

## Credit Opinion

11 February 2026

Ratings	
Category	Corporate
Domicile	China
Rating Type	Solicited Rating
Long-Term Credit Rating	BBB <sub>g</sub> -
Outlook	Stable

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# Qihe Urban Investment Construction Group Co., Ltd.

## Surveillance credit rating report

**CCXAP affirms Qihe Urban Investment Construction Group Co., Ltd.'s long-term credit rating at BBB<sub>g</sub>-, with stable outlook.**

### Summary

The BBB<sub>g</sub>- long-term credit rating of Qihe Urban Investment Construction Group Co., Ltd. ("QUIC" or the "Company") reflects Qihe County Government's (1) strong capacity to provide support, and (2) the local government's very high willingness to provide support, based on our assessment of the Company's characteristics.

Our assessment of Qihe County Government's capacity to provide support reflects its status as the second largest county by gross regional product ("GRP") in Dezhou City, with continued economic growth, but constrained by moderate fiscal metrics.

The rating also reflects the local government's willingness to provide support, which is based on the Company's (1) dominant position in infrastructure construction of Qihe County; and (2) good track record of receiving government payments.

However, the rating is constrained by the Company's (1) moderate exposure to commercial businesses; (2) large debt burden with relatively weak asset liquidity; and (3) tight liquidity position with exposure to contingent liabilities.

The stable outlook on QUIC's rating reflects our expectation that the local government's capacity to provide support will remain stable, and the Company will maintain its important strategic position of infrastructure construction and public utility services in Qihe County over the next 12 to 18 months.

## Rating Drivers

- Dominant position in infrastructure construction of Qihe County
- Moderate exposure to commercial businesses
- Good track record of receiving government payments
- Access to funding with certain exposure to non-standard financing
- Large debt burden with relatively weak asset liquidity
- Tight liquidity position with exposure to contingent liabilities

## Rating Sensitivities

### What could upgrade the rating?

The rating could be upgraded if (1) the local 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 improved debt management, improved funding capabilities, or reduced exposure to contingent liabilities.

### What could downgrade the rating?

The rating could be downgraded if (1) the local 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, deterioration in debt management, or weakened funding ability.

## Key Indicators

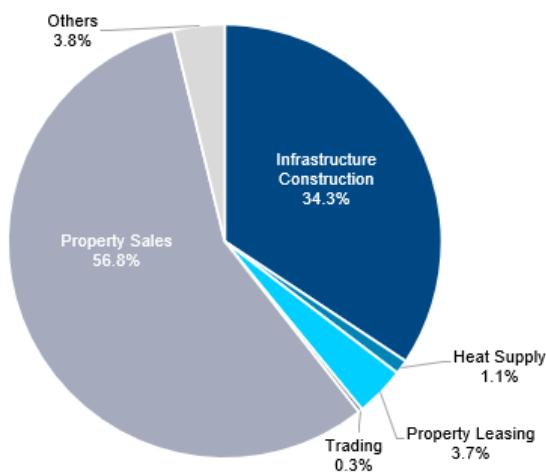
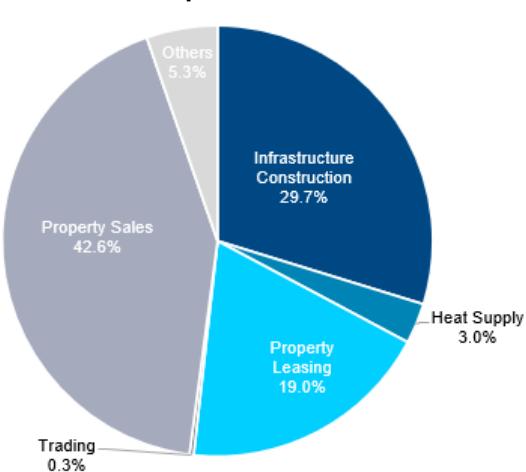
	2022FY	2023FY	2024FY	2025Q3
Total Asset (RMB billion)	50.7	57.2	56.3	58.1
Total Equity (RMB billion)	25.0	27.7	28.4	28.8
Total Revenue (RMB billion)	3.4	4.3	4.0	2.8
Total Debt/Total Capital (%)	45.2	41.6	38.5	40.9

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

Source: Company data, CCXAP research

## Corporate Profile

Founded in April 2008, QUIC is the sole infrastructure construction entity in Qihe County, primarily undertaking municipal projects such as infrastructure construction, land development, shantytown renovation, and heat supply businesses. It is also engaged in commercial businesses such as property leasing, property sales, trading of building materials, and operation of a toll bridge. In November 2021, the State-owned Assets Supervision and Administration Bureau of Qihe County People's Government ("Qihe SASAB") transferred all its share-holdings in Qihe Urban Management and Construction Investment Co., Ltd. ("QUMC") to the Company. As of 30 September 2025, the Company was wholly and ultimately controlled by Qihe SASAB, with a registered capital of RMB5.0 billion.

**Exhibit 1. Revenue structure in 2024****Exhibit 2. Gross profit structure in 2024**

Source: Company information, CCXAP research

## Rating Considerations

### Government Capacity to Provide Support

We believe the Qihe County Government has a strong capacity to provide support, based on its status as the second largest county by GRP in Dezhou City, with continued economic growth, but constrained by moderate fiscal metrics.

As the northwestern gate of Shandong Province, Dezhou City is located at the intersection of the Bohai Rim Economic Circle, the Beijing-Tianjin-Hebei Economic Circle, the Shandong Peninsula Blue Economic Zone, and the Yellow River Delta Efficient Ecological Economic Zone. In recent years, new generation information technology, new materials, modern medicine, high-end equipment manufacturing and new energy have developed fast and thus the industrial structure further optimized. Dezhou City is the 10<sup>th</sup> prefecture-level city ranked by GRP in Shandong Province. Dezhou City realized GRP of RMB404.8 billion with a year-over-year ("YoY") growth of 5.6% in 2024. In the first three quarters of 2025, Dezhou City's GRP amounted to RMB313.3 billion, representing a YoY growth rate of 5.9%.

Dezhou Municipal Government demonstrated improving fiscal strength. Its general budgetary revenue increased from RMB25.1 billion in 2023 to RMB26.3 billion in 2024. However, Dezhou Municipal Government's fiscal balance is still moderate. In 2024, Dezhou Municipal Government's general budgetary revenue covered 40.9% of its expenditure, suggesting reliance on transfer payments to achieve fiscal balance. In 2024, Dezhou Municipal Government's debt amount increased by 16.5% YoY to RMB155.7 billion with local government debt to total revenue ratio at 203.5%, indicating relatively large debt burden.

**Exhibit 3. Key economic and fiscal indicators of Dezhou City**

	2022FY	2023FY	2024FY
GRP (RMB billion)	363.3	380.5	404.8
GRP Growth (%)	4.4	6.0	5.6
General Budgetary Revenue (RMB billion)	23.5	25.1	26.3
General Budgetary Expenditure (RMB billion)	57.3	62.3	64.4
Local Government Debt (RMB billion)	112.8	133.7	155.7

Source: Dezhou Municipal Government, CCXAP research

As the southernmost county of Dezhou City, Qihe County is located at the intersection of the Beijing-Shanghai Economic Corridor and the Yellow River Ecological Corridor, facing Jinan City across the Yellow River. The economic and industrial development of Qihe County has benefited from the spillover effect of the strong economic strength of Jinan City. It ranked 71<sup>st</sup> among China's Top 100 counties in terms of comprehensive strength in 2025. Qihe County has a continuous economic growth in recent years. In 2024, the GRP of Qihe County increased by 3.3% YoY to RMB43.5 billion, the second largest county by GRP in Dezhou City. In the first half of 2025, Qihe County's GRP amounted to RMB21.4 billion, representing a YoY growth rate of 1.7%. Qihe County has moderate fiscal metrics. In 2024, its general budgetary revenue decreased to RMB3.4 billion from RMB3.9 billion in 2022 partially due to the closure and transfer-out of some steel production enterprises. However, Qihe County's fiscal revenue has shown a sustained recovery with the general budgetary revenue recorded at RMB2.9 billion in the first three quarters of 2025, representing a YoY increase of 5.5%. The average fiscal balance ratio was 46.7% over the past three years, which stayed at a moderate level. Its government fund revenue also decreased to RMB1.0 billion in 2024 from RMB3.9 billion in 2022 because of the depressed land market. As of 31 December 2024, Qihe County Government reported an outstanding government debt of RMB13.5 billion and accounted for 31.1% of its GRP.

#### **Exhibit 4. Key economic and fiscal indicators of Qihe County**

	2022FY	2023FY	2024FY
GRP (RMB billion)	42.8	42.6	43.5
GRP Growth (%)	5.0	1.6	3.3
General Budgetary Revenue (RMB billion)	3.9	3.6	3.4
General Budgetary Expenditure (RMB billion)	6.6	8.9	8.5
Local Government Debt (RMB billion)	8.1	10.3	13.5

Source: Qihe County Government, CCXAP research

#### **Government Willingness to Provide Support**

#### **Dominant position in infrastructure construction of Qihe County**

As the dominant infrastructure construction entity in Qihe County, QUIC mainly engages in public activities through its subsidiary QUMC pursuant to local urban development plans. The Company is responsible for the infrastructure construction, land consolidation, shantytown renovation, heat supply and operation of a toll bridge in Qihe County, which are crucial to local economic and social development. Given its important role in local infrastructure construction, we believe that the Company is unlikely to be replaced in the foreseeable future.

As the sole infrastructure construction operator in Qihe County, QUIC is entrusted by the local government to conduct infrastructure construction business under agency construction model. The Company has undertaken a large number of urban infrastructure projects, including construction of roads, hospitals, schools, landscapes, and utility facilities, greatly improving the public welfare of the residents in Qihe County. The construction costs of the projects are funded by the Company, and after the completion of the projects, Qihe County Government will repurchase the projects on a cost-plus basis, usually with 15% markup in return to the Company. As of 30 September 2025, there were 4 projects under construction, with a total investment of RMB5.7 billion and an uninvested amount of RMB4.5 billion. The Company also had 2 projects under planning, with a total investment of RMB3.5 billion as of the same date.

The Company has been engaging in shantytown renovation business since 2018 in accordance with the shantytown renovation plans of Qihe County Government. It has undertaken resettlement housing construction projects by signing an agreement with the local government department. The construction costs of the projects

are financed by the government special funds and the Company's self-raised funds, and after the completion of the projects, they will be sold to the relocated households at a pre-agreed price. However, the development period of resettlement housing projects usually lasts for 4 to 5 years, causing a relatively long payback period. As of 30 September 2025, there were 11 resettlement housing projects under construction, with a total investment of RMB15.9 billion and an uninvested amount of RMB7.2 billion.

Entrusted by the local government, QUIC is the sole land consolidation entity in Qihe County, mainly responsible for demolition of rural areas and land leveling of resettlement areas. The development costs of the projects are mainly funded by the Company, but the local government will give certain subsidies depending on the local fiscal profile. However, the land consolidation business is susceptible to the local land development plan and land policies, exerting uncertainties to the revenue generation of the business. As of 30 September 2025, the Company had invested more than RMB1.3 billion into land consolidation projects, but it did not recognize any revenue as the completed land consolidation projects had not been transferred. In addition, the Company has also been engaged in the transfer of self-owned land-use rights. In 2025, the Company transferred land of around 11.0 mu. From 2024 to 2025Q3, the Company recognized land transferring revenue of RMB212.0 million.

QUIC's heat supply business is carried out by one of its subsidiaries, which is the primary heat supplier in Qihe County, with business scope covering about two-thirds of the region. As of 30 September 2025, the Company had distributed heat energy generated from its 26 heating stations to about 22 thousand households in Qihe County through its heat supply networks of 25.6 kilometers.

### **Increasing exposure to commercial businesses**

Apart from public services, QUIC has also engaged in diversified commercial activities, mainly including property sales, self-operation projects, engineering construction, property leasing, and trading businesses. Although the commercial activities can bring in supplemental income, they may also pose certain operating risks to the Company. We estimate that the Company's exposure to commercial businesses is moderate, accounting for around 25% of its total assets at 30 September 2025.

The Company has carried out construction of self-owned operating properties, such as medical centre, supporting facilities, and parking lots. The Company would achieve financial balance by operating, leasing, or selling the properties. As of 30 September 2025, it mainly had 6 self-owned projects under construction, with a total investment of RMB9.4 billion and an outstanding investment of RMB6.2 billion. However, the development period of some of the projects is long, resulting in a relatively long payback period. Moreover, the operational revenue of self-operation projects has more uncertainties comparing to direct payment from local government. QUIC also engages in engineering construction business with relevant qualifications. The Company adopts general contracting model to conduct engineering construction business. Meanwhile, the Company had 156 contracts on hand with contracts amount of RMB5.0 billion.

QUIC participates in property sales business through its subsidiaries, including residential housing and commercial buildings. The Company acquires land through "bidding, auction, and listing" in the open market, and builds real estate projects such as residential buildings, industrial parks, and complexes in accordance with Qihe County's plans, and achieves fund balancing through selling or leasing after completion. As of 30 September 2025, the Company had 3 completed projects in the progress of sale, with a total investment amount of RMB1.1 billion and sales rate of over 90%. At the same time, there were 3 residential housing projects under construction, with a total investment amount of RMB609.0 million and outstanding investment of RMB152.0 million. However, amid the downturn of the real estate market, increasing investment in property development may bring more operating uncertainties and financial risks to the Company.

The Company also engages in leasing business, including properties with a total leasable area of about 484.6 thousand square meters and pipelines as of 30 September 2025. These leasing assets were mainly leased out to a local state-owned enterprise. Although the leasing business could provide supplementary revenue to the Company, there was a certain lag in rental payments and relatively high concentration of tenant. As of 30 September 2025, the uncollected rental payment was RMB111.8 million.

To facilitate the local trading market, the Company engaged in trading business since 2020, mainly involving trading of building materials and steels. In 2024, it recorded a trading revenue of RMB12.3 million, a significant decrease from RMB811.1 million in 2023 primarily due to the change in auditing methodology from the gross method to the net method. Moreover, in light of market risk considerations, the Company's trading operations will undergo significant contraction from 2024 onwards, necessitating close monitoring of the sustainability of the trading business.

### **Good track record of receiving government payments**

QUIC has a proven track record of receiving government support in the form of asset transfer, capital injection, and operating subsidies. From 2023 to 2024, the Company received government subsidies of over RMB265.7 million for its business operation. From 2024 to 2025Q3, the local government continued to convert a portion of accounts payable to capital reserves and inject capital to the Company, including equities of some state-owned companies, increasing the capital reserves by RMB284.9 million. In terms of government payments, the Company has received payments for the infrastructure construction, land consolidation, and shantytown renovation projects according to the agreements signed with the local government. We believe that, given the important position of QUIC and its close relationship with the local government, the local government will continue to provide support to the Company in times of need.

### **Access to funding with certain exposure to non-standard financing**

The Company has access to different financing channels, including bank loans, bond issuances, and non-standard financing products. It has maintained a good relationship with domestic banks, including China Development Bank, Agricultural Development Bank of China, and Agricultural Bank of China. As of 30 September 2025, the Company had total bank credit facilities of RMB9.8 billion, with an unutilized amount of RMB3.3 billion. The Company primarily raises funds in onshore bond market through its subsidiary QUMC. It also tapped into offshore bond market, raising around RMB1.5 billion and USD90.1 million through offshore bond issuances in 2025. However, the Company has a relatively high reliance on non-standard financing products, accounting for around 20% of the total debt as of 30 September 2025. QUIC's non-standard financing products bear high financing costs and reduce its financing flexibility. As of 30 September 2025, the Company's comprehensive financing cost stood at approximately 6.8%.

### **Improving debt leverage but still large debt burden**

QUIC has moderate debt management. As of 31 December 2024, the Company's total debt decreased slightly to RMB17.7 billion from RMB19.8 billion as of end-2023 due to the repayment of debts, while its total capitalization ratio decreased to 38.5% from 41.6% over the same period as the Company's total equity has increased. However, in the first three quarters of 2025, the Company's total debt increased to RMB19.9 billion with its total capitalization ratio increased slightly to 40.9% due to the continuous investment of projects under construction and planning. We expect the Company's debt burden would remain high in the next 12 to 18 months, given its high financing demands for construction projects.

In addition, QUIC's asset liquidity is relatively weak. As of 30 September 2025, the Company had pledged a number of assets for loans, such as cash, lands and investment properties, with a total amount of RMB9.9 billion of restricted assets, accounting for around 17.0% of its total assets. Moreover, there were restricted assets of around RMB15.9 million frozen due to the lawsuit. Besides, the Company's inventories amounted to RMB24.7 billion as of 30 September 2025, accounting for 42.4% of total assets, mainly due to the ongoing investments in resettlement housing construction and self-owned projects. A relatively weak asset liquidity would undermine the Company's financing flexibility.

### **Tight liquidity position and concentrated debt maturities**

QUIC and its subsidiaries have been facing liquidity problem since July 2023, due to its large short-term debt burden and the tightening financing environment. QUIC and its subsidiaries have missed the payment of commercial bills for multiple times. As of 31 December 2025, the Company and its subsidiaries still had overdue payments of commercial bills of more than RMB288.9 million. QUIC and its subsidiaries are also required to extend the payment of non-standard financing products to relieve its financial burden. Around 90% of these non-standard financings have been extended. QUIC's liquidity position is tight with a low level of unrestricted cash and high maturing debts. The Company's short-term debt accounting for 27.4% of the total debt as of 30 September 2025. Meanwhile, it reported a cash to short-term debt ratio (measured by unrestricted cash to short-term debt ratio) of 0.02x. In addition, the Company and its major subsidiary QUMC had total outstanding bonds with principal and interest amount of around RMB4.4 billion due in 2026, presenting significant debt pressure to resolve in the short term.

Qihe County Government and Dezhou Municipal Government would provide certain liquidity support to the Company when necessary. For example, the Dezhou Municipal Government has provided financial support with a total amount of around RMB2.0 billion in 2025 to the Company for the repayment of debts.

### **High risk to contingent liabilities**

The Company bears high contingent risk resulting from external guarantees, which could potentially increase its repayment obligations. As of 30 September 2025, the Company's external guarantees amounted to RMB2.1 billion, accounting for 7.5% of its net assets. All the external guarantees were provided to local state-owned enterprises. However, one of the guarantees, namely People's Hospital of Qihe County, had previously faced a liquidity crisis due to overdue non-standard debts such as financial leasing. The external guarantees are concentrated in Qihe County, which will bring more risks to the Company in case of credit event occurs. Apart from that, the Company and its subsidiaries have been listed as judgment debtors due to the settlement of project payments.

## **ESG Considerations**

QUIC is exposed to environmental risks because it has undertaken infrastructure construction, land development, and shantytown renovation projects. Such risks could be moderated by conducting environmental studies and planning before the commencement of projects, and close supervision during the construction phase.

In terms of social concerns, QUIC plays a crucial role in the social well-being of the residents in Qihe County by undertaking road construction, ecological environment management and heat supply projects.

In terms of corporate governance, QUIC's governance considerations are also material as the Company is subject to local government oversight and 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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