CCXAP affirms Shandong Zhengfang High-Tech Industrial Holding Group Co., Ltd.'s long-term credit rating at BBB$_g$-, with stable outlook.

Hong Kong, 31 July 2026 – China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") has affirmed Shandong Zhengfang High-Tech Industrial Holding Group Co., Ltd.'s ("ZFIH" or the "Company") long-term credit rating at BBB$_g$-, with stable outlook.

The BBBg- long-term credit rating of ZFIH reflects the Company's (1) strong regional competitiveness in steam and heat supply, park operation and human resources service in Zoucheng City, especially in Zoucheng Economic Development Zone ("Zoucheng EDZ"); and (2) financial leverage remains manageable but continues to escalate. However, the rating is constrained by the Company's (1) low yield on assets resulting from substantial low-return assets and projects under construction; and (2) relatively large capital expenditure needs for business expansion.

The rating also reflects a high likelihood of support from its parent, Shandong Zhengfang Holding Group Co., Ltd. ("SDZF"), given its strong parent-subsidiary linkage with SDZF and good track record of receiving parental support. It also reflects a likelihood of receiving support from Zoucheng City Government, given its ultimate control by the Finance Bureau of Zoucheng City and track record of receiving government support.

Corporate Profile

Established in December 2019, ZFIH is a local state-owned enterprise mainly operating in Zoucheng City, a country-level city in Jining City, Shandong Province. In 2023 and 2024, the parent company, SDZF, transferred and integrated the equity of several subsidiaries into ZFIH, further enhancing its capital strength. After asset reorganizations, ZFIH's total assets reached RMB8.5 billion at the end of 2025. The shareholding of ZFIH was 51.0% held by SDZF and 49.0% held by the Finance Bureau of Zoucheng City as of 31 March 2026, and the Finance Bureau of Zoucheng City is the ultimate controller of the Company.

Rating Rationale

Credit Strengths

Strong regional competitiveness in industrial steam and heat supply, park operation, water supply and asset leasing in Zoucheng EDZ. ZFIH is the main local state-owned enterprise("SOE") engaged in market-driven businesses, including industrial steam and heat supply, industrial park operation, water supply and asset leasing, and human resources services in Zoucheng EDZ. Some of these businesses are essential to investment attraction and economic promotion in the region. Benefiting from its status as a local SOE, the Company has strong regional competitiveness and stable market shares in those sectors.

Financial leverage remains manageable but continues to escalate. Due to the expansion of its business scope and large capital expenditure on its construction development projects, ZFIH's total debt increased rapidly from 2022 onwards. Nonetheless, the Company's financing channels remain relatively accessible.

High likelihood of support from the parent company and the Zoucheng City Government. SDZF is one of the key local infrastructure investment and financing companies ("LIIFCs") in Zoucheng City, mainly responsible for infrastructure construction in the Zoucheng EDZ ZFIH is one of the key subsidiaries of SDZF, mainly responsible for urban operation and industrial development in Zoucheng EDZ. It contributes most of the commercial business revenue stream for SDZF. SDZF has transferred shares of more than 10 subsidiary companies to ZFIH since 2023, significantly enhancing the Company's capital strength and broadening its business scope. Meanwhile, the Company also obtained funding support from its parent company in terms of bank loans.

Credit Challenges

Low asset yields resulting from the relatively high proportion of underperforming assets and ongoing construction projects. ZFIH's yield on assets was at a relatively low level over the past three years. Although the revenue from the Company's major businesses have grown in 2025, the Company has certain amount of long-term equity investments, other equity instrument investments, and projects under construction that barely generate revenue at present.

Relatively large capital expenditure needs for business expansion. While ZFIH is actively expanding its business scope to diversify revenue sources, its ongoing projects still require substantial capital expenditure. Due to the large amount of investment in the projects under construction, ZFIH may face some pressure on capital expenditure in the near term.

Rating Outlook

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

What could upgrade the rating?

The rating could be upgraded if (1) the likelihood of government or parental support for the Company improves; or (2) the Company's stand-alone credit profile improves significantly, such as improvement in debt structure and asset profitability.

What could downgrade the rating?

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

Rating Methodology

The methodology used in this rating is the Rating Methodology for General Corporate (May 2026).

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.

Jessica Cao
Credit Analyst
+852-2860 7128
jessica_cao@ccxap.com

Elle Hu
Executive Director of Credit Ratings
+852-2860 7120
elle_hu@ccxap.com

Client Services: +852-2860 7111

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