

Credit Opinion

26 October 2026

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

Analyst Contacts

Eddie Li +852-2860 7130

Credit Analyst

eddie_li@ccxap.com

Amy Chen +852-2860 7127

Senior Credit Analyst

amy_chen@ccxap.com

Elle Hu +852-2860 7120

Executive Director of Credit Ratings

elle_hu@ccxap.com

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

Client Services

Hong Kong +852-2860 7111

Fengyang County Xiaogang Industrial Development Investment Co., Ltd.

Surveillance credit rating report

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

Summary

The BBB_g long-term credit rating of Fengyang County Xiaogang Industrial Development Investment Co., Ltd. ("FXID" or the "Company") 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.

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.

Rating Drivers

- Strategic role in industrial development of Fengyang County through asset leasing and industrial fund investments
- Diversifying business mix, with certain degree of regional exclusivity in water supply operation and ore sales
- Relatively small revenue scale and relatively weak profitability
- Increasing debt burden driven by large capital expenditure needs
- Modest debt servicing capability with limited financial flexibility
- Very high likelihood of strong support from the Fengyang County Government and its parent company

Rating Sensitivities

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.

Key Indicators

	2023FY	2024FY	2025FY	2026H1
Total Assets (RMB billion)	4.6	6.7	8.6	10.3
Total Equity (RMB billion)	2.5	2.6	2.7	2.9
Total Revenue (RMB million)	74.2	98.5	127.1	273.9
Net Profits (RMB million)	11.9	10.8	11.8	17.0
EBIT Margin (%)	86.7	124.7	115.5	-
Return on Assets (%)	1.4	2.2	1.9	-
Total Debt/Total Capital (%)	44.5	56.7	66.9	68.7
Total Debt/EBITDA (x)	22.6	22.6	28.10	-
EBITDA/Interest (x)	1.1	1.1	1.2	-
FFO/Total debt (x)	-0.01	-0.02	-0.02	-

All ratios and figures are calculated using CCXAP's adjustments. Indicators marked with "-" are not applicable or not comparable.

Source: Company data, CCXAP research

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 a publicly listed company.

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.

Exhibit 1. Revenue structure in 2025

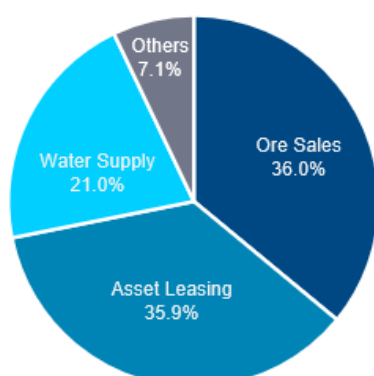
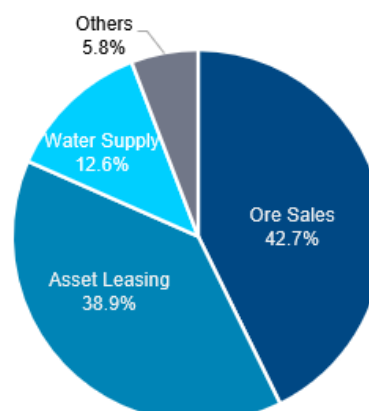


Exhibit 2. Gross profit structure in 2025



Source: Company information, CCXAP research

Exhibit 3. Shareholding chart as of 30 June 2026



Source: Company information, CCXAP research

Rating Considerations

Business Profile

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. The Company serves two major industries of the county, namely the silicon-based materials industry and the health food industry. Fengyang County is rich in resources, with its quartzite reserves being utilized for producing photovoltaic products and specialty glass, forming the foundation for the silicon-based industry. The health food industry leverages the historical significance and high political profile of Xiaogang Village. The Company engages in these sectors 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.

The asset leasing business was a main income source of the Company, accounting for 35.9% of the total revenue in 2025, with a gross profit margin of 63.2%. Leasable assets include self-built and acquired industrial parks, commercial properties, as well as the office buildings, affordable housing, and pipe network transferred from the local government. As of 30 June 2026, the total leasable area in the Company's leasing-asset table amounted to 282.5 thousand square meters, with an overall occupancy rate of 49.3%. Concurrently, the ongoing industrial park construction projects may exert certain capital expenditure pressure on the Company. As of 30 June 2026, the Company had 4 industrial-plant projects under construction and no planned projects, with a total planned investment of RMB1.3 billion and an uninvested amount of RMB672.0 million. The funding for these projects is raised by the Company, and upon completion, the Company intends to lease or sell the resulting factories. In addition, the Company leases its pipe network to a local water supplier under a five-year agreement that began in 2022, generating a fixed annual rental fee of RMB20.0 million. This arrangement produced stable income in recent years, with cumulative collections reaching RMB70.0 million as of 30 June 2026. However, the occupancy rate of existing factory buildings remains relatively low, with certain assets still vacant. As a result, there is uncertainty regarding the investment balancing of the Company's asset leasing business, particularly for projects under construction.

FXID participates in fund investment to support the industrial development of photovoltaics and new energy, including market-oriented projects and government-guided projects. The Company has relatively large exposure to fund investment and most of them are in the early stage, leading to relatively high investment risk and limited gains. The Company typically invests in funds as a limited partner ("LP") and selects fund managers through an open bidding process. As of 30 June 2026, the Company had invested in 6 funds with total committed capital of RMB1.7 billion, of which RMB669.0 million had been paid-in. These funds were still in the investment period and had not yet generated investment returns. Additionally, the Company has experienced negative public sentiment among its investee enterprises, and the operational risks of these investees may further affect the recovery of its fund investments. As of 31 December 2025, the Company had four investee enterprises that had experienced negative public sentiment, with cumulative investments of approximately RMB437.0 million.

In January 2026, the Company's wholly-owned subsidiary completed the first-stage acquisition of a 21.9% stake in Gloria Digital Technology Co., Ltd. ("Gloria", stock code: 920641.BJ) for a total consideration of approximately RMB351.2 million. The second-stage acquisition, involving an approximately 7.8% stake, is estimated to require about RMB 100.0 million in funding and to be launched in October 2026, subject to market and regulatory conditions. The first-stage acquisition has already been completed, and Gloria is estimated to be consolidated into the Company's financial statements in the future. The acquisition has expanded the Company's business into lighting products and magnetic devices, which help facilitate the Company's further industrial transformation and support the development of Fengyang County's smart city initiative. Gloria recorded revenue of RMB518.0 million and net profit of RMB13.0 million in 2025, with total assets of RMB539.0 million and an asset-liability ratio of 32.6% as of 31 March 2026. The transaction is expected to support synergies in Fengyang County's photovoltaic industry chain, subject to operation and second-stage investment risks.

Relatively diversified business mix, with certain degree of regional exclusivity in water supply operation and ore sales

FXID's water supply business is operated by its subsidiary, Fengyang Mingzhongdu Water Group Co., Ltd. ("FMWG"), which 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. The service area is about 1,559.6 square kilometres and the service population about 360.9 thousand. As of 30 June 2026, there were 5 water and sewage projects under construction, with a total planned investment of RMB523.0 million and an uninvested amount of RMB122.0 million. In addition, there was one water-plant expansion and upgrade project under planning, with a total investment of RMB39.0 million. In 2025, the Company's water-supply revenue declined slightly to RMB27.0 million from RMB29.0 million in 2024 due to increase in electricity costs. In addition, the Company's water-supply and sewage treatment projects under construction and planning still require substantial additional investment, resulting in ongoing capital expenditure pressure.

Since 2024, the Fengyang SASAC has granted the Company disposal rights for surplus ore from several abandoned mine sites. FXID sells surplus ore produced during government ecological restoration of abandoned mines through public auction and recognizes the proceeds as revenue. As of 30 June 2026, the Company's abandoned-mine table stated estimated remaining surplus-ore reserves of 2.1 million tons. The ore sales business remained a significant revenue stream while generated large contract liabilities. Downstream customer concentration is high, with more than 90% of sales in 2025 derived from a single local state-owned enterprise, Fengyang County Mining Investment Holding Co., Ltd. The scale of this business is subject to uncertainty and volatility, as the supply of ore for sale depends entirely on allocations based on the government's mine restoration project planning.

Financial Profile

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. In the first half of 2026, the Company's total revenue was RMB273.9 million, compared with RMB60.0 million in the same period of 2025. In 2025, the revenue mix comprised asset leasing (35.9%), ore sales (36.0%) and water supply (21.0%). The water-supply revenue was RMB27.0 million in 2025. The modest decline in water-supply revenue to RMB 27.0 million in 2025, together with a lower gross margin of 34.9% in that segment, was mainly driven by higher electricity costs. In contrast, ore sales and asset leasing continued to support overall performance, generating revenue of RMB 45.7 million and RMB 45.6 million respectively in 2025, with gross margins of 69.3% and 63.2%. In 2026H1, following the consolidation of Gloria, lighting and magnetic-device sales became the main contributors.

FXID's profitability is relatively weak as reflected by the weak return on assets ("ROA") and moderate EBIT margin. From 2024 to 2025, the Company's gross profit margin increased slightly from 52.7% to 58.3%, mainly supported by the expansion of ore sales and asset leasing. However, the EBIT margin declined from 124.7% to 115.5%, reflecting that the growth in these higher-margin segments was partly offset by rising operating costs and the relatively lower profitability of other business lines as overall revenue expanded. The Company's assets are mainly non-current assets, resulting in limited liquidity and relatively low return. 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. However, the Company's profitability is expected to remain relatively weak.

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 construction of water and sewage projects, and, in the first half of 2026, borrowings related to the acquisition of Gloria Technology LLC. In addition, the Company's debt maturing structure is reasonable, its short-term debt accounted for about 15.5% of its total debt as of 30 June 2026. At the same time, the cash to short-term debt ratio was at 2.0x, indicating that its cash reserves can fully cover the short-term debt. Considering the further development of its diversified business and ongoing investment needs for its construction projects, we expect that the Company will rely on external financings to meet its capital expenditures needs and the total debt level will continue to increase over the next 12 to 18 months.

FXID bears certain contingent risk from external guarantees, which could increase its repayment obligations. As of 30 June 2026, external guarantees totaled RMB1.7 billion, accounting for around 58.0% of its net assets. These guarantees were provided to other SOEs and county platforms in Fengyang County that are likely to be supported by the local government, when necessary, which keeps the contingent risk manageable.

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. There was also a slight improvement in its EBITDA interest coverage ratio, from 1.1x to 1.2x over the same period. In the meantime, its FFO/total debt ratio remained negative due to ongoing operating cash outflows, indicating that the Company primarily relies on external financing rather than operating cash flow for debt servicing.

FXID's weak credit metrics can partly be mitigated by its funding access, which remains concentrated in bank loans. The Company maintains relationships with policy banks and commercial banks, including Agricultural Development Bank of China and China Development Bank. As of 30 June 2026, total credit facilities were RMB9.4 billion, with an unused amount of RMB4.0 billion, providing standby liquidity for construction and refinancing. In addition, the Company expanded its domestic bond market channel in 2025 by issuing corporate bonds of RMB600.0 million, which was fully guaranteed by Jiangxi Credit Financing Guarantee Group Co., Ltd. and matures in November 2028. The Company has a relatively low exposure to non-standard financing, which accounted for less than 10.0% of its total debts. We expect the Company to continue to use bank facilities and to broaden onshore or offshore bond issuance, although bank loans are likely to remain the main source of debt service and investment funding.

External Support

Very high likelihood of strong support from the Fengyang County Government and its parent Company

We anticipate that FXID has a very high likelihood of support from the Fengyang County Government and its parent company, when necessary, given its (1) status as a key subsidiary of FHIG, which is ultimately owned and controlled by Fengyang SASAC; (2) important role in the operation of state-owned assets and investment in the silicon-based and health-food industries in Fengyang County; and (3) good track record of receiving government support.

We believe that the Fengyang County Government has a strong capacity to provide support, underpinned by its economic position in Chuzhou City and a moderate fiscal profile. Rich in quartzite and guided by the "strengthen the county through industry" strategy, the county has sustained growth in both the secondary and tertiary industries. In 2025, Fengyang County recorded a GRP of RMB62.3 billion, ranking 2nd among all counties and districts in Chuzhou City, representing a YoY growth of 4.8%. The solid economic growth provides strong backing for the county's fiscal strength. In 2025, Fengyang County realized a general public budget

revenue of RMB5.1 billion, with its 3-year average self-sufficiency rate of 64.9%. As of 31 December 2025, the local government's outstanding debt was RMB21.0 billion, accounting for 33.7% of the GRP. Ultimately owned and controlled by Fengyang SASAC, FHIG is the most important industrial investment and state-owned asset operation entity in Fengyang County, and FXID is its core subsidiary. The Fengyang County Government maintains a high degree of control over FXID through FHIG, including the formulation of business strategies and the appointment of the board of directors and key management personnel. FXID is also required to report its annual budget, objectives, plans and performance to Fengyang SASAC.

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. Fengyang SASAC also transferred assets including real estates and equity of other companies to the Company. Overall, 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.

ESG Considerations

FXID faces environmental risks because it undertakes industrial-park construction, water and sewage projects, and the disposal of surplus ore from abandoned-mine ecological restoration. Construction and restoration works are subject to rules on pollution, water discharge, resource use and land rehabilitation. Such risks could be moderated by environmental studies and planning before projects start, and by close monitoring during construction.

The Company bears social risks as it implements public-policy initiatives by building industrial parks, public-rental and commercial properties, and water supply business in Fengyang 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.

FXID's governance considerations are also material as the Company is subject to oversight by Fengyang SASAC 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 General Corporate \(May 2026\)](#).

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