

## Credit Opinion

17 June 2026

Ratings	
Category	Corporate
Domicile	China
Rating Type	Solicited Rating
Long-Term Credit Rating	BBB <sub>g</sub>
Outlook	Stable

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## Zouping Financial Development Group Co., Ltd.

### Surveillance credit rating report

**CCXAP affirms the long-term credit rating of Zouping Financial Development Group Co., Ltd. at BBB<sub>g</sub>, with stable outlook.**

### Summary

The BBB<sub>g</sub> long-term credit rating of Zouping Financial Development Group Co., Ltd. (“ZPFD” or the “Company”) reflects Zouping City Government’s (1) strong capacity to provide support, and (2) very high willingness to provide support, based on our assessment of the Company’s characteristics.

Our assessment of Zouping City Government’s capacity to support reflects its status as one of the top 100 counties in China, with moderate economic strength and fiscal profile.

The rating also reflects the local government’s willingness to support, which is based on the Company’s (1) essential role in infrastructure construction and operation of Zouping City; and (2) good track record of receiving government support.

However, the rating is constrained by the Company’s (1) medium exposure to commercial activities; (2) increasing debt level to support investment in public policy projects; and (3) fair access to funding.

The stable outlook on ZPFD’s rating reflects our expectation that the local government’s capacity to support will remain stable, and the Company’s characteristics, such as its pivotal role in infrastructure construction and operation of Zouping City, will remain largely unchanged over the next 12-18 months.

## Rating Drivers

- Essential entity in infrastructure construction and operation of Zouping City
- Good track record of receiving government support
- Medium exposure to commercial activities
- Increasing debt level to support investment in public policy projects
- Fair access to funding from domestic banks and bond market

## Rating Sensitivities

### What could upgrade the rating?

The rating could be upgraded if (1) Zouping City Government's capacity to support the Company strengthens; and (2) the Company's characteristics change in a way that strengthens the local government's willingness to support, such as improved debt management or diversifying funding channels.

### What could downgrade the rating?

The rating could be downgraded if (1) Zouping City Government's capacity to support weakens; or (2) the Company's characteristics change in a way that weakens the local government's willingness to support, such as decrease in importance of its policy role, increasing exposure to commercial activities, or material decrease in government payments.

## Key Indicators

	2023FY	2024FY	2025FY
Total Asset (RMB billion)	36.9	37.5	36.5
Total Equity (RMB billion)	20.7	19.7	18.6
Total Revenue (RMB billion)	2.0	1.4	1.0
Total Debt/Total Capital (%)	40.8	43.3	42.5

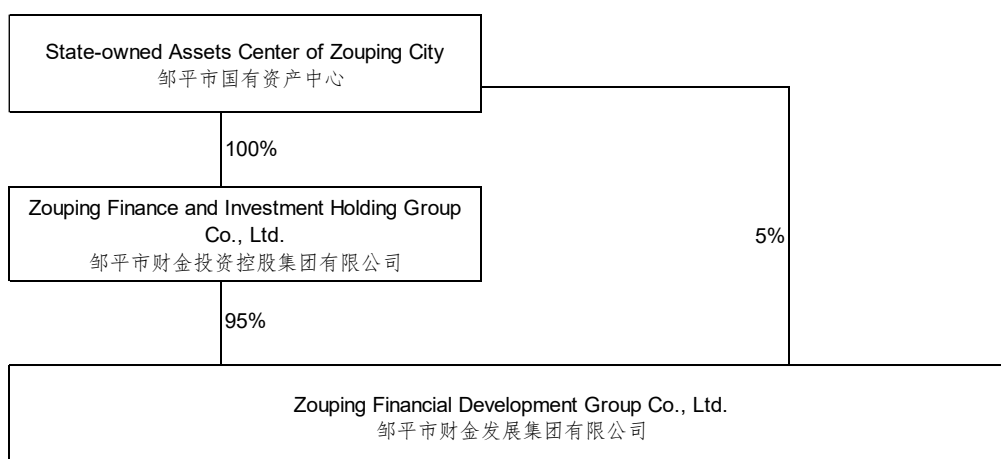
All ratios and figures are calculated using CCXAP's adjustments.

Source: Company data, CCXAP research

## Corporate Profile

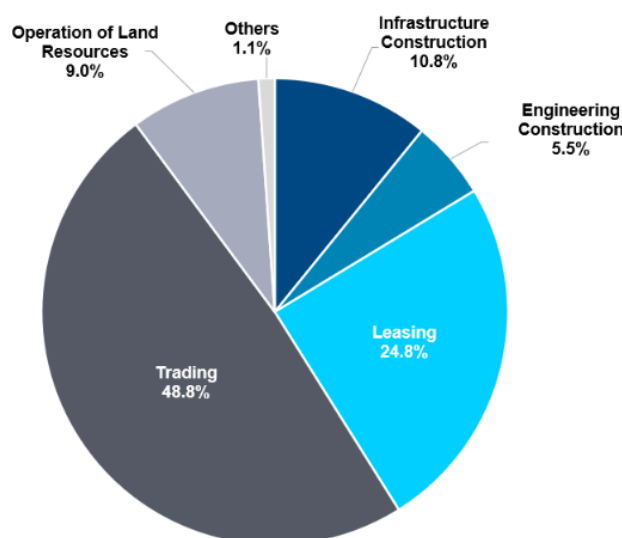
Founded in July 2019, ZPFD is the largest local infrastructure investment and financing company ("LIIFC") by total assets in Zouping City. After consolidation of the local state-owned enterprises in 2022, the Company has become the most important LIIFC engaged in infrastructure construction and operation of land resources, in accordance with the economic development strategy and social development requirements of Zouping City. The Company also expands to commercial activities such as trading and leasing. In August 2025, 95.0% shares of the Company were transferred to Zouping Finance and Investment Holding Group Co., Ltd. ("ZPFI"), which was 100% owned by the State-owned Assets Center of Zouping City ("Zouping SAC"). The rest 5.0% shares of the Company were owned by Zouping SAC, and Zouping City Government was the ultimate controller.

### Exhibit 1. Shareholding chart as of 31 December 2025



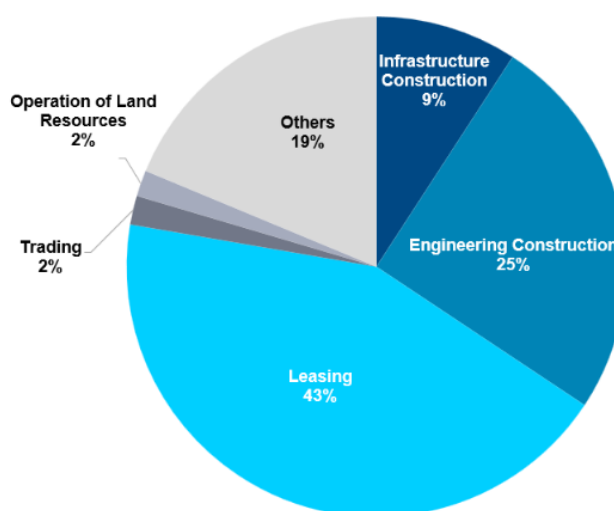
Source: Company information, CCXAP research

### Exhibit 2. Revenue structure in 2025



Source: Company information, CCXAP research

### Exhibit 3. Gross profit structure in 2025



## Rating Considerations

### Government's Capacity to Provide Support

We believe Zouping City Government has a strong capacity to provide support given its status as one of the top 100 counties in China, with moderate economic strength and fiscal profile.

Shandong is the third largest province in China by gross regional products ("GRP") in 2025, with a solid foundation in different industries such as logistics, shipbuilding, marine technology, chemical, automotive, and agri-food. Binzhou City is located at the overlap area of several economic zones. It has formed five traditional industries such as high-end aluminum, new chemical industry, textile, grain processing, animal husbandry and aquatic products; and cultivated five emerging industries such as high-end equipment manufacturing, new generation information technology, new energy and new materials, medical care and health, and modern service.

Binzhou City reported a GRP of RMB355.8 billion, which increased by 5.3% year-over-year (“YoY”) in 2025, and ranked 13<sup>th</sup> among prefecture-level cities in Shandong Province. Binzhou Municipal Government’s general budgetary revenue increased from RMB30.7 billion to RMB31.8 billion in 2025, of which tax revenue accounted for 70.2% of general budgetary revenue. The fiscal balance of Binzhou City was relatively weak, with the general budgetary revenue covering around 56.9% of general budgetary expenditure on average over the past three years. Binzhou Municipal Government’s government fund budgetary income decreased to RMB15.6 billion in 2025 from RMB29.0 billion in 2024, mainly due to reduced revenue from the transfer of state-owned land-use rights and urban infrastructure development charges. The local government’s outstanding debt continued to grow, increasing from RMB152.7 billion at end-2024 to RMB173.8 billion at end-2025, which accounted for 48.8% of its GRP.

#### Exhibit 4. Key economic and fiscal indicators of Binzhou City

	2023FY	2024FY	2025FY
GRP (RMB billion)	311.9	340.5	355.8
GRP Growth (%)	5.0	6.2	5.3
General Budgetary Revenue (RMB billion)	29.2	30.7	31.8
General Budgetary Expenditure (RMB billion)	52.7	57.0	51.7
Local Government Debt (RMB billion)	133.9	152.7	173.8

Source: Binzhou Municipal Government, CCXAP research

Zouping City is a county-level city located in the southern of Binzhou City. It has developed 6 national-level name cards of China's Cotton Textile City, China's Sugar Capital, China's Corn Oil Township, Zouping National High-end Aluminum High-tech Industrialization Base, National New Industrialization Industry Demonstration Base, and China's Production Base for Metal Abrasives. Benefiting from its industrial development, Zouping City showed ongoing economic growth for the past three years. Zouping City’s GRP rose by 5.0% YoY to RMB73.9 billion in 2025, ranking the 1<sup>st</sup> among nine districts/counties in Binzhou City. Its general budgetary revenue slightly increased to RMB8.9 billion in 2025. At the same time, tax revenue contributed 74.2% of its general budgetary revenue and a proportion of nearly 29.5% of Binzhou City’s tax revenue. Meanwhile, its fiscal balance ratio (general budgetary revenue/general budgetary expenses) increased from 54.1% in 2024 to 76.5% in 2025, which demonstrated a relatively good fiscal balance. Over the same period, fund budget revenue dropped sharply from RMB3.4 billion to RMB1.3 billion, mainly due to the decline in land transfer income caused by the sluggish real estate market. As of 31 December 2025, the outstanding debt of Zouping City Government was RMB25.9 billion, accounting for 35.0% of its GRP.

#### Exhibit 5. Key economic and fiscal indicators of Zouping City

	2023FY	2024FY	2025FY
GRP (RMB billion)	65.2	72.1	73.9
GRP Growth (%)	3.5	5.1	5.0
General Budgetary Revenue (RMB billion)	7.9	8.6	8.9
General Budgetary Expenditure (RMB billion)	13.6	15.8	11.6
Local Government Debt (RMB billion)	20.1	22.8	25.9

Source: Zouping City Government, CCXAP research

### Government’s Willingness to Provide Support

#### Essential entity in infrastructure construction and operation of Zouping City

ZPFD acts as the essential LIIFC in Zouping City and is delegated by the local government to undertake local infrastructure construction, state-owned asset operation, as well as the operation of land resources, focusing on implementing the strategic blueprint for economic and district development in Zouping City.

ZPFD is commissioned to carry out various infrastructure construction projects such as road upgrading and reconstruction and comprehensive river improvement under the agency construction model. The Company signs entrusted construction contracts with the local government or other government agencies, and the related parties will typically pay the total cost incurred plus a markup of 10%-15%. As of 31 December 2025, the Company had sufficient project reserves and the key projects under construction and planning had a total investment of RMB7.6 billion and an uninvested amount of RMB2.0 billion, indicating good sustainability of the business. The Company plans to engage in infrastructure projects mainly through self-built business model in the future. It had two water supply projects through self-construction model under construction, with a total investment of RMB2.1 billion and an uninvested amount of RMB1.2 billion as of end-2025.

ZPFD also takes part in the engineering construction business mainly in urban road restoration, temporary road modification and restoration, as well as road maintenance through its subsidiary. It acquires the municipal engineering projects through the government's public tender process or designation by government departments. Until now, the engineering projects undertaken by the Company are relatively small-scale and can usually be completed within one year. In 2025, the Company reported revenue in this business of RMB55.8 million, increased from RMB48.4 million in 2024.

Additionally, ZPFD is mainly responsible for the operation of land resources, which are the designated entities to invest in the rural land remediation projects and land quota trading within Zouping City. Upon the completion of demolition, resettlement, and reclamation on the land by related villages and towns, the Company provides a subsidy of RMB450.0 thousand per mu and subsequently obtains the corresponding surplus land quotas, which can be traded for RMB610.0 thousand per mu with the price margin recorded as part of the Company's operating profit. As of the end of 2025, the Company had a land quota reserve of 2,568.0 mu, which is expected to supplement the Company's revenue in the future. In 2025, the Company realized land quota revenue of RMB8.4 million.

In our view, ZPFD's important role in supporting local development of Zouping City is not easily replaced by other LIIFCs.

### **Good track record of receiving government support**

ZPFD has received significant support from the local government in the form of project payments, capital contributions, equity transfers, cash and asset injections, and fiscal subsidies to support its investments and operation of its businesses. In 2024, the Company transferred two of its subsidiaries to other regional state-owned enterprises. Zouping Rural Tap Water Co., Ltd. ("ZPRW") and Zouping Guoyuan Heating Co., Ltd. ("ZPGH"). The assets of these two entities amounted to RMB1.6 billion. Subsequently, ZPFD no longer engaged in water supply and water quality testing, or gas and heating supply businesses. However, in December 2025, the Company's equity structure was further optimized through equity transfers from the local government, including 95% equity of Shandong Zouxin Urban & Rural Construction Co., Ltd. and 100% equity of Shandong Zoujin Land Development Co., Ltd., which increased its capital reserve by RMB264.9 million.

The Company also received government special funds to support its project constructions. From 2024 to 2025, the local government provided special funds of RMB4.8 billion to support the Company. Meanwhile, in 2025, the Company received project payments of RMB448.0 million from the local government. In addition, the local

government has periodically provided fiscal subsidies to the Company to support its business operations. From 2024 to 2025, the local government provided operating subsidies of RMB2.7 billion to the Company.

In light of ZPFD's key and strategic role in promoting the local development of Zouping City, we expect the Company to receive strong support from the local government when necessary.

### **Medium exposure to commercial activities**

ZPFD actively explores commercial business opportunities to diversify its sources of income. These commercial activities mainly include trading and leasing. Given that the proportion of commercial assets to total assets was around 20%, we estimate the ZPFD's exposure to commercial activities is medium.

In order to speed up the market-oriented transformation, the Company has actively expanded its trading businesses such as aluminum ingot and crude corn oil since 2019, which are in line with local industry characteristics. In 2025, the Company recognized trading revenue of RMB499.0 million, decreasing by 51.9% from RMB1.0 billion in 2024, accounting for 48.8% of the total revenue. This decline was mainly driven by the Company's shift to the net method for recognizing revenue from some products in 2025, resulting in a decrease of trade revenue. However, the top 5 suppliers and customers of the commodity trading business accounted for 82.9% of the total procurement and 88.0% of total sales in 2025, respectively, which demonstrates high concentration risk and may exert higher volatility in operation if the cooperation with any party is terminated.

As the most important state-owned assets management entity in Zouping City, ZPFD owns large number of leasable properties, which are usually leased to government agencies or the enterprises settled in, providing stable rental income to the Company. Apart from the leasable properties, other assets such as wetland parks and tourist attractions are expected to generate diversified income during operation. Most of these assets were injected by the local government. In 2025, the Company's rental income totaled RMB253.3 million, comprising from the rental of water facilities and pipelines, investment properties, and public service properties. The Company is expected to maintain a stable income in the future, mainly because some lease agreements were signed for long terms, all with durations of more than ten years. As of 30 December 2025, there was 1 industrial parks under construction, with a total investment of RMB393.0 million and an uninvested amount of RMB303.0 million. At the same time, the Company had one agricultural wholesales market renovation project under planning, with the estimated investment of RMB80.0 million.

### **Increasing debt level to support investment in public policy projects**

ZPFD's total debt and total capitalization ratio have experienced fluctuations over the past three years, with both peaking at end-2024 before posting a slight pull-back to RMB13.8 billion and 42.5% at end-2025, respectively. As of 31 December 2025, the Company's short-term debt accounted for 30.5% of the total debt, and cash to short-term debt ratio was around 0.3x, indicating a relatively unbalanced debt structure. Considering that the Company's large scale of projects under construction and planning, the Company's total debt burden is expected to further increase over the next 12-18 months.

In addition, the liquidity of the Company's assets was relatively weak. As of 31 December 2025, inventories, other receivables, and fixed assets accounted for approximately 73.5% of total assets. The inventories and fixed assets are mainly the costs of infrastructure construction, properties, and pipeline network, which are considered low liquidity. Meanwhile, the total restricted assets were RMB5.3 billion which accounted for 28.6% of the net assets as of the same date. The low asset liquidity may undermine the Company's financial flexibility. Meanwhile,

the progress of payments for completed projects has lagged behind, which also weakens the liquidity of the Company's assets and reduces the Company's earning capacity.

### **Fair access to funding from domestic banks and bond market**

ZPFD has access to various funding including bank borrowing and direct financing. Leveraging the Company's state-owned background and strategic importance to the local development in Zouping City, it is able to secure various sources of financing with competitive financing costs. As of end-2025, bank loans, special funds and bond issuances accounted for the majority of the Company's total debt, representing 48.5%, 17.7% and 14.6%, respectively. The Company maintains good and long-term relationships with policy banks, state-owned commercial banks, and joint-stock commercial banks, such as Agricultural Development Bank of China and China Everbright Bank Co., Ltd. As of 31 December 2025, the Company had approved bank facilities of RMB11.2 billion and unused credit lines totaling approximately RMB1.8 billion, supporting its various funding needs. In addition, while no bonds were issued by the Company in 2025, ZPFD has obtained regulatory approvals to issue two tranches of offshore bonds in 2026. Also, its major subsidiary, Zouping County State-Owned Asset Investment Management Co., Ltd plans to issue one tranche of MTN in 2026.

### **ESG Considerations**

ZPFD faces environmental risks because it has undertaken infrastructure construction projects. Such risks could be moderated by conducting environmental studies and planning prior to the start of the projects, and close monitoring during the construction phase.

ZPFD bears social risks as it plays as it implements public policy initiatives by building public infrastructure in Zouping City. Demographic changes, public awareness and social priorities shape the Company's development targets and ultimately affect the local government's propensity to support the company.

ZPFD's governance considerations are also material as the Company is subject to oversight by the Zouping City Government and has to meet several reporting requirements, reflecting its public-policy role and status as a government-owned entity.

### **Rating Methodology**

The methodology used in this rating is the Rating Methodology for [China's Local Infrastructure Investment and Financing Companies \(July 2022\)](#).

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