

Credit Opinion

9 October 2026

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

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ZhongMan Petroleum And Natural Gas Group Corp., Ltd.

Initial credit rating report

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

Summary

The BBB_g- long-term credit rating of ZhongMan Petroleum And Natural Gas Group Corp., Ltd. ("ZPEC" or the "Company") 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.

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.

Rating Drivers

- Integrated upstream oil and gas business model with synergies across segments
- Growing oil and gas production with a visible project pipeline
- Competitive drilling and completion capabilities which supports its overseas expansion
- Vulnerability of earnings to global economic conditions and crude oil price volatility
- Operating and geopolitical risks arising from Middle East conflict
- Large capital expenditure pressure from project development
- Sound but moderating profitability
- Increasing debt burden

Rating Sensitivities

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.

Key Indicators

	2023FY	2024FY	2025FY	2026H1
Total Assets (RMB billion)	9.1	12.0	12.5	13.1
Total Equity (RMB billion)	2.9	4.3	4.6	4.7
Total Revenue (RMB billion)	3.7	4.1	3.9	1.7
Net Profits (RMB billion)	0.8	0.7	0.5	0.1
EBIT Margin (%)	31.6	28.1	27.2	24.1
Return on Assets (%)	14.0	11.0	8.7	6.9
Total Debt/Total Capital (%)	58.0	56.6	55.1	56.5
Total Debt/EBITDA (x)	2.4	3.3	3.4	3.9
EBITDA/Interest (x)	11.0	8.8	7.5	7.2
FFO/Total debt (x)	0.3	0.2	0.2	0.1

All ratios and figures are calculated using CCXAP's adjustments. 2026H1 profitability and coverage ratios are calculated on a last-twelve-month ("LTM") basis.

Source: Company data, CCXAP research

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.

Exhibit 1. Revenue structure in 2025

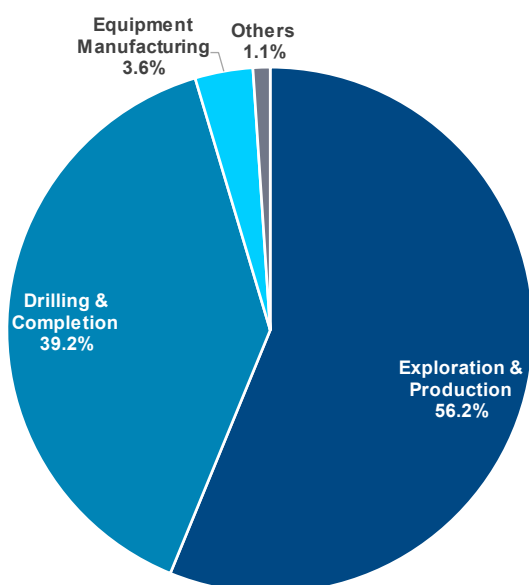
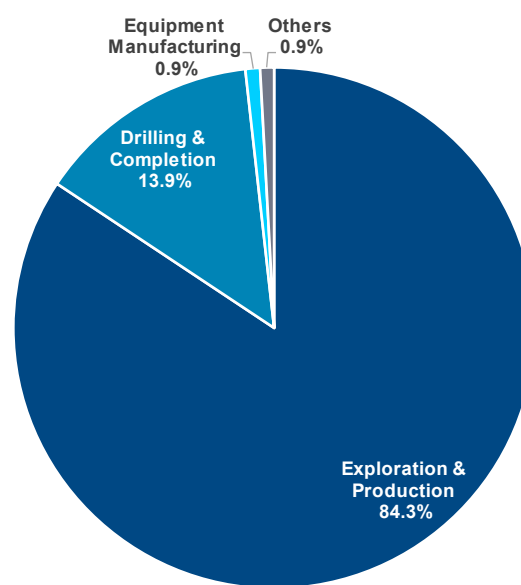
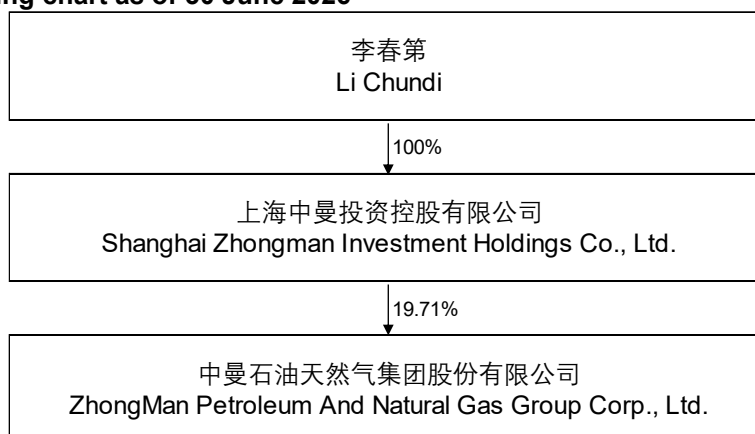


Exhibit 2. Gross profit structure in 2025



Source: Company information, CCXAP research

Exhibit 3. Shareholding chart as of 30 June 2026



Source: Company information, CCXAP research

Rating Considerations

Business Profile

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.

The integrated model provides meaningful cost, efficiency and execution advantages. By reducing reliance on third-party equipment and services, the Company can better coordinate resources across business segments, reduce outsourcing costs and improve operational efficiency. It also gives the Company greater control over the pace of development of its oil and gas blocks, allowing drilling and completion activities to be scheduled according to its capital plans and operational priorities. This flexibility supports timely project execution and more efficient capital allocation, particularly for its greenfield 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. In 2021, it obtained the mining license for the Wenbei Block, becoming the first private enterprise in China to hold both a conventional oil and gas exploration right and a mining license since the country launched its oil and gas system reform. The Company subsequently expanded its resource base through overseas acquisitions and block biddings. 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. This portfolio provides geographical diversification while creating a pipeline for future production growth.

The Company's oil and gas projects are held under two broad types of contractual arrangements. The Wensu, Tenge and Coastal oilfields are held through mining rights owned by the Company, under which it owns the reserves and holds the production rights. As of 30 June 2026, these 3 oilfields had combined crude oil geological reserves of 142.4 million tonnes. In contrast, the EBN, MF and Zerafa II blocks are held under cooperative development arrangements, under which the host state retains ownership of the underlying resources, while the Company is responsible for exploration and development activities and recovers eligible costs once production commences, and receives contractual remuneration or production entitlements in accordance with the relevant contracts. The EBN and MF contracts have a term of 20+5 years, with production extending up to 2049, while the Zerafa II contract has a term of 30+10 years.

From 2023 to 2025, the Company's crude oil production increased by 34.5% to 916,400 tonnes, mainly driven by the Wensu oilfield reaching 650,000 tonnes of crude oil production in 2024, and the ramp-up of the Tenge oilfield. In 2026H1, crude oil production grew by 7.8% YoY to 473,000 tonnes, supported by further production growth at Tenge oilfield and the commencement of trial production at Coastal oilfield. The E&P segment generated revenue of RMB2.1 billion, RMB2.3 billion and RMB2.2 billion in 2023, 2024 and 2025, with gross profit margins of 72.7%, 73.4% and 66.3%. The margin decline in 2025 was mainly due to higher depletion charges and lower realized oil prices. In 2026H1, segment revenue reached RMB1.1 billion with a gross profit margin of 63.4%, primarily affected by increased crude oil relocation costs at the Wensu oilfield.

The Company has a clear development plan for its oil and gas projects. It is currently advancing the development of its Kazakhstan assets, with the EBN and MF blocks expected to be added to its development priorities in 2027. We believe that the Company's oil production will continue to increase in the short and medium term as these projects progress toward commercial production. However, the majority of the incremental production falls beyond the next 12 to 18 months, while the associated capital expenditure is being incurred ahead of production ramp-up.

Exhibit 4. Crude oil production and sales volume from 2023 to 2026H1 (thousand tonnes)

	2023FY	2024FY	2025FY	2026H1
Crude oil production	681.4	854.6	916.4	473.0
Wensu	580.8	654.6	645.8	308.3
Tenge	100.6	200.0	270.6	154.7
Coastal	-	-	-	10.0
Sales	609.9	740.2	784.7	353.0
Wensu	519.9	570.6	554.9	228.8
Tenge	90	169.6	229.8	119.3
Coastal	-	-	-	4.9

Source: Company information, CCXAP research

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. Its services cover a broad range of wellbore technical activities, including drilling, logging, mud logging, cementing, well completion, drilling fluids and directional drilling. 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 focuses on technically demanding drilling and completion projects and has established a customer base including Saudi Aramco, China National Petroleum Corporation, BP, Petronas, Schlumberger and Basra Oil Company. In 2026H1, the Company operated 61 drilling and workover rigs. Its rig utilization rate exceeded 90% from 2023 to 2025, but declined to 62.0% in 2026H1, primarily due to the suspension of certain operations in Iraq affected by the Middle East conflict.

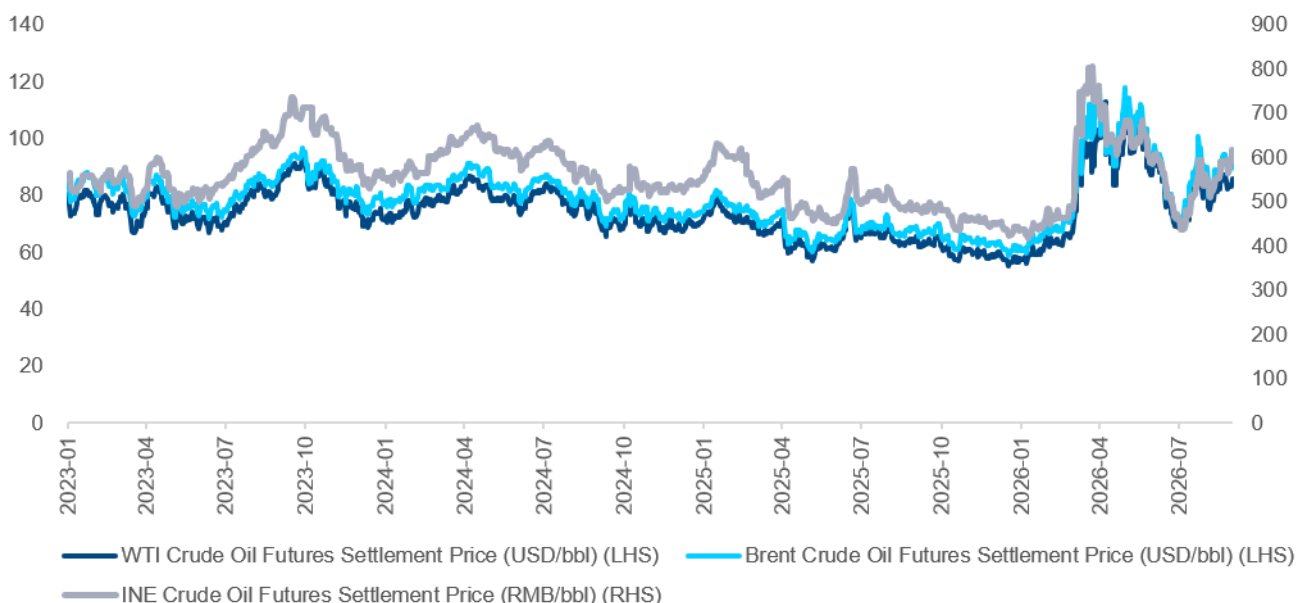
From 2023 to 2026H1, the Company secured new contracts with an aggregate value of RMB5.8 billion. As of 30 June 2026, its major ongoing contracts had a total contract value of RMB8.5 billion, of which RMB3.1 billion had been recognized as revenue and RMB2.8 billion had been collected, providing good revenue visibility. 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. The segment generated revenue of RMB1.3 billion, RMB1.4 billion and RMB1.5 billion in 2023, 2024 and 2025, respectively, with gross profit margin falling from 11.8% in 2023 to 8.7% in 2024 before improving to 15.7% in 2025. However, the segment was materially affected by the suspension of drilling operations in Iraq in 2026H1, with revenue declining by 27.3% YoY to RMB0.5 billion and gross profit margin falling to 1.6%.

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. From 2023 to 2025, the oil price benchmarks trended downward, with Brent crude oil futures settlement price averaging USD82.2/bbl, USD79.9/bbl and USD68.2/bbl, respectively. This reflected OPEC+ unwinding production cuts, rising non-OPEC+ output and modest demand growth, which created a supply surplus. In 2026, Middle East tensions triggered a sharp price spike in March, followed by a retreat as tensions eased, before rebounding strongly from July on renewed supply concerns. The average price in the first eight months rose around 29.0% compared with the 2025 average.

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, generating investment income of RMB81.3 million in 2026H1, which effectively mitigated the impact of sharp fluctuations in crude oil selling prices and stabilized earnings. Looking ahead, crude oil prices are expected to remain volatile, subject to the development of Middle East geopolitical conflicts. We expect the Company's earnings to remain sensitive to oil price movements, though its integrated business model and hedging arrangements may partially alleviate the impact.

Exhibit 5. Crude oil futures prices from January 2023 to August 2026



Source: Wind, CCXAP research

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. As of 28 August 2026, 9 of the Company's 14 drilling teams in Iraq remained suspended, with the resumption date remained uncertain. The disruption also affected the equipment manufacturing segment, as logistics disruption delayed the shipment of completed equipment orders, contributing to a 73.2% YoY decline in segment revenue in 2026H1. We expect operating activity to improve gradually over the next 12 to 18 months, although the pace of recovery remains dependent on regional security conditions. A prolonged or further escalation could not only delay the rebound in the oilfield services and equipment manufacturing segments, but also affect the development schedules for the EBN and MF blocks.

From a broader perspective, the Company's overall overseas footprint has also expanded, with the share of revenue generated from overseas markets rising steadily from 43.9% in 2023 to 47.5% in 2024 and 53.4% in 2025, exceeding domestic revenue for the first time, before moderating to 49.5% in 2026H1. This growing overseas presence increases the Company's exposure to exchange rate risk, as well as regulatory and policy

risks such as changes in tax regimes, foreign exchange controls and local content requirements in host countries.

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. In terms of funding sources, the Wensu and Tenge oilfields are primarily funded by their own operating cash flows, while the remaining projects are funded through a combination of internal funds and bank borrowings. The Company also has 2 projects under planning with an initial total investment amount of RMB5.3 billion, including a 10-year oil and gas reserve exploration and rolling geological study project with an initial investment of RMB5.0 billion. This exploration project is expected to replenish the Company's oil and gas reserve base, thereby supporting its long-term production growth and extending field life.

From 2026 to 2028, the Company's planned capital expenditure amounts to RMB2.0 billion, RMB2.4 billion and RMB2.8 billion, respectively, with the E&P segment accounting for the majority (RMB1.7 billion, RMB2.0 billion and RMB2.4 billion, respectively). 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.

Financial Profile

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. Gross margin declined slightly from 45.7% in 2023 to 44.2% in 2025, mainly due to lower crude oil prices. In 2026H1, revenue declined by 13.9% YoY to RMB1.7 billion, while gross margin fell to 41.6%, as the escalating Middle East conflict led to the suspension of certain drilling operations and logistics disruptions.

Profitability remained sound but weakened over the same period. The period expense ratio (including management, marketing and finance costs) increased from 15.5% in 2023 to 18.5% in 2025, driven by higher depletion charges as the Company expanded its oil and gas assets and increased finance costs associated with a larger debt burden. Combined with lower oil prices, EBIT margin decreased from 31.6% to 27.2% over the same period, and return on average assets fell from 14.0% to 8.7%. Consequently, net profit decreased from RMB0.8 billion in 2023 to RMB0.5 billion in 2025. The weakening trend continued in 2026H1, with EBIT margin declining to 24.1% (LTM) and net profit falling by 63.5% YoY to RMB0.1 billion. We expect revenue and earnings to remain under pressure in the near term, although the resumption of drilling and completion projects in Iraq, continued oil production growth and a normalization of logistics conditions should support a gradual recovery.

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 has a relatively high reliance on short-term debt, which accounted for 43.2% of total debt at mid-2026, although lower than that of 48.5% at end-2023, indicating improvements in its debt maturity profile. Despite the

increase in cash reserves to RMB2.0 billion at mid-2026 from RMB1.2 billion at end-2023, the cash-to-short-term-debt ratio was 0.7x, indicating that available cash was insufficient to fully cover the Company's short-term debt obligations.

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. The Company also has weak funds from operation ("FFO") relative to its growing debt burden, with FFO to total debt ratio falling from 0.3x to 0.1x (LTM). Given its ongoing capital requirements for projects in the pipeline, we expect the Company's debt level to continue to rise over the next 12 to 18 months, although credit metrics are expected to improve with the gradual ramp-up of new projects.

The Company relies primarily on bank borrowings for external funding. As of 30 June 2026, it had bank credit facilities of RMB8.9 billion, with an undrawn amount of RMB4.3 billion. Its exposure to non-standard financing products is low, accounting for less than 5% of total debt. As an A-share listed company, the Company also has access to the equity financing channel. In August 2024, the Company completed a private placement, raising net proceeds of approximately RMB1.2 billion. The Company also plans to issue free trade zone offshore bonds, which would broaden its funding channels and lengthen its debt maturity profile.

ESG Considerations

ZPEC faces environmental risks inherent in its drilling and production activities, including produced water handling, associated gas flaring and site restoration obligations across its oilfields. These risks are mitigated through environmental impact assessments, adherence to environmental standards and close monitoring throughout the project lifecycle. For example, the Company has initiated a photovoltaic project to power its Xinjiang operations, reducing the carbon intensity of production.

In terms of social responsibility, ZPEC prioritizes safety and environmental compliance. The Company has not reported any major safety or environmental incidents in recent years. However, its overseas operations present challenges related to community relations and compliance with local labor and environmental standards, which require ongoing management.

ZPEC has established a governance structure under which the Board of Directors oversees the Company's ESG strategy and management, covering decision-making, organizational and executive levels. As a company listed on the Shanghai Stock Exchange, the Company is subject to continuing disclosure and reporting requirements.

Rating Methodology

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

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