

Credit Opinion

25 February 2026

Ratings	
Category	Corporate
Domicile	China
Rating Type	Solicited Rating
Long-Term Credit Rating	BBB _g +
Outlook	Stable

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Heze Finance Investment Group Co., Ltd.

Surveillance credit rating report

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

Summary

The BBB_g+ long-term credit rating of Heze Finance Investment Group Co., Ltd. ("HZFI" or the "Company") reflects Heze Municipal Government's (1) very strong capacity to support; and (2) very high willingness to provide support, based on our assessment of the Company's characteristics.

Our assessment of the local government's capacity to provide support reflects Heze City's increasing economic strength and moderate fiscal metrics.

The rating also reflects the local government's very high willingness to provide support, based on the Company's (1) strategic role in investing and constructing key municipal projects and the economic and social development of Heze City; and (2) good track record of receiving government supports.

However, the rating is constrained by the Company's (1) high exposure to commercial activities; and (2) medium contingent risks resulting from external guarantees.

The stable outlook on HZFI's rating reflects our expectation that the local government's capacity to provide support will remain stable, and the Company will maintain its strategic role in the economic and social development of Heze City over the next 12-18 months.

Rating Drivers

- Strategic role in investing and constructing key municipal projects and the economic and social development of Heze City
- Providing public services with regional dominance
- Good track record of receiving government supports
- High exposure to commercial activities
- Increasing debt burden driven by ongoing investments in construction projects
- Access to different funding channels
- Medium contingent risks resulting from external guarantees

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) Heze Municipal Government's capacity to support strengthens; or (2) the Company's characteristics change in a way that enhances the local government's willingness to support, such as lowered exposure to risky commercial activities materially.

What could downgrade the rating?

The rating could be downgraded if (1) Heze Municipal Government's capacity to support weakens; or (2) the Company's characteristics change in a way that weakens the local government's willingness to support, such as reduced strategic significance, decreased government payments, or deteriorated debt management.

Key Indicators

	2022FY	2023FY	2024FY	2025Q3
Total Assets (RMB billion)	32.4	36.7	38.7	39.9
Total Equity (RMB billion)	14.7	15.1	14.8	14.9
Total Revenue (RMB billion)	5.4	5.8	4.8	3.6
Total Debt/Total Capital (%)	33.4	41.3	47.8	51.3

All ratios and figures are calculated using CCXAP's adjustments.

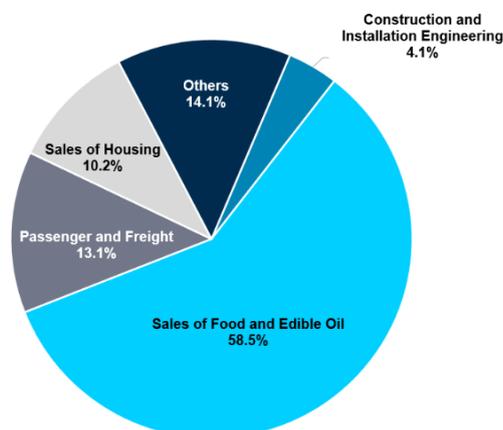
Source: Company data, CCXAP research

Corporate Profile

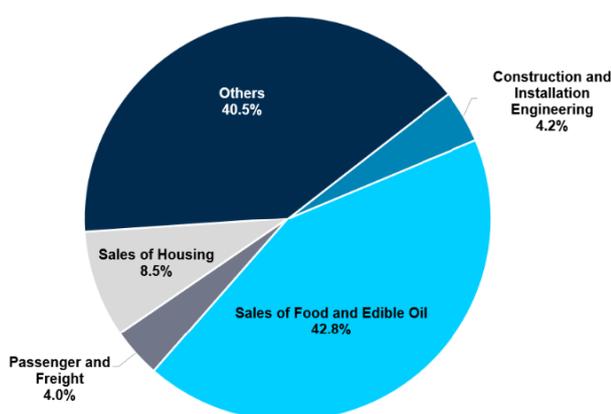
Founded in March 1994, HZFI is an important local infrastructure investment and financing company ("LIIFC") in Heze City, which is one of the leading entities in the development blueprint of Heze Municipal Government. The Company plays a strong strategic role in the social, economic, and urban development of Heze City. Specifically, HZFI is responsible for major public policy projects, including infrastructure construction, land development and consolidation, policy-oriented grain storage, and public transportation. It also engages in commercial activities such as sales of housing, sales of commercial food and edible oil, cultural tourism, as well as industrial investment. As of 30 September 2025, the State-owned Assets Supervision and Administration Commission of Heze Municipal Government ("Heze SASAC") had 100% ownership of HZFI.

Exhibit 1. Shareholding chart as of 30 September 2025

Source: Company information, CCXAP research

Exhibit 2. Revenue structure in 2024

Source: Company information, CCXAP research

Exhibit 3. Gross profit structure in 2024**Rating Considerations****Government's Capacity to Provide Support**

We believe the local government of Heze City has a very strong capacity to provide support given its sound economic fundamentals, with increasing economic strength and moderate fiscal metrics.

Shandong is the third largest province in China by gross regional products ("GRP"), with a solid foundation in different industries such as logistics, shipbuilding, marine technology, chemical, automotive, and agri-food. Heze City is a prefecture-level city of Shandong Province and is located in the southwest of Shandong Province with a good economic foundation. Heze City's GRP ranked 8th among 16 prefecture-level cities in Shandong Province over the past three years. Heze City's economic growth is mainly driven by the key industries including the high-end chemical, biomedicine, mechanical and electrical equipment manufacturing, new energy and new material, agricultural and sideline products, as well as trade logistics and e-commerce.

In 2024, Heze City reported a GRP of RMB480.3 billion, recoding an economic growth of 6.1% year-over-year ("YoY"). In the first three quarters of 2025, Heze City's GRP amounted to RMB379.9 billion, with a YoY growth rate of 5.0%. Heze City demonstrated improving comprehensive strength over the past three years, on the back of ongoing economic growth and development of the key industries. The general budgetary revenue of Heze Municipal Government gradually increased from RMB30.1 billion in 2022 to RMB32.9 billion in 2024. Its fiscal balance maintained modest, with a general budgetary revenue to general budgetary expenditure ratio of 46.3%, and tax accounted for 60.0% of the general budgetary revenue in 2024. The Heze Municipal Government continues to receive large number of transfer payment from the Shandong Province, demonstrating its importance in Shandong Province. From 2022 to 2024, Heze Municipal Government totally received the transfer payments of around RMB125.3 billion from Shandong Provincial Government. In addition, government fund

revenue is an important supplement to Heze City's financial resources, which is highly affected by regulatory policies and the land market performance. In 2024, the government fund income dropped by 20.3% YoY to RMB28.7 billion, mainly due to the reduction in scale of land transfer. We expect the downturn of the real estate industry may weigh on the land sales in following years. As of 31 December 2024, Heze Municipal Government's outstanding government debt increased to RMB180.8 billion, accounting for 37.6% of its GRP.

Exhibit 4. Key economic and fiscal indicators of Heze City

	2022FY	2023FY	2024FY
GRP (RMB billion)	420.5	446.4	480.3
GRP Growth (%)	4.2	6.8	6.1
General Budgetary Revenue (RMB billion)	30.1	31.7	32.9
General Budgetary Expenditure (RMB billion)	69.2	73.5	71.1
Local Government Debt (RMB billion)	131.2	150.1	180.8

Source: Heze Municipal Government, CCXAP research

Government's Willingness to Provide Support

Strategic role in investing and constructing key municipal projects and the economic and social development of Heze City

HZFI is one of the most important LIIFCs in Heze City that undertakes city development projects and provision of public services. It is also positioned as a pivotal entity in state-owned capital operation in Heze City. HZFI focuses on the key infrastructure construction projects, policy-oriented grain storage, public transportation, as well as land development and consolidation, which are crucial to the economic and social development of Heze City. The Company has performed well in undertaking major livelihood projects in Heze City.

HZFI carries out key infrastructure construction projects on both agent construction basis and self-construction basis. Under agent construction basis, the Company signs an entrusted construction contract with the entrusting unit (mainly government departments and local state-owned enterprises) in relation to its infrastructure construction services and is in charge of the implementation of certain major public infrastructure projects. As of 30 September 2025, HZFI had completed a wide range of infrastructure projects, including public facilities and rural revitalization projects. The total investment for these projects amounted to RMB1.6 billion, with recognized revenue of RMB1.5 billion and payments collected of RMB786.0 million, indicating a relatively slow repayment progress.

As the Company strategically shifts its business model of infrastructure construction from agent construction basis to self-construction basis, the Company had no agent infrastructure projects under construction or under planning as of 30 September 2025. There were 2 key self-construction projects under construction, namely Heze Municipal Hospital East Campus and Water Storage & Supply Security Project, with a total investment of RMB4.0 billion and an outstanding amount of RMB2.5 billion, exerting high capital expenditure pressure to the Company. These two projects received government special fund to support its construction, which would partially mitigate the Company's capital expenditure pressure. Heze Municipal Hospital East Campus is the important livelihood project in Heze City and is expected to be the largest medical complex in Southwest Shandong Province after completion. Water Storage & Supply Security Project is the key water conservancy project aimed at alleviating local water shortages and enhancing water supply security in Heze City.

HZFI also engages in municipal project construction through engineering construction model, with relevant construction qualifications. The Company acquires projects through open market or negotiation with third parties,

which are mainly concentrated in Heze City. Owing to its strategic position in regional development, the Company has certain advantages in acquiring local municipal projects with multiple contracts in hand. However, due to volatile market conditions, the number and value of new contracts signed by the Company have experienced fluctuations, and the projects undertaken have gradually shifted toward primarily internal projects in recent years, reducing external market-oriented business. From January 2024 to September 2025, the Company signed 25 new engineering construction projects totaling approximately RMB63.9 million. However, the Company's operating subsidiary has been listed as dishonest judgment debtor several times during the period 2021 to 2025.

In addition, HZFI participates in the land development and consolidation business in rural land remediation projects in Heze City, by conducting works on homesteads within the pilot areas. The Company is required to invest funds and entrust enterprises to dismantle, reorganize and reclaim rural construction land into cultivated land to create surplus land quotas, that are exchanged in Shandong Province. As of 30 September 2025, the Company had 2 lands to be consolidated, namely the Caoxian Shaozhuang Sunlaojia Comprehensive Land Consolidation Project and the Shanxian Laihe Xuhai Comprehensive Land Consolidation Project, which cover a total area of 597.8 mu, with a total investment of RMB174.0 million and an outstanding amount of RMB26.0 million. However, this segment has not recognized any income since 2023, mainly because no land transfer transactions have occurred in recent years.

Providing public services with regional dominance

HZFI is responsible for policy-oriented grain storage involving the purchase, storage, transfer, and wholesale of grain and edible oil. The main products are municipal-level grain reserves, national grain with minimum purchase prices, and national temporary grain reserves, respectively, that guarantee food supply in the society. The local government also provides subsidies to the business due to its public welfare nature. As of 30 September 2025, the Company had total reserves of 350.0 thousand tons of municipal-level grain, 300.0 thousand tons of national grain with minimum purchase prices, and 260.0 thousand tons of national temporary grain. Moreover, the Company owned 30 grain storage areas in Heze City and total capacity of 1.7 million tons.

Meanwhile, HZFI is the leading public transport operator, providing transport services within the majority area of Heze City, including the road passenger transport, urban public transport, school bus transport, taxi and vehicle leasing. The Company takes part in this dominant business in terms of contracting and self-operating various public vehicles, mainly operating long-distance passenger transport between urban areas (counties) to other urban areas, intercity buses from Heze City to various counties, urban and rural public transport, as well as public transport within several counties, including Juancheng, Chengwu, and Shanxian. As of 30 September 2025, HZFI operated over 1,100 public vehicles on 150 routes, with approximately 1.1 million passengers transported annually.

Overall, we believe that the Company's replacement cost is high, as these public services are essential for residents, showing high sustainability.

Good track record of receiving government supports

HZFI has a good track record of receiving support from the local government in terms of subsidies, capital injection, special funds, as well as assets and equity transfers. Since its establishment, HZFI has received cash and asset injections such as equity shares and buildings from the local government, which have greatly improved its capital strength and increased operating assets. For instance, the Company's capital reserves increased by RMB557.0 million for the first three quarters of 2025, mainly due to the injection of passenger

transportation operation rights and advertising operation rights. In addition, from 2024 to end-September 2025, the Company received ongoing subsidies for carrying out policy-support activities such as infrastructure construction projects and policy-oriented grain storage business, with a total amount of approximately RMB657.7 million. Moreover, the local government provided special bond funding to support the Company's construction projects. Considering HZFI's strategic and strong policy role in Heze City, we expect the local government will continue to provide support to the Company over the next 12 to 18 months.

High exposure to commercial activities

HZFI engages in various commercial activities, including the sale of commercial food and edible oil, property sales, self-operated projects, cultural tourism, and industrial investment. These commercial activities generate supplementary revenue for the Company but also entail higher operational and business risks than its public activities, and some of the commercial activities are subject to volatile market and counterparties risk. We consider HZFI's commercial business exposure remains high, accounting for more than 30% of its total assets by our estimation.

Sales of food and edible oil is the main business of HZFI, which covers more than 290 prefecture-level cities. In 2024, due to fluctuations in market demand, this segment's revenue decreased to RMB2.8 billion from RMB3.4 billion in 2023, yet it remained the Company's largest income contributor, contributing 58.5% of its total revenue. Gross profit margin remained relatively stable, at around 8.8% in 2024. The main products include wheat, corn, and flour. The Company adopts both direct selling and agent selling models. The Company's top 5 customers accounted for 7.7% of total sales in 2024, showing a low concentration. Moreover, around 80% of business was settled by cash or prepaid payment, therefore, we believe the risk associated with this business is controllable.

In addition, HZFI has engaged in housing sales within Heze City, mainly commercial residential housings that highly concentrated in Heze City. As of 30 September 2025, the Company had 5 commercial housing projects completed with a total investment of RMB1.3 billion, most of which had been sold, with a high selling rate of 96.7%. As of the same date, HZFI had 2 projects under construction, with a total investment of RMB3.2 billion and an uninvested amount of RMB703.0 million; the average sales progress of these projects was around 71.0%, with a cumulative payment collected of RMB2.0 billion. However, the Company's operating subsidiary has been listed as a dishonest judgement debtor in 2025. During the downturn in China's property market, the fund balancing would experience high volatility, causing higher business and financial risks to the Company.

Moreover, the Company undertakes self-operated projects to expand its business scope. As of 30 September 2025, the Company's main completed project is Civic Cultural Center, which is designed to achieve fund balance primarily through rental and operating income, including venue rentals, advertising, and facility leases. This project has a total investment of RMB1.2 billion and generated a cumulative revenue of RMB114.0 million from 2023 to 2025Q3. As of the same date, the Company had 2 self-operated projects under construction, namely the Heze Shengyu Cold Chain Logistics Project and the Chengwu Comprehensive Resource Utilization Demonstration Project, with an estimated total investment of RMB1.1 billion and an outstanding amount of RMB766.0 million. Upon completion, funding balance will be achieved through operational revenue from leasing and natural gas sales. Moreover, the Company had two self-operated projects under planning: a Seed Industry Technology Demonstration Park Project and an Elderly Care Service Demonstration Center Project, with a total estimated investment of RMB1.3 billion. The Company plans to achieve fund balancing through operating revenue such as seed sales and provision of elderly care services. The large investment amount and the relatively long payment collection cycle of self-operation projects may further enlarge the Company's capital

expenditure pressure. Considering the importance of these projects to the economic and industrial development of Heze City, the Company is expected to receive funding from special bonds supported by the local government for some self-operated projects, which could partially relieve its capital expenditure pressure.

In addition, the Company has operated two scenic areas which are transferred by the local government, namely Chinese Peony Garden and Caozhou Peony Garden, and generated income from the sales of ticket, amusement facility income, and rental income. In 2025, these two tourism projects generated a total revenue of RMB24.0 million with a gross profit margin of 34.0%, bringing supplementary profit to the Company.

Furthermore, HZFI conducts industrial investment business through fund investment and equity investment to support local industries, in relation to its assigned role as an industrial investment entity. The industries that the Company primarily invests in are also in line with the local pillars industries, such as biomedicine, mechanical and electrical equipment manufacturing, as well as new energy. The Company plans to exit its investments through IPO listing or project repurchases. Most of the Company's fund investments remain at the initial investment stage, which requires long holding period. In 2024 and the first three quarters of 2025, the Company received dividends of RMB18.2 million and RMB18.7 million from its equity investments, respectively. However, the returns of these investments are subject to the operational and financial performance of the investees, in our view.

Increasing debt burden driven by ongoing investments in construction projects

With ongoing financing for construction projects, HZFI exhibits fast debt growth. As of 30 September 2025, the Company's total debt increased to RMB15.7 billion from RMB10.6 billion as of end-2023, while its total capitalization ratio increased to 51.3% from 41.3% during the same period. Meanwhile, HZFI faced relatively large short-term debt pressure. The Company's short-term debt increased to a large share of total debt, accounting for 62.6% as of 30 September 2025, raising from 40.6% at the end of 2023. At the same time, the cash to short-term debt ratio decreased to around 0.4x at end-September 2025, indicating that its cash balance could not fully cover its short-term debt. We expect that the Company will continue to rely on external financing, such as bank loans, and its debt burden will continue to increase, considering ongoing investment in projects under construction in the next 12-18 months.

HZFI maintained moderate asset liquidity. As of 30 September 2025, the Company's inventories, receivables, fixed assets, intangible assets, and other non-current assets accounted for 68.8% of the total assets. The inventories mainly consist of construction development costs, while receivables mainly consist of transactions with the government and other state-owned enterprises. Intangible assets mainly consist of the 51% equity stake in the coal exploration rights in Caoxian County, while other non-current assets mainly include the Chinese Peony Garden, Caozhou Peony Garden, and transferred land. In addition, the Company pledged a number of assets for loans, mainly fixed assets and construction in progress, accounting for 10.4% of total assets as of 30 September 2025.

Access to different funding channels

The Company has access to different funding channels, such as bank loans, bond market, and non-standard financing. Bank loans contribute the most of its total debts, which accounted for around 53.6% of the total debt as of 30 September 2025. The Company has built long-term relationships with various domestic banks in China, including Agricultural Development Bank of China, China Construction Bank Corporation, and Heze Rural Commercial Bank Co., Ltd. As of 30 September 2025, the Company received total credit facilities of RMB12.9 billion and the available portion being RMB2.8 billion.

The Company also has a track record for fund-raising activities in the debt capital market, including onshore and offshore debt markets. From 2024 to 2025, the Company has raised RMB3.4 billion through 4 tranches of private bonds, with the coupon rates from 2.4% to 2.9%. Moreover, the Company tapped into the offshore debt market in 2024. The Company issued a tranche of 3-year offshore bond, raising RMB485.0 million, with a coupon rate of 3.2%. In addition, the Company maintained moderate exposure to non-standard financing, accounting for around 15%-20% of total debt as of 30 September 2025. In view of the HZFI's important status and key role in the social and economic development of Heze City, we expect the Company would maintain stable funding access from its diversified funding channels.

Medium contingent risks resulting from external guarantees

HZFI maintained a moderate exposure to external guarantees. As of 30 September 2025, the external guarantee amount of HZFI was RMB3.2 billion, accounting for 21.6% of its net asset. All existing external guarantees were provided to other state-owned enterprises in Heze City. However, in case a credit event occurs, the Company may face certain contingent liability risks.

ESG Considerations

HZFI is exposed to environmental risks due to undertaking infrastructure construction and land consolidation. Such risks could be mitigated by conducting environmental studies and detailed planning prior to the start of the projects and close monitoring during the construction phase. HZFI's key operations are in material compliance with currently applicable national and local environmental, health and safety laws and regulations.

In terms of social awareness, the Company has played a crucial role in the social welfare of Heze City by undertaking policy-oriented grain storage and public transportation services. Demographic changes, public awareness and social priorities shape the government's development strategy, and it will affect the government's propensity to support the Company.

HZFI's governance considerations are also material as the Company is subject to oversight by Heze Municipal Government and has to meet several reporting requirements, reflecting its public-policy role and status as a government-owned entity.

Rating Methodology

The methodology used in this rating is the Rating Methodology for [China's Local Infrastructure Investment and Financing Companies \(July 2022\)](#).

Appendix

Exhibit 5. Peer Comparison

	Heze Finance Investment Group Co., Ltd.	Heze Investment Development Group Co., Ltd.	Heze Urban Construction Engineering Development Group Co., Ltd.
Long-Term Credit Rating	BBB _g +	A _g -	BBB _g +
Shareholder	Heze SASAC (100%)	Heze SASAC (97.93%) and Shandong Caixin Asset Operation Co., Ltd. (2.07%)	Heze Investment Development Group Co., Ltd. (50.4%) and Heze City Investment Holdings Group Co., Ltd. (49.6%)

Positioning	Key entity in infrastructure construction, policy-oriented grain storage, and public transportation in Heze City	Pivotal entity in state-owned capital operation and industrial investment in Heze City	Important entity in engineering construction and urban operation in Heze City
Total Assets (RMB billion)	38.7	70.4	30.1
Total Equity (RMB billion)	14.8	37.0	12.3
Total Revenue (RMB billion)	4.8	8.2	4.2
Total Debt/Total Capital (%)	47.8	34.3	43.1

All ratios and figures are calculated using CCXAP's adjustments based on financial data as of 31 December 2024.

Source: Company data, CCXAP research

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