

## **CCXAP affirms Zouping Huirong Industrial Investment Group Co., Ltd.'s long-term credit rating at BBB<sub>g</sub>, with stable outlook.**

Hong Kong, 11 December 2025 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has affirmed the long-term credit rating of Zouping Huirong Industrial Investment Group Co., Ltd. (“ZPHR” or the “Company”) at BBB<sub>g</sub>, with stable outlook.

The BBB<sub>g</sub> long-term credit rating of ZPHR reflects the Company's (1) strong regional competitiveness in public utility services and industrial development in Zouping City; and (2) supplementary income benefited from a relatively diverse business structure. However, the rating is constrained by the Company's (1) relatively weak profitability with low return on assets; and (2) fast-growing debt with weak credit metrics.

The rating also reflects a high likelihood of support from the Zouping City Government when needed, given the Company's (1) direct ownership and ultimate control by the Zouping City Government; (2) regional importance in urban operation and industrial development in Zouping City; and (3) good track record of receiving ongoing government support.

### **Corporate Profile**

Established in 2020, ZPHR is a local state-owned enterprise mainly operating in Zouping City, a county-level city in Binzhou City, Shandong Province. It is positioned as the only industrial platform in Zouping City and is mandated to promote regional industrial upgrading. The Company is mainly engaged in the public utility services such as the supply of water, steam, heat and electricity, as well as the processing and sales of aluminum products, investment and operation of industrial parks, and leasing business. As of 30 September 2025, the Company was directly owned and controlled by the Zouping City State-owned Assets Center.

### **Rating Rationale**

#### **Credit Strengths**

**Strong regional competitiveness in public utility services in Zouping City.** ZPHR has strong regional competitiveness in the provision of public utility services in Zouping City. The public utility services include the supply of heat, steam and water, which provide the Company with stable revenues and cash flow. It has relatively strong public welfare and regional characteristics, resulting in high entry barriers.

**Important position in industrial park development and operation in Zouping City.** Fostering the industrial development of Zouping City, ZPHR is responsible for investment attraction and asset operation for the industrial parks, such as the Weiqiao Aluminium Deep Processing Industrial Park, including investment attraction, standard factory building and leasing, as well as comprehensive services such as energy supply and safety protection.

**High likelihood of support from the Zouping City Government.** Given its regional significance in the urban operation and industrial development of Zouping City, ZPHR has a

good track record of receiving government support, including capital injection, equity and assets transfer, and financial subsidies. The Company also received equity and asset transfers from the local government, which strengthened the Company's capital strength and broadened its business scope. In addition, the Company has obtained special-purpose bonds from the government for its industrial park construction projects. We expect the Company will continue to receive support from the local government in the future, which will enhance its operating and capital strength accordingly, in our view.

### Credit Challenges

**Relatively weak profitability with low return on assets.** From 2023 to 2024, the Company's total revenue increased significantly from RMB924.6 million to RMB1.2 billion. The income from industrial park operation is the main contributor. However, this business is susceptible to macroeconomic fluctuations and the operational performance of tenant enterprises, and there is uncertainty regarding its future returns. Despite the operating profit has been increasing, the profitability of ZPHR remains relatively weak, indicated by the low EBIT margin and return on asset ratio.

**Fast-growing debt with weak credit metrics.** Due to the expansion of its business scope and projects under construction, ZPHR's total debt has been growing rapidly over the past three years. ZPHR's stand-alone debt-serving metrics are weakened by its increasing debt burden. The Company's external financing channels are mainly bank loans and special purpose bonds. Given the Company's further business expansion, its debt levels may continue increase in the future. The Company's proportion of restricted assets is relatively high, which may have a negative impact on its financing flexibility.

### Rating Outlook

The stable outlook on ZPHR's rating reflects our expectation that the Company will maintain its regional competitiveness and importance in market-driven activities in Zouping City over the next 12-18 months. We also expect that the Company will continue to receive ongoing support from the local government.

#### What could upgrade the rating?

The rating could be upgraded if (1) the likelihood of government support for the Company improves; or (2) the Company's stand-alone credit profile improves significantly, such as improving financial profile including an increase in capital strength and profitability.

#### What could downgrade the rating?

The rating could be downgraded if (1) the likelihood of government support for the Company decreases; or (2) the Company's stand-alone credit profile weakens significantly, such as a deterioration in financial leverage or weakened liquidity position.



## Rating Methodology

The methodology used in this rating is the Rating Methodology for [General Corporate \(April 2019\)](#).

## Regulatory Disclosures

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