Zoucheng Hengtai Holding Group Co., Ltd.

Summary	
Issuer Rating	BBB+
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	13 July 2026

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Applicable Criteria

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

Lianhe Ratings Global Limited ("Lianhe Global") has upgraded the global scale Long-term Issuer and Issuance Credit Rating of Zoucheng Hengtai Holding Group Co., Ltd. ("ZHHG") to 'BBB+' from 'BBB'; Issuer Rating Outlook Stable

Summary

The Issuer Credit Rating upgrade reflects the upgrade in our internal credit assessment on the People's Government of Zoucheng City ("the Zoucheng government") and the expectation of a continuing high possibility that the Zoucheng government would provide very strong support to ZHHG if needed.

This mainly considers the Zoucheng government's indirect full ownership of ZHHG and ZHHG's strategic importance as the key local investment and development company ("LIDC") that is responsible for affordable housing construction in Shandong's Zoucheng City ("Zoucheng"). In addition, the linkage between the Zoucheng government and ZHHG is strong, including management supervision, strategic alignment, and ongoing operational and financial support. We believe the Zoucheng government has a very strong willingness to ensure ZHHG's business and financial viability in order to safeguard its reputation and local financing activities.

Zoucheng is a county-level city in Shandong, administered by Jining City. It is one of the top 100 counties in China. Zoucheng's GDP grew significantly by 5.8% to RMB112.9 billion in 2025, while the Zoucheng government's budgetary revenue grew steadily by 4.0% to RMB10.0 billion.

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

Lianhe Global has also upgraded the global scale Long-term Issuance Credit Rating of the senior unsecured bonds issued by ZHHG at the same time. A full list of issuance ratings is included in this report.

Rating Rationale

Government's Ownership and Supervision: Zoucheng State-owned Assets Supervision and Administration Bureau ("the Zoucheng SASAB") indirectly holds 100% of ZHHG's shares and serves as the company's actual controller. The Zoucheng government maintains strong control and supervision over ZHHG through its authority over senior management appointments, strategic development, investment planning and major financing decisions. It also applies an assessment mechanism and appoints auditors to review the company's operating performance and financial position on a periodic basis.

Strategic Importance and Strategic Alignment: ZHHG remains a key LIDC in Zoucheng, supported by its stable public-policy mandate and close alignment with the municipal government's urban and industrial development agenda. It plays an important role in affordable housing development, livelihood improvement and urban renewal. ZHHG continues to conduct land acquisition and demolition for government-designated sites under Zoucheng's old-city redevelopment, urban-village renovation and affordable housing plans. It also undertakes related resettlement and affordable housing projects, while participating in selected infrastructure construction projects in the city. In addition, ZHHG has broadened its business scope, with current initiatives mainly focused on the low-altitude economy and new energy sectors to support Zoucheng's industrial development.

Strong Government Support: ZHHG receives ongoing government support in the form operational subsidies, capital injections and asset injections. The Zoucheng government injected cash capital of RMB1,000 million and RMB355 million into ZHHG in 2023 and 2024, respectively. In 2025, it transferred assets including reservoirs, advertising operating rights and equity interests in state-owned enterprises to ZHHG, with a total value of RMB1,419 million. We expect the support from the local government to remain intact given ZHHG's strategic importance.

ZHHG's Financial and Liquidity Position: ZHHG's asset size increased steadily to RMB15.8 billion at end-2025 from RMB14.3 billion at end-2024, as the company actively participated in social housing development in Zoucheng. Total debt increased significantly to RMB6.2 billion from RMB4.8 billion over the same period as the company funded asset expansion through borrowings. Yet its financial leverage, as measured by debt-to-capitalization, remained manageable at 47.2%, supported by prior large-scale capital and asset injections from the local government.

ZHHG's short-term debt servicing pressure is moderately high. At end-2025, the company had a cash balance of RMB1,391 million (including restricted cash of RMB824 million), against debt maturities within one year of RMB2.0 billion. This is partially mitigated by RMB1,583 million undrawn credit lines, expectation of rolling over its short-term bank borrowings (end-2025: RMB790 million) and receiving timely government support if needed.

Rating Sensitivities

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

We would consider upgrading ZHHG's rating if there is an upgrade in our internal credit assessment on the Zoucheng government.

Full List of Issuance Ratings

A full list of issuance ratings is included below. Any rating action on ZHHG's rating would result in a similar rating action on the bonds:

- CNY714 million 6.7% senior unsecured notes due 2028 upgraded to 'BBB+'

Operating Environment

Economic Condition of Zoucheng

Zoucheng is a county-level city in Shandong Province, administered by Jining City. In 2025, It was ranked 67th among China's top 100 counties. 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	6.4
-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 continued to grow rapidly, increasing to RMB19.5 billion at end-2025 from RMB15.3 billion at end-2024, mainly due to the new issuance of special-purpose debts to support local public projects. Its government 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

ZHHG was established in September 2017 with an initial registered capital of RMB100 million, funded by Zoucheng SASAB. Following multiple capital injections, ZHHG's paid-in capital was enlarged to RMB1.8 billion at end-2025. Zoucheng SASAB, as the actual controller, indirectly holds 100% of ZHHG's shares.

ZHHG, as an important LIDC in Zoucheng, is mainly responsible for social housing development within the region, with a strong regional advantage. The company's business scope has further expanded to sales of building materials and property leasing and property management.

ZHHG's revenue declined by 23.4% to RMB221 million in 2025 from RMB288 million in 2024, mainly due to the timing of housing deliveries. Nevertheless, the company maintained a relatively high gross margin of 27.9%, indicating that profitability remained stable despite the revenue contraction.

Key Financial Data

(RMB million)	2023	2024	2025
Total Assets	11,856	14,324	15,767
Equity	5,993	6,005	6,939
Debt	3,650	4,818	6,194
Debt / (Debt + Equity) (%)	37.8	44.5	47.2
Unrestricted cash/ST Debts (x)	0.1	0.3	0.3
Debt/EBITDA (x)	18.7	38.9	52.3
Revenue	813	288	221
Operating Profit	112	3	8
Gross Margin (%)	19.0	23.9	27.9
Cash from sales or services/ revenue (%)	73.7	187.2	198.4

Source: The company and Lianhe Global's calculations

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