中誠信亞太 CCXAP

CCXAP affirms long-term credit rating of BBB_g- of Shandong Zhicheng Agricultural Development Co., Ltd., with stable outlook.

Hong Kong, 6 August 2026 – China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") has affirmed long-term credit rating of BBB_g- of Shandong Zhicheng Agricultural Development Group Co., Ltd. ("SDZC" or the "Company"), with stable outlook.

The BBB_g- long-term credit rating of Shandong Zhicheng Agricultural Development Co., Ltd ("SDZC" or the "Company") reflects the Company's (1) strong regional competitiveness in markets for agriculture-related operations. However, the rating is constrained by the Company's (1) moderate revenue scale with low yield on assets; and (2) weak credit metrics along with fair sources of funding.

The rating also reflects a high likelihood of support from the Zoucheng Municipal Government when needed, which is based on the Company's (1) direct ownership and ultimate control by the Zoucheng Municipal Government; (2) regional importance in rural revitalization and agricultural development in Zoucheng City; and (3) solid track record of receiving support from the local government including subsidies, capital injections and asset transfers.

Corporate Profile

Established in January 2018, SDZC is a key local state-owned enterprise ("SOE") mainly operating in Zoucheng City, a county-level city in Jining City. The Company is positioned as a key entity in rural revitalization and agricultural development in Zoucheng City, with different business scopes covering agriculture-related trade, storage, infrastructure construction and industrialization, along with other businesses including land consolidation, and leasing. In December 2024, Finance Bureau of Zoucheng City transferred its 43.31% equity stake in the Company to a local state-owned enterprise("SOE"), Shandong Honghe Holding Group Co., Ltd. In June 2025, due to government planning, four subsidiaries were carved out from the Company, and the Company discontinued its real estate business. As of 31 March 2026, Finance Bureau of Zoucheng City was the ultimate controller of SDZC.

Rating Rationale

Credit Strengths

Strong regional competitiveness in markets for agriculture-related operations. SDZC is one of the key SOEs in Zoucheng City and focuses on agricultural development, including grain and oil trading and reserves, agricultural industrial park construction, and agricultural infrastructure development, with a certain degree of regional exclusivity. The Company has strong regional competitiveness and stable market shares in those sectors by the support of local government.

High likelihood of receiving support from the Zoucheng Municipal Government. Since SDZC's establishment, the local government transferred various state-owned equity and assets to the Company, broadening its business scope as well as enhancing operating and capital strength. SDZC is also responsible for policy-oriented grain storage that guarantee food supply in Zoucheng City and received financial subsidies to support its grain reserve business due to the public welfare nature. Due to the Company's involvement in agricultural infrastructure projects, it has also received special government bonds over the past few years. Overall, the solid track record of government support indicates the government's strong propensity to support the Company in the future.

Credit Challenges

Moderate revenue scale with low yield on assets. The Company recognized a total revenue of RMB145.5 million in 2025, with a year-on-year increase of 18.1%. The Company's EBIT margin increased significantly to 70.3% in 2025, mainly due to changes in accounting standards. However, SDZC's return on assets remained relatively low at 1.2%. The low return on assets primarily due to the Company's substantial non-income-generating assets. Although some low-yielding assets were derecognized in 2025, the Company still holds a large volume of non-revenue-generating or low-yield assets.

Weak credit metrics along with fair sources of funding. SDZC's stand-alone debt servicing metrics are weak given its moderate profitability. Due to the deconsolidation of subsidiaries, SDZC's cash-to-revenue ratio stood at a moderate level of 0.6x in 2025. Meanwhile, its FFO/total debt ratio decreased to -0.1% in 2025 due to the ongoing investment in project construction. Meanwhile, the Company's access to financing is moderate, with bank borrowing and non-standard financing products.

Rating Outlook

The stable outlook on SDZC rating reflects our expectation that the Company will maintain its regional competitiveness and importance in agricultural development in Zoucheng City over the next 12-18 months. We also expect the Company will continue to receive solid support from the local government.

What could upgrade the rating?

The rating could be upgraded if (1) the likelihood of government support for the Company improves; or (2) the Company's stand-alone credit profile improves significant, such as improvement in asset profitability and debt servicing capability.

What could downgrade the rating?

The rating could be downgraded if (1) the likelihood of government support for the Company decreases; or (2) the Company's stand-alone credit profile weakens significantly, such as a deterioration in financial leverage and liquidity position.

Rating Methodology

The methodology used in this rating is the Rating Methodology for General Corporate (May 2026).

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