

## **CCXAP affirms the long-term credit rating of Zaozhuang Infrastructure Investment Development Group Co., Ltd.'s at BBB<sub>g</sub>+, with stable outlook.**

Hong Kong, 13 February 2026 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has affirmed the long-term credit rating of Zaozhuang Infrastructure Investment Development Group Co., Ltd. (“ZZII” or the “Company”) at BBB<sub>g</sub>+, with stable outlook.

The BBB<sub>g</sub>+ long-term credit rating of ZZII reflects Zaozhuang Municipal Government’s very strong capacity to provide support and its 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 its important role as modern manufacturing base and emerging technological innovation base in Shandong Province, with increasing economic strength.

The rating also reflects the local government’s willingness to support, which is based on the Company’s (1) important role in supporting local economic development; (2) important responsibilities in undertaking water supply business; and (3) solid track record of receiving government supports. However, the rating is constrained by the Company’s (1) medium exposure to commercial activities; (2) increasing debt level and moderate asset liquidity; and (3) medium exposure to contingent liabilities.

### **Corporate Profile**

Founded in November 2016, ZZII is a pivotal state-owned asset operation and infrastructure construction company in Zaozhuang City and plays an important role in the urban development and operation of Zaozhuang City. The Company mainly engages in infrastructure construction, land quota development and sales, and water supply business. It also engages in commercial businesses such property sales, self-operated construction, and building material trading. As of 30 September 2025, the Company was under the control of the Finance Bureau of Zaozhuang City (“Zaozhuang Finance Bureau”), which directly held 86.25% of the Company’s share. Moreover, Shandong Caixin Asset Operation Co., Ltd. and Zaozhuang Jinsheng Cultural Industry Development Co., Ltd. (“Jinsheng”) directly held 9.58% and 4.17% of the Company’s shares, respectively.

### **Rating Rationale**

#### **Credit Strengths**

**Important role in supporting local economic development.** As the pivotal infrastructure construction company in Zaozhuang City, ZZII’s business plays an important role in supporting the development of Zaozhuang City. The Company mainly undertakes key infrastructure construction projects, land quota development and sales, and water supply business that are crucial to local economic development and benefit the general public and local employment. As of end-2024, ZZII had 2 major construction projects under construction, including science education demonstration park and civil air defense evacuation base, with a total estimate



investment amount of RMB4.4 billion and an uninvested amount of RMB1.2 billion. As of the same date, there was one construction project under planning, with an estimated investment amount of RMB250.0 million.

**Important responsibilities in undertaking water supply business.** ZZII also provides water supply service in Xuecheng District at prices guided by the local government. Benefiting from the renovation and expansion of water plants in recent years, the water sales volume has increased from 9.6 million tons in 2023 to 12.0 million tons in 2024. As of end-2024, the Company had water supply capacity of 60.0 thousand cubic meters per day. Meanwhile, the Company had water pipeline project under construction and water supply project under planning, with total outstanding investment of RMB527.0 million. We believe that the replacement cost for the Company's role is high as ZZII undertakes essential public projects for the region.

**Solid track record of receiving government supports.** ZZII has a proven track record of receiving support from the local government over the years, including capital injections, subsidies and project repayments. The Company received cash injection from 2024 to 2025Q3, increasing its paid-in capital from RMB2.1 billion as of end-2023 to RMB2.4 billion as of 30 September 2025. The Company also received asset injections of RMB3.4 billion from the local government, such as office buildings and industrial park. We believe that given ZZII's important position and its close relationship with the local government, the Company is expected to receive ongoing government support as needed in the next 12-18 months.

### Credit Challenges

**Medium exposure to commercial activities.** ZZII's major commercial businesses mainly include property sales, self-operation projects and building materials trading, generating supplementary income to the Company. However, they may also pose higher operational and business risks. The Company had several property development and self-operated projects under construction as of end-2024, mainly commercial housing projects, with total invested amount of RMB7.4 billion and total outstanding investment of around RMB8.9 billion. With the completion and sale of projects, the Company's revenue from property development business increased to RMB430.2 million in the first three quarters of 2025. However, increasing investment in property development may bring more operating uncertainties and financial risks to the Company as the property sales are easily affected by the market conditions. The cash collection and investment return of these property development projects are uncertain, especially during the downturn of the real estate market.

**Increasing debt level and moderate asset liquidity.** ZZII's total debt has been growing rapidly over the past three years driven by its large number of construction projects. As of 30 September 2025, the Company's total debt increased to RMB12.5 billion from RMB8.5 billion as of end-2023, while the total capitalization ratio rose from 40.8% to 43.8%. Given the Company's large capital expenditure pressure for its infrastructure construction, property development projects, and self-operated commercial projects under construction and planning, we expect the Company's debt level would further increase for the next 12-18 months.

Meanwhile, the Company has a relatively large amount of restricted assets pledged for loans which could reduce its financial flexibility, including investment properties, cash, fixed assets, inventories and account receivables, representing 29.7% of total assets.

**Medium exposure to contingent liabilities.** The Company bears moderate contingent risk resulting from relatively large external guarantees, which could potentially increase its repayment obligations. As of 30 September 2025, the Company's external guarantees amounted to RMB4.5 billion, accounting for 27.9% of its net assets. The guaranteed enterprise did not provide any counter guarantee measures. In case a credit event occurs in the region, it may lead to large-scale cross-effects. However, we believe that the credit risk of the guarantee is moderately controllable, taking into account the government's support to local SOEs.

### Rating Outlook

The stable outlook on ZZII's rating reflects our expectation that the Zaozhuang Municipal Government's capacity to provide support will remain stable, and the Company will maintain its important role in the development of Zaozhuang City over the next 12 to 18 months.

#### What could upgrade the rating?

The rating could be upgraded if (1) Zaozhuang Municipal Government's capacity to provide support strengthens; or (2) the Company's characteristics change in a way that strengthens the local government's willingness to provide support, such as lower exposure to contingent liabilities, or improved debt management.

#### What could downgrade the rating?

The rating could be downgraded if (1) Zaozhuang Municipal Government's capacity to provide support weakens; or (2) the Company's characteristics change in a way that weakens the local government's willingness to provide support, such as decreased government payments, or deteriorated financing ability.

### Rating Methodology

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

### Regulatory Disclosures

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