maturity structure, with its short-term debt amounted to RMB2.1 billion as of 30 June 2025, accounting for 26.0% of its total debt. Moreover, its unrestricted cash to short-term debt ratio was 0.1x as of 31 December 2024, indicating insufficient short-term liquidity. However, as there is a large amount of construction projects in the pipeline, we estimate the Company will still need to invest over RMB3.0 billion in the next three years. Therefore, considering the relatively large capital expenditure needs, we expect the Company to increase its total debt level in the upcoming years.

In addition, QFXD has moderate asset liquidity, which may undermine its financial flexibility. As of end-2024, inventories, other receivables, and account receivables together accounted for 75.3% of the Company's total asset. These assets mainly consist of construction costs of infrastructure and real estate projects, as well as receivables associated with government-related entities, which are considered to have low liquidity. Furthermore, the Company had pledged some assets for loans, including cash and cash equivalents, investment properties and ongoing construction projects. The total asset pledged amounted to RMB3.1 billion as of 31 December 2024, which accounted for 15.0% of QFXD's total asset. Therefore, the Company's liquidity profile may undermine its financial flexibility in the near terms.

Fair access to funding channels

QFXD has fair access to different sources of funding including bank loans, offshore bond issuances, and non-standard financing products, which may partially release capital expenditure pressure and liquidity profile. The majority of the debts were domestic bank loans, which accounted for over 75.0% of the total debt. The Company has built good long-term relationships with policy banks and major commercial banks such as Agricultural Development Bank of China, Industrial and Commercial Bank of China, and Bank of Jining Co., Ltd. As of 31 December 2024, the Company had total bank facilities of RMB7.5 billion, with an unutilized amount of RMB1.4 billion. The Company also tapped into offshore bond market. In March 2024, the Company had issued one tranche of offshore bond, raising about RMB207.0 million to replenish its working capital.

In addition, we considered its exposure to non-standard product financing was relatively high. Non-standard financing accounted for around 19.3% of its total debt as of end-2024, with average cost of around 7.0%, and the main products being private placement note ("PPN"), trust financing, and financial leasing with higher interest rate, which may increase its debt repayment burden and constrain funding flexibility. The comprehensive financing rate of the Company was around 6.5%. Given QFXD's important status in the local development of Qufu City, we expect the Company to maintain access to stable funding sources from the local commercial banks and the debt capital market.

Medium contingent liability risks associated with large external guarantees

QFXD is exposed to contingent liability risks stemming from its substantial external guarantees. As of 31 December 2024, the Company's outstanding external guarantees amounted to RMB5.6 billion, accounting for 77.4% of its net assets. These guarantees were all provided to local SOEs within Qufu City, which are generally considered to pose moderate credit risk. Mutual guarantees between local SOEs are common in Jining City. However, in case a credit event occurs, the Company could face material repayment obligations and potential cross-default risks arising from the contingencies.

ESG Considerations

QFXD assumes environmental risks through its infrastructure projects. Such risks could be moderated through environmental studies and detailed planning prior to the start of the projects and close supervision during construction.

QFXD bears social risks as it plays an essential strategic role in the development of Qufu City. 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.

In terms of corporate governance, QFXD has established a sound and effective internal control framework and a corporate governance structure in which shareholders, directors, supervisors, senior management team, and internal departments collectively and efficiently perform their duties. The Company is also subject to oversight by Qufu City 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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