

# Lunan (Zaozhuang) Economic Development Investment Co., Ltd.

## Summary

Issuer Rating	BBB
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	15 April 2026

Lianhe Ratings Global Limited (“Lianhe Global”) has affirmed ‘BBB’ global scale Long-term Issuer Credit Rating of Lunan (Zaozhuang) Economic Development Investment Co., Ltd. (“LEDI”); Issuer Rating Outlook Stable

## Summary

The Issuer Credit Rating reflects a high possibility that the People’s Government of Zaozhuang City (“Zaozhuang government”) would provide strong support to LEDI if needed, in light of its majority ownership of LEDI, LEDI’s strategic importance as the key local investment and development company (“LIDC”) responsible for infrastructure construction and state-owned asset operation in Zaozhuang, and the linkage between the Zaozhuang government and LEDI, including supervision of the management and major investment and financing plan decisions, strategic alignment, and ongoing operational and financial support. In addition, we believe that the local government has a strong willingness to ensure LEDI’s business and financial viability in order to safeguard its reputation and local financing activities.

Zaozhuang is a prefecture-level city in Shandong and is located in the southern part of Shandong. Zaozhuang’s GDP grew by 5.7% to RMB250.3 billion in 2025, while its budgetary revenue grew by 4.5% to RMB20.0 billion over the same period.

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

## Rating Rationale

**Government’s Ownership and Supervision:** The Zaozhuang government is the actual controller of LEDI, holding 90% ownership through the Zaozhuang Administrative State-owned Assets Operation Center’s (“Zaozhuang ASAOC”) fully-owned subsidiary, Lunan Development Investment Holding (Zaozhuang) Group Co., Ltd. (“LDIHG”). The Zaozhuang government has the final decision-making authority and supervises the company, including supervision of the senior management and decisions on investment and financing plans. In addition, the Zaozhuang government has set up a performance assessment mechanism and regularly appoints auditors to review LEDI’s operating performance and financial position.

**Strategic Importance and Alignment:** LEDI, as a key LIDC in Zaozhuang, is primarily responsible for the investment, construction, and operation of infrastructure projects and supporting facilities across the region. The company’s main projects currently include water environment management, elderly care centers, and national defense education and training bases, reflecting its emphasis on ecological sustainability, social welfare, and specialized functional facilities. In addition, the company assumes various initiatives, including urban renewal, and real estate development projects. These highlight LEDI’s strategic role in promoting the economic and social development of Zaozhuang.

**Ongoing Government Support:** LEDI has received ongoing support from the Zaozhuang government, including the injections of capital and assets and subsidies to support LEDI’s

## Analysts

Joyce Huang, CFA  
(852) 3462 9586  
[joyce.huang@lhratingsglobal.com](mailto:joyce.huang@lhratingsglobal.com)

Rechel Chen  
(852) 3462 9589  
[rechel.chen@lhratingsglobal.com](mailto:rechel.chen@lhratingsglobal.com)

## Applicable Criteria

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

business operation. As a key entity for infrastructure construction and state-owned assets operation in Zaozhuang, we believe LEDI owns the advantage in acquiring related resources and projects, while government support will remain intact to ensure LEDI's business operation and development. In 2024 and the first nine months of 2025, LEDI received subsidies of RMB619 million and RMB11.4 million, respectively. That said, LEDI reported a decrease in its capital reserves in 2024, mainly due to the transfer of non-operating claims.

**LEDI's Financial Matrix and Liquidity:** LEDI's total assets fluctuated in recent years, with its asset structure shifting toward non-current assets. The majority of non-current assets were investment properties, while a large share of current assets consisted of less liquid inventories and other receivables, constraining overall liquidity. LEDI's total assets were RMB22.0 billion as of end-September 2025 with a financial leverage, measured by the debt-to-capitalization ratio, staying at 48.8%. As of end-September 2025, the company held RMB0.4 billion in cash, compared with RMB3.0 billion of debt to be due within one year. That said, LEDI has access to various financing channels, such as bank borrowings, bond issuance and non-traditional financing, with unused credit lines.

## Rating Sensitivities

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

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

## Full List of Issuance Ratings

- USD100 million 6.90% guaranteed bonds due 2028 ('BBB+')

## Operating Environment

### Economic Condition of Zaozhuang

Zaozhuang, a prefecture-level city in southern Shandong, has gradually transformed from a coal-dependent economy into a diversified modern industrial hub. Over time, the city moved beyond its reliance on coal to establish a broad industrial system focusing on advanced manufacturing, chemicals, new materials, energy, pharmaceuticals, and information technology.

Zaozhuang's GDP grew by 5.7% to RMB250.3 billion in 2025, decelerating from 6.0% growth in 2024. In 2025, the local economy continued its structural shift toward the tertiary sector, which rose to 54.0% of total GDP, from 52.8% in 2024, while the primary and the secondary industries marginally declined. Meanwhile, the fixed asset investment growth rate decelerated to 1.9% in 2025, compared with 5.7% in 2024.

<b>Zaozhuang's GDP and Fixed Asset Investment</b>			
<b>(RMB billion)</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
GDP	215.7	238.6	250.3
-Primary industry (%)	4.1	8.6	8.4
-Secondary industry (%)	38.2	38.6	37.6
-Tertiary industry (%)	52.5	52.8	54.0
GDP growth rate (%)	6.4	6.0	5.7

Fixed asset investment growth rate (%)	7.2	5.7	1.9
Population (million)	3.8	3.8	3.8

Source: Statistical Bureau of Zaozhuang and Lianhe Global's calculations

## Fiscal Condition of Zaozhuang

Zaozhuang's budgetary revenue grew by 4.5% to RMB20.0 billion in 2025, decelerating from 5.8% in 2024. The tax revenue ratio (of budgetary revenue) remained broadly stable at 61.0% in 2025. Government fund income declined to RMB28.7 billion in 2025, from RMB30.9 billion in 2024, amid the ongoing subdued property market.

The outstanding debt of the Zaozhuang government increased significantly to RMB111.0 billion at end-2025, from RMB94.1 billion at end-2024, mainly due to the new issuance of special-purpose debts to support local public projects. As a result, its government debt ratio, as measured by total government debt to aggregate revenue, increased to 167.9%, from 142.2% over the same period.

### Zaozhuang's Fiscal Condition

(RMB billion)	2023	2024	2025
Budgetary revenue	18.1	19.2	20.0
Budgetary revenue growth rate (%)	7.2	5.8	4.5
Tax revenue	11.6	11.7	12.2
Tax revenue (% of budgetary revenue)	64.2	61.3	61.0
Government fund income	32.4	30.9	28.7
Transfer payment	14.7	15.8	16.9
<b>Aggregate revenue</b>	<b>65.7</b>	<b>66.2</b>	<b>66.1</b>
Budgetary expenditure	35.2	35.4	36.9
Budget balance <sup>1</sup> (%)	-94.4	-85.0	-84.4

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

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

## Company Profile

LEDI was established in May 2008 with an initial registered capital of RMB400 million, funded by Zaozhuang ASAOC. After an array of equity transfers, LDIHG became the sole shareholder of the company, and the Zaozhuang government is the ultimate controller. The company's registered and paid-in capital were both RMB400 million at end-September 2025.

LEDI, as a key LIDC in Zaozhuang, mainly engages in infrastructure construction, real estate development, building materials sales and installation, leasing and other businesses in Zaozhuang. The company's revenue has shown volatility, largely driven by fluctuations in real estate sales. Due to the strong real estate project delivery and revenue recognition, LEDI reported substantial revenue increase in 2024 to RMB1.3 billion, with a gross margin of 34.3%.

### Key Financial Data

(RMB million)	2022	2023	2024	2025.9
Total Assets	20,926	24,915	23,069	22,030
Equity	10,746	10,876	8,651	7,490
Debt	5,379	6,768	7,793	7,132
Debt / (Debt + Equity) (%)	33.4	38.4	47.4	48.8
Unrestricted cash/ST Debts (x)	0.1	0.0	0.0	0.1
Debt/EBITDA (x)	23.5	27.5	15.7	-
Revenue	514	495	1,277	157
Operation Profit	116	98	131	-23



Gross Margin (%)	27.4	50.4	34.3	73.5
Cash from sales or services/ Revenue (%)	98.1	132.9	62.1	257.3

*Source: LEDI and Lianhe Global's calculations*

## Disclaimer

Credit rating and research reports published by Lianhe Ratings Global Limited (“Lianhe Global” or “the Company” or “us”) are subject to certain terms and conditions. Please read these terms and conditions at the Company’s website: [www.lhratingsglobal.com](http://www.lhratingsglobal.com)

A credit rating is an opinion which addresses the creditworthiness of an entity or security. Credit ratings are not a recommendation to buy, sell, or hold any security. Credit ratings do not address market price, marketability, and/or suitability of any security nor its tax implications or consequences. Credit ratings may be subject to upgrades or downgrades or withdrawal at any time for any reason at the sole discretion of Lianhe Global.

All credit ratings are the products of a collective effort by accredited analysts through rigorous rating processes. No individual is solely responsible for a credit rating. All credit ratings are derived by a credit committee vesting process. The individuals identified in the reports are solely for contact purpose only.

Lianhe Global conducts its credit rating services based on third-party information which we reasonably believe to be true. Lianhe Global relies on information generally including audited financial statements, interviews, management discussion and analysis, relevant third-party reports, and publicly available data sources to conduct our analysis and uses reasonable measures so that the information it uses in assigning a credit rating is of sufficient quality to support a credible credit rating. However, Lianhe Global has not conducted any audit, investigation, verification or due diligence. Lianhe Global does not guarantee the accuracy, correctness, timeliness, and/or completeness of the information. Credit ratings may contain forward-looking opinions of Lianhe Global which may include forecasts about future events which by definition are subject to change and cannot be considered as facts. Please see Lianhe Global’s website for the last rating action and the rating history. Please see Lianhe Global’s website for the methodologies used in determining ratings, further information on the meaning of each rating category, and the definition of default.

Under no circumstances shall Lianhe Global, its directors, shareholders, employees, officers and/or representatives or any member of the group of which Lianhe Global forms part be held liable to any party for any damage, loss, liability, cost, expense or fees in connection with any use of the information published by the Company.

Lianhe Global receives compensation from issuers, underwriters, obligors, or investors for conducting credit rating services for solicited ratings.

Credit ratings included in any rating report are disclosed to the rated entity (and/or its agents) prior to publishing. Credit rating and research reports published by Lianhe Global are not intended for distribution to, or use by, any person in any jurisdiction where such use would infringe local laws and regulations. Any user relying on information available through credit rating and research reports is responsible for consulting the relevant agencies or professionals accordingly to comply with the applicable local laws and regulations.

All published credit ratings and research reports are the intellectual property of Lianhe Global. Any reproduction, redistribution, or modification, in whole or part, in any form by any means is prohibited unless such user has obtained prior written consent from us.

Lianhe Global is a subsidiary of China Lianhe Credit Rating Co., Ltd. The credit committee of Lianhe Global has the ultimate power of interpretation of any methodology or process used in the Company’s independent credit ratings and research.

Copyright © Lianhe Ratings Global Limited 2026.