# CCXAP affirms Zigong Construction & Engineering Co., Ltd.'s long-term credit rating at $BBB_g$-, with stable outlook.

Hong Kong, 25 November 2026 – China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") has affirmed the long-term credit rating of Zigong Construction & Engineering Co., Ltd. ("ZCEC" or the "Company") at $BBB_g$-, with stable outlook. At the same time, CCXAP has affirmed the Company's senior unsecured debt rating (guaranteed) at $A_g$+. The bonds (ISIN: XS2957377430) are unconditionally and irrevocably guaranteed by Tianfu Bond Insurance Co., Ltd. ("TBIC") ($A_g$+/stable).

The $BBB_g$- long-term credit rating of ZCEC reflects Zigong Municipal Government's (1) strong capacity to provide support, and (2) very high willingness to provide support to the Company, based on our assessment of the Company's characteristics. Our assessment of Zigong Municipal Government's capacity to provide support reflects its status as a national demonstration zone for industrial transformation and upgrading of old industrial cities, which has relatively good economic fundamentals.

The rating also reflects the local government's willingness to provide support, which is based on the Company's (1) status as one of the major infrastructure construction entities in Zigong City, with high sustainability for public projects; (2) good track record of receiving support from local government and shareholder; and (3) fair access to funding. However, the rating is constrained by the Company's (1) medium exposure to commercial activities; (2) rapid debt growth and certain short-term repayment pressure; and (3) weak asset liquidity.

## Corporate Profile

Established in 1993 and formerly known as Sichuan Shenhai Construction Engineering Co., Ltd., ZCEC is primarily engaged in infrastructure construction projects in Zigong City. It also undertakes commercial activities such as engineering construction and operation of local tourism spots. As of 30 September 2026, the Company was wholly owned by Zigong Urban Construction Investment and Development Group Co., Ltd. ("ZUCI") and ultimately controlled by the Zigong Municipal Government State-owned Assets Supervision and Administration Commission ("Zigong SASAC").

## Rating Rationale

### Credit Strengths

**One of the major infrastructure construction entities in Zigong City, with high sustainability for public projects.** Entrusted by the local government, the Company conducts infrastructure construction projects in Zigong City under agency model. As of 30 June 2026, the Company mainly had 21 infrastructure projects under construction, with a total estimated investment of RMB20.1 billion and an uninvested amount of RMB17.2 billion. Given the sufficient amount of infrastructure projects in the pipeline, we expect the infrastructure construction business has good sustainability.

**Good track record of receiving support from local government and shareholder.** ZCEC has received strong support from the Zigong Municipal Government and ZUCI, including asset injections, cash injections, and financial subsidies. In 2025, the Company received capital injection of RMB800.0 million from ZUCI, and financial subsidies of RMB158.1 million from the local government. Given the strategic role of ZCEC in Zigong City, we expect the Company will continue to receive support from the local government and its shareholder in the future.

**Fair access to funding.** ZCEC has good relationship with large domestic banks and has access to offshore bond market. In addition, the Company has lowered its exposure to non-standard financing, such as financial leasing, which accounted for around 11.0% of its total debt at end-2026Q3.

### Credit Challenges

**Medium exposure to commercial activities.** In addition to public activities, ZCEC is also involved in other commercial activities such as engineering construction, product sales, and operation of local tourism spots. We estimate that the Company has medium commercial exposure as the proportion of commercial business accounted for approximately 30% of its total assets as of 30 September 2026.

**Rapid debt growth and certain short-term repayment pressure.** ZCEC's total debt had increased significantly from RMB3.7 billion at the end of 2023 to RMB10.4 billion as of 30 September 2026, with a total capitalization ratio of 51.5%. In addition, the Company faces certain short-term repayment pressure as its short-term debt accounted for 23.2% of total debt and cash to short-term debt ratio was low at 0.3x at end-2026Q3.

**Weak asset liquidity.** The Company's weak asset liquidity may undermine its financing flexibility. As of 30 September 2026, the Company's total assets mainly consisted of inventories and receivables, accounting for 90.8% of its total assets, all of which are considered low liquidity.

## Rating Outlook

The stable outlook on ZCEC's rating reflects our expectation that, for the next 12 to 18 months, the local government's capacity to provide support will remain stable, and the Company will maintain its strategic importance in public policy projects in Zigong City.

**What could upgrade the rating?**

The rating could be upgraded if (1) the local government's ability to support strengthens; and (2) changes in company's characteristics enhance local government's willingness to support, such as reduced exposure to commercial activities.

**What could downgrade the rating?**

The rating could be downgraded if (1) the local government's ability to support weakens; or (2) changes in company’s characteristics decrease the local government's willingness to support, such as reduced sustainability for public policy projects.

## Rating Methodology

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

The methodology used in TBIC's rating is the Rating Methodology for Financial Guarantors (January 2022).

## Regulatory Disclosures

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