Zhanjiang City Development Group Co., Ltd.

Summary	
Issuer Rating	A
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	27 November 2026

Lianhe Ratings Global Limited ("Lianhe Global") has assigned 'A' global scale Long-term Issuer Credit Rating to Zhanjiang City Development Group Co., Ltd. ("ZCDG"); Rating Outlook Stable

Summary

The Issuer Credit Rating reflects a high possibility that the People's Government of Zhanjiang City, Guangdong Province ("Zhanjiang government") would provide very strong support to ZCDG if needed. This mainly considers its direct full ownership of ZCDG and ZCDG's strategic importance as the largest local investment and development company ("LIDC") by asset size in Guangdong's Zhanjiang City. The linkage between the local government and ZCDG is strong, including management supervision, strategic alignment and ongoing operational and financial support. In addition, we believe the local government has a very strong willingness to ensure ZCDG's business and financial viability in order to safeguard its reputation and financing activities.

Zhanjiang is a prefecture-level city in Guangdong Province, and a designated provincial sub-center city. Zhanjiang's GDP grew by 4.5% to RMB395.3 billion in 2025, while the Zhanjiang government's budgetary revenue reached RMB21.5 billion, representing a robust year-over-year growth of 6.9%.

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

Rating Rationale

Government's Ownership and Supervision: ZCDG is wholly and directly owned by the Zhanjiang State-owned Assets Supervision and Administration Commission ("Zhanjiang SASAC"), which acts as its ultimate controller. The local government exercises tight oversight over the company, directly appointing its senior management and approving its strategic development plans, major investments, and key financing arrangements. Furthermore, ZCDG is subject to a formal performance evaluation framework established by the local government, alongside regular operational and financial reviews conducted by government-appointed auditors.

Strategic Alignment and Importance: ZCDG is the largest LIDC by asset size and the flagship urban development and industrial investment platform in Zhanjiang. Its key subsidiary, Zhanjiang Infrastructure Construction Investment Group Co., Ltd. ("ZICIG"), is focusing on building supporting facilities for BASF's Verbund petrochemical site, a world-scale chemical production base central to Zhanjiang's green petrochemical strategy. In addition, ZCDG undertakes land consolidation and infrastructure construction projects in Zhanjiang's High-Speed Rail New Town, while developing and operating industrial parks to support local industrial upgrading. ZCDG's operations and strategic direction are closely aligned with the local government's economic and social development plans.

Strong Government Support: ZCDG has received ongoing operational and financial support from the local government. Between 2023 and the first half of 2026, the Zhanjiang government made multiple rounds of capital injections into ZCDG totaling RMB2.0 billion, and provided operational subsidies amounting to RMB395 million to the company. In addition, the local government has strengthened ZCDG's capital base through gratuitous

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Applicable Criteria

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

transfers of equity stakes in local SOEs. Given ZCDG's strategic importance, we believe it is likely to receive timely government support.

ZCDG's Financial and Liquidity Position: ZCDG's total assets expanded significantly to RMB46.7 billion at end-June 2026 from RMB34.8 billion at end-2023, driven by ongoing government capital and asset injections and its active participation in Zhanjiang's project development. Total debt also rose to RMB23.1 billion from RMB17.0 billion over the same period, though its financial leverage (measured by debt to capitalization) has remained below 60% since 2025, supported by an enlarged capital base.

ZCDG's short-term debt servicing pressure is moderately high. At end-June 2026, the company held unrestricted cash of RMB3.2 billion against RMB6.9 billion of short-term debt. Nevertheless, ZCDG maintains access to diverse funding channels, including bank loans, bond issuances, and non-traditional financing, to support ongoing operations and debt refinancing. As of end-September 2026, the company had total bank facilities of RMB44.7 billion, of which RMB25.3 billion was unused.

Rating Sensitivities

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

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

Operating Environment

Economic Condition of Zhanjiang

Zhanjiang's Economic Condition (RMB billion)	2023	2024	2025
GDP	382.9	383.0	395.3
-Primary industry (%)	18.4	19.1	18.6
-Secondary industry (%)	33.7	32.2	32.6
-Tertiary industry (%)	47.9	48.7	48.8
GDP growth rate (%)	3.1	1.2	4.5
Fixed asset investment growth rate (%)	3.2	-11.3	-13.0
Population (million)	7.08	7.12	7.12

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

Zhanjiang is a prefecture-level city in southwestern Guangdong Province, serving as a provincial sub-center city. Strategically located at the junction of Guangdong, Hainan, and Guangxi with a natural deep-water port, the city is anchored by industrial clusters in steel and petrochemicals. Zhanjiang maintained GDP growth over the past three years, expanding to RMB395.3 billion in 2025 from RMB382.9 billion in 2023, with the growth rate rebounding to 4.5% in 2025 after slowing to 1.2% in 2024. However, fixed asset investment contracted in 2024 and 2025, primarily weighed down by sustained contractions in property development, alongside reduced infrastructure spending in 2024 and weaker industrial investment in 2025.

Fiscal Condition of Zhanjiang

Zhanjiang's Fiscal Condition (RMB billion)	2023	2024	2025
Budgetary revenue	15.6	16.5	21.5
Budgetary revenue growth rate (%)	13.6	6.0	6.9
Tax revenue	9.0	8.8	13.1
Tax revenue (% of budgetary revenue)	58.1	53.0	61.0
Government fund income	6.1	5.0	6.5
Transfer payment	45.6	43.2	48.5
Aggregate revenue	**68.1**	**64.8**	**76.6**
Budgetary expenditure	54.5	53.6	56.8
Budget balance[1] (%)	-250.4	-224.9	-164.2
Government debt ratio (%)	163.7	198.1	196.4

*[1] Budget balance = (1-budgetary expenditure / budgetary revenue) * 100%*
Source: Finance Bureau of Zhanjiang and Lianhe Global's calculations

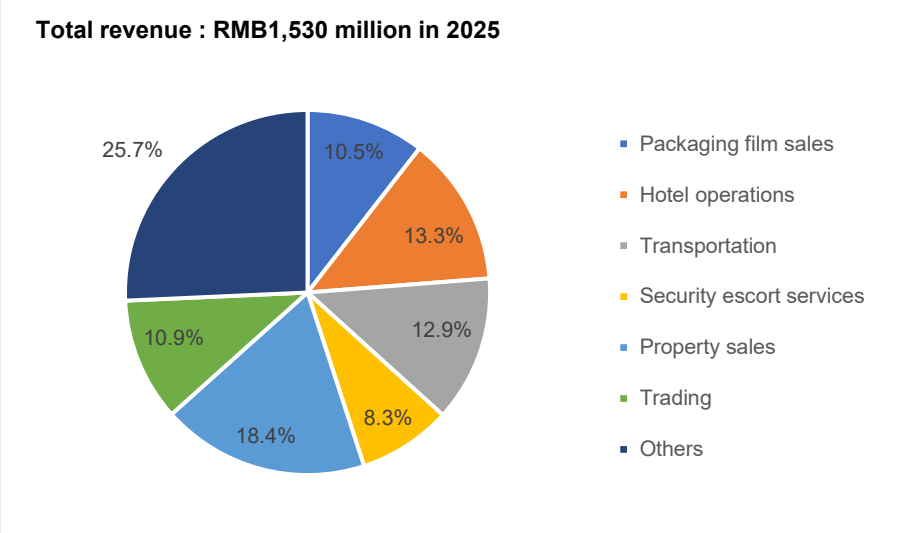
The Zhanjiang government's budgetary revenue growth moderated from 13.6% in 2023 to 6.0% in 2024 before edging up to 6.9% in 2025. The revenue scale ranked 10th among Guangdong's 21 prefecture-level cities. The Zhanjiang government's fiscal self-sufficiency improved, with the budget deficit narrowing to 164.2% in 2025 from 250.4% in 2023. The Zhanjiang government's outstanding debt rose to RMB150.4 billion at end-2025 from RMB111.4 billion at end-2023, mainly driven by the issuance of special-purpose bonds to support industrial parks, transportation infrastructure, land reserves, and public facilities projects.

Company Profile

Ownership Structure

ZCDG was established in 2021 by the Zhanjiang SASAC. Following a series of capital injections and equity transfers, it became the largest LIDC by asset size in Zhanjiang, with paid-in capital of RMB2.0 billion at end-June 2026. The Zhanjiang SASAC, as the company's ultimate controller, directly held a 100% stake in ZCDG.

Revenue Breakdown



Source: The company and Lianhe Global's calculations

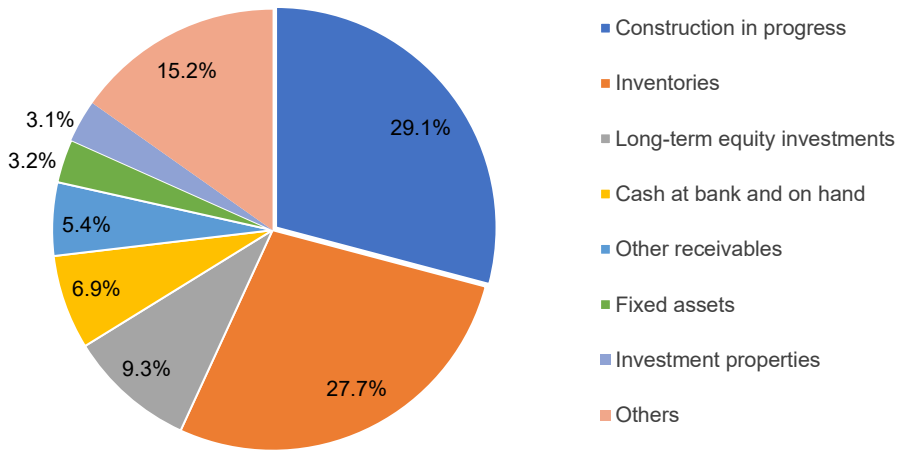
ZCDG is the largest LIDC by asset size in Zhanjiang. The company undertakes major urban infrastructure and public facility projects within the region. It also engages in commercial businesses such as property sales, packaging film sales, hotel operations, security escort services, transportation and trading. The company's revenue increased to RMB1,530 million in 2025 from RMB948 million in 2023, with the gross margin improving to 21.8% from 14.8%. In the first half of 2026, the company realized revenue of RMB787 million, while the gross margin stayed at 21.6%.

ZCDG holds a dominant regional franchise in Zhanjiang's urban development and infrastructure construction sector. Its flagship initiative is the supporting infrastructure for BASF's EUR8.7 billion Verbund petrochemical site on Donghai Island, one of China's largest wholly foreign-owned petrochemical investments. Covering industrial park roads, utility corridors, and industrial wastewater treatment, the project entails a planned investment of RMB9.7 billion (RMB5.2 billion invested by end-2025) and is funded through fiscal allocations and policy bank project loans. Relying on operating ancillary commercial properties post-completion to balance funding, it exposes ZCDG to significant capital expenditure pressure and a protracted payback period. ZCDG also undertakes land consolidation, industrial park operations in key zones such as the High-Speed Rail New Town, and municipal environmental services.

Beyond urban development and infrastructure, ZCDG operates a diversified commercial portfolio that provides the bulk of its operating revenue. Its property sales segment covers both commercial and resettlement housing, while its hotel and catering business is anchored by the five-star Zhanjiang White Swan Hotel, which opened in May 2024 and also serves as a key municipal government reception venue. In addition, the company engages in trading, road transportation, and packaging film sales, primarily supplied to provincial tobacco companies. Security and escort services for local financial institutions and major events, alongside property leasing, refined oil sales, engineering design and surveying, and retail, offer further supplementary revenue.

Assets Breakdown

Total assets: RMB46.7 billion at end-June 2026



Source: The company and Lianhe Global's calculations

ZCDG's asset liquidity is relatively weak, as project related assets, including construction in progress, inventories (mainly project development costs), fixed assets, and investment properties, collectively accounted for 63.1% of the company's total assets. In addition, ZCDG held sizable long-term equity investments (9.3% of total assets) intended for long-term holding, alongside other receivables (5.4%) mainly due from local government agencies and other local SOEs without specified collection schedules.

Key Financial Data

(RMB million)	2023	2024	2025	2026.6
Total Assets	34,750	38,858	46,074	46,707
Equity	12,239	12,732	16,665	16,866
Debt	16,961	20,656	22,455	23,111
Debt/(Debt + Equity) (%)	58.1	61.9	57.4	57.8
Unrestricted Cash/ST Debt (x)	0.8	0.6	0.4	0.5
Debt/EBITDA (x)	57.5	50.1	50.7	-
Revenue	948	1,153	1,530	787
Gross Margin (%)	14.8	19.0	21.8	21.6
Cash from sales or services/ revenue (%)	108.2	141.2	123.8	122.6

Source: The company and Lianhe Global's calculations

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