CCXAP affirms Weifang Urban Construction and Development Investment Group Co., Ltd.'s long-term credit rating at A_g-, with stable outlook.

Hong Kong, 20 August 2026 – China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") has affirmed Weifang Urban Construction and Development Investment Group Co., Ltd.'s ("WUCD" or the "Company") long-term credit rating at A_g-, with stable outlook. At the same time, CCXAP has affirmed its senior unsecured debts rating of A_g-.

The A_g- long-term credit rating of WUCD reflects Weifang Municipal Government's (1) very strong capacity to provide support, and (2) very high willingness to provide support, based on our assessment of the Company's characteristics. Our assessment of Weifang Municipal Government's capacity to provide support reflects Weifang City's status as the fourth largest city in Shandong Province by gross regional product ("GRP") and general budgetary revenue, with good economic and industrial development.

The rating also reflects the local government's willingness to support, which is based on the Company's (1) strategic policy role in the regional development of Weifang City, especially in infrastructure construction and utility services; and (2) solid track record of receiving government support. However, the rating is constrained by the Company's (1) medium exposure to commercial activities; (2) high debt burden and relatively high recovery risk for its account receivables; and (3) high exposure to contingent liability risk due to large external guarantees to local state-owned enterprises ("SOEs").

Corporate Profile

Established in 2016, WUCD is an important entity in the investment and financing of infrastructure construction and the operation and management of state-owned assets in Weifang City, and plays a strong strategic policy role in the regional development of Weifang City. WUCD is responsible for major public policy projects, including infrastructure construction, land transfer, and water and heat supply. It also engages in commercial activities such as water conservatory construction, financial investment, financial services, as well as leasing. As of 31 March 2026, the State-owned Assets Supervision and Administration Commission of Weifang Municipal Government ("Weifang SASAC") directly held 90% ownership of WUCD and the remaining shares were held by Shandong Caixin Asset Operation Co., Ltd. The Weifang Municipal Government was the ultimate controller of WUCD.

Rating Rationale

Credit Strengths

Strategic policy role in the regional development of Weifang City especially in infrastructure construction and utility services. WUCD is one of the most important SOEs in Weifang City and plays a strong strategic policy role in the regional development of Weifang City. The Company is commissioned to engage in infrastructure construction, land transfer, and water and heat supply. Given the Company's important strategic position to the regional development and public welfare in Weifang City, we believe that the Company is unlikely to be replaced in the short-to-medium term.

Solid track record of receiving government support. As the important SOE in Weifang City, WUCD has a solid track record of receiving government support from Weifang Municipal Government, including government subsidies, capital injection, asset and equity transfer, which could help the Company meet its policy objectives and financial obligations. Considering WUCD's irreplaceable role in the development and public welfare of Weifang City and its close relationship with Weifang Municipal Government, we expect that the Company will continue to receive government support over the next 12 to 18 months.

Credit Challenges

Medium exposure to commercial activities. Apart from public services, WUCD also engages in diversified commercial activities including water conservatory construction, financial investment, financial services, as well as leasing. We consider WUCD's commercial business exposure to be medium, as the assets in commercial activities accounted for around 15% of the total assets as of end-2025.

High debt burden and relatively high recovery risk for its account receivables. Due to the ongoing financing for its infrastructure construction and financial investment, WUCD maintained a high level of debt burden over the past three years. Meanwhile, the Company still bears a relatively high short-term debt repayment pressure. Given WUCD's ongoing capital needs for construction projects and business, especially in the public utilities of main urban area and industrial Investment, we estimate that the Company's debt level will continue to grow and maintain high in the next 12 to 18 months.

High exposure to contingent liability risk driven by large external guarantees to local SOEs. WUCD's exposure to contingent liability risk is highly driven by large external guarantees to local SOEs. The majority of these external guarantees were provided to local SOEs in Weifang City, and a small amount of guarantees were provided to private-owned enterprises. However, some of the guaranteed enterprises especially the SOEs in districts or counties of Weifang City have records of judgment defaulters, overdue of commercial bill, and debt overdue. We consider WUCD has relatively large contingent liability risk, even though the Company had not yet incurred compensation for its guarantees as of 31 March 2026.

Rating Outlook

The stable outlook on WUCD's rating reflects our expectation that the local government's capacity to support will remain stable, and the Company will maintain its strategic importance position in Weifang City over the next 12-18 months.

What could upgrade the rating?

The rating could be upgraded if (1) Weifang Municipal Government's capacity to provide support strengthens; or (2) the Company's characteristics change in a way that strengthens the local government’s willingness to provide support, such as improved debt management or lower exposure to contingent liability risk.

What could downgrade the rating?

The rating could be downgraded if (1) Weifang Municipal 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 weakened funding ability.

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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