

## Credit Opinion

18 August 2025

Ratings	
Category	Corporate
Domicile	China
Rating Type	Solicited Rating
Long-Term Credit Rating	BBB <sub>g</sub> -
Outlook	Stable

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## Zoucheng Limin Construction Development Group Co., Ltd.

### Surveillance credit rating report

**CCXAP affirms Zoucheng Limin Construction Development Group Co., Ltd.'s long-term credit rating at BBB<sub>g</sub>-, with stable outlook.**

### Summary

The BBB<sub>g</sub>- long-term credit rating of Zoucheng Limin Construction Development Group Co., Ltd. ("ZCLM" or the "Company") reflects Zoucheng City Government's strong capacity to provide support and its 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 due to the ongoing investment 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 construction of Zoucheng City
- Good track record of receiving government support
- High exposure to commercial activities due to the ongoing investment on property development projects and self-operated projects
- Increasing debt burden and moderate asset 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

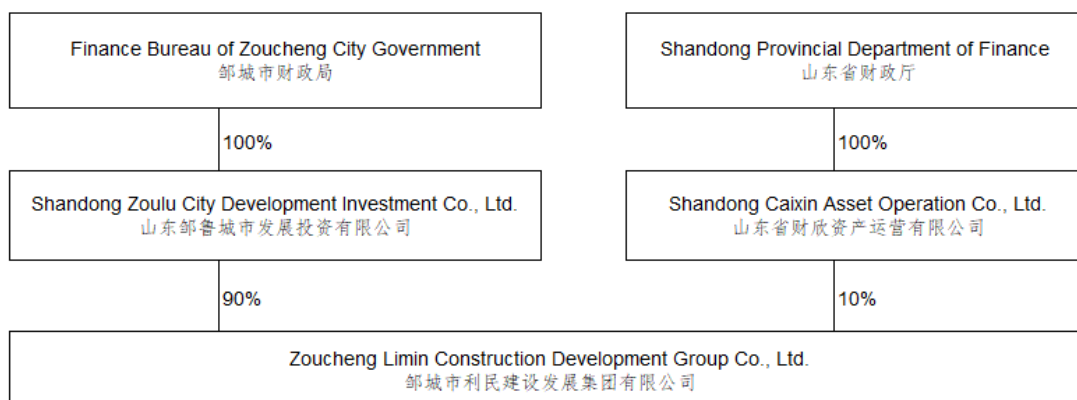
	2022FY	2023FY	2024FY
Total Asset (RMB billion)	21.2	22.2	25.1
Total Equity (RMB billion)	8.2	8.7	8.7
Total Revenue (RMB billion)	1.6	1.8	1.4
Total Debt/Total Capital (%)	50.2	48.9	56.8

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

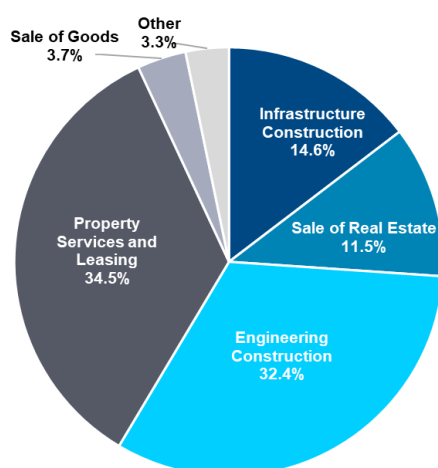
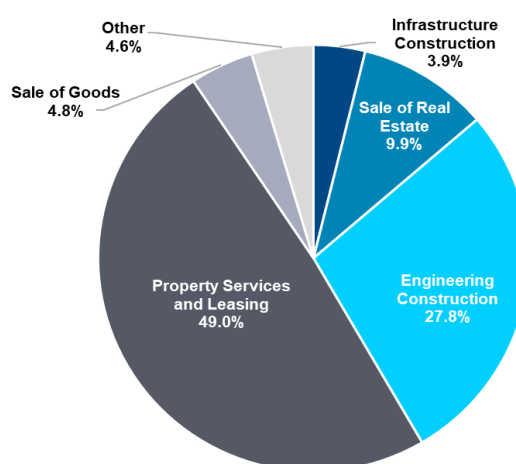
Source: Company data, CCXAP research

## 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 product sales. As of 30 June 2025, 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 June 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 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 by China Center for Information Industry Development ("CCID") in China in 2024.

Shandong Province is the third largest province in China by GRP, with a solid industrial foundation for 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. Over the past three years, Jining City's economic strength and fiscal strength had been steadily improved thanks to its diversified industrial structure, which includes coal mining, machinery and equipment manufacturing, paper and paper products, chemical industry goods, and textiles. In 2024, Jining City reported a GRP of RMB586.7 billion, representing 5.8% year-over-year ("YoY") growth and ranking 6th among 16 prefecture-level cities in Shandong Province. However, Jining City has moderate fiscal metrics and a moderate debt profile. The Jining Municipal Government's general budgetary revenue was

RMB49.6 billion in 2024, and its fiscal balance ratio (general budgetary revenue/general budgetary expenditure) was around 60% over the past three years. Tax incomes slightly decreased to RMB31.1 billion in 2024 from RMB32.4 billion in 2023, accounting for 62.7% of its general budgetary revenue. As of 31 December 2024, its government debt to GRP ratio was 34.4%.

#### Exhibit 4. Key economic and fiscal indicators of Jining City

	2022FY	2023FY	2024FY
GRP (RMB billion)	531.7	551.6	586.7
GRP Growth (%)	4.4	6.5	5.8
General Budgetary Revenue (RMB billion)	44.8	47.5	49.6
General Budgetary Expenditure (RMB billion)	74.7	78.3	80.0
Local Government Debt (RMB billion)	151.4	171.4	201.6

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 46th among CCID's Top 100 Counties in China in 2024, 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 RMB110.4 billion in 2024, accounting for 18.8% of Jining City's GRP. Zoucheng City Government's general budgetary revenue has also grown for consecutive years. In 2024, its general budgetary revenue increased by 5.5% YoY to RMB9.6 billion, of which tax revenue accounted for 56.0% of its general budgetary revenue, indicating relatively good fiscal quality. Meanwhile, Zoucheng City Government has good financial self-sufficiency with average fiscal balance ratios above 100% over the past three years. As of 31 December 2024, the outstanding government debt of Zoucheng City Government was RMB15.3 billion, accounting for 13.9% of its GRP.

#### Exhibit 5. Key economic and fiscal indicators of Zoucheng City

	2022FY	2023FY	2024FY
GRP (RMB billion)	100.9	104.1	110.4
GRP Growth (%)	5.0	7.0	6.2
General Budgetary Revenue (RMB billion)	8.6	9.1	9.6
General Budgetary Expenditure (RMB billion)	8.5	9.1	9.1
Local Government Debt (RMB billion)	10.3	11.6	15.3

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 construction in Zoucheng City

There are five major LIIFCs in Zoucheng City under the control of the Zoucheng City Government. Each of them has a clear position under the government's planning. Zoucheng Urban Assets Holding Group Co., Ltd. ("ZCUA")

is mainly responsible for infrastructure construction, public services and state-owned assets management in Zoucheng City. Shandong Zhengfang Holding Group Co. Ltd. (“SDZF”) is responsible for infrastructure construction especially the Zoucheng City Economic Development Zone, and public services in Zoucheng City. 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 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 2024, the Company had completed 18 major infrastructure projects, with total investment of RMB5.8 billion. At the same time, the Company had 10 infrastructure projects under construction, including industrial parks, sewage diversion project, and old residential community renovation project. These projects have a total investment of RMB2.1 billion and uninvested amount of RMB962.0 million. Despite sustainable business development and relatively sufficient project reserves, the payment of the construction projects under the agency construction model is lagging. As of 31 December 2024, ZCLM had received payments of RMB301.0 million from the local government. In addition, ZCLM had 3 projects under planning, with total investment of RMB2.7 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-2024, the Company had completed 7 major self-operated projects, with total investment of RMB2.3 billion. Meanwhile, the Company had 2 self-operated projects under construction, with a total investment of RMB1.7 billion and an outstanding amount of RMB284.0 million. The projects under construction are the Vocational Education Park and the Medical and Nursing Rehabilitation Center, which have received government special bonds of RMB274.0 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 2024, 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 369,600 square meters, of which 278,400 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**

ZCLM engages in various commercial activities including property development, property management, project construction, landscaping, sale of goods 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 2024, the Company had 2 commercial housing projects under construction, with an uninvested amount of RMB1.1 billion. Meanwhile, the Company had 3 housing projects on sale during the same period, with a total investment of RMB1.5 billion, and a sales absorption rate of over 90.0%. Moreover, the Company had received RMB1.8 billion of sales repayments from these housing projects as of end-2024.

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 has two Class III qualifications for general contracting of highway engineering construction and municipal public works through 2 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 2024, the Company had 21 projects in hand, representing RMB4.3 billion of contract value. In 2024, this business segment generated RMB416.7 million in revenue, with a gross profit margin of 22.4%.

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 2024, the Company had realized RMB173.0 million of leasing revenue, with a gross profit margin of 53.6%. Most of the Company's office buildings were lease out, with an occupancy rate of over 90.0%. 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 million with a lease term from 2022 to 2026. In addition, ZCLM also had one self-operated infrastructure upgrading project under planning as of end-2024, with a total investment of RMB480.0 million. Overall, as of end-2024, the Company had investment properties with a book value totaling around RMB3.5 billion, accounting for around 14.0% 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 span multiple sectors including residential communities, office buildings, and domestic services, currently serving 54,100 households and over 30 office buildings. As of 31 December 2024, 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 RMB269.0 million in 2024, accounting for 18.6% of the Company's total revenue.

Furthermore, ZCLM has expanded its business scope to commodity sales business in 2022. The main products of this business are steel, ore and silt. 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 RMB47.3 million, down by 65.4% as compared to 2023. The large revenue reduction was mainly due to the change of local government's planning for river sand dredging progress.

### **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. From 2023 to 2024, the Company received a total of RMB0.3 million in financial subsidies. In 2022, the local government transferred RMB844.0 millions of seedling assets and allocated RMB222.0 million in cash as ZCLM's capital reserves, enhancing its capital strength and bringing additional income. The Company also received special bonds from the local government with total amount of RMB551.4 million to support its infrastructure construction business from 2023 to 2024. 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 a relatively large scale of outstanding short-term debts. From 2022 to 2024, the Company's total debt increased to RMB11.5 billion from RMB8.3 billion while its total capitalization ratio (total debt/total capital) increased to 56.8% from 50.2% over the same period. In addition, the Company has been facing certain liquidity pressure as its short-term debt accounted for 41.1% of total debt at the end of 2024. The debt due within 2025 amounted to RMB4.7 billion and the unrestricted cash to short-term debt ratio was around 0.1x, indicating relatively large short-term debt repayment pressure. 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 asset together accounted for around 66.0% of the Company's total asset as of end-2024. 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 RMB2.1 billion with limited asset returns. Additionally, the Company's other receivables include RMB63.0 million in loans extended to private-owned enterprises, with the primary borrower being Zoucheng Yuansheng Real Estate Co., Ltd. This borrower has been listed as a discredited entity subject to enforcement, and the Company has made a bad debt provision of RMB2.7 million against this exposure. As of 31 December 2024, the book value of the restricted assets reached RMB5.0 billion, accounting for around 20.0% of total assets. These assets mainly consist of investment properties and mining rights. Moderate asset liquidity may also undermine the Company's financing flexibility.

### **Fair access to funding with moderate 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 41.7% and 38.9% 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 2024, the Company had total bank facilities of RMB6.1 billion, with an unutilized amount of RMB618.0 million, with limited standby liquidity. Moreover, ZCLM has access into both the offshore and onshore debt capital market. From 2024 to July 2025, the Company and its subsidiary had together issued RMB2.5 billion of offshore bond and RMB1.7 billion of onshore bond, optimizing its financing structure. The Company has decreased its non-standard financing scale recently, with non-standard financing accounted around 9.0% of total debt as of 31 December 2024. 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 change 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 2024, the Company's outstanding external guarantees amounted to RMB4.2 billion, accounting for 47.5% of its net assets. Despite the relatively large amount of guarantee, all of the guarantee were provided to local SOEs in Zoucheng City. The Company's top three external guarantees accounted for 69.8% of the total guarantee amount, with Shandong Zhicheng Agriculture Development Group Co., Ltd. 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

	<b>Zoucheng Limin Construction Development Group Co., Ltd.</b>	<b>Shandong Zhicheng Agricultural Development Group Co., Ltd.</b>	<b>Zoucheng Urban Assets Holding Group Co., Ltd.</b>	<b>Shandong Zhengfang Holding Group Co., Ltd.</b>
Long-Term Credit Rating	BBB <sub>g</sub> -	BBB <sub>g</sub> -	BBB <sub>g</sub>	BBB <sub>g</sub>
Shareholder	Zoucheng Zoulu City Development Investment Co., Ltd. (90%); Shandong Caixin Asset Operation Co., Ltd. (10%)	Finance Bureau of Zoucheng City (100%)	Finance Bureau of Zoucheng City (100%)	Finance Bureau of Zoucheng City (76.51%); Agricultural Development Infrastructure Fund Co., Ltd. (23.49%)
Positioning	Key entity in infrastructure construction in Zoucheng City, especially the Mencius Lake New District	Key entity in agricultural development in Zoucheng City	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)	25.1	12.6	59.5	20.0
Total Equity (RMB billion)	8.7	8.1	21.0	7.8
Total Revenue (RMB billion)	1.4	0.5	8.9	2.4
Total Debt/Total Capital (%)	56.8	33.1	57.6	49.3

All ratios and figures are calculated using CCXAP's adjustments based on financial data as of 31 December 2024.

Source: CCXAP research

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