

Credit Opinion

30 June 2026

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

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Zoucheng Urban Assets Holding Group Co., Ltd.

Surveillance credit rating report

CCXAP affirms Zoucheng Urban Assets Holding Group Co., Ltd.'s long-term credit rating at BBB_g, with stable outlook.

Summary

The BBB_g long-term credit rating of Zoucheng Urban Assets Holding Group Co., Ltd. ("ZCUA" or the "Company") reflects Zoucheng City Government's 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 Zoucheng City Government's capacity to support reflects Zoucheng City's relatively good economic strength and fiscal metrics, as one of the Top 100 counties in China.

The rating also reflects the local government's willingness to support, which is based on the Company's (1) the largest state-owned asset operation entity by total assets in Zoucheng City; (2) important role in the development and construction in Zoucheng City; and (3) good track record of government support.

However, the Company's rating is constrained by its (1) medium exposure to commercial activities; (2) relatively high debt burden; and (3) high contingent liabilities risk.

The stable outlook on ZCUA rating reflects our expectation that Zoucheng City Government's capacity to provide support will be stable, and the Company's characteristics such as its important role in Zoucheng City will remain unchanged over the next 12 to 18 months.

Rating Drivers

- The largest state-owned asset operation entity in Zoucheng City by total assets
- Important role in the development and construction in Zoucheng City
- Good track record of government support
- Medium exposure to commercial activities
- Relatively high debt burden driven by ongoing construction investment
- High contingent liabilities risk from external guarantees to local state-owned enterprises

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) the Zoucheng City 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 improved debt management and reduced exposure to contingent liabilities.

What could downgrade the rating?

The rating could be downgraded if (1) the Zoucheng City 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, deteriorated refinancing ability, or increased exposure to commercial activities.

Key Indicators

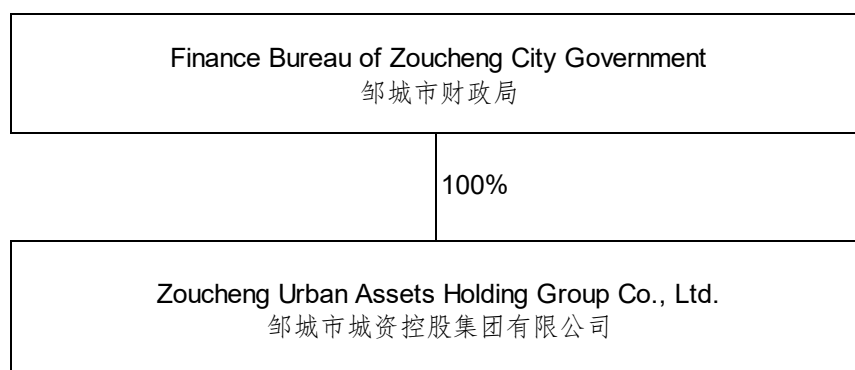
	2023FY	2024FY	2025FY	2026Q1
Total Asset (RMB billion)	52.1	59.5	69.1	72.7
Total Equity (RMB billion)	17.2	21.0	21.5	21.6
Total Revenue (RMB billion)	8.9	8.9	9.1	2.6
Total Debt/Total Capital (%)	60.8	57.6	63.9	66.0

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

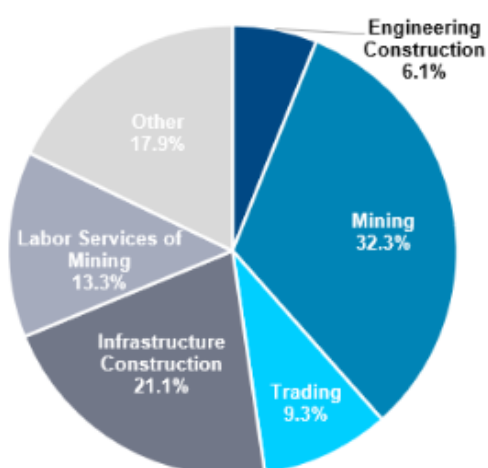
Source: Company data, CCXAP research

Corporate Profile

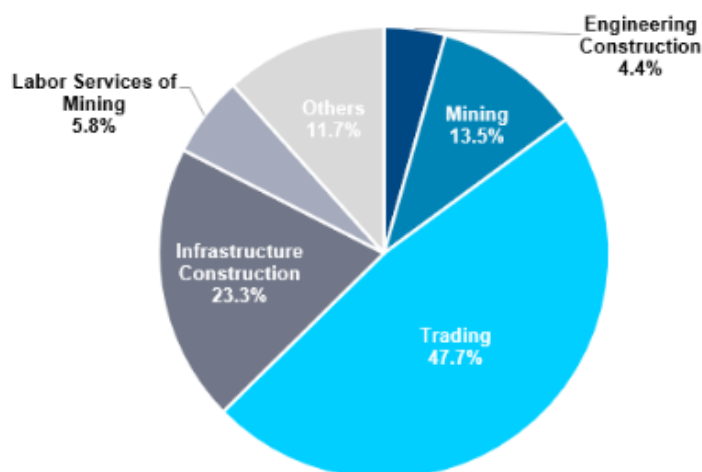
Founded in 2003, ZCUA is the largest state-owned asset operation entity in Zoucheng City in terms of asset size. It is one of the key state-owned enterprises ("SOEs") for Zoucheng City Government to implement strategic and economic development policies. The Company shoulders the responsibility for part of public infrastructure projects. It also engages in some commercial activities, including mining, trading, yeast production, as well as property leasing. As of 31 March 2026, ZCUA was directly and wholly owned by the Finance Bureau of Zoucheng City.

Exhibit 1. Shareholding chart as of 31 March 2026

Source: Company information, CCXAP research

Exhibit 2. Revenue structure in 2025

Source: Company information, CCXAP research

Exhibit 3. Gross profit structure in 2025**Rating Considerations****Government's Capacity to Provide Support**

We believe Zoucheng City Government has a strong capacity to provide support given its relatively good economic strength and fiscal metrics, as one of the Top 100 counties in China.

Shandong Province is the third largest province in China by GRP, with a solid industrial foundation in industries such as logistics, shipbuilding, marine technology, chemical, automotive and agri-food. Located in the southern part of Shandong Province, Jining City is one of the central cities in the Huaihai Economic Zone approved by the Shandong Provincial Government. Thanks to its diversified industrial structure such as coal mining, machinery and equipment manufacturing, paper and paper products, chemical industry goods, and textiles, Jining City's economic strength and fiscal strength had been steadily improved over the past three years. In 2025, Jining City reported a GRP of RMB612.8 billion, representing 5.8% year-over-year ("YoY") growth. Meanwhile, the general budgetary revenue was RMB50.3 billion, reflecting an upward trend over the past three years. However, Jining City has moderate fiscal metrics and debt profile. Its average fiscal balance ratio (general budgetary revenue/general budgetary expenditure) was around 60.8% over the past three years. Tax incomes slightly decreased to RMB30.6 billion in 2025 from RMB31.1 billion in 2024, accounting for 60.9% of its general budgetary revenue. As of 31 December 2025, Jining City's government debt to GRP ratio was 38.6%.

Exhibit 4. Key economic and fiscal indicators of Jining City

	2023FY	2024FY	2025FY
GRP (RMB billion)	551.6	586.7	612.8
GRP Growth (%)	6.5	5.8	5.8
General Budgetary Revenue (RMB billion)	47.5	49.6	50.3
General Budgetary Expenditure (RMB billion)	78.3	80.1	84.3
Local Government Debt (RMB billion)	171.4	201.6	236.3

Source: Jining Municipal Government, CCXAP research

Located in the southwest of Shandong Province, Zoucheng City is a county-level city under the management of Jining City. Zoucheng City ranked 47th among CCID's Top 100 Counties in China in 2025, with good traffic advantages and rich coal resources. It has developed "1+5" pillar industries including digital economy, intelligent equipment manufacturing, high-end green chemical, new energy and new material, health medicine, and industrial robot, simulating Zoucheng City's economic growth in recent years. Supported by abundant resources, several large energy enterprises have settled in Zoucheng City including Yankuang Energy Group Company Limited and Huadian Power International Zouxian Power Plant. Zoucheng City is the largest county/district in Jining City by GRP. It had a GRP of RMB112.9 billion in 2025, accounting for the GRP of 18.4% of Jining City. Zoucheng City Government's general budgetary revenue also has grown for consecutive years. In 2025, its general budgetary revenue increased by 4.0% YoY to RMB10.0 billion, of which tax revenue accounted for 53.3% of its general budgetary revenue, indicating relatively moderate fiscal quality. Meanwhile, Zoucheng City Government has good financial self-sufficiency with average fiscal balance ratios above 100.6% over the past three years. As of 31 December 2025, the outstanding government debt of Zoucheng City Government was RMB19.5 billion, accounting for 17.3% of its GRP.

Exhibit 5. Key economic and fiscal indicators of Zoucheng City

	2023FY	2024FY	2025FY
GRP (RMB billion)	104.1	110.4	112.9
GRP Growth (%)	7.0	6.2	5.8
General Budgetary Revenue (RMB billion)	9.1	9.6	10.0
General Budgetary Expenditure (RMB billion)	9.1	9.0	10.5
Local Government Debt (RMB billion)	11.6	15.3	19.5

Source: Zoucheng City Government, CCXAP research

Government's Willingness to Provide Support**The largest state-owned asset operation entity in Zoucheng City by total assets**

There are several major state-owned asset operation entities under the control of the Finance Bureau of Zoucheng City in Zoucheng City. Each of them has a clear position under the government's planning. Among them, ZCUA is the largest one and its total assets are much larger than others. As of 31 December 2025, ZCUA's total assets amounted to RMB69.1 billion. In addition, the Company has the largest outstanding amount of bonds among the state-owned asset operation entities in Zoucheng City. We believe that a default by ZCUA could have a significant impact on the local government's reputation and local financing environment. The Company is mainly responsible for infrastructure construction, public services and state-owned assets management such as coal resources in Zoucheng City. The other two major state-owned asset operation entities are Shandong Zhengfang Holding Group Co. Ltd. ("Zhengfang Group") and Zoucheng Limin Construction Development Group Co., Ltd. ("Limin Construction"), with total assets of RMB22.7 billion and

RMB30.5 billion as of end-2025, respectively. Zhengfang Group is responsible for the operation and construction in Zoucheng City Economic Development Zone. Limin Construction is mainly responsible for operation and development in Zoucheng City, particularly in Mencius Lake New District.

Important role in the development and construction in Zoucheng City

Along with the development of Zoucheng City, ZCUA has undertaken several major infrastructure construction projects including affordable housing in the mining areas, river management projects, road construction and improvement projects, and wastewater treatment plants. ZCUA engages in infrastructure construction mainly through the build-transfer (“BT”) model, agency construction model and undertaking engineering construction by public bidding. The projects under the BT model were undertaken many years ago and all of them were completed. The Company will recognize the revenue and costs of these projects according to repurchase agreements signed with the local government. The Company had completed projects under the BT model with a total investment of around RMB7.7 billion, which mainly include river treatment, road network transformation and affordable housing construction. As of 31 March 2026, the Company had received RMB11.8 billion payments for its BT construction projects from the local government. Under the agency construction model, the Company signs entrusted construction agreements with the local governments. After the project is completed and examined, the Company would transfer the project to the local government, and the government would pay ZCUA the construction cost plus a certain markup. As of 31 March 2026, the total investment amount for the key projects under construction was RMB5.5 billion, with a total unsettled investment amount of RMB659.0 million.

The Company also conducts engineering construction through public bidding, and the projects are mainly municipal projects such as urban roads, bridges, and sewage facilities. The Finance Bureau of Zoucheng City will pay the Company construction fees according to the progress of the project construction. The Company currently has a second-level qualification for Municipal Public Construction General Contractor and a second-level qualification for General Contracting of Construction Works. In 2025, the Company generated a revenue of RMB399.8 million from engineering construction, with the outstanding contract value amounted to RMB75.0 million.

Moreover, the Company provides essential public services in Zoucheng City with franchise advantages, including heat and electricity supply. The Company's heating and electricity supply business is operated mainly by two subsidiaries, which was the primary thermal power supplier in Zoucheng City. These Companies provided electricity and steam to residential users and some industrial and commercial enterprises. Due to the one subsidiary being deconsolidated following equity transfer and another subsidiary's license expiry, the Company ceased its heating operations by the first quarter of 2025.

Medium exposure to commercial activities

The Company engages in various commercial activities including mining, trading, yeast production, hotel management as well as property leasing. Based on our assessment, the Company's exposure to commercial activities is medium as the commercial assets accounted for around 20% of total assets.

ZCUA engaged in commercial activities mainly through its wholly owned subsidiary Shandong Honghe Holding Group Co., Ltd. (“SDHH”), with businesses covering mining, trading and yeast production. SDHH's mining business mainly involves coal mining, as well as some aluminum and silver mining. In 2025, the Company had recognized RMB961.7 million of revenue from the coal mining business. As of 31 December 2025, the Company had 2 producing coal mines and 2 coal fields, with total reserve amount of 147.2 million tons. Since the Company

is located in the main coal-producing areas of Shandong Province and is surrounded by a large number of iron and steel and chemical plants, resulting in a higher demand for coal and a more transparent coal price. Due to the soaring coal prices, the Company's coal mining business reported relatively high gross profit margin over the past few years. However, as the coals market is easily affected by policy changes and economic condition, the correction of coal prices may exert pressure on the Company's profitability. In addition, the total remaining reserves of the Company's two producing coal mines are relatively low. Although the Company has acquired certain coal resource reserves through purchase and allocation, there is uncertainty as to the period of subsequent development. SDHH also participate in trading on coal, non-ferrous metal and building materials, which contributed the largest component of total revenue. In 2025, the Company realized RMB4.3 billion of revenue from coal trading. SDHH faces moderate concentration risk for its coal trading business, with the top 5 suppliers and customers accounting for 34.6% and 39.1% of its total purchase and sales volume in 2025, respectively. With the expansion of the scale of the trading business, the Company's credit exposure may increase when providing trade account period to its customers.

Besides the SDHH, ZCUA itself also participates in some commercial activities such as property leasing, hotel management and self-operated industrial park. As of 31 December 2025, the Company had 2 self-operated projects under construction, with total investment of RMB1.5 billion, and unsettled amount of RMB522.3 million. The Company will balance the funding of these projects by selling and leasing the properties upon completion. Although engaging in commercial business would expand the Company's revenue scale, such business would bring more uncertainties to the Company and the local government may not provide direct support to them. According to the future planning, the Company plans to increase investment in office building, which may expose the Company to larger business risks such as increasing capital expenditure burden and imbalanced funding.

Relatively high debt burden driven by ongoing construction investment

The Company demonstrated moderate debt management with relatively high debt leverage and a concentrated debt structure. As of 31 March 2026, the Company's total debt amounted to RMB42.0 billion, up from RMB28.6 billion at the end of 2024. Meanwhile, the Company's total capitalization ratio (total debt/total capital) was 66.0%, increased from 57.6% as of end-2024. We expect the Company may maintain a relatively high total leverage ratio in the next 12-18 months considering future investment planning for its construction projects and slow government repayment. Moreover, as of 31 March 2026, the Company had relatively high short-term debt level of RMB15.6 billion, which accounted for 37.2% of total debt, and consisted of a large amount of maturing or puttable bonds. In addition, after excluding restricted funds, the cash to short-term debt was only around 0.5x, indicating insufficient liquidity.

Furthermore, the Company's asset liquidity was weak which may weaken its financial flexibility. As of 31 December 2025, other receivables, inventory and construction in progress totally represented around 53.4% of total assets, which mainly consist of receivables from engineering projects and land assets with low liquidity. Meanwhile, the total restricted assets were RMB9.1 billion which accounted for 12.5% of total assets, with cash or cash equivalent the largest component of it.

Diversified funding channels but with high financing cost

The Company has access to multiple financing channels including banks, onshore and offshore bond market and financial companies. The debt from bond issuances and bank loans accounted for the majority of total debt. From January 2025 to June 2026, ZCUA and its subsidiary SDHH issued 21 tranches of onshore bonds raising around RMB9.8 billion, including MTNs, corporate bonds, short-term financing note and private placement bonds. Moreover, the Company issued 5 tranches of offshore bonds raising around RMB2.4 billion and

USD107.3 million over the same period. The Company has built good long-term relationships with different domestic banks such as China Construction Bank Corporation, Huaxia Bank Co., Ltd., and China Bohai Bank Co., Ltd. As of 31 March 2026, the Company had total bank facilities of RMB19.6 billion and the available portion amounted to RMB6.1 billion. Moreover, the Company's non-standard financing scale remained controllable, with non-standard financing accounting for around 4.8% of total debt as of 31 March 2026. These products mainly consist of trusts and financial leases, with financing costs fluctuating with market conditions.

The Company's refinancing ability has a significant impact on its financing stability considering its relatively high financing cost, which may be easily influenced by the change in the market. The financing of local SOEs in Zoucheng City mainly relies on banks and debt capital market while some SOEs have certain exposure to non-standard financing. The refinancing environment is moderate and the SOEs in Zoucheng City generally bear a relatively high spread of interest rates, yet the overall risks remain manageable.

Good track record of government support

The Company has a good track record of receiving support from the local government in terms of subsidies, special bond funds, asset injection and equity transfer. As of end 2025, the Company's paid-in capital amounted to RMB1.3 billion as a result of the government's assets injection of RMB207.3 million in 2025. Moreover, in 2025, the local government transferred property assets to the Company, which increased the Company's capital reserves by RMB202.3 million. In terms of financial subsidies, the Company received continuous government subsidies with a total amount of RMB16.2 million from 2024 to 2025. Considering the completion of ZCUA's infrastructure construction projects and large government-related receivables, the Company may receive the related government payments in the future. However, it may depend on the government's fiscal revenue and its planning.

High contingent liability risk from external guarantees to local state-owned enterprises

The Company bears high contingent risk resulting from large external guarantees. As of 31 March 2026, the Company's external guarantees amounted to RMB15.5 billion, accounting for 71.6% of its net assets, and bond guarantee was amounted to RMB3.4 billion. Most of the guarantees were provided to local SOEs such as the two SOEs Zhengfang Group and Limin Construction, and this is mainly due to the increasing financing needs of local SOEs. Mutual guarantees between local SOEs are common in Zoucheng City. However, in case a credit event occurs, the Company may face significant contingent liability risks and cross-default risks.

ESG Considerations

ZCUA assumes environmental risks through its infrastructure projects and coal mining. Coal mining will cause certain damage to local land resources and water resources through the mining progress. Such risks could be moderated through environmental studies and detailed planning prior to the start of the projects and close supervision during construction.

ZCUA bears social risks as it plays an essential strategic role in the development of Zoucheng City. 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.

In terms of corporate governance, the Company receives policy support and operational oversight from Zoucheng City Government, and is required to file major operational matters before execution, reflecting its prominent status as a state-owned asset operation 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 6. Peer Comparison

	Zoucheng Urban Assets Holding Group Co., Ltd.	Shandong Zhengfang Holding Group Co., Ltd.
Long-Term Credit Rating	BBB _g	BBB _g
Shareholder	Finance Bureau of Zoucheng City (100%)	Shandong Zoulu Urban Development Group Co., Ltd. (69.2%), China Agriculture Development Key Construction Fund Co., Ltd. (21.2%), Agricultural Development New Policy Financial Instrument Co., Ltd. (9.6%)
Positioning	Key entity in urban infrastructure and state-owned assets operation in Zoucheng City	Key entity in infrastructure construction in Zoucheng City, especially the Zoucheng Economic Development Zone
Total Asset (RMB billion)	59.5	22.7
Total Equity (RMB billion)	21.0	10.1
Total Revenue (RMB billion)	8.9	1.8
Total Debt / Total Capital (%)	57.6	49.7

All ratios and figures are calculated using CCXAP's adjustments based on financial data as of 31 December 2025.

Source: Company information, CCXAP research

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