Credit Opinion

31 July 2026

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

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Zoucheng Limin Construction Development Group Co., Ltd.

Surveillance credit rating report

CCXAP upgrades Zoucheng Limin Construction Development Group Co., Ltd.'s long-term credit rating to BBB_g, with stable outlook.

Summary

CCXAP has upgraded the Zoucheng Limin Construction Development Group Co., Ltd. ("ZCLM" or the "Company") to BBB_g from BBB_g-, reflecting the Company's improved debt structure and enhanced standby liquidity, which strengthens its liquidity profile and financial flexibility. It also reflects the Company's importance in the regional development of Zoucheng City.

The BBB_g long-term credit rating of ZCLM 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 and the top counties by gross regional production ("GRP") in Jining City.

The rating also reflects the local government's willingness to provide support, which is based on the Company's (1) important role in infrastructure construction in Zoucheng City, especially in the Mencius Lake New District; and (2) good track record of receiving government support.

However, the Company's rating is constrained by its (1) high exposure to commercial activities with large capital expenditures on property development projects and self-operated projects; (2) increasing debt burden and moderate asset liquidity; and (3) medium contingent liability risks.

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

Rating Drivers

- Important role in infrastructure and affordable housing construction of Zoucheng City
- Good track record of receiving government support
- High exposure to commercial activities with large capital expenditures
- Increasing debt burden and moderate asset liquidity
- Improved debt structure with enhanced standby liquidity
- Medium contingent liability risks

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) the local 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 reduced exposure to risky commercial activities and significantly improved funding ability.

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 or deteriorated refinancing ability.

Key Indicators

	2023FY	2024FY	2025FY	2026Q1
Total Asset (RMB billion)	22.2	25.1	30.5	33.4
Total Equity (RMB billion)	8.7	8.7	10.6	10.6
Total Revenue (RMB billion)	1.8	1.4	1.5	0.4
Total Debt/Total Capital (%)	48.8	56.7	59.0	61.8

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

Source: Company data, CCXAP research

Corporate Profile

Founded in 2012, ZCLM is one of the key local infrastructure investment and financing companies ("LIIFCs") in Zoucheng City, responsible for infrastructure construction in Zoucheng City, particular in the Mencius Lake New District. The Company also diversified its business scope into infrastructure construction, engineering construction, property sales, property management, landscaping and commodity sales. As of 31 March 2026, the Finance Bureau of Zoucheng City was the ultimate controller of ZCLM, holding 90% of the Company's shares through Shandong Zoulu City Development Investment Co., Ltd. (formerly known as Zoucheng Limin Holding Group Co., Ltd.). The remaining 10% of the shares were held by Shandong Caixin Asset Operation Co., Ltd., which is wholly held by Shandong Provincial Department of Finance.

Exhibit 1. Shareholding chart as of 30 March 2026

Source: Company information, CCXAP research

Exhibit 2. Revenue structure in 2025

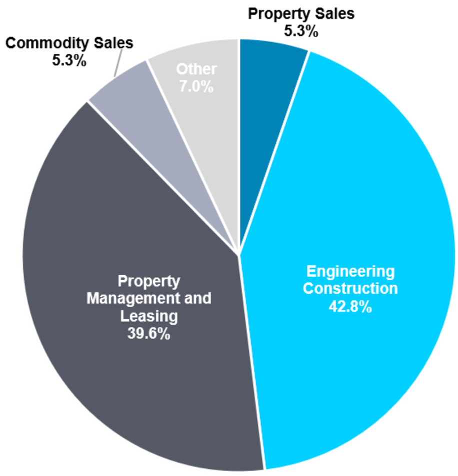
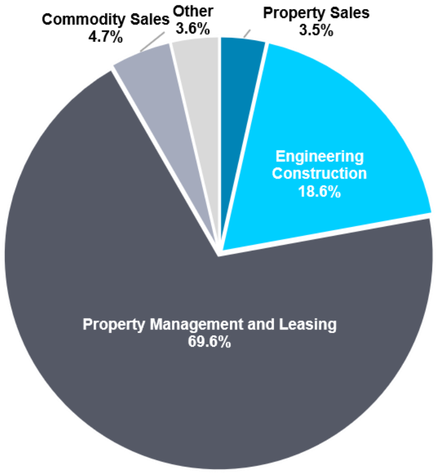


Exhibit 3. Gross profit structure in 2025



Source: Company information, CCXAP research

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 in 2025.

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 around 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

Mencius Lake New District is located in the eastern part of Zoucheng City, with a planned land area of approximately 32 square kilometers. Positioned as an "Eco-Tech New City", Mencius Lake New District focuses on developing headquarters economy and high-end service industries.

Government's Willingness to Provide Support

Important role in infrastructure and affordable housing construction in Zoucheng City

There are two major LIIFCs in Zoucheng City under the control of Zoucheng City Government, namely Zoucheng Urban Assets Holding Group Co., Ltd. ("ZCUA") and Shandong Zoulu Urban Development Group Co., Ltd. ("ZLUD"). ZCUA is mainly responsible for infrastructure construction, public services and state-owned assets management in Zoucheng City. ZLUD serves as a critical platform for industrial development, comprehensive urban operations, and state-owned asset management in Zoucheng City. As one of the main subsidiaries of ZLUD, ZCLM is a key entity for infrastructure construction in Zoucheng City, especially the Mencius Lake New District of Zoucheng City. It has completed serval projects since its establishment including ecological landscape construction of Yangxia River, the exhibition center, the Wanglan shanty town project and the Chenglan shanty town project. Both Wanlan and Chenglan have been listed as the key shanty town renovation projects of Shandong Province.

ZCLM mainly conducts infrastructure construction through agency construction model and self-operated model. Under the agency construction model, the Company signs an agency agreement with the Zoucheng City Government. After the project is completed and passed the acceptance examination, the Finance Bureau of Zoucheng City would pay the actual cost plus markups to ZCLM, generally around 6%. As of 31 December 2025, the Company had completed 17 major infrastructure projects, with total investment of RMB5.8 billion. At the same time, the Company had 14 infrastructure projects under construction, including industrial parks, sewage diversion project, and old residential community renovation project. These projects have a total investment of RMB5.5 billion and an uninvested amount of RMB3.9 billion. Despite sustainable business development and relatively sufficient project reserves, the payment of the construction projects under the agency construction model is lagging. In 2025, the Company did not receive any repayments for its infrastructure construction business from the local government. In addition, ZCLM had 2 projects under planning, with total investment of RMB1.1 billion. Given the slow repayment from the local government, the Company may face significant capital expenditure pressures in subsequent project investments.

Under the self-operated model, the Company is in charge of the partial financing and construction of the projects, and achieves fund balancing through operating revenue and leasing. Most of the Company's self-operated projects are closely aligned with the economic and social development of Zoucheng City, and therefore received support in the form of government special bonds. As of end-2025, the Company had completed 7 major self-operated projects, with total investment of RMB2.6 billion. Meanwhile, the Company had 3 self-operated projects under construction, with a total investment of RMB2.1 billion and an outstanding amount of RMB477.0 million. The projects under construction are the Vocational Education Park and the Medical, Nursing Rehabilitation Center, and Rural Improvement which have received government special bonds of RMB295.0 million to support the Company's funding.

ZCLM also engages in affordable housing construction in Zoucheng City and sells affordable housing at prices below market prices to resettlement households. As of 31 December 2025, there were 5 affordable housing projects for sale, with an invested amount of around RMB1.3 billion. However, the sales absorption rate of some affordable housing projects is relatively low. The affordable housing projects have a total salable area of 37.0 square meters, of which 27.8 square meters have been sold, and the Company has received a total of around RMB1.8 billion in sales repayments as of the same date. Moreover, the Company will no longer involved in affordable house projects in the future.

Overall, considering the Company's significance to the regional development of Zoucheng City, especially the Mencius Lake New District, we believe the Company will not be easily replaced by other local SOEs in the foreseeable future.

High exposure to commercial activities with large capital expenditures

ZCLM engages in various commercial activities including property development, property management, engineering construction, landscaping, commodity sales and self-operated projects. We estimate the Company's exposure to commercial activities is high, as its commercial activities accounted for more than 30%

of its total assets. ZCLM's business risks have recently increased due to the ongoing investment on property development projects and self-operated projects. Although commercial activities contribute the vast majority of revenue and cash flow, they may also pose higher operating and business risks than traditional infrastructure construction businesses.

ZCLM participates in property development business. All the Company's commercial housing projects under construction are in Mencius Lake New District. As of 31 December 2025, the Company had 2 commercial housing projects under construction, with an uninvested amount of RMB779.0 million. Meanwhile, the Company had 3 housing projects on sale during the same period, with an invested amount of RMB1.7 billion, and a sales absorption rate of around 94.0%. Moreover, the Company had received RMB1.8 billion of sales repayments from these housing projects as of end-2025.

During the downturn in China's property market, due to uncertainty of construction and sales progress, the fund balance of this business would suffer from relatively high volatility.

In addition, ZCLM is involved in engineering construction through competitive tendering. The Company's engineering construction business mainly focuses on road construction and housing construction. ZCLM holds Class II and Class III qualifications for general contracting of municipal public works, highway engineering, building construction, and environmental protection through 3 subsidiaries. ZCLM participates in road engineering construction projects through signing engineering construction contracts mainly with the Transportation Bureau of Zoucheng City and other local state-owned enterprises ("SOEs"). As of 31 December 2025, the Company had 25 projects in hand, representing RMB4.2 billion of contract value. In 2025, driven by undertaking of more projects, revenue from this business segment increased to RMB622.4 million from RMB416.7 million in 2024, while its gross profit margin decreased to 11.3% from 18.3%, mainly due to higher raw material procurement costs.

The Company generates rental income from the completed self-operated projects, while the revenue scale is relatively small. Additionally, ongoing construction of self-operated projects require substantial investment, creating financial pressure to the Company. In 2025, the Company's leasing revenue increased from RMB173.4 million to RMB294.0 million, with a gross profit margin of 73.2%. The growth was driven by new rental income generated from the hospital and the agricultural market, while the revenue from the hospital was recognized but remained uncollected. As of end-2025, the Company's rental assets mainly include pipe networks, office buildings, hospitals, medical equipment, exhibition centers and schools, with an overall occupancy rate of 85%. However, there have been delays in the collection of some rental payments, which may affect the Company's cash flow balance. The Company has leased part of the Medical and Nursing Rehabilitation Center to Zoucheng People's Hospital in 2022, with an annual rent of around RMB130.0 million with a lease term from 2022 to 2026. Overall, as of end-2025, the Company had investment properties with a book value totaling around RMB3.5 billion, accounting for around 12.0% of the total assets, which are mainly office buildings, industrial parks, sewage and heating networks. However, the Company's rental income is limited in scale and is highly related to the local investment attraction.

ZCLM's property management business spans multiple sectors including residential communities, office buildings, and domestic services, currently serving 54,100 households and over 30 office buildings. As of 31 December 2025, the total service area reached 5.7 million square meters including housing, offices and communities. The business contributed a certain amount of supplementary revenue to the Company over the past three years. The revenue of property management business was RMB281.8 million in 2025, accounting for 19.4% of the Company's total revenue.

Furthermore, ZCLM engages in commodity sales, with main products including steel, ore and silt. In 2025, the Company also expanded its product range to include recyclable waste. The cost of the Company's commodity sales business mostly consists of the amortization of intangible assets, including the right to use and operate Mencius Lake, as well as mining right, and the cost of steel procurement. Due to the sediment dredging and extraction activities at Mencius Lake being subject to the unified planning and scheduling of the Zoucheng Municipal Government, the Company's sales revenue has experienced significant fluctuations in recent years. ZCLM's revenue from commodity sales business was RMB77.4 million in 2025, representing a gross profit margin of 22.7%. Although posting a rebound against 2024, revenue from this business was still below RMB135.7 million achieved in 2023.

Good track record of receiving government support

ZCLM has received ongoing support from the local government including project payments, operational subsidies, capital injections, equity shares transfer, and asset transfers. In 2025, the Company received financial subsidies of RMB0.3 million. In 2025, the local government transferred 20% shares of Zoucheng Yuntong Technology Co., Ltd. and 25% shares of Shandong Zoulu Public Transportation Co., Ltd. to the Company, increasing its capital reserve by RMB1.1 billion. During the same period, the local government also transferred 6 property assets to the Company, adding RMB437.0 million to its capital reserve. The Company also received special bonds from the local government with a total amount of approximately RMB579.6 million to support its infrastructure construction business in 2025. ZCLM's projects under construction are closely aligned with the government's regional development plans, and are expected to receive ongoing government support in the future. Given the important role of ZCLM in infrastructure construction in Zoucheng City, we expect the Company will continue to receive support from the local government over the next 12 to 18 months.

Increasing debt burden and moderate asset liquidity

Due to the ongoing financing for its infrastructure construction and property development projects in recent years, ZCLM demonstrates a rapid debt growth, with the majority of the growth driven by long-term debt. As of 31 March 2026, the Company's total debt increased to RMB17.2 billion from RMB11.4 billion as of end-2024 and its total capitalization ratio (total debt/total capital) increased to 61.8% from 56.7% over the same period. However, the Company's liquidity profile has improved as its short-term debt ratio decreased from 41.3% as of end-2024 to 33.9% as of 31 March 2026. Moreover, the cash to short-term debt ratio also increased from 0.5x to 0.7x during the same period, indicating an improved liquidity profile for the Company. Considering its ongoing investment especially in commercial activities with longer investment period, we expected the Company's debt leverage to remain at a relatively high level over the next 12-18 months.

Moreover, ZCLM's assets liquidity was moderate, which may undermine its financial flexibility. Inventories, investment properties, construction in progress and intangible assets together accounted for around 62.0% of the Company's total assets as of end-2025. The inventories and construction in progress are mainly cost of infrastructure construction and self-operating construction projects, while investment properties were mainly self-built and purchased properties, all of which are considered low liquidity. In addition, the Company's intangible assets mainly consist of land use rights, water reservoir, real estate operating rights, and mining rights, with a total book value of RMB2.0 billion with limited asset returns. Additionally, the Company's accounts receivable includes RMB64.5 million due from Zoucheng Construction Engineering Co., Ltd., which has been listed as a discredited entity subject to enforcement, but the Company has not made any bad debt provision against this exposure. As of 31 December 2025, the book value of the restricted assets reached RMB6.7 billion, accounting for around 21.9% of total assets. These assets mainly consist of cash and cash equivalents, real estate rights, and mining rights. Moderate asset liquidity may also undermine the Company's financing flexibility.

Improved debt structure with enhanced standby liquidity

ZCLM has fair access to financing channels including bank loans, bond issuance, and non-standard product financing. The Company has a relatively balance financing structure, with bank loans and bonds accounted for 37.8% and 30.5% of the Company's total debt, respectively. ZCLM maintains good relationships with banks and financial companies, which partially release its refinancing needs. As of 31 December 2025, the Company had total bank facilities of RMB9.0 billion, with an unutilized amount of RMB3.7 billion, demonstrating its enhanced standby liquidity and better financial flexibility. Moreover, ZCLM has access into both the offshore and onshore debt capital market. From January 2025 to June 2026, the Company issued RMB610.0 million of offshore bond and RMB1.2 billion of onshore bond, optimizing its overall debt structure while benefiting from lower borrowing costs. The Company's non-standard financing scale is manageable, with non-standard financing accounted around 10.0% of total debt as of 31 December 2025. These products mainly consist of financial leases and such fundings are mainly short-term and have higher costs, heightening the refinancing needs for the Company.

The Company's refinancing ability has a significant impact on its financing stability, which may be easily influenced by the changes in the financial market. The refinancing environment in Zoucheng City is moderate and the local LIIFCs bear a relatively higher funding cost. Furthermore, the large scale of intercompany lending and mutual guarantee activities among local SOEs in Zoucheng City may expose them to cross-default risks in case a credit event occurs, which may have material impact on the financing environment.

Medium contingent liability risks associated with large external guarantees

The Company bears moderate contingent risk resulting from large external guarantees. As of 31 December 2025, the Company's outstanding external guarantees amounted to RMB6.7 billion, accounting for 63.6% of its net assets. Despite the relatively large amount of guarantee, all of the guarantees were provided to local SOEs and government entities in Zoucheng City. The Company's top three external guarantees accounted for 67.7% of the total guarantee amount, with ZCUA being the largest counterparty. The phenomenon of mutual guarantees between local SOEs is common in Zoucheng City. In case a credit event occurs, the Company may face certain contingent liability risks and cross-default risks.

ESG Considerations

ZCLM faces environmental risks because it has undertaken infrastructure construction in Zoucheng City. Such risks could be moderated by conducting environmental studies and planning prior to the start of the projects, and close monitoring during the construction phase.

ZCLM bears social risks as it implements public policy initiatives by undertaking infrastructure construction projects in 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.

ZCLM's governance considerations are also material as the Company is subject to oversight by the Zoucheng City Government and has to 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).

Appendix

Exhibit 6. Peer Comparison

	Zoucheng Limin Construction Development Group Co., Ltd.	**Zoucheng Urban Assets Holding Group Co., Ltd.**	**Shandong Zhengfang Holding Group Co., Ltd.**
Long-Term Credit Rating	BBB_g	BBB_g	BBB_g
Shareholder	Zoucheng Zoulu City Development Investment Co., Ltd. (90%); Shandong Caixin Asset Operation Co., Ltd. (10%)	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 infrastructure construction in Zoucheng City, especially the Mencius Lake New District	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)	30.5	69.1	22.7
Total Equity (RMB billion)	10.6	21.5	10.1
Total Revenue (RMB billion)	1.5	9.1	1.8
Total Debt/Total Capital (%)	59.0	63.9	49.7

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

Source: CCXAP research

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