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

Hong Kong, 6 November 2026 – China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") has affirmed the long-term credit rating of Heze Investment Development Group Co., Ltd. ("HZID" or the "Company") at A_g-, with stable outlook.

The A_g- long-term credit rating of Heze Investment Development Group Co., Ltd. ("HZID" or the "Company") is underpinned by the Company's (1) strong regional competitiveness and importance in engineering construction and public utility service; (2) relatively good business diversity and sustainability; and (3) diversified financing channels. However, the rating is constrained by the Company's (1) susceptibility to market volatility risks in property development and other service businesses; (2) capital expenditure pressure from agency construction and self-operated businesses; (3) increasing debt burden with relatively weak debt serving capability; and (4) modest liquidity position.

The rating also reflects a high likelihood of support from the Heze Municipal Government when needed, which is based on the Company's (1) status as the largest stated-owned capital operation entity and the key industrial investment platform in Heze City, with strategic importance; (2) direct ownership and ultimate control by the Heze Municipal Government; (3) importance in urban development and social livelihood in Heze City; and (4) good track records of receiving government support.

Corporate Profile

Founded in July 1990, HZID is the largest local state-owned enterprise ("SOE") by asset size, and the most important state-owned capital operation entity in Heze City. In 2025, the Heze SASAC transferred 100% equity of Heze Urban Development Investment (Group) Co., Ltd. ("HZUI") into the Company, adding new businesses such as infrastructure construction, property development, and agricultural and sideline products trading. Meanwhile, the equity of Heze Water Affairs Group Co., Ltd. ("HZWA") was transferred out from the Company, divesting businesses including water supply, meat and by-products processing, and water conservancy construction. After the consolidation, the Company is positioned as the primary entity for the construction of urban infrastructure, state-owned capital operation, and industrial investment in Heze City. Its business includes diversified commercial activities such as commodity trading, engineering construction, public utilities, and property development.

As of 31 March 2026, the State-owned Assets Supervision and Administration Commission of Heze Municipal Government ("Heze SASAC") had 97.93% ownership of HZID and Heze Municipal Government was the ultimate controller of HZID. Shandong Caixin Asset Operation Co., Ltd., which was wholly owned by Shandong Provincial Department of Finance, had the remaining 2.07% ownership.

Rating Rationale

Credit Strengths

Strong regional competitiveness and importance in engineering construction and public utility service. HZID is the largest state-owned asset operation entity in terms of asset size, serving as the key urban development and industrial investment platform in Heze City, playing a strong strategic role in the social, economic, and urban development of Heze City. Since its establishment, the Company has played a crucial role in the implementation of urban and industrial infrastructure construction, and has successfully completed major construction projects. In addition, HZID is the major public utility server in Heze City, holding certain degree of regional monopoly and exclusivity in public utility services in Heze City.

Relatively good business diversity and sustainability. HZID also engages in production and sales business, with diversified products such as building materials, agricultural and sideline products trading, and precision mold. These businesses are the second largest contributor to the Company's total revenue. Therefore, the diversified business structure can bring more supplementary income and sustainability to the Company.

Diversified financing channels. HZID has good access to funding given its relatively diversified funding structure, including bank loans, domestic bond issuance, and non-standard products financing, which may mitigate the debt repayment and liquidity pressure of the Company. The Company maintains established banking relationships with China's leading policy banks and national commercial banks. In addition, the Company's exposure to non-standard financing was relatively low, accounting for less than 9.0% of its total debt as of 31 March 2026.

High likelihood of support from the Heze Municipal Government. The Heze Municipal Government maintains a high degree of control over HZID's operations, including the formulation of business strategies and the appointment of the board of directors and key management personnel. The Company also has a good track record of receiving supports from Heze Municipal Government in terms of subsidies, capital injection, special funds, project payments, and equity transfer.

Credit Challenges

Susceptibility to market volatility risks in property development and other service businesses. HZID also participates in other commercial businesses, including property development and construction of self-operated projects. Given the market-driven nature, the profitability of these segments in the future is uncertain and is highly vulnerable to the market conditions. Moreover, the Company also engages in hotel operations, property leasing, and other service businesses, which are highly susceptible to local market conditions. These revenue streams may face growing market volatility amid growing market uncertainties.

Increasing debt burden with relatively weak debt serving capability. HZID's total debt increased rapidly over the past three years, owing to the continuous investment of the

construction projects. Meanwhile, HZID maintained a relatively weak debt serving capability, which is reflected by its debt serving metrics such as total debt/EBITDA. Due to the large uninvested amount of construction projects and maturing debt, we estimate the Company would continue to rely on external financing such as bank loans and bond issuance.

Modest liquidity position. HZID's asset liquidity is moderate. Its assets primarily consist of primarily consisting of inventories, cash and cash equivalents, and accounts receivable. Moreover, the Company had pledged some of its assets for loans. Therefore, the Company's financial flexibility may be undermined by its liquidity profile.

Rating Outlook

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

What could upgrade the rating?

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

What could downgrade the rating?

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

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.

Christy Liu
Assistant Director of Credit Ratings
+852-2860 7127
christy_liu@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