Credit Opinion

20 August 2026

Ratings	
Senior Unsecured Debt Rating	A_g-
Long-Term Credit Rating	A_g-
Outlook	Stable
Category	Corporate
Domicile	China
Rating Type	Solicited Rating

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Weifang Urban Construction and Development Investment Group Co., Ltd.

Surveillance credit rating report

CCXAP affirms Weifang Urban Construction and Development Investment Group Co., Ltd.'s long-term credit rating at A_g-, with stable outlook.

Summary

The A_g- long-term credit rating of Weifang Urban Construction and Development Investment Group Co., Ltd. ("WUCD" or the "Company") reflects Weifang Municipal Government's (1) very strong capacity to provide support, and (2) very high willingness to provide support, based on our assessment of the Company's characteristics.

Our assessment of Weifang Municipal Government's capacity to provide support reflects Weifang City's status as the fourth largest city in Shandong Province by gross regional product ("GRP") and general budgetary revenue, with good economic and industrial development.

The rating also reflects the local government's willingness to provide support, which is based on the Company's (1) strategic policy role in the regional development of Weifang City, especially in infrastructure construction and utility services; and (2) solid track record of receiving government support.

However, the rating is constrained by the Company's (1) medium exposure to commercial activities; (2) high debt burden and relatively high recovery risk for its account receivables; and (3) high exposure to contingent liability risk due to large external guarantees to local state-owned enterprises ("SOEs").

The stable outlook on WUCD's rating reflects our expectation that the local government's capacity to support will remain stable, and the Company will maintain its strategic importance position in Weifang City over the next 12-18 months.

Rating Drivers

- Strategic policy role in regional development of Weifang City, especially in infrastructure construction and utility services
- Medium exposure to commercial activities
- Solid track record of receiving government support
- High debt burden and relatively high recovery risk for its account receivables
- Access to diversified funding channels underpinned by improving financing environment
- High exposure to contingent liability risk due to large external guarantees to local SOEs

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) Weifang Municipal Government's capacity to provide support strengthens; or (2) the Company's characteristics change in a way that strengthens the local government's willingness to provide support, such as improved debt management or lower exposure to contingent liability risk.

What could downgrade the rating?

The rating could be downgraded if (1) Weifang Municipal 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 or weakened funding ability.

Key Indicators

	2023FY	2024FY	2025FY	2026Q1
Total Assets (RMB billion)	135.9	144.9	149.5	150.7
Total Equity (RMB billion)	74.3	81.7	80.9	81.2
Total Revenue (RMB billion)	16.1	13.7	2.0	0.7
Total Debt/Total Capital (%)	39.3	37.8	40.0	40.4

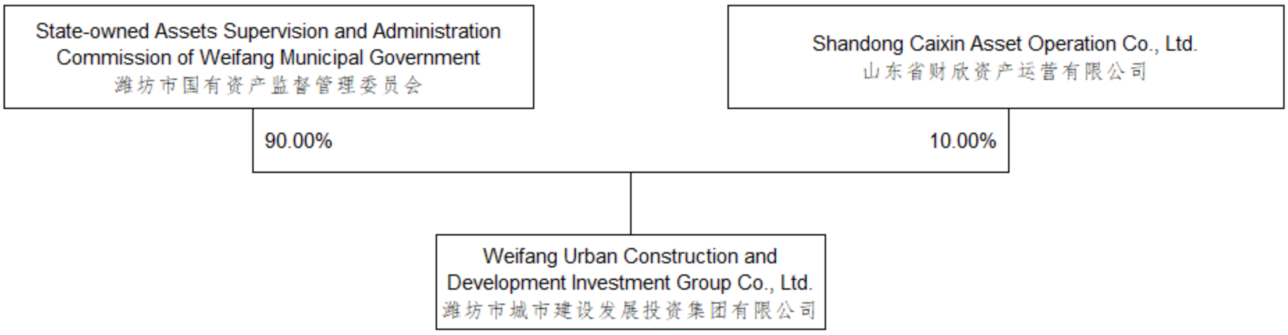
All ratios and figures are calculated using CCXAP's adjustments.

Source: Company data, CCXAP research

Corporate Profile

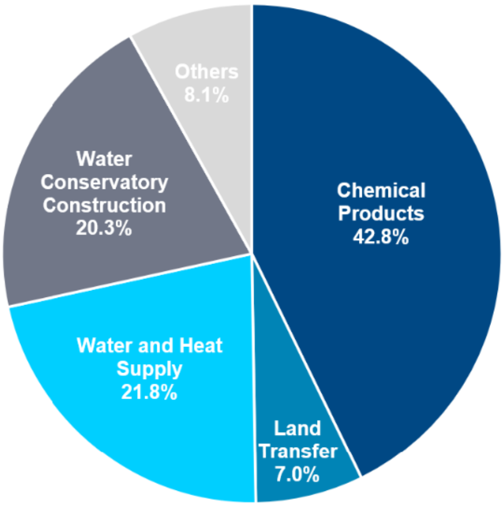
Established in 2016, WUCD is an important entity in the investment and financing of infrastructure construction and the operation and management of state-owned assets in Weifang City, and plays a strong strategic policy role in the regional development of Weifang City. WUCD is responsible for major public policy projects, including infrastructure construction, land transfer, and water and heat supply. It also engages in commercial activities such as water conservatory construction, financial investment, financial services, as well as leasing. As of 31 March 2026, the State-owned Assets Supervision and Administration Commission of Weifang Municipal Government ("Weifang SASAC") directly held 90% ownership of WUCD and the remaining shares were held by Shandong Caixin Asset Operation Co., Ltd. The Weifang Municipal Government was the ultimate controller of WUCD.

Exhibit 1. Shareholding chart as of 31 March 2026



Source: Company information, CCXAP research

Exhibit 2. Revenue structure in 2025



Source: Company information, CCXAP research

Rating Considerations

Government's Capacity to Provide Support

We believe that the Weifang Municipal Government has a very strong capacity to provide support given its status as the fourth largest city in Shandong Province by GRP and general budgetary revenue, with good economic and industrial development, but relatively tight regional refinancing pressure.

Shandong Province is the third largest province in terms of GRP in China over the past three years, with a solid industrial foundation in logistics, shipbuilding, and marine technology, chemical, automotive and agri-food. In 2025, Shandong Province reported a GRP of RMB10.3 trillion, representing a year-over-year ("YoY") increase of 5.5%. At the same time, its general budgetary revenue increased to RMB786.4 billion from RMB771.2 billion in 2024.

Weifang City is located in the east-central part of Shandong Province and is an important regional economic center of central Shandong. After years of development, Weifang City has established a series of traditional advantageous industries, including power equipment, high-end chemicals, food processing, automobile manufacturing, textiles and clothing, as well as intelligent agricultural machinery. Meanwhile, Weifang City also actively cultivates emerging industries such as new generation information technology, industrial machine tools, and magnetic levitation. In 2025, Weifang City reported a GRP of RMB858.7 billion, increased by 5.5% YoY, ranking 4th among prefecture-level cities in Shandong Province. In addition, Weifang City has a strong fiscal base. Its general budgetary revenue increased to RMB63.1 billion in 2025 from RMB62.0 billion in 2024, ranking 4th among prefecture-level cities in Shandong Province. Tax revenue accounted for 62.2% of its general budgetary revenue on average over the past three years. Weifang City also has a healthy fiscal balance as seen by an average fiscal balance ratio (general budgetary revenue/ general budgetary expenditure) of 68.8% over the past three years.

However, Weifang City's government debt level is high, with an outstanding amount of RMB335.8 billion as of 31 December 2025, which accounted for 39.1% of its GRP. The expanded local government debt level, together with rapidly increasing local SOE debts at county-level, has caused Weifang City to experience a tight financing environment and heightened the funding costs for local SOEs since 2021. Recently, Weifang City was benefited by the strong policy support from its higher-tier government to resolve local debt risks via a package of debt-relief measures at the national level. Weifang Municipal Government is expected to obtain replacement bonds of RMB59.0 billion for the 2024-2026 period, ranking 1st in Shandong Province. While the short-term liquidity risk in Weifang City has been eased, it is still necessary for Weifang City to conduct sustained debt management and debt-relief measures to achieve sound development of local financing in the medium-to-long term.

Exhibit 3. Key Economic and Fiscal Indicators of Weifang City

	2023FY	2024FY	2025FY
GRP (RMB billion)	760.6	820.3	858.7
GRP Growth (%)	5.1	5.9	5.5
General Budgetary Revenue (RMB billion)	60.8	62.0	63.1
General Budgetary Expenditure (RMB billion)	88.9	90.2	90.9
Local Government Debt (RMB billion)	235.9	285.4	335.8

Source: Weifang Municipal Government, CCXAP research

Government's Willingness to Provide Support

Strategic policy role in the regional development of Weifang City, especially in infrastructure construction and utility services

WUCD is one of the most important SOEs in Weifang City and plays a strong strategic policy role in the regional development of Weifang City. The Company is commissioned to engage in infrastructure construction, land transfer, and water and heat supply. Weifang Municipal Government consolidated local SOEs into 5 major groups, focusing on urban construction and investment, industrial investment, finance, industrial operation, and asset management, respectively. WUCD is one of the 5 major groups and specializes in urban construction and investment of Weifang City. With the clear positioning of each SOEs, and given the Company's important strategic position to the regional development and public welfare in Weifang City, we believe that the Company is unlikely to be replaced in the short-to-medium term.

WUCD carries out the construction of roads, squares and parks, urban reconstruction and supporting projects, tourist attractions, and water conservancy projects. The sources of funds of infrastructure construction comes from WUCD's own fund, project capital injected from local government, and external financing. As of 31 March 2026, WUCD had invested more than RMB20.0 billion in key infrastructure construction. However, most of the infrastructure projects have not been settled and the repayment of the projects is uncertain, which has caused relatively great pressure on the Company's capital occupation. Some projects are expected to achieve fund balance through sales, leasing, as well as operating income such as parking fee. At the same time, the Company participated in the construction of 3 high-speed railway projects, with a total investment of RMB2.1 billion, and the Company has obtained approximately RMB1.5 billion in government special-purpose bond for these constructions.

The Company also participates in the transfer of self-owned land. The Company generally acquires consolidated land through bidding and auction prior to 2012 and transfers it to the local land reserve department. In 2025, WUCD totally transferred 3 land parcels with an area of 41.0 mu and recorded transferring income of RMB140.2 million, with collected payments of around RMB0.9 million and RMB1.1 billion remained uncollected as of end-2025. Yet, the payment period for land transfer is long and highly depends on the local government's planning. In addition, the Company has a large amount of land reserves. As of 31 March 2026, the Company had land reserves totalling 7,068.1 mu, with a book value of RMB6.6 billion, which mainly consisted of urban residential land and retail commercial land. However, the business is susceptible to the fluctuation of local land and property markets, causing uncertainty to its land transfer income.

WUCD engages in providing essential public services including water and heat supply. WUCD treats the raw water from the Bailanghe Reservoir and primarily supplies water to the residents and non-residents in the southern parts of Weifang City, with daily water supply capacity of 246.2 thousand tons in 2025. WUCD is also responsible for the pipe network construction and heating supply to the residents in the main urban area of Weifang City. The Company generally purchases heat from upstream power plants and sells heat to Weifang Thermal Power Co., Ltd. For the heating season of November 2025 to March 2026, the Company totally provided heat of around 8,320.0 thousand GJ. Due to the public nature of water and heat supply business, the business highly relies on government subsidies. In 2025, WUCD received ongoing subsidies of RMB9.2 million for the heat supply business.

In addition, the Company undertakes the responsibility of centralized borrowing platform for shantytown reconstruction due to its strategic policy role in Weifang City. WUCD mainly receives policy loans from Shandong Finance Investment Group Co., Ltd., a provincial level state-owned capital investment and operation company focusing on the linkage of fiscal and financial policies, and transfers the loans to the shantytown reconstruction entities in districts and counties of Weifang City. The loans for shantytown reconstruction are included in the budgets of district or county government in Weifang City. As of 31 March 2026, the loans for shantytown reconstruction were around RMB4.3 billion.

Medium exposure to commercial activities

Apart from public services, WUCD also engages in diversified commercial activities including water conservatory construction, financial investment, financial services, as well as leasing. Moreover, in 2025, upon the divestment of its subsidiary, Weifang Urban Investment Junhe International Trade Co., Ltd., the Company no longer engaged in trading business. We consider WUCD's commercial business exposure to be medium, as the assets in commercial activities accounted for around 15% of the total assets as of end-2025.

WUCD participates in water conservatory construction business and generally acquires contracts through public bidding. Its business scope is mainly concentrated in Weifang City, and the counter parties are mainly SOEs and government departments. From 2025 to 2026Q1, the Company newly signed 39 water conservatory construction contracts with the total contract value of RMB700.0 million. As of 31 March 2026, the Company had 15 key projects under construction with a total investment of RMB511.6 million and payments collected of RMB435.2 million. However, the repayment period of conservatory construction is relatively long and the payback collection is relatively prolonged, which may cause certain capital occupation pressure. The Company is also proactively expanding water conservatory construction business to other provinces. For instance, it expands its business scope to Yunnan Province and Jilin Province in 2025.

The Company also engages in chemical products business through its subsidiary, namely Weifang Yaxing Chemical Co., Ltd. (“Yaxing Chemical”, 600319.SH), which mainly includes the production, design, and trade of chlorinated polyethylene and chlor-alkali products. In 2025, Yaxing Chemical’s total revenue decreased by 5.3% YoY to RMB860.2 million, mainly due to cyclical downturns in chemical product markets, while Yaxing Chemical continued to record a net loss. Moreover, the Company is exposed to certain concentration risk, as the top five suppliers accounted for 75.2% of the total procurement in 2025. As of 31 March 2026, the Company had one equipment renewal project under planning, with a total investment of RMB64.0 million.

In addition, WUCD conducts financial investment through equity investment and industrial fund investment. The Company's financial investment primarily focuses on unlisted companies with high growth potential in Weifang City and assists the new and old growth driver transformation and industrial upgrading in Weifang City. As of 31 March 2026, the Company had completed equity investment of nearly RMB11.8 billion. The investment portfolio consists of Bank of Weifang Co., Ltd., Tianrui Magnetic Levitation Intelligent Technology (Shandong) Co., Ltd., and other enterprises. In 2025, WUCD realized RMB244.2 million from equity investment. However, long investment period with uncertain returns may expose the Company to higher business risk. In terms of fund investment, the Company had participated and established 3 industrial investment funds with a total scale of RMB1.5 billion as of 31 March 2026. The Company plans to obtain appreciation of capital through equity transfer after the well development of invested enterprises. The financial investment business has significant volatility due to the performance of invested companies and change of economic situation.

Solid track record of receiving government support

As the important SOE in Weifang City, WUCD has a solid track record of receiving government support from Weifang Municipal Government, including government subsidies, capital injection, asset and equity transfer, which could help the Company meet its policy objectives and financial obligations. In 2025, WUCD received a cash injection from the local government, increasing its capital reserves by RMB49.0 million. Moreover, in January 2026, the local government transferred Weifang City Gas Co., Ltd. (“WFCG”) to the Company, further increasing WUCD’s capital reserves by RMB455.3 million. WFCG primarily engages in urban piped gas supply, with its business covering the urban areas and development zones of Weifang City, which further expands and enriches the Company's public utilities services. The Company also receives ongoing government subsidies for carrying out infrastructure construction projects and utility services. From 2025 to 2026Q1, WUCD has received government subsidies with a total amount of approximately RMB722.5 million.

Considering WUCD’s irreplaceable role in the development and public welfare of Weifang City and its close relationship with Weifang Municipal Government, we expect that the Company will continue to receive government support over the next 12 to 18 months.

High debt burden and relatively high recovery risk for its account receivables

Due to the ongoing financing for its infrastructure construction and financial investment, WUCD maintained a high level of debt burden over the past three years. As of 31 March 2026, the Company’s total debt increased to RMB55.0 billion from RMB49.6 billion as at end-2024, while its total capitalization ratio increased from 37.8% to 40.4% over the same period. Meanwhile, the Company still bears a relatively high short-term debt repayment pressure as its short-term debt accounted for 36.9% of the total debt as at 31 March 2026, increasing from 27.9% as of end-2024. In addition, the cash to short-term debt ratio was only 0.2x as of the same date, which could not fully recover its short-term debt. Given WUCD’s ongoing capital needs for construction projects and business, especially in the public utilities of main urban area and industrial Investment, we estimate that the Company’s debt level will continue to grow and maintain high in the next 12 to 18 months.

In addition, WUCD's asset liquidity is relatively weak, which may undermine its financial flexibility. The Company's total assets mainly consist of investment in other equity instruments, construction in progress, long-term receivables, and long-term equity investment, accounting for around 70.5% of the total assets as of 31 March 2026. These assets mainly include the shares of local SOEs, equity investment of local private-owned enterprises, construction cost of infrastructure construction, lending to local SOEs, receivable payment of land transfer, which are considered low liquidity. Weak asset liquidity may also undermine the Company's financing flexibility. Moreover, as some debtors of other receivables are judgment defaulters and have outstanding overdue payments for the commercial bills, the Company would bear relatively high recovery risk. These debtors are mainly the SOEs in counties or districts of Weifang City. Under the authorization of Weifang Municipal Government, WUCD provides loans to ease the liquidity distress of the regional SOEs and the majority of these loans are secured loan with collaterals.

Access to diversified funding channels underpinned by improving financing environment

WUCD has good access to diversified financing channels, including bank loans, domestics and offshore bond financing, and non-standard financing products. Bond issuance and bank loans account for majority of its total debt. The Company's financing needs may be partially released by its multiple access to funding. The Company has built and maintained close relationship with state-owned commercial banks and joint-stock commercial banks. As of 31 March 2026, the Company had obtained total credit facilities of RMB47.1 billion, with an unutilized amount of RMB19.0 billion, indicating sufficient standby liquidity.

The Company also has a track record of fund-raising activities in both onshore and offshore debt capital markets. It has issued various bond products such as MTNs, PPNs, and corporate bonds. From January 2025 to June 2026, the Company has raised around RMB8.6 billion on the onshore debt market through 15 tranches of debt instruments, with coupon rates ranging between 2.20% and 3.45%. In addition, the Company issued one tranche of offshore bonds in 2025, raising USD100.0 million. However, the Company has a relatively high reliance on direct financing, accounting for approximately half of the total debt. Its refinancing stability is easily affected by the fluctuations in the capital market conditions. In addition, WUCD's exposure to non-standard financing products was controllable, which accounted for less than 10% of the total debt as of 31 March 2026. Considering WUCD's important status in the regional development of Weifang City, we expect the Company would maintain stable funding access to bank loans and capital markets in the next 12 to 18 months.

High exposure to contingent liability risk driven by large external guarantees to local SOEs

WUCD's exposure to contingent liability risk is highly driven by large external guarantees to local SOEs. As of 31 March 2026, the total amount of external guarantees was RMB14.5 billion, which accounted for 17.8% of its net assets. The majority of these external guarantees were provided to local SOEs in Weifang City, and a small amount of guarantees (4.9%) were provided to private-owned enterprises. Part of its external guarantees has counter-guarantee measures. However, some of the guaranteed enterprises especially the SOEs in districts or counties of Weifang City have records of judgment defaulters, overdue of commercial bill, and debt overdue. We consider WUCD has relatively large contingent liability risk, even though the Company had not yet incurred compensation for its guarantees as of 31 March 2026. As of 26 June 2026, some of WUCD's guarantees were classified as special-mentioned loans with a total amount of RMB0.3 million.

We believe that the contingent liability risk will be partially mitigated by WUCD's improving external guarantee management and more prudent measures on new external guarantees. The Company established its external guarantee policy in 2023, according to the guidance of Weifang SASAC. For example, the amount of a single guarantee shall not exceed 10% of WUCD's audited net assets in the previous year or RMB200 million, otherwise it has to obtain the consent from Weifang Municipal Government.

ESG Considerations

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

WUCD bears social risks as it implements public policy initiatives by undertaking infrastructure construction and providing utility services in Weifang 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.

WUCD's governance considerations are also material as the Company is subject to oversight and reporting requirements of the local government, reflecting its public-policy role and status as a government-owned entity.

Structural Consideration

WUCD's senior unsecured debt rating is equivalent to its long-term credit rating. We believe that government support will flow through the Company given its strategic importance position in regional development of Weifang City, thereby mitigating any differences in an expected loss that could result from structural subordination.

Rating Methodology

The methodology used in this rating is the Rating Methodology for China's Local Infrastructure Investment and Financing Companies (July 2022).

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.

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