Credit Opinion

31 October 2025

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

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Jinan Zhangqiu District Construction Investment Co., Ltd.

Surveillance credit rating report

CCXAP affirms Jinan Zhangqiu District Construction Investment Co., Ltd.'s long-term credit rating at BBB_g, with stable outlook.

Summary

The BBB_g long-term credit rating of Jinan Zhangqiu District Construction Investment Co., Ltd. ("JZCI" or the "Company") reflects Zhangqiu District Government's strong capacity to provide support, and the local government's very high willingness to provide support based on our assessment of the Company's characteristics.

Our assessment of Zhangqiu District Government's capacity to provide support reflects Zhangqiu District's gross regional production ("GRP") ranking upper-middle among the counties or districts in Jinan City, and its relatively strong economic and financial strength.

The rating also reflects the local government's willingness to support, which is based on the Company's (1) clear and important position in infrastructure construction in Zhangqiu District; and (2) solid track record of receiving government support.

However, the rating is constrained by the Company's (1) medium exposure to commercial activities with operational uncertainty; (2) moderate access to funding; and (3) medium exposure to contingent liabilities.

The stable outlook on JZCI's rating reflects our expectation that Zhangqiu District Government's capacity to provide support will be stable, and the Company's important role in local infrastructure construction will remain unchanged over the next 12 to 18 months.

Rating Drivers

- Clear and important position in infrastructure construction in Zhangqiu District
- Medium exposure to commercial activities with operational uncertainty
- Solid track record of receiving support from the local government and its parent company
- Increasing debt level driven by infrastructure construction projects
- Moderate access to funding
- Medium exposure to contingent liabilities

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) the local government's capacity to provide support strengthens; and (2) the Company's characteristics change in a way that strengthens the local government's willingness to provide support, such as lower exposure to risky commercial activities or improved funding capabilities.

What could downgrade the rating?

The rating could be downgraded if (1) the local 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 reduced strategic significance, increased exposure to risky commercial activities, or weakened debt management.

Key Indicators

	2022FY	2023FY	2024FY	2025H1
Total Asset (RMB billion)	13.5	15.6	16.6	17.9
Total Equity (RMB billion)	10.2	10.5	10.6	10.9
Total Revenue (RMB billion)	0.9	1.1	1.0	0.4
Total Debt/Total Capital (%)	19.6	24.3	24.6	27.6

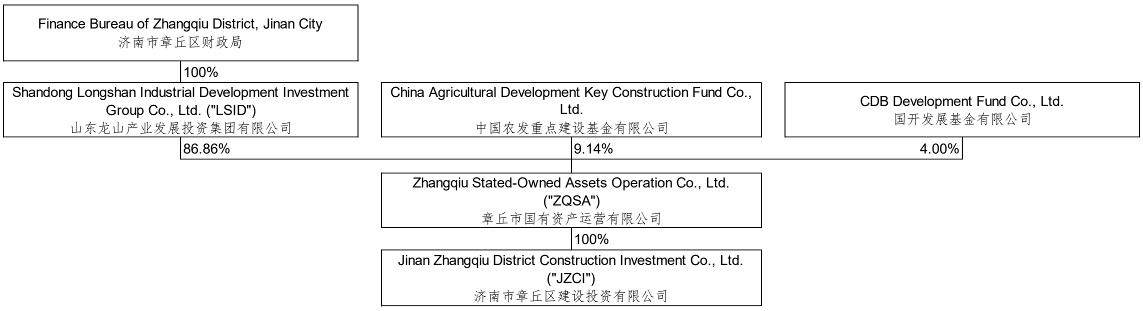
All ratios and figures are calculated using CCXAP's adjustments.

Source: Company data, CCXAP research

Corporate Profile

Founded in 2010, JZCI is one of the major local infrastructure investment and financing company ("LIIFC") in Zhangqiu District, Jinan City. The Company is mainly engaged in the construction of resettlement housing and infrastructure construction projects. It also undertakes some commercial activities including construction and operation of self-operated projects, real estate property leasing as well as sales of sand and concrete. As of 30 June 2025, JZCI was wholly owned by Zhangqiu State Owned Assets Operation Co., Ltd. ("ZQSA"), which is the principal subsidiary of Shandong Longshan Industrial Development Investment Group Co., Ltd. ("LSID"). LSID is the most significant urban construction and development entity, as well as the main driver of industrial development in Zhangqiu District. The Finance Bureau of Zhangqiu District was the ultimate controlling shareholder of the Company.

Exhibit 1. Shareholding chart as of 30 September 2025



Source: Company information, CCXAP research

Exhibit 2. Revenue structure in 2024

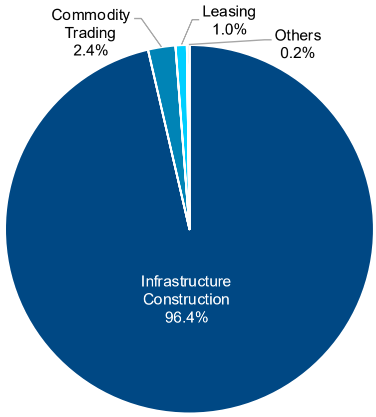
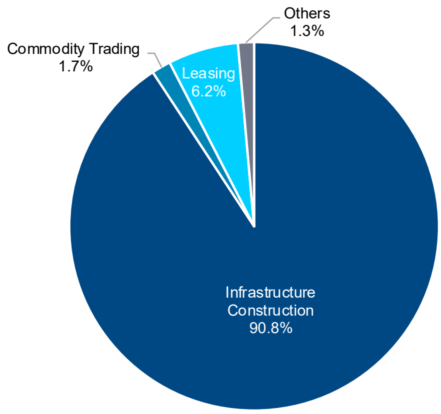


Exhibit 3. Gross profit structure in 2024



Source: Company information, CCXAP research

Rating Considerations

Government's Capacity to Provide Support

We believe the local government of Zhangqiu District has a strong capacity to provide support given Zhangqiu District's GRP ranking upper-middle among the counties or districts in Jinan City, and its relatively strong economic and financial strength.

Shandong Province is the third largest province in China by gross regional product ("GRP"), with a solid industrial foundation in industries such as logistics, shipbuilding, marine technology, chemical, automotive and agri-food. Jinan City is a sub-provincial city, the capital of Shandong Province, and the core city of the Jinan metropolitan area. Supported by the rapid development of core industries such as automobiles, pharmaceutical manufacturing, and information technology, the regional economy of Jinan City has demonstrated ongoing growth and its GRP had exceeded RMB1.0 trillion over the past three years. In 2024, Jinan City reported a GRP of RMB1,352.8 billion, increased by 5.4% YoY, ranking 2nd among 16 prefecture-level cities in Shandong Province and 9th among 15 sub-provincial cities in China. In the first half of 2025, the GRP of Jinan City increased by 5.4% YoY to RMB667.4 billion. In addition, Jinan City has a strong financial base. From 2023 to 2024, its general budgetary revenue increased from RMB106.1 billion to RMB108.3 billion, with average self-sufficiency ratio (general budgetary revenue/general budgetary expenditure) of 75.0% over the past three years. As of 31 December 2024, the local government's outstanding debt amounted to RMB377.1 billion, accounting for 27.9% of the GRP.

Exhibit 4. Key economic and fiscal indicators of Jinan City

	2022FY	2023FY	2024FY
GRP (RMB billion)	1,202.8	1,275.7	1,352.8
GRP Growth (%)	3.1	6.1	5.4
General Budgetary Revenue (RMB billion)	100.1	106.1	108.3
General Budgetary Expenditure (RMB billion)	122.6	136.5	139.7
Local Government Debt (RMB billion)	266.1	318.0	377.1

Source: Jinan Municipal Government, CCXAP research

Zhangqiu District is in the east part of Jinan City and is Jinan's sub-centre city. Zhangqiu District has a strong industrial foundation and a complete industrial system. It has formed pillar industries such as energy and power, machinery and electronics, construction and building materials, light and chemical industry, textile and garment, and biopharmaceutical, which has attracted well-known enterprises such as China National Heavy Duty Truck Group Jinan Truck Co., Ltd. In recent years, with the optimization of Zhangqiu District's industrial structure, its economy has developed well. Meanwhile, it has set up a national-level Mingshui Economic and Technological Development Zone in the region. In 2024, the GRP of Zhangqiu District increased by 6.0% YoY to RMB130.1 billion, ranking 5th among all the districts and counties of Jinan City. In the first half of 2025, Zhangqiu District's GRP was RMB62.6 billion, with an increase of 5.1% YoY. Meanwhile, Zhangqiu District's fiscal metrics and debt profile remained moderate. In 2024, the local government's general budgetary revenue increased to RMB6.1 billion. Its fiscal balance ratio (general budgetary revenue/general budgetary expenditure) averaged at 71.2% over the past three years. As of 31 December 2024, Zhangqiu District's outstanding governmental debt amounted to RMB18.3 billion, accounting for 14.1% of its GRP.

Exhibit 5. Key economic and fiscal indicators of Zhangqiu District

	2022FY	2023FY	2024FY
GRP (RMB billion)	112.1	116.5	130.1
GRP Growth (%)	0.1	6.1	6.0
General Budgetary Revenue (RMB billion)	5.4	6.0	6.1
General Budgetary Expenditure (RMB billion)	8.3	8.5	7.9
Local Government Debt (RMB billion)	16.1	17.1	18.3

Source: Zhangqiu District Government, CCXAP research

Government's Willingness to Provide Support

Clear and important position in infrastructure construction in Zhangqiu District

There are two main LIIFCs in Zhangqiu District, Jinan Zhangqiu Holding Group Co., Ltd. ("ZQHG") and LSID respectively. Among them, LSID is the most significant urban construction and development entity, as well as the main driver of industrial development in Zhangqiu District. ZQSA is a major subsidiary of LSID and primarily responsible for municipal engineering construction and supply of natural gas and water. JZCI is LSID's sub-subsidiary and has taken on the majority of the infrastructure construction and resettlement housing projects within ZQSA. Given JZCI's pivotal role to Zhangqiu District's economic development and public welfare, we expect it to maintain its position in the short-to-medium term.

JZCI is engaged in resettlement housing and infrastructure construction in Zhangqiu District through agency construction model. Under the agency construction model, the Company signs an entrusted construction contract with ZQSA in relation to its resettlement housing and infrastructure construction projects. The Company is responsible for financing and construction of the projects and receives project repayments based on the total cost plus a few percentage markups, generally 20% to 25% upon examination of the projects. The Company had completed a series of projects including resettlement housing, school renovation and expansion, roads and supporting facilities in Zhangqiu District. As of 30 June 2025, the Company had one project under construction, with a total planned investment of RMB287.0 million and uninvested amount of RMB282.2 million. At the same time, the Company had 4 projects under planning with a total estimated investment of RMB880.0 million. Relatively large-scale projects in the pipelines can ensure the sustainability of the business, but also bring great pressure on the Company's capital expenditure.

The Company also conducts the municipal engineering construction business with Class II Qualification for General Contracting of Municipal Utility Engineering. Most of the project counterparties are state-owned enterprises and government entities in Zhangqiu District. Completed engineering construction projects include environmental improvement, comprehensive river management and farmland transformation. As of the end of 2024, all contracts on hand were completed and settled. The Company's engineering construction business volume is relatively small, and its future projects in the pipelines primarily depends on the construction demand within Zhangqiu District, indicating certain uncertainty regarding the business sustainability.

Overall, considering the Company's clear and important role in the regional construction and development of Zhangqiu District, we believe the Company will not be easily replaced by other local state-owned enterprises in the foreseeable future.

Medium exposure to commercial activities with operational uncertainty

Apart from infrastructure construction, JZCI also engages in several commercial activities, mainly including self-operated projects, leasing, and trading. We consider JZCT's commercial activities exposure to be medium, as the commercial assets accounted for around 25% of total assets.

JZCI participates in self-operated projects mainly through a collaborative model, including education, tourism, and port construction projects. The Company invests in project construction in proportion to its equity and achieves financial equilibrium through operating income. As of 30 June 2025, the Company has one completed cooperation project with a total investment of RMB861.0 million, in which the company holds 40% of the stake. At the same time, JZCI had one project under construction, namely Maple Leaf International School, with a total estimated investment of RMB724.0 million and an uninvested amount of approximately RMB257.0 million. JZCI was responsible for the initial land funding with an investment of RMB149.0 million. During the project operation, the partner enterprise encountered financial difficulties. The Company subsequently purchased the entire project in 2023 for an acquisition consideration of RMB47.2 million, and it will henceforth be responsible for the project's investment and management. The Company has collaborated with both state-owned and private-owned enterprises in self-operated projects, and the operational risks faced by private-owned enterprises may affect the project's progress and stability. Moreover, increasing investment in self-operated projects may bring operating uncertainties to the Company as the operation are easily affected by the market conditions.

JZCI has primarily acquired its leasing properties mainly through transfer or purchase from the local government, including commercial buildings, office buildings, hospitals, and water supply networks. The Company's rental income is primarily from the Zhangqiu Mansion in Beijing with a total leasable area of 11,200 square meters, which was purchased by the Company from the local government at a cost of approximately RMB843.0 million. The rental revenue from the Zhangqiu Mansion for 2024 and the first half of 2025 was RMB8.8 million and RMB4.4 million, respectively, which suggests a relatively long period to collect investment returns. Moreover, JZCI has signed a lease agreement with Jinan Zhangqiu District Tap Water Co., Ltd., collecting a rental fee annually equivalent to 5% of the water supply networks' asset value. JZCI also holds other assets including the Eastern Medical Center and some commercial shops at Zhangqiu Railway Station. However, these assets have yet to generate rental income due to issues concerning the profitability of the tenant enterprises and the formalities for transferring property rights. As these assets are progressively leased out in the future, the Company's rental income is anticipated to increase.

JZCI also conducts sand and concrete sales business, which supplements its operating revenue. However, the revenue from the sale of sand and concrete has been adversely affected by the expiry of sand mining concessions in 2022 and the slowdown in the real estate market, declining from RMB82.7 million in 2023 to RMB23.6 million in 2024. The gross profit margin also decreased from 18.8% to 9.6%. In terms of settlement, downstream customers pay for goods via bank transfer with a settlement period up to one year, which could expose the Company to a certain degree of counterparty risk. Furthermore, in September 2024, under the local government's guidance, the Company transferred its subsidiary responsible for concrete sales to another state-owned enterprise. The Company will no longer conduct concrete sales in the future after the transfer, which may bring some uncertainties regarding the sustainability of the business sector.

Solid record of receiving support from the local government and its parent company

JZCI has a good track record of receiving support from the local government, including capital injections, asset injections, equity transfers and subsidies, which could help the Company meet its policy objectives and financial obligations. Since its establishment, the local government and ZQSA have injected various assets into the Company, including cash, land, properties, and equity shares in some state-owned enterprises.

In addition, from 2024 to 2025H1, the Company has received government subsidies with a total amount of approximately RMB61.6 million. Moreover, JZCI continued to receive payments from its entrusted construction projects, which could alleviate the pressure on capital expenditure. As of the end of June 2025, the Company has received payments from completed infrastructure construction projects totaling around RMB1.5 billion. We anticipate that JZCI will continue to receive support from the local government and its parent company, given its important position and close relationship with the local government.

Increasing debt level driven by infrastructure construction projects

Due to the ongoing investment for the infrastructure construction projects, JZCI's total debt has continued to increase in recent years. As of 30 June 2025, the Company's total debt increased to RMB4.2 billion from RMB3.4 billion at the end of 2023. The total capitalization ratio, calculated as total debt to total capital, also increased from 24.3% to 27.6% over the same period, which remained at a reasonable level. As of 30 June 2025, the Company's short-term debt burden is relatively high with the short-term debt accounting for 47.3% of the total debts and the cash to short-term debt ratio was 0.4x, indicating certain short-term refinancing pressure. The short-term debt mainly consists of bank loans and commercial notes. Given the Company's ongoing capital expenditure for its infrastructure construction projects, we expect that the Company's debt level will continue to grow in the next 12 to 18 months.

JZCI's asset liquidity was moderate, which may undermine its financial flexibility. The Company's total asset mainly consists of inventories, receivables accounts, and long-term equity investment, accounting for 65.5% of its total asset as of 30 June 2025. The Company's receivables are mainly projects settlement with government units while the inventories are construction costs and land use rights, all of which are considered low liquidity. The Company's long-term equity investments are primarily shares of other SOEs transferred from the parent company and the local government, with limited profitability. Moreover, As of 30 June 2025, JZCI's restricted assets accounted for 8.7% of the total assets, mainly due to borrowings.

Moderate funding capacity

JZCI has access to multiple funding channels such as bank loans, domestic bond financing, and non-standard financing. As of 30 June 2025, approximately 50.0% of JZCI's debts were bank loans. The Company has built a close relationship with large domestic banks, such as the Agricultural Development Bank of China and Huaxia Bank Co., Ltd. with total bank credit facilities of RMB2.5 billion and an unutilized amount of RMB445.0 million as of 30 June 2025, which was relatively insufficient to meet its investment needs for the projects currently under construction and planning. JZCI also has funding source in the domestic bond market. In the first three quarters of 2025, the Company issued three 7-year private placements, totally raising RMB1.2 billion, with coupon rates ranging from 2.90% to 3.18%. These three tranches of bonds will mature in 2032, presenting high refinancing pressure to the Company. JZCI's exposure to non-standard are mainly financing leasing and trusts with relatively high costs, accounting for around 7.1% of the total debts as of 30 June 2025.

Medium exposure to contingent liabilities

JZCI's credit profile is constrained by its external guarantees, which could potentially increase its repayment obligations. As of 30 June 2025, the Company had outstanding external guarantees of RMB3.3 billion, representing 30.1% of its net assets. All of them were provided to local state-owned enterprises, mainly were mutual guarantees between local state-owned enterprises in Zhangqiu District. In case a credit event occurs, the Company may face certain contingent liability risks, which could negatively impact its credit quality.

ESG Considerations

JZCI assumes environmental risks through its infrastructure construction projects. Such risks could be moderated through environmental studies and detailed planning prior to the start of the projects and close supervision during construction.

In terms of social concerns, JZCI plays a crucial role in the social well-being of the residents in Zhangqiu District by undertaking resettlement housing and infrastructure construction projects in the area. Demographic changes, public awareness and social priorities shape the Company's development targets and ultimately affect the local government's propensity to support the Company.

JZCI's governance considerations are also material as the Company is subject to oversight by the Zhangqiu District Government and must 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).

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