

# Zoucheng Xingcheng Industrial Development Group Co., Ltd.

## Summary

Issuer Rating	BBB-
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	16 December 2025

Lianhe Ratings Global Limited (“Lianhe Global”) has affirmed ‘BBB-’ global scale Long-term Issuer Credit Rating of Zoucheng Xingcheng Industrial Development Group Co., Ltd. (“ZXID” or “the company”); Issuer Rating Outlook Stable

## Summary

The Issuer Credit Rating reflects a high possibility that the People’s Government of Zoucheng City (“the Zoucheng government”) would provide strong support to ZXID if needed. This mainly considers the Zoucheng government’s indirect full ownership of ZXID and the company’s strategic importance as an important local investment and development company (“LIDC”) responsible for industrial operation and cultural tourism in Zoucheng City (“Zoucheng”). The linkage between the local government and ZXID is strong, including management supervision, strategic alignment and ongoing operational and financial support. In addition, the local government may face significant negative impact on its reputation and financing activities if ZXID encounters any operational and financial difficulties.

Zoucheng is a county-level city directly under the jurisdiction of Shandong Province and administered by Jining City. Zoucheng’s GDP grew steadily by 6.2% to RMB110.4 billion in 2024, while the Zoucheng government’s budgetary revenue increased by 5.5% to RMB9.6 billion.

The Stable Outlook reflects our expectation that ZXID’s strategic importance would remain intact while the local government will continue to ensure ZXID’s stable operation.

## Rating Rationale

**Government’s Ownership and Supervision:** Zoucheng State-owned Assets Supervision and Administration Bureau (“the Zoucheng SASAB”), as the ZXID’s actual controller, holds 100% of the company’s ownership through Zoucheng Shengcheng Cultural and Tourism Group Co., Ltd. (“ZCSCT”; ‘BBB’/Stable). The Zoucheng government has the final decision-making authority and strong supervision over the company, including appointment and supervision of the senior management, strategic alignment and decision on its major investment and financing plan decisions. In addition, the Zoucheng government has assessment mechanism over the company and regularly appoints auditors to review the company’s operating performance and financial position.

**Strategic Importance and Strategic Alignment:** ZXID is an important LIDC that is responsible for industrial operation and cultural tourism in Zoucheng. As ZCSCT’s key subsidiary, the company owns and operates major 4A scenic spots in Zoucheng, including Yi Mountain Scenic Area, Meng Yuan, and Ming Prince Lu’s Mausoleum. ZXID plays an important role in promoting Zoucheng’s tourism industry development, which is a key task of the Zoucheng government according to its development plans. ZXID’s business operation and strategic planning have been aligned with the Zoucheng government’s development plans.

**Strong Government Support:** ZXID received ongoing support from the Zoucheng government via ZCSCT. The local government transferred scenic spots and other state-owned assets valued at RMB4.6 billion between 2022 and the first half of 2025. In addition,

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## Applicable Criteria

*China Local Investment and Development Companies Criteria* (31 July 2025)

the company received cash capital injection of RMB200 million in 2024. The government support has enhanced ZXID's equity base and ability to promote local industry and cultural tourism development. We expect ZXID to receive ongoing support from the Zoucheng government in future considering its strategic importance in Zoucheng.

**ZXID's Financial Matrix and Liquidity Position:** ZXID's asset size grew steadily to RMB6.0 billion at end-June 2025 from RMB4.8 billion at end-2023, as the company continuously received assets and capital injections from the Zoucheng government. Its total debt also expanded to RMB541 million from RMB152 million over the same period. Its financial leverage, as measured by the debt to capitalization ratio, increased to 9.6% at end-June 2025 from 3.2% at end-2023.

ZXID's short-term debt repayment pressure was moderately high. At end-June 2025, the company had unrestricted cash of RMB158 million, compared with debts due within one year of RMB502 million. Yet ZXID has access to various financing channels, including bank borrowings, bond issuances, and other non-traditional financings, to support its debt repayments and business operations. At end-June 2025, the company had total credit lines of RMB795 million, with unused credit lines of RMB50 million. In addition, we expect the company to roll-over its short-term bank borrowings (end-June 2025: RMB498 million) and receive timely government support if needed.

## Rating Sensitivities

We would consider downgrading ZXID's rating if (1) there is perceived weakening in support from the Zoucheng government, particularly due to its reduced strategic importance, or (2) there is a significant reduction of the Zoucheng government's ownership of ZXID, or (3) there is a downgrade in our internal credit assessment on the Zoucheng government.

We would consider upgrading ZXID's rating if (1) there is strengthened support from the Zoucheng government, or (2) there is an upgrade in our internal credit assessment on the Zoucheng government.

## Operating Environment

### Economic Condition of Zoucheng

Zoucheng is a county-level city directly under the jurisdiction of Shandong Province and administered by Jining City. In 2024, It was ranked 69th among top 100 counties in China. Zoucheng has a strong industrial base with well-developed coal and electricity industries. In addition, it is actively promoting its tourism industry development by leveraging its profound cultural background as the birthplace of Mencius, a famous Chinese ancient thinker and educator. Zoucheng's GDP grew steadily by 6.2% to RMB110.4 billion in 2024, while its fixed asset investment grew strongly by 9.9%.

<b>Zoucheng City's Economic Condition</b>			
<b>(RMB billion)</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
GDP	100.9	104.1	110.4
-Primary industry (%)	6.8	6.9	6.2
-Secondary industry (%)	45.7	45.7	44.1
-Tertiary industry (%)	47.5	47.4	49.4
GDP growth rate (%)	5.0	7.0	6.2
Fixed asset investment growth rate (%)	-9.0	6.3	9.9
Population (million)	1.2	1.1	1.1

Source: Statistical Bureau of Zoucheng City and Lianhe Global's calculations

## Fiscal Condition of Zoucheng City

The Zoucheng government's budgetary revenue increased steadily by 5.5% to RMB9.6 billion, with a budget surplus of 6.5% in 2024. The government fund income, mainly generated from land use rights transfers, also increased to RMB2.6 billion in 2024 from RMB2.3 billion in 2023.

Its outstanding debt of the Zoucheng government kept a fast growth between 2022 and 2024, increasing from RMB10.3 billion to RMB15.4 billion, which was mainly due to the increase in special purpose debts to support its public projects. Its government debt ratio, as measured by the total debt over aggregate revenue, increased from 77.7% in 2022 to 108.7% in 2024.

<b>Zoucheng City's Fiscal Condition (RMB billion)</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Budgetary revenue	8.6	9.1	9.6
Budgetary revenue growth rate (%)	1.8	6.5	5.5
Tax revenue	5.2	5.7	5.4
Tax revenue (% of budgetary revenue)	60.4	62.4	56.0
Government fund income	2.9	2.3	2.6
Transfer payment	1.6	1.3	1.7
<b>Aggregate revenue</b>	<b>13.2</b>	<b>12.7</b>	<b>14.1</b>
Budgetary expenditure	8.5	9.1	9.0
Budget balance <sup>1</sup> (%)	1.1	-0.1	6.5
Government debt ratio (%)	77.7	91.2	108.7

<sup>1</sup> Budget balance = (1-budgetary expenditure / budgetary revenue) \* 100%

Source: Finance Bureau of Zoucheng City, Statistical Bureau of Zoucheng City and Lianhe Global's calculations

## Company Profile

ZXID was established in December 2014 by ZCSCT with registered capital of RMB2 million. In December 2023, ZCSCT allocated most of its scenic spot assets to ZXID. In April 2024, the company's registered capital was enlarged to RMB200 million. The Zoucheng SASAB, as the ZXID's actual controller, holds 100% of the company's ownership through ZCSCT.

The company is an important LIDC that is responsible for industrial operation and cultural tourism in Zoucheng. ZXID's main business income sources are cultural tourism operation business, hotel operation business, educational service business, etc. The total revenue of ZXID was RMB312.1 million, 372.1 million and 259.2 million in 2023, 2024 and the first half of 2025, respectively, representing an upward trend. The gross profit margin fluctuated between 36.0% and 38.0%.

<b>Key Financial Data (RMB million)</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025.6</b>
Total Assets	127	4,777	5,281	5,964
Equity	12	4,575	5,050	5,107
Debt	54	152	202	541
Debt / (Debt + Equity) (%)	82.0	3.2	3.9	9.6
Unrestricted cash/ST Debts (x)	0.1	0.0	0.3	0.3
Debt/EBITDA (x)	-	0.8	0.9	-
Revenue	25	312	372	259
Operation Profit	-15	79	98	76
Gross Margin (%)	-20.1	37.6	36.8	36.2
Cash from sales or services/ Revenue (%)	97.4	93.4	92.7	78.9

Source: ZXID and Lianhe Global's calculations

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