CCXAP affirms Shandong Zhengfang 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 Holding Group Co., Ltd.'s ("SDZF" or the "Company") long-term credit rating at BBB_g, with stable outlook.

The BBB_g long-term credit rating of SDZF reflects Zoucheng City Government's strong capacity to provide support and its very high willingness to provide support based on our assessment of the Company's characteristics. Our assessment of the Zoucheng City Government's capacity to support reflects Zoucheng City's relatively good economic strength and fiscal metrics, as one of the Top 100 counties in China and the top counties by gross regional production ("GRP") in Jining City.

The rating also reflects the local government's willingness to provide support, which is based on the Company's (1) important role in the infrastructure construction of Zoucheng City, especially the Zoucheng Economic Development Zone ("Zoucheng EDZ"); (2) importance in the provision of local public utility services; and (3) solid track record of government support. However, the Company's rating is constrained by its (1) medium exposure to commercial activities; (2) relatively high short-term debt burden; and (3) medium contingent liabilities risk.

Corporate Profile

Founded in 2010, 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. The Company engages in diversified businesses, including project construction, leasing, trading, labor services, and industrial steam and heat supply. In 2025, Zoucheng State-owned Assets Supervision and Administration Bureau ("Zoucheng SASAB") transferred all of its shares of the Company to Shandong Zoulu Urban Development Group Co., Ltd. ("ZLUD"). Meanwhile, Agricultural Development New Policy Financial Instruments Co., Ltd. injected RMB100.0 million of additional capital into the Company, increasing the paid-in capital of the Company. As of 31 December 2025, ZLUD held 69.16% of the Company's shares, while China Agricultural Development Key Construction Fund Co., Ltd. and Agricultural Development New Policy Financial Instruments Co., Ltd. held the remaining 21.23% and 9.61% of the shares, respectively. SDZF was ultimately controlled by the Finance Bureau of Zoucheng City.

Rating Rationale

Credit Strengths

Important role in the infrastructure construction of Zoucheng City. There are two major LIIFCs in Zoucheng City under the control of Zoucheng City Government, namely Zoucheng Urban Assets Holding Group Co., Ltd. and ZLUD. Specifically, ZLUD serves as a critical platform for industrial development, comprehensive urban operations, and state-owned asset management in Zoucheng City. As one of the main subsidiaries of ZLUD, SDZF is a key entity in infrastructure construction in Zoucheng City, mainly for projects in the Zoucheng EDZ such as industrial park construction, road construction and improvement, and river course improvement.

Importance in the provision of public utility services. SDZF provides public utility services including heat and gas supply in Zoucheng City, and water supply for industrial zones, with certain franchising advantages. With some small-scale power plants being required to shut down in Zoucheng EDZ, SDZF enters into the heat supply business in 2021 to fulfill the local needs which is essential to the livelihood of local residents and secure industrial activities. It also provides steam for companies located in the Zoucheng EDZ.

Solid track record of government support. SDZF has a solid track record of government support in terms of obtaining franchised business, special fund allocations for project construction, financial subsidies, asset transfer, and equity shares transfer Given the important role in infrastructure construction and public services provision in Zoucheng City, we expect the Company will continue to receive support from the local government.

Credit Challenges

Medium exposure to commercial activities. SDZF engages in various commercial activities including trading, leasing, labor services, and usable waste sales. The Company's commercial activities accounted for more than 30.0% of its total assets, while such business risks are considered to be moderate as most of these businesses have certain regional franchises.

Increasing debt amount with relatively high short-term debt burden. With the fast growth in the Zoucheng EDZ, SDZF has undertaken many major projects, leading the high level of debt burden over the past years. However, the Company has a relatively high short-term debt burden. Considering the ongoing investment of the Company, it still needs to rely more on external financings such as government special funds, debt capital market and project loans to meet its capital needs.

Medium level of contingent risk. SDZF faces medium level of contingent liability risk. Most of the guarantees were provided to local stated-owned enterprises ("SOEs"), while RMB29.9 million of the guarantees were provided to an enterprise in which the Company has equity participation. Moreover, one guaranteed party was involved in a litigation case, which may lead to RMB50.0 million of potential repayment obligation for the Company. Mutual guarantees between local SOEs are common in Zoucheng City which is mainly due to the increasing financing needs of local SOEs. However, in case a credit event occurs, the Company may face significant contingent liability risks and cross-default risks.

Rating Outlook

The stable outlook on SDZF rating reflects our expectation that the Zoucheng City Government's capacity to provide support will be stable, and the Company's characteristics such as its important role in the industrial development of Zoucheng City will remain unchanged over the next 12 to 18 months.

What could upgrade the rating?

The rating could be upgraded if (1) Zoucheng City Government's capacity to provide support strengthens; and (2) Company's characteristics change in a way that strengthens the local government's willingness to provide support, such as significantly improved refinancing ability.

What could downgrade the rating?

The rating could be downgraded if (1) the Zoucheng City 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 or deteriorated debt management.

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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