

CCXAP affirms the long-term credit rating of Weifang Guokong Development Group Co., Ltd. at BBB_g, with stable outlook.

Hong Kong, 10 December 2025 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has affirmed the long-term credit rating of Weifang Guokong Development Group Co., Ltd. (“WFGK” or the “Company”) at BBB_g, with stable outlook.

The BBB_g long-term credit rating of WFGK reflects Weifang Municipal Government’s (1) very strong capacity and (2) high willingness to provide support to the Company, based on our assessment of the Company’s characteristics. Our assessment of the local 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. However, Hanting District’s economic and financial strength is relatively weak, with a high regional debt pressure.

The rating also reflects the local government’s willingness to support, which is based on the Company’s (1) essential role in public utilities of Hanting District and Weifang Economic Development Zone (“Weifang EDZ”); and (2) good track record of receiving government support. However, the rating is constrained by the Company’s (1) rapid debt growth with short-term debt pressure; (2) limited financial flexibility driven by weak asset liquidity, high recovery risk and tight liquidity position; and (3) high external guarantee risk, with exposure to financially distressed enterprises.

Corporate Profile

Established in 2007, WFGK is a local state-owned enterprise (“SOE”) mainly operating in Weifang City, a prefecture-level city in Shandong Province. As part of the SOE reform, the local government transferred 100% equity stakes of Weifang Guochuang Development Group Co., Ltd. (“WFGC”) and Weifang Guojin Industrial Development Co., Ltd. (“WFGJ”) to the Company without compensation in 2024. In the first quarter of 2025, the equity of its subsidiary, Weifang Futing Investment Co., Ltd. (“WFFT”), was transferred out of the Company. Following these equity transfers, WFGK’s position changed from infrastructure construction to public utility operation in Weifang City.

The Company primarily focuses on heat and gas supply as well as public utility-related construction. It also participates in other commercial activities, including commodities trading, provision of guarantee services, as well as property development and leasing. Its businesses cover mainly in Hanting District and Weifang EDZ. As of 30 June 2025, the State-owned Assets Supervision and Administration Commission of Weifang Municipal Government (“Weifang SASAC”) was the ultimate controller of WFGK and directly held 51.0% of the Company’s shares.

Rating Rationale

Credit Strengths

Essential role in public utilities of Hanting District and Weifang EDZ. After the state-owned asset consolidation, WFGK is mainly engaged in natural gas sales and heat supply businesses in Hanting District and Weifang EDZ, which are beneficial to the local social and economic development and possess significant strategic importance for the urban development of Weifang City. We believe that the Company is unlikely to be replaced in the foreseeable term, given its high replacement cost as these public services are vital to urban development.

Good track record of receiving government support. WFGK has a good track record of receiving government support from the local government, including capital injections, equity transfers, and financial subsidies, which could help the Company meet its policy objectives and financial obligations. In 2024, the local government also continued to inject equities of some SOEs into the Company, including WFGC and WFGJ. Meanwhile, Weifang SASAC provided a cash injection to the Company in 2024, increasing its paid-in capital by RMB15.0 million.

Credit Challenges

Rapid debt growth with short-term debt pressure. WFGK's total debt continued to increase rapidly over the past years. As of 30 June 2025, the Company's total debt increased notably to RMB12.2 billion from RMB5.9 billion as at end-2023. At the same time, the Company faced short-term debt pressure, as its short-term debt accounted for 42.7% of its total debt at mid-2025, and the cash to short-term debt ratio was low at 0.1x.

Limited financial flexibility driven by weak asset liquidity, high recovery risk and tight liquidity position. WFGK's asset liquidity remains weak, which adversely affects its financial flexibility. Its assets are mainly long-term equity interests in other local SOEs transferred by the government, which are considered illiquid and non-realizable, undermining its financial flexibility. The Company also bears a high recovery risk for its accounts receivable. In addition, the Company and its subsidiaries have been facing liquidity challenges due to rising debt levels and a tightening financing environment. For instance, the Company's subsidiaries had outstanding overdue payments for commercial bills as of 31 October 2025.

High external guarantee risk, with exposure to financially distressed enterprises. The credit profile of WFGK is constrained by its external guarantees to local SOEs and private-owned enterprises. Although the scale of external guarantees is moderate, some guarantees are in tight liquid and financial difficulty. Moreover, most of guarantees of guarantee business are private-owned enterprises, which could cause higher contingent liability risk. The Company's subsidiaries have been listed as judgment debtors due to its external guarantees to Weifang Bincheng Investment Development Co., Ltd. We consider WFGK has relatively large contingent liability risk due to external guarantees to local SOEs and private-owned enterprises.

Rating Outlook

The stable outlook on WFGK's rating reflects our expectation that the local government's capacity to support will remain stable, and the Company will maintain its important position in regional development and public welfare of Weifang City over the next 12-18 months.

What could upgrade the rating?

The rating could be upgraded if (1) the local 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 increased strategic significance, improved debt management, or lower exposure to contingent liability risk.

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, deteriorated debt management, or weakened funding ability.

Rating Methodology

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

Regulatory Disclosures

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

Christy Liu

Senior Credit Analyst

+852-2860 7127

christy_liu@ccxap.com

Elle Hu

Executive Director of Credit Ratings

+852-2860 7120

elle_hu@ccxap.com

Client Services: +852-2860 7111



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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