

Credit Opinion

31 December 2025

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

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Anhui Zhouhai Holdings (Group) Co., Ltd.

Surveillance credit rating report

CCXAP affirms Anhui Zhouhai Holdings (Group) Co., Ltd.'s long-term credit rating at BBB_g-, with stable outlook.

Summary

The BBB_g- long-term credit rating of Anhui Zhouhai Holding (Group) Co., Ltd. ("AZHG" or the "Company") reflects Fengtai 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 Fengtai County Government's capacity to support reflects its economic importance in Huainan City, with ongoing economic and fiscal growth, but is constrained by its small economic and fiscal scale.

The rating also reflects the local government's willingness to support, which is based on the Company's (1) important role in infrastructure construction of Fengtai County with sufficient project pipeline; and (2) good track record of receiving government support.

However, the rating is constrained by the Company's (1) medium exposure to commercial activities; (2) increasing debt burden; and (3) weak asset liquidity.

The stable outlook on AZHG's rating reflects our expectation that the local government's capacity to support will remain stable, and the Company will maintain its important role in the development of Fengtai County for the next 12 to 18 months.

Rating Drivers

- Important role in infrastructure construction of Fengtai County with sufficient project pipeline
- Medium exposure to commercial activities
- Good track record of receiving government support
- Increasing debt burden but with reasonable debt structure
- Weak asset liquidity
- Reliance on bank loans for funding

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) the local 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 decrease in exposure to commercial activities or improvement in debt burden.

What could downgrade the rating?

The rating could be downgraded if (1) the local government's capacity to support weakens; or (2) the Company's characteristics change in a way that weakens the local government's willingness to support, such as decrease in its strategic significance; decrease in government payments; or increase in debt burden.

Key Indicators

	2022FY	2023FY	2024FY	2025H1
Total Asset (RMB billion)	14.8	26.5	27.2	29.1
Total Equity (RMB billion)	7.5	12.2	12.1	12.4
Total Revenue (RMB billion)	0.5	0.8	0.7	0.5
Total Debt/Total Capital (%)	47.6	52.2	53.8	56.1

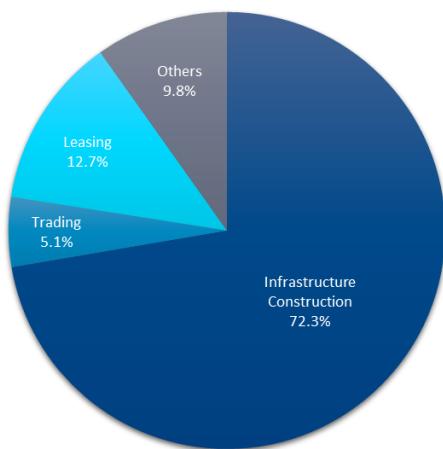
All ratios and figures are calculated using CCXAP's adjustments.

Source: Company data, CCXAP research

Corporate Profile

Established in 2016, AZHG is an important local infrastructure investment and financing company ("LIIFC") in Fengtai County. The Company primarily focuses on urban development activities including water environmental management and shantytown renovation. It is also involved in other commercial activities such as trading and leasing. At mid-2025, AZHG was ultimately controlled and 100% owned by the Fengtai County State-owned Assets Supervision and Administration Commission.

Exhibit 1. Revenue structure in 2024



Source: Company information, CCXAP research

Rating Considerations

Government Capacity to Support

We believe the Fengtai County Government has a strong capacity to provide support to the Company, given its economic importance in Huainan City, with ongoing economic and fiscal growth, but is constrained by its small economic and fiscal scale

Located in the north-central part of Anhui Province, Huainan City is one of the integrated regional cities in the Yangtze River Delta. It has formed pillar industries including coal, chemicals, electricity and pharmaceuticals. Huainan City's economy has demonstrated a growth trend over the past years. Benefiting from the ongoing development of its pillar industries, Huainan City's GRP increased from RMB160.2 billion in 2023 to RMB171.6 billion in 2024, ranking 12th among prefecture-level cities in Anhui Province. In the first three quarters of 2025, Huainan City has achieved GRP of RMB132.5 billion, with a YoY growth rate of 4.1%. With ongoing economic growth, the general budgetary revenue of Huainan City also increased from RMB13.1 billion in 2023 to RMB13.6 billion in 2024. It has moderate fiscal stability, with tax income accounting for around 64.4% of the general budgetary revenue over the past three years. As the end of 2024, the outstanding direct government debt balance of Huainan Municipal Government amounted to RMB68.1 billion, accounting for 39.7% of its GRP.

Exhibit 2. Key Economic and Fiscal Indicators of Huainan City

	2022FY	2023FY	2024FY
GRP (RMB billion)	154.1	160.2	171.6
GRP Growth (%)	2.0	5.1	5.0
General Budgetary Revenue (RMB billion)	12.0	13.1	13.6
General Budgetary Expenditure (RMB billion)	29.9	31.6	34.0
Local Government Debt (RMB billion)	42.1	59.1	68.1

Source: Statistic Bureau of Huainan City, CCXAP research

Located in the middle reaches of the Huai River, Fengtai County is a county of Huainan City with a total area of 1,095.6 square kilometers. Fengtai County relies on coal and electricity as its pillar industries and is the largest county for deep coal mining. It has stable economic growth in recent years. From 2023 to 2024, Fengtai County's

GRP increased from RMB35.6 billion to RMB39.7 billion, ranking 2nd among all counties and districts in Huainan City. In the first three quarters of 2025, Fengtai County has achieved GRP of RMB29.9 billion, with a YoY growth rate of 5.3%. With the ongoing development of the regional economy, Fengtai County's fiscal income has also increased. From 2023 to 2024, its general budgetary revenue remained stable at approximately RMB3.0 billion. It also has good fiscal stability with tax income contributing to over 80% of the general budgetary revenue over the past three years. It has a moderate fiscal balance ratio (general budgetary revenue/general budgetary expenditure) of 57.9% over the past three years. In 2024, Fengtai County had an outstanding direct government debt balance of RMB8.7 billion, accounting for 21.9% of its GRP.

Exhibit 3. Key Economic and Fiscal Indicators of Fengtai County

	2022FY	2023FY	2024FY
GRP (RMB billion)	34.8	35.6	40.0
GRP Growth (%)	-0.9	3.7	5.6
General Budgetary Revenue (RMB billion)	2.9	3.1	3.0
General Budgetary Expenditure (RMB billion)	4.4	4.7	5.1
Local Government Debt (RMB billion)	6.0	7.4	8.7

Source: Statistic Bureau of Fengtai County, CCXAP research

Government Willingness to Support

Important role in infrastructure construction of Fengtai County with sufficient project pipeline

As an important urban developer in Fengtai County, AZHG has undertaken a large amount of integrated environmental governance projects, shantytown renovation, and new energy projects in Fengtai County, making great contributions to the urbanization of the region. Considering its strategic significance to the development of Fengtai County, we believe the Company is unlikely to be replaced by other local state-owned enterprises in the foreseeable future. In addition, the Company has sufficient project pipeline, ensuring its business sustainability.

Entrusted by Fengtai County Fengyin Drinking Water Project Investment Construction Co., Ltd. and the Fengtai County Government, the Company undertakes infrastructure construction projects under agent construction model. As of 30 June 2025, the Company had completed 7 infrastructure construction projects with an invested amount of RMB192.5 million and a collected repayment of RMB159.6 million. Meanwhile, the Company had 8 infrastructure construction projects under construction, with a total planned investment of around RMB7.6 billion and uninvested amount of around RMB5.4 billion, indicating high capital expenditure pressure. The Company also has 3 infrastructure construction projects under planning, with a total planned investment of RMB2.7 billion.

Medium exposure to commercial activities

AZHG's commercial businesses mainly include property leasing and trading business. We consider the Company's exposure to commercial businesses to be medium, accounting for around 30% of its total assets. The Company has diversified into sandstone mining and photovoltaic power generation businesses, with estimated investment of around 4.0 billion, which are expected to increase its capital expenditure pressure and commercial exposure.

The Company engages in property leasing business. Its rental properties mainly include office buildings, factory buildings, stadiums and commercial properties. As of 30 June 2025, the Company owned properties with a total leasable area of 50,090 mu. It has received rental income of RMB84.0 million in 2024, contributing 12.7 % of total revenue. The Company is constructing several self-operating projects and achieve fund balancing by

operating revenue. As of 30 June 2025, the Company had 2 key properties projects under construction with a total investment of RMB4.4 billion and an uninvested amount of RMB3.5 billion.

The Company is positioned to be an important industrial investment entity to promote the development of pillar industries in Fengtai County. It engages in industrial investment business through fund investment, which mainly focus on new materials and photovoltaics sectors. As of 30 June 2025, the Company had invested in 6 industrial funds, with a total planned investment of RMB2.3 billion and an uninvested amount of RMB395.0 million. However, the Company faces an exposure of RMB1.2 billion to invested enterprises that are subject to enforcement, with uncertain recovery prospects. Meanwhile, most of investments are at the initial investment stage, which may expose the Company to larger investment and execution risks.

The Company also participates in trading business. Its commodity trading business mainly includes tobacco, alcohol, grains, and electronic products. In 2024, sales of the top 5 clients and purchases from the top 5 suppliers accounted for around 98.4% and 97.7% of total sales and purchases, respectively, which may expose the Company to concentration risk. This business only accounted for 5.1% of the Company's total revenue in 2024.

Good track record of receiving government support

As an important urban development and operation entity in Fengtai County, the Company has a proven history of receiving support from Fengtai County government through various channels including asset injection, capital injections and subsidies. In 2022, the local government had transferred operation rights for sandstone mining projects and shares in a state-owned enterprise to the Company, significantly enhancing its capital strength. In 2024, the Company received project repayment of RMB400.0 million. From 2024 to 2025H1, it also received subsidies of RMB44.2 million in total and assets transfer of totaling RMB395.1 million from the local government. Given its important position in the development of Fengtai County, we believe that the Fengtai County government will continue to provide support to the Company.

Increasing debt burden but with reasonable debt structure

With the increasing financing demand for the construction projects, AZHG has a fast debt growth over the past three years. The Company's total debt increased from RMB13.3 billion at end-2023 to RMB15.8 billion at end-2025H1, with a total capitalization ratio of 56.1%. Although the Company has a reasonable debt structure, it has certain short-term debt repayment pressure. As of 30 June 2025, its short-term debts accounted for about 12.6% of total debt and unrestricted cash to short-term debt ratio was 0.4x, indicating inadequate cash flow to service its short-term debts. With pipeline of infrastructure construction projects under construction, the Company will continue to rely on external financing to meet its future capital expenditure needs. Thus, we expect that its debt burden will continue to grow in the next 12 to 18 months.

The Company has manageable contingent liabilities risk. As of 30 June 2025, the Company recorded an external guarantee amount of RMB3.0 billion, accounting for about 24.2% of its total equity. Those guaranteed entities are the local state-owned enterprises in Fengtai County. The credit risk of the Company might be heightened if one of the guaranteed entities suffers from credit issues.

Weak asset liquidity

AZHG's asset liquidity is weak, which may undermine its financing flexibility. As of 30 June 2025, the Company's total assets mainly consist of intangible assets, inventories, and receivables, with low liquidity, accounting for around 62.1% of total assets. The Company's intangible assets mostly contained sand and gravel mining and

operating rights. Inventories were primarily the project development costs and land use rights, while the receivables mainly composed uncollected payments from the local government department and state-owned enterprises.

Reliance on bank loans for funding

AZHG mainly relies on bank loans for funding. As of 30 June 2025, bank loans accounted for 85.0% of the Company's total debt, with an average interest rate of around 5.3%. It maintains a good relationship with several policy banks and commercial banks, such as China Development Bank and Rural Commercial Bank. As of 30 June 2025, it had available credit facilities of about RMB15.9 billion and available portion of RMB1.4 billion. Besides, it's reliance on non-standard financing increases, accounting for around 15% of total debt at mid-2025. In addition, the Company has not issued bonds in the public market and plans to tap the bond markets to broaden its funding channels.

ESG Considerations

AZHG assumes environmental risks through its urban 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.

In terms of social awareness, AZHG has played a crucial role in the social welfare of Fengtai County by involving the construction of public projects and shantytown projects in Fengtai County.

In terms of corporate governance, AZHG'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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