

CCXAP affirms Anhui Zhoulai Holdings (Group) Co., Ltd.'s long-term credit rating at BBB_{g-}, with stable outlook.

Hong Kong, 31 December 2025 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has affirmed long-term credit rating of BBB_{g-} to Anhui Zhoulai Holdings (Group) Co., Ltd. (“AZHG” or the “Company”), with stable outlook.

The BBB_{g-} long-term credit rating of AZHG 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.

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.

Rating Rationale

Credit Strengths

Important role in infrastructure construction of Fengtai County. 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.

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. 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.



Credit Challenges

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.

Increasing debt burden. 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.

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.

Rating Outlook

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.

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.



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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