

CCXAP assigns the first-time long-term credit rating of BBB_g- to ZhongMan Petroleum And Natural Gas Group Corp., Ltd., with stable outlook.

Hong Kong, 9 October 2026 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned the first-time long-term credit rating of BBB_g- to ZhongMan Petroleum And Natural Gas Group Corp., Ltd. (“ZPEC” or the “Company”), with stable outlook.

The BBB_g- long-term credit rating of ZPEC is underpinned by the Company's (1) integrated upstream oil and gas business model with synergies across segments; (2) growing oil and gas production with a visible project pipeline; (3) competitive drilling and completion capabilities which supports its overseas expansion; and (4) sound but moderating profitability. However, the rating is constrained by the Company's (1) vulnerability of earnings to global economic conditions and crude oil price volatility; (2) operating and geopolitical risks arising from Middle East conflict; (3) large capital expenditure pressure from project development; and (4) increasing debt burden.

Corporate Profile

Founded in 2003 and listed on the Shanghai Stock Exchange in 2017, ZPEC (Stock Code: 603619.SH) is a privately-owned integrated oil and gas company in China. The Company has three core operations: exploration and production (“E&P”) of crude oil and natural gas, drilling and completion engineering services, and petroleum equipment manufacturing. As of 30 June 2026, Shanghai Zhongman Investment Holdings Co., Ltd. (“Zhongman Holding”) directly held 19.71% of the Company's shares. Mr. Li Chundi, the Chairman of the Company, is the ultimate controller. As of 30 June 2026, Zhongman Holding had pledged 50.45 million shares of its holdings in ZPEC, accounting for 55.35% of its total shareholding and 10.91% of the Company's total share capital.

Rating Rationale

Credit Strengths

Integrated upstream oil and gas business model with synergies across segments. ZPEC is one of the few privately-owned Chinese oil and gas companies with an integrated upstream business model covering exploration and development, drilling and completion services, and equipment manufacturing. This integrated model creates synergies across segments, with the equipment manufacturing segment supplying customized drilling rigs and key components for the Company's drilling operations and external clients, while the drilling and completion segment provides technical services for the development of the Company's oil and gas blocks as well as third-party projects.

Growing oil and gas production with a visible project pipeline. The exploration and production segment is ZPEC's largest revenue and profit contributor and the principal source of its growth. The Company entered the E&P sector in 2018 when it obtained the oil and gas exploration right for the Wensu Block in the Tarim Basin of Xinjiang through competitive bidding.

Its current portfolio spans the Wensu oilfield in Xinjiang, the Tenge and Coastal oilfields in Kazakhstan, the EBN and MF blocks in Iraq, and the Zerafa II block in Algeria. Wensu and Tenge are the primary producing assets, while the remaining projects are at varying stages of development or exploration.

Competitive drilling and completion capabilities which supports its overseas expansion.

ZPEC provides drilling and completion engineering services to oil and gas field projects under either integrated contracting arrangements or daily-rate subcontracting arrangements. The Company entered the international oilfield services market in 2011 and has subsequently expanded its engineering services business across Iraq, Kazakhstan, Saudi Arabia and Egypt. The Company has also obtained drilling and completion qualifications in markets such as Kuwait and Abu Dhabi, which supports further expansion of its international oilfield services business.

Sound but moderating profitability. ZPEC's revenue scale has remained relatively stable and modest, increasing from RMB3.7 billion in 2023 to RMB3.9 billion in 2025, supported by higher oil production and growth in engineering services. The period expense ratio increased from 15.5% in 2023 to 18.5% in 2025, driven by higher depletion charges and increased finance costs. Combined with lower oil prices, EBIT margin decreased from 31.6% to 27.2% over the same period.

Credit Challenges

Vulnerability of earnings to global economic conditions and crude oil price volatility.

Crude oil prices are influenced by global supply-demand dynamics, OPEC+ production policies, geopolitical tensions and macroeconomic conditions, leading to significant price volatility. ZPEC's earnings are highly sensitive to crude oil prices, as its exploration and production segment is the primary profit driver. To manage this exposure, the Company began hedging the price risk of oil via futures contracts in 2026.

Operating and geopolitical risks arising from Middle East conflict. ZPEC has a significant operational presence in the Middle East, particularly Iraq, which is both its largest market for drilling and completion services and the location of its EBN and MF blocks. The heightened geopolitical tensions in the region have therefore affected both the Company's current operating performance and the development of its growth pipeline. In 2026H1, multiple drilling teams in Iraq were placed on standby, resulting in lower rig utilization and a material decline in drilling service revenue.

Large capital expenditure pressure from project development. ZPEC faces substantial capital expenditure requirements as it develops its oil and gas E&P projects. As of 30 June 2026, all of the Company's oil and gas assets were under construction, with a total planned investment of RMB11.5 billion and an uninvested amount of RMB6.6 billion. Given the scale of planned investment and the lag between capital spending and production ramp-up, we expect cash flow generation and leverage to remain under pressure over the next 12 to 18 months.

Increasing debt burden. ZPEC's debt level has increased with its continued investment in its E&P projects. The Company's total debt rose from RMB4.0 billion at end-2023 to RMB6.1 billion at mid-2026, while the total capitalization ratio decreased from 58.0% to 56.5% over the same period, partly driven by an equity placement in 2024. The Company's debt servicing ability is moderate and has weakened over the period. Its total debt/EBITDA increased from 2.4x in 2023 to 3.9x (LTM) in 2026H1, and EBITDA interest coverage declined from 11.0x to 7.2x (LTM) over the same period, reflecting faster debt and interest accumulation relative to earnings.

Rating Outlook

The stable outlook on ZPEC's rating reflects our expectation that the Company will maintain its integrated oil and gas business position, with oil production gradually increasing as its project pipeline is developed over the next 12 to 18 months.

What could upgrade the rating?

The rating could be upgraded if (1) the Company's development projects deliver production on schedule, materially increasing output and earnings scale; (2) crude oil prices rise substantially, boosting the Company's profits and cash flows; and (3) the Company demonstrates reduced debt leverage, improved credit metrics, and more adequate liquidity.

What could downgrade the rating?

The rating could be downgraded if (1) capital expenditure on the Company's development exceeds plan or project schedules slip materially; (2) geopolitical tensions in the Middle East materially disrupt the Company's operations for a prolonged period; (3) crude oil prices decline sharply, adversely affecting the Company's earnings and cash flows; or (4) the Company indicates deteriorated credit metrics and weakened liquidity profile.

Rating Methodology

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

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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.

Peter Chong

Associate Director of Credit Ratings

+852-2860 7124

peter_chong@ccxap.com

Elle Hu

Executive Director of Credit Ratings

+852-2860 7120

elle_hu@ccxap.com

Client Services: +852-2860 7111



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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