

CCXAP affirms Shandong Honghe Holding Group Co., Ltd.'s long-term credit rating at BBB_{g-}, with stable outlook.

Hong Kong, 25 March 2026 – China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") has affirmed Shandong Honghe Holding Group Co., Ltd.'s ("SHHG" or the "Company") long-term credit rating at BBB_{g-}, with stable outlook.

The BBB_{g-} long-term credit rating of Shandong Honghe Holding Group Co., Ltd. is underpinned by the Company's (1) status as a major coal mining company in Zoucheng City; (2) stable coal mining and trading business supported by solid and diversified demands; and (3) relatively high profitability level; and (4) asset transfers from shareholders.

However, the rating is also constrained by the Company's (1) earnings vulnerable to energy prices and industry policy adjustments; (2) small scale of coal mining production and reserves; (3) increased debt burden and moderate debt servicing capacity; and (4) moderate liquidity profile.

The rating also reflects SHHG's high likelihood of receiving strong support from its parent, Zoucheng Urban Assets Holding Group Co., Ltd ("ZCUA"), the largest local infrastructure investment and financing company ("LIIFC"), which mainly engages in the infrastructure construction in Zoucheng City. The high likelihood of parent support based on the Company's (1) unique position as the sole coal mining subsidiary of ZCUA; (2) status as a key revenue and profit contributor of ZCUA; (3) cross-default clauses associated with the offshore bond issuances of ZCUA.

Corporate Profile

Founded in 1998, SHHG is a major coal mining and trading company in Zoucheng City of Shandong Province. In addition to coal-related business, the Company also engages in heating supply, limestone sales, and ecological agriculture business. In December 2024, Shandong Public Utility Industrial Development Co., Ltd. ("SPID") acquired 33% of the Company's shares by injecting 43.31% stake in Shandong Zhicheng Agricultural Development Group Co., Ltd., another LIIFC focusing on agricultural development in Zoucheng City. Moreover, to further optimize the industrial resource layout of state-owned enterprises, ZCUA injected the equity stakes of Shandong Zoulu Asset Operation Co., Ltd. ("Zoulu Asset") into the Company in December 2024. These supports together increased the Company's business and capital strength, as well as diversified its business portfolio.

SPID is an important state-owned capital operating entity in Jining City, primarily engaged in public energy, transportation, and cultural tourism-related industrial businesses. After the equity transfer, the Finance Bureau of Zoucheng City Government remains the ultimate controller of the Company.

Rating Rationale

Credit Strengths

Major coal mining company in Zoucheng City. SHHG is a major local state-owned enterprise (“SOE”) in Zoucheng City that mainly engages in the thermal coal business. It is recognized as an outstanding enterprise in the national coal industry and has been listed among the top 100 coal industry enterprises in China for multiple years. SHHG’s business exhibits a certain degree of diversification. Except for the Company’s main business of coal mining and trading, it also derives profits from coal mine hosting, limestone mining and sales, ecological agriculture, and heating supply businesses.

Stable coal mining and trading business supported by solid and diversified demands. We assess the Company’s coal mining and trading business to be stable. The Company’s primary sales regions are within Shandong Province. The downstream customers primarily consist of small and medium-sized coal trading companies, local power plants, and chemical plants. Supported by the strong downstream demands and agile business model, the Company is able to sell most of its coal extracted as reflected by its sustainably high proportion of products sold in the past few years.

Relatively high profitability level. In 2024, the Company’s coal business maintained solid gross margins: 6.2% for trading, 57.1% for mining, and 38.9% for coalfield hosting. Despite the slight decrease in overall gross profit margin in 2024, the Company’s profitability is considered to remain at a relatively high level, underpinned by the stability of its coal production and sales.

Assets transfer from shareholders. As the core subsidiary of ZCUA, the Company has a high likelihood of receiving strong support from ZCUA and Zoucheng Municipal Government when necessary. The Zoucheng Municipal Government has provided strong support to SHHG through preferential policies and direct subsidies. Notably, it has facilitated the relocation of Xingcun in the Honghe Mining Area, coordinated cooperation between Honghe Group and Yankuang Energy, and injected ZouLu Asset to help contain SHHG’s leverage level.

Credit Challenges

Earnings vulnerable to energy prices and industry policy adjustments. As a coal mining and trading company, SHHG’s earnings are subject to various factors such as seasonal demand changes, weather conditions, and energy policies. In 2025, domestic coal prices exhibited a trend of initial decline followed by a rebound, with volatile recovery. Moreover, given the recent tensions in the Middle East are likely to drive up international energy prices and shipping costs in the near future, major coal enterprises could encounter significant headwinds amid market volatility.

Small scale of coal mining production and reserves. The Company has relatively low coal mining and recoverable reserves, and there is some uncertainty surrounding the construction of backup coal mines. The average annual coal mining of the Company slightly decreased from 1.5 million tons in 2023 to 1.4 million tons in 2024, maintaining at a relatively small scale

compared to the industry average. Moreover, the development timeline of the reserve coalfield is yet to be confirmed, which generate uncertainties for the Company's future production and sales.

Increase debt burden and moderate debt servicing capacity. The Company experienced rapid debt growth driven by its fast business expansion. Its total debt increased from RMB7.1 billion at end-2023 to RMB10.0 billion as of 30 September 2025. Meanwhile, its debt servicing capacity remained at a moderate level in 2024, and its operating profit provides modest coverage to financing costs.

Moderate liquidity profile. As of 30 September 2025, the Company had total bank credit lines of RMB2.8 billion, with an unused portion of only RMB133.7 million, indicating relatively low standby liquidity. Moreover, the Company's asset liquidity remains at a moderate level, with its primary assets consisting of inventory, accounts receivable, construction in progress, and long-term equity investments, which collectively accounted for approximately 46.1% of its total assets as of 30 September 2025.

Rating Outlook

The stable outlook on SHHG's rating reflects our expectation that the Company will maintain its good regional competitiveness in the coal mining business in Zoucheng City over the next 12-18 months.

What could upgrade the rating?

The rating could be upgraded if (1) commodity prices rise substantially, further boosting the Company's profits; (2) the Company's market position strengthens with a material increase in product output; (3) the Company demonstrates lower debt leverage and improved liquidity position; and (4) there is strong parent-subsidiary linkage with ZCUA.

What could downgrade the rating?

The rating could be downgraded if (1) commodity prices fell sharply, adversely affecting the Company's earnings; (2) the Company's total debt level rose sharply; (3) the Company demonstrates deteriorated credit metrics and weakened liquidity profile; and (4) there is weak parent-subsidiary linkage with ZCUA.

Rating Methodology

The methodology used in this rating is the Rating Methodology for [Mining Industry \(December 2017\)](#).

Regulatory Disclosures

CCXAP's Rating Symbols and Definitions are available on its website at: http://www.ccxap.com/en/rating_services/category/6/



This rating is solicited. Please refer to CCXAP's Policy for designating and assigning Solicited and Unsolicited Credit Ratings available on its website at:

http://www.ccxap.com/en/rating_services/category/9/

The rating has been disclosed to the rated entity or its related party prior to publication, and issued with no amendment resulting from that disclosure.

CCXAP considers a rated entity or its related party to be participating when it maintains an overall relationship with CCXAP. Unless specifically noted in the Regulatory Disclosures as a non-participating entity, the rated entity or its related party is participating and the rated entity or its related party generally provides CCXAP with information for the purposes of its rating process.

Regulatory disclosures contained here apply to press release, rating report, and if applicable, the related rating outlook or rating review.

CCXAP's public ratings are available at www.ccxap.com (Rating Results) and may be distributed through media and other means.

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.

Cherry Chau

Credit Analyst

+852-2860 7128

cherry_chau@ccxap.com

Elle Hu

Executive Director of Credit Ratings

+852-2860 7120

elle_hu@ccxap.com

Client Services: +852-2860 7111



Copyright © 2026 China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”). All rights reserved.

No part of this publication may be reproduced, resold or redistributed in any form or by any means, without prior written permission of CCXAP.

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.

Credit ratings, non-credit assessments, and other opinions included in CCXAP's publications are not recommendations for investors to buy, sell, or hold particular securities, nor measurements of market value of the rated entities or debt issues. While obtaining information from sources it believes to be reliable, CCXAP does not perform audit and undertakes no duty of independent verification or validation of the information it receives from the rated entities or third-party sources.

All information contained herein belongs to CCXAP and is subject to change without prior notice by CCXAP. CCXAP considers the information contained herein to be accurate and reliable. However, all information is provided on an "as is" and "as available" basis and CCXAP does not guarantee accuracy, adequacy, completeness, or timeliness of the information included in CCXAP's publications.

To the extent where legally permissible, CCXAP and its directors, officers, employees, agents and representatives disclaim liability to any person or entity (i) for any direct or compensatory losses or damages, including but not limited to by any negligence on the part of, and any contingency within or beyond the control of CCXAP or any of its directors, officers, employees, agents or representatives, arising from or in connection with the information contained herein or the use of or inability to use any such information; and (ii) for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if CCXAP or any of its directors, officers, employees, agents or representatives is advised in advance of the possibility of such losses or damages.

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