

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

Hong Kong, 31 July 2026 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“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.

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.

Rating Rationale

Credit Strengths

Important role in infrastructure 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”). 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 several 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 Wanglan and Chenglan have been listed as the key shanty town renovation projects of Shandong Province.

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. 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.

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's 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. 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.

Credit Challenges

High exposure to commercial activities. 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.

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. 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.

Medium contingent liabilities risk associated with large external guarantees. The Company bears moderate contingent risk resulting from large external guarantees. Despite the relatively large amount of guarantee, all of the guarantees were provided to local SOEs and government entities in Zoucheng City. 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.

Rating Outlook

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.

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.

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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