

CCXAP affirms Jiaozuo State-owned Capital Operation (Holding) Group Co., Ltd.'s long-term credit rating at BBB_g+, with stable outlook.

Hong Kong, 29 January 2026 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has affirmed Jiaozuo State-owned Capital Operation (Holding) Group Co., Ltd.’s (“JZSC” or the “Company”) long-term credit rating at BBB_g+, with stable outlook. At the same time, CCXAP has affirmed the Company’s senior unsecured debt rating at BBB_g+

The BBB_g+ long-term credit rating of JZSC reflects the Company’s (1) position as the key entity to support Jiaozuo City’s industrial development; (2) important role in state-owned asset operation and urban construction in Jiaozuo City; and (3) sufficient standby liquidity and access to diversified funding channels. However, the rating is constrained by the Company’s (1) operating uncertainties of self-operated construction projects, which are easily affected by the local investment and business environment; (2) limited revenue scale along with moderate profitability; and (3) rising debt level and relatively weak debt servicing metrics.

The rating also reflects a high likelihood of government support from the Jiaozuo Municipal Government when needed, which is based on the Company’s (1) direct ownership and ultimate control by the Jiaozuo Municipal Government; (2) regional importance in state-owned asset operation and industrial development in Jiaozuo City; and (3) solid track record of receiving support from the local government including subsidies, capital injections, special bond allocations, and asset transfers.

Corporate Profile

Established in April 2011, JZSC is a local state-owned enterprise (“SOE”) mainly operating in Jiaozuo City, Henan Province. To promote the regional industrial development and improve state-owned asset operation, the local government consolidated local state-owned assets and resources in 2023, and transferred large amount of assets and equities to JZSC. In June 2024, the Company transferred a 51% equity stake in its wholly-owned subsidiary, Jiaozuo Urban Development Investment (Holding) Group Co., Ltd., to the Finance Bureau of Jiaozuo City, as part of broader effort to commercialize JZSC’s operation. After the consolidation and reorganization, the Company is positioned as a key entity in industrial investment and state-owned asset operation in Jiaozuo City, with different business scopes covering project construction, food processing, highway construction and operation, human resources service and commercial property sales. As of 30 September 2025, the Company’s total assets amounted to RMB27.1 billion, and it was directly and wholly-owned by the Finance Bureau of Jiaozuo City.

Rating Rationale

Credit Strengths

The key entity supporting Jiaozuo City’s industrial development. As the primary entity to support Jiaozuo City’s industrial development, the Company participates food processing business mainly through its subsidiary. Its products are sold to multiple provinces and cities in

China and are exported overseas. Moreover, the Company also constructs self-operated projects within Jiaozuo City. The projects include low-carbon digital logistic base and biopharmaceutical industrial park projects, which are highly aligned with the industrial transformation objectives of the local government.

Important role in state-owned asset operation and urban construction in Jiaozuo City.

As the main state-owned asset operation and urban construction entity in Jiaozuo City, JZSC mainly undertakes projects such as road construction, river management, ecological restoration, PPP projects, and highway operation in Jiaozuo City. Some of these businesses are of great significance in improving the living standards of residents in line with Jiaozuo City's urban planning.

Sufficient standby liquidity and access to diversified funding channels. The Company's financing needs for its construction projects can be primarily facilitated through diversified funding channels. JZSC's funding sources are concentrated in bank loans, bond financing, and government special-purpose bonds. It has established long-term cooperation with large national commercial banks and joint-stock banks, and has thereby secured sufficient standby credit facilities. Moreover, the Company has also tapped into onshore and offshore bond markets, and it had issued several tranches of bonds from December 2024 to January 2026. As the Company gradually gains access to the bond market, its financing channels have been further diversified, enabling better alignment of funds with the investment needs of its construction projects.

High likelihood of support from the Jiaozuo Municipal Government. We expect JZSC has a high likelihood of receiving support from the Jiaozuo Municipal Government in times of need. Jiaozuo Municipal Finance Bureau maintains a high degree of control over JZSC's operations, including the formulation of business strategies and the appointment of the board of directors and key management personnel. Moreover, given its strategic and economic importance in Jiaozuo City, JZSC receives solid supports from the Jiaozuo Municipal Government via assets and capital injections, subsidies and granting of franchise rights.

Credit Challenges

Operating uncertainties of self-operated construction projects, which are easily affected by the local investment and business environment. The relatively large future investment on self-operated projects may exert capital expenditure pressure on the Company. Apart from that, there are uncertainties regarding the future operations of these self-operated projects as they are easily affected by local investment and economic environment. Therefore, the Company may face some business risks upon the completion of these projects.

Limited revenue scale along with moderate profitability. Despite continuous revenue growth over the past few years, the Company's revenue scale remains relatively small. Moreover, the profitability of JZSC is moderate as reflected by its relatively low return on assets (ROA) and medium EBIT margin. Given the current downturn of the property market and the operating uncertainties associated with the Company's self-operated projects, we anticipate JZSC's revenue and profitability would remain moderate in the next 12 to 18 months.

Rising debt level and relatively weak debt servicing metrics. Due to the expansion of its business scope and large capital expenditure on its construction development projects, JZSC's total debt increased significantly over the past two years. The Company's total debt increased to RMB6.7 billion as of 30 September 2025 from RMB3.9 billion as of end-2023. Meanwhile, JZSC's stand-alone debt servicing capacity is constrained by its moderate profitability. Considering the future investment in property development and industrial park construction, its debt scale may further increase in the future. Meanwhile, the Company's ability to cover its debt interest from operating profit is dependent on the future operational income from its self-operated projects.

Rating Outlook

The stable outlook on JZSC's rating reflects our expectation that the Company will maintain its regional competitiveness and importance in industrial development of Jiaozuo City over the next 12-18 months. We also expect that the Company will continue to receive ongoing support from the local government.

What could upgrade the rating?

The rating could be upgraded if (1) the likelihood of government support for the Company improves; and (2) the Company's stand-alone credit profile improves significantly, such as improvement in debt structure and asset profitability.

What could downgrade the rating?

The rating could be downgraded if (1) the likelihood of government support for the Company decreases; or (2) the Company's stand-alone credit profile weakens significantly, such as a deterioration in financial leverage and liquidity position.

Rating Methodology

The methodology used in this rating is the Rating Methodology for [General Corporate \(April 2019\)](#).

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