

Zoucheng City Shengcheng Culture and Tourism Group Co., Ltd.

Lianhe Ratings Global Limited (“Lianhe Global”) has affirmed ‘BBB’ global scale Long-term Issuer Credit Rating of Zoucheng City Shengcheng Culture and Tourism Group Co., Ltd. (“ZCSCT”); Issuer Rating Outlook is Stable

Summary

The Issuer Credit Rating reflects a high possibility that the People’s Government of Zoucheng City (“the Zoucheng government”) would provide very strong support to ZCSCT if needed. This mainly considers the Zoucheng government’s full ownership of ZCSCT and ZCSCT’s strategic importance as the only local investment and development company (“LIDC”) that is responsible for cultural tourism development in Zoucheng. In addition, the linkage between the Zoucheng government and ZCSCT is strong, including management supervision, strategic alignment, and ongoing operational and financial support. We believe the Zoucheng government has a very strong willingness to prevent ZCSCT from encountering any operational or financial difficulties in order to safeguard its reputation and financing activities.

Zoucheng is a county-level city in Shandong, managed by Jining City. It is one of top 100 counties in China. Zoucheng’s GDP grew by 5.8% to RMB112.9 billion in 2025, while the Zoucheng government’s budgetary revenue grew by 4.0% to RMB10.2 billion.

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

Rating Rationale

Government’s Ownership and Supervision: Zoucheng State-owned Assets Supervision and Administration Bureau (“the Zoucheng SASAB”) directly holds 100% shares of ZCSCT, and is the company’s actual controller. The Zoucheng government has strong control and supervision over the company, including appointment of its senior management, decision on its strategic development, investment plan and major funding decisions. In addition, the Zoucheng government has assessment mechanism over the company and appoints auditors to supervise the operating performance and financials on a periodic basis.

Strategic Importance and Strategic Alignment: ZCSCT is the only LIDC that is responsible for development and operation of tourist attractions in Zoucheng. The company develops and operates key cultural tourism projects, including Yi Mountain Scenic Area, Meng Yuan and Taiping National Wetland. ZCSCT’s strategic focus reflects its alignment with the Zoucheng government’s policy priorities, as the cultural tourism sector is integral to the city’s economic and social development plans.

Strong Government Support: In 2023, the Zoucheng government injected an array of assets such as tourist attractions, state-owned properties, lands, reservoirs and other local SOEs and LIDCs’ equity valued at RMB8.0 billion into ZCSCT, largely enhancing the company’s equity base and revenue sources. In addition, the company received ongoing operational subsidies totaling RMB357 million between 2022 and the first nine months of 2025. We expect the support from the local government to remain intact given ZCSCT’s strategic importance.

Summary

Issuer Rating	BBB
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	17 March 2026

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Applicable Criteria

[China Local Investment and Development Companies Criteria \(31 July 2025\)](#)

ZCSCT's Financial Liquidity Position: ZCSCT's balance sheet expanded to RMB15.0 billion in total assets at end-September 2025 (from RMB13.2 billion at end-2023), reflecting continued execution of cultural tourism projects. Total debt increased significantly to RMB4.9 billion from RMB2.3 billion over the same period as the company funded asset expansion primarily through borrowings. Yet its financial leverage, as measured by debt-to-capitalization, remained manageable at 33.4%, supported by prior large-scale capital injections from the local government.

However, ZCSCT's asset liquidity is weak, reflecting an asset base dominated by government-injected assets, portion of which lack formal title documentation. Its short-term debt servicing pressure remains elevated. At end-September 2025, the company had a cash balance of RMB346 million (including restricted cash of RMB180 million), against debt maturities within one year of RMB1.7 billion. This is partially mitigated by RMB1,263 million undrawn credit lines, expectation of rolling-over its short-term bank (end-September 2025: RMB1,357 million) and receiving timely government support if needed.

Rating Sensitivities

We would consider downgrading ZCSCT'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 ZCSCT, or (3) there is a downgrade in our internal credit assessment on the Zoucheng government.

We would consider upgrading ZCSCT's rating if 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 in Shandong Province, managed by Jining City. In 2025, 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 economy has expanded steadily over the past three years, with GDP reaching RMB112.9 billion in 2025. However, the pace of growth has moderated, with the annual GDP growth rate declining to 5.8% in 2025 from 7.0% in 2023. In addition, its fixed asset investment contracted by 4.5% in 2025, weighed down by a continued deceleration in real estate investment.

Zoucheng's Economic Condition			
(RMB billion)	2023	2024	2025
GDP	104.1	110.4	112.9
-Primary industry (%)	6.9	6.5	6.5
-Secondary industry (%)	45.7	44.1	42.6
-Tertiary industry (%)	47.4	49.4	51.0
GDP growth rate (%)	7.0	6.2	5.8
Fixed asset investment growth rate (%)	6.3	9.9	-4.5
Population (million)	1.1	1.1	1.1

Source: Statistical bureau of Zoucheng and Lianhe Global's calculations

Fiscal Condition of Zoucheng

Zoucheng's budgetary revenue reached RMB10.0 billion in 2025, with growth decelerating to 4.0% from 5.5% in 2024. The fiscal balance deteriorated, swinging from a surplus of 6.5% in 2024 to a deficit of 5.2% in 2025. Nonetheless, growth in government fund income and increased transfer payments from higher-level government provided offsets, lifting aggregate revenue to RMB15.4 billion from RMB14.1 billion in 2024.

The outstanding debt of the Zoucheng government kept a fast growth, increasing to RMB19.5 billion at end-2025 from RMB15.3 billion at end-2024, mainly due to the new issuance of special debts to support local public projects. Its fiscal debt ratio (total government debt outstanding/aggregate revenue) increased from 108.7% to 126.6% over the same period.

Zoucheng's Fiscal Condition			
(RMB billion)	2023	2024	2025
Budgetary revenue	9.1	9.6	10.0
Budgetary revenue growth rate (%)	6.5	5.5	4.0
Tax revenue	5.7	5.4	5.3
Tax revenue (% of budgetary revenue)	62.4	56.0	53.3
Government fund income	2.3	2.6	3.3
Transfer payment	1.3	1.7	2.1
Aggregate revenue	12.7	14.1	15.4
Budgetary expenditure	9.1	9.0	10.5
Budget balance ¹ (%)	-0.1	6.5	-5.2
Government debt ratio (%)	91.2	108.7	126.6

¹ Budget balance = (1-budgetary expenditure / budgetary revenue) * 100%

Source: Financial Bureau of Zoucheng and Lianhe Global's calculations

Company Profile

ZCSCT was established in July 2012 with an initial registered capital of RMB10 million. After an array of capital injections and equity transfers, the company's paid-in capital increased to RMB402 million at the end-September 2025. The Zoucheng SASAB, as the actual controller, holds 100% shares of ZCSCT.

ZCSCT is mainly responsible for the development and operation of tourist attractions in Zoucheng, with a strong regional franchise advantage. In addition, ZCSCT engages a variety of business segments, including water supply, reservoir maintenance, property leasing, hotel operation and education. The company's total revenue increased to RMB897 million in 2024 from RMB344 million in 2022. In the first nine months of 2025, it realized revenue of RMB1,455 million with a decent gross margin of 17.8%.

Key Financial Data				
(RMB million)	2022	2023	2024	2025.9
Total Assets	6,750	13,225	13,578	14,954
Equity	2,922	9,497	9,683	9,773
Debt	1,495	2,299	2,970	4,900
Debt / (Debt + Equity) (%)	33.8	19.5	23.5	33.4
Unrestricted cash/ST Debts (x)	0.01	0.02	0.04	0.10
Debt/EBITDA (x)	3.73	4.18	4.95	-
Revenue	344	836	897	1,455
Operation Profit	-329	92	127	124
Gross Margin (%)	24.7	34.4	33.3	17.8
Cash from sales or services/ revenue (%)	7.3	114.4	96.8	78.3

Source: The company and Lianhe Global's calculations

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