

Credit Opinion

17 July 2025

Ratings	
Category	Corporate
Domicile	China
Rating Type	Solicited Rating
Long-Term Credit Rating	BBB _g
Outlook	Stable

Analyst Contacts

Eddie Li +852-2860 7130

Credit Analyst

eddie_li@ccxap.com

Leimen Chen +852-2860 7130

Assistant Credit Analyst

leimen_chen@ccxap.com

Elle Hu +852-2860 7120

Executive Director of Credit Ratings

elle_hu@ccxap.com

**The first name above is the lead analyst for this rating and the last name above is the person primarily responsible for approving this rating.*

Client Services

Hong Kong +852-2860 7111

Zhengding State-owned Assets Holding and Operating Group Co., Ltd.

Surveillance credit rating report

CCXAP affirms Zhengding State-owned Assets Holding and Operating Group Co., Ltd.'s long-term credit rating at BBB_g, with stable outlook.

Summary

The BBB_g long-term credit rating of Zhengding State-owned Assets Holding and Operating Group Co., Ltd. ("ZDSH" or the "Company") reflects (1) Zhengding County Government's strong capacity to provide support; and (2) the local government's very high willingness to provide support, based on our assessment of the Company's characteristics.

Our assessment of Zhengding County Government's capacity to support reflects Zhengding County's well-defined functional position and increasing economic growth, but constrained by its unstable fiscal revenue structure and relatively high debt burden.

The rating also reflects the local government's willingness to support, which is based on the Company's (1) important role in urban and rural construction, urban operation, and industrial incubation of Zhengding County; and (2) good track record of receiving government support.

However, the rating is constrained by the Company's (1) rapid debt growth with large capital expenditure pressure; and (2) relatively weak asset liquidity.

The stable outlook on ZDSH's rating reflects our expectation that the local government's capacity to support will remain stable, and the Company will maintain its strategic role in the development of Zhengding County in the next 12-18 months.

Rating Drivers

- Important role in urban and rural construction as well as city operation in Zhengding County
- Good track record of receiving government support
- Low but increasing exposure to commercial activities
- Rapid debt growth with large capital expenditure pressure
- Relatively weak asset liquidity
- Fair access to funding with high concentration on bank loans

Rating Sensitivities

What could upgrade the rating?

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

What could downgrade the rating?

The rating could be downgraded if (1) the local 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 reduced regional significance or deteriorated financing ability.

Key Indicators

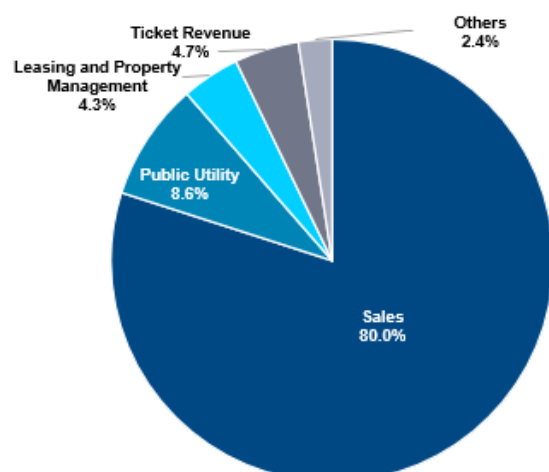
	2022FY	2023FY	2024FY	2025Q1
Total Asset (RMB billion)	10.3	12.5	15.7	16.0
Total Equity (RMB billion)	9.0	9.4	10.7	11.1
Total Revenue (RMB billion)	0.7	1.1	2.0	0.6
Total Debt/Total Capital (%)	4.6	11.3	22.7	23.3

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

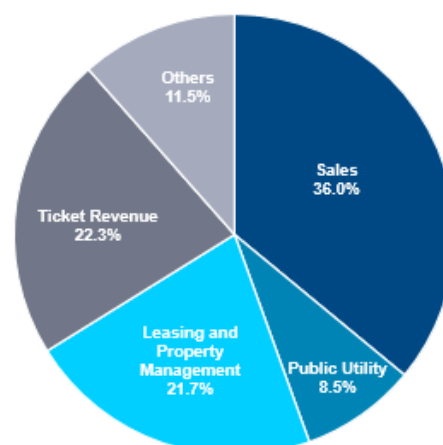
Source: Company data, CCXAP research

Corporate Profile

Established in October 2022, ZDSH is the main urban and rural construction and development investment and financing entity, urban operation entity, as well as industrial cultivation entity in Zhengding County. Guided by the local government, the Company consolidated 9 local state-owned enterprises ("SOEs") in Zhengding County from 2022 to 2023 and is responsible for infrastructure construction, water supply operation, maintenance service and affordable housing operation in Zhengding County. ZDSH also has diversified its business into commercial activities such as supermarket operation, grain and oil sales, trading, sand and gravel sales, charging pile operation, and cultural tourism. As of 30 June 2025, the Company is wholly and directly owned by the Finance Bureau of Zhengding County.

Exhibit 1. Revenue structure in 2024

Source: Company information, CCXAP research

Exhibit 2. Gross profit structure in 2024

Rating Considerations

Government's Capacity to Provide Support

We believe the Zhengding County Government has a strong capacity to provide support given its well-defined functional position and increasing economic growth, but constrained by its unstable fiscal revenue structure and relatively high debt burden.

Hebei Province is a northern province of China with a good geographic location and rich resources such as coal, steel and marine resources. Together with the Bohai Sea, it encloses the direct-administered municipalities of Beijing and Tianjin, forming coordinated development of the Beijing-Tianjin-Hebei region. Although affected by the Chinese policy to reduce capacity in the coal and steel industries, Hebei Province's economic scale has steadily increased over the past five years. In 2024, Hebei Province recorded a gross regional production ("GRP") of RMB4,752.7 billion with a year-over-year ("YoY") growth rate of 5.4%, ranking 13th among all provinces and municipalities in China. Moreover, Hebei Province recorded a GRP of RMB1,124.7 billion for the first quarter of 2025, representing a YoY increase of 5.7%. Hebei Province is expected to benefit from the promotion of national strategies including the coordinated development of the Beijing-Tianjin-Hebei region and the construction of Xiong'an New District.

Shijiazhuang City is the capital city of Hebei Province and serves as political, economic, technological, financial, cultural, and information center in Hebei Province. It is also a major hub for railway transportation in China, indicating excellent transportation advantages. In recent years, Shijiazhuang City has been actively developing five major industrial clusters, including the new generation electronic information, biopharmaceutical, equipment manufacturing, modern food, and modern commerce and logistics. Supporting by its policy advantages, transportation advantages as well as mature industry structure, Shijiazhuang City's economic indicators rank among the top in Hebei Province for years. In 2024, Shijiazhuang City recorded a GRP of RMB820.3 billion with a YoY growth rate of 5.5%, ranking 2nd among all prefectural-level cities in Hebei Province. In the first quarter of 2025, Shijiazhuang City's GRP was RMB207.3 billion, up by 6.0% YoY. Its general budgetary revenue also increased from RMB66.4 billion in 2022 to RMB71.5 billion in 2024, ranking 1st among all prefectural-level cities in Hebei Province. However, Shijiazhuang City's income stability needs to be improved, with its tax income accounting for only 55.6% of the general budgetary revenue in 2024, which slightly decreased from 58.8% in 2023. Meanwhile, Shijiazhuang City's self-sufficiency was moderate as its average budgetary self-sufficiency ratio (general budgetary revenue/general budgetary expenditure) was around 58.1% over the past three years.

As of the end of 2024, the local government's outstanding debt amounted to RMB251.0 billion, accounting for around 30.6% of its GRP.

Exhibit 3. Key economic and fiscal indicators of Shijiazhuang City

	2022FY	2023FY	2024FY
GRP (RMB billion)	708.1	753.4	820.3
GRP Growth (%)	6.2	6.1	5.5
General Budgetary Revenue (RMB billion)	66.4	70.8	71.5
General Budgetary Expenditure (RMB billion)	118.9	120.0	120.0
Local Government Debt (RMB billion)	203.1	230.8	251.0

Source: Shijiazhuang Municipal Government, CCXAP research

Zhengding County is a county under the jurisdiction of Shijiazhuang City and is recognized as one of the National Famous Historical and Cultural Cities by the State Council of China. In recent years, through the development and construction of China (Hebei) Pilot Free Trade Zone Zhengding Area, Zhengding County has continued to build the “4+1” pillar industries including digital economy, high-end equipment manufacturing, biomedicine, modern logistics and headquarters economy. Benefiting from its well-defined functional position and continuously improving industrial structure, Zhengding County demonstrated increasing economic growth. In 2024, Zhengding County recorded a GRP of RMB38.8 billion with a YoY growth rate of 5.6 %, and its general budgetary revenue increased to RMB5.8 billion from RMB5.5 billion in 2022. Furthermore, Zhengding County recorded a GRP of RMB10.1 billion in the first quarter of 2025, up by 6.7% YoY. However, its general budgetary revenue structure is relatively unstable, with an average tax to general budgetary revenue ratio of around 35.7% over the past three years. The sales of relocation housing accounted for around 40% of general budgetary revenue during the past three years, which is considered unsustainable sources of income. Zhengding County also relies on government fund income. However, due to the downturn of the real estate market, revenue from government fund has shown a declining trend over the past three years, which went down from RMB7.9 billion in 2022 to RMB4.8 billion in 2024. In addition, as of the end of 2024, the local government's outstanding debt amounted to RMB24.6 billion, accounting for around 63.4% of its GRP, which indicates relatively large debt pressure.

Exhibit 4. Key economic and fiscal indicators of Zhengding County

	2022FY	2023FY	2024FY
GRP (RMB billion)	33.8	36.1	38.8
GRP Growth (%)	8.0	6.9	5.6
General Budgetary Revenue (RMB billion)	5.5	5.7	5.8
General Budgetary Expenditure (RMB billion)	8.3	8.1	8.4
Local Government Debt (RMB billion)	19.4	23.5	24.6

Source: Zhengding County Government, CCXAP research

Government's Willingness to Provide Support

Important role in urban and rural construction as well as city operation in Zhengding County

With the authorization of the local government, ZDSH is in charge of infrastructure construction in most areas of Zhengding County. ZDSH also shoulders the responsibilities of urban operation in Zhengding County, including water supply operation, maintenance service and affordable housing operation. We believe that the

important position of the Company to Zhengding County's economic development and public welfare is unlikely to be replaced in the short-to-medium term.

ZDSH undertakes various infrastructure construction projects mainly through agency construction model. Under the agency construction model, ZDSH is entrusted by the local government to enter construction contracts with the construction parties, providing project management services. Upon receipt of the funds allocated by the local governments, ZDSH is responsible for making payments to the construction parties on behalf of the local government and recognizes management fee income in accordance with the net method. As of 31 March 2025, the Company had completed 20 major projects, with a total invested amount of RMB1.7 billion, which mainly include road construction, renovation of water network and affordable housings. Meanwhile, the Company had 16 projects under construction and planning, with a total planned investment of RMB3.8 billion and an uninvested amount of RMB3.0 billion. The large project reserve ensures the stability and sustainability of the business.

The Company also engages in urban operation in Zhengding County including water supply operation, maintenance service and affordable housing operation. The local government granted the franchise rights for water supply with 30-year term in the urban area and Tiexi District of Zhengding County to the subsidiary of ZDSH in August 2022. Water supply is vital to the local livelihood and industrial development. In 2024, the Company's water supply business achieved revenue of RMB22.5 million.

Moreover, ZDSH undertakes maintenance service business including sanitation, municipal services, landscaping, and lighting in the urban area of Zhengding County according to the contract with local government department. As of 31 March 2025, the Company had municipal maintenance and sanitation service contracts in hand valued at approximately RMB666.7 million.

In addition, ZDSH participates in the operation of affordable housing through the public rental housing units purchased from the Housing and Construction Bureau of Zhengding County. The Company is responsible for the rental and daily management of the affordable housing. As of 31 March 2025, ZDSH had leasing assets with total leasable area of around 89.7 thousand square meters, of which 73.0 thousand square meters had been leased out with an occupancy rate of over 80.0%. Moreover, the rental income from the operation of affordable housing was recorded at RMB15.3 million in 2024. Overall, ZDSH has a large scope for development and a strong capacity for business sustainability in Zhengding County, as well as an essential role in the urban operation. In our view, the Company is unlikely to be replaced by other local SOEs in the foreseeable future.

Good track record of receiving government support

As the core operating entity carrying out municipal development activities and providing public services in Zhengding County, ZDSH has a good track record of receiving government support in various forms such as equity transfer, asset injection, financial subsidies and capital injection, which could help the Company meet its policy objectives and financial obligations. Since its establishment, the local government has transferred equities of several local SOEs, tourism resources, operation right of sand, gravel and auxiliary materials, and other assets to ZDSH, increasing its capital reserve to RMB8.0 billion and broadening its business scope. Moreover, the Finance Bureau of Zhengding County has injected RMB1.1 billion and RMB345.0 million of cash to the Company's paid-in capital in 2024 and 2025Q1, respectively, further enhancing its capital strength. As of 31 March 2025, the Company had paid-in capital of RMB1.8 billion. From 2023 to 2024, the Company consistently received a total of RMB69.3 million in financial subsidies from the local government. Meanwhile, the Company had received management fee of RMB19.7 million from the government for its infrastructure construction projects, and most of the completed projects have been settled. We expect ZDSH to continue to receive

government support over the next 12-18 months, given the company's important role in the development of Zhengding County and the large-scale project investments underway.

Low but increasing exposure to commercial activities

Apart from public businesses, ZDSH is also engaged in commercial businesses such as supermarket operation, grain and oil sales, trading, charging pile operation, sand and gravel sales, and cultural tourism. We consider the Company's exposure to commercial businesses to be low as the majority of the commercial assets were transferred from local government without large investment needs. However, considering that there are a number of self-operated projects under construction and planning, we estimate ZDSH's commercial activities exposure would increase with large capital expenditure needs in the future.

ZDSH conducts sales business through different subsidiaries and different segments including supermarket operation, grain and oil sales, sand and gravel sales, and trading. The revenue of supermarket operation is the primary source of ZDSH's total revenue. In 2024, the revenue of supermarket operation was RMB560.1 million and accounted for around 28.0% of total revenue. However, this business may face product and price competition affected by the trend of online shopping. The Company will focus on the rural market and provide delivery services in villages and towns of Zhengding County to mitigate the impact caused by online shopping. Moreover, the Company conducts sand and gravel sales through itself and its subsidiary. The sand and gravel are mainly obtained through public auction or generated from the Company's engineering projects. Affected by the market conditions especially during the downturn of property market, the stability of sand and gravel sales business is relatively weak. From 2022 to 2024, the Company's revenue from the sales of sand and gravel decreased from RMB103.3 million to RMB77.3 million. The Company also conduct trading business since 2023, with the main trading products being group meal, coal and iron ore products. This business has become the largest source of income for ZDSH in 2024, accounting for 47.3% of its total revenue. Despite the large trading volume, the gross profit margin of trading business is relatively low at 1.8% in 2024. Considering the transaction risks, the Company adopts spot trade model, with the accounts period of trading business generally no longer than 90 days. However, the Company still bears certain concentration risk in this business, with the top 5 customers and suppliers accounting for over 90.0% and 75.0% of its sales and procurement, respectively.

As the National Famous Historical and Cultural City, Zhengding County has rich cultural tourism resources. In 2022, the local government transferred the ticket operation rights of scenic spots within the county to ZDSH. As of end-2024, these assets had a total book value of RMB2.6 billion. The major tourism asset is Rong Guo Fu, which was built for filming the Chinese masterpiece "Dream of Red Mansions". The Company mainly obtains income through sales of tickets, tour guide services and cultural and creative products. In 2024, the number of tourists of Rong Guo Fu was around 1.2 million, a steady increase from 1.0 million in 2023. This business has generated RMB34.6 million of ticket revenue for the Company in 2024. Furthermore, the Company plans to renovate and upgrade its cultural tourism projects to create a 5A-level scenic spot in Zhengding County.

Apart from the above commercial activities, ZDSH aims to increase its revenue scale by investing in self-operated projects. The Company is constructing a Zhengding New Energy Infrastructure Project with a total investment amount of RMB943.0 million, and outstanding amount of around RMB704.0 million. The Company expects to balance its funds through revenue generated from charging fees for charging piles, leasing fees of new energy vehicles, and advertising revenue. Moreover, as of 31 March 2025, the Company had 3 key self-operated projects under construction, which mainly included industrial parks, Chinese medicine recreation center and urban renewal projects, with total investment of RMB3.7 billion and outstanding amount of around RMB3.1 billion. These projects are in the early development stage and are expected to achieve funding balance

through leasing and operation. Furthermore, the Company had 4 self-operated projects under planning, with total investment of RMB4.0 billion. Considering the large capital expenditure requirement for these self-operated projects, ZDSH is expected to face certain financing pressure in the near term. In addition, there are uncertainties associated with these project's subsequent operation and return.

Rapid debt growth with large capital expenditure pressure

ZDSH's debt had grown rapidly due to the purchase of franchise rights and affordable housing, as well as the expansion of commercial business. As of 31 March 2025, the Company's total debt increased to RMB3.4 billion from RMB1.2 billion at end-2023. Although its capitalization ratio increased from 11.3% to 23.3% over the same period, it was still deemed as reasonable level. However, the Company's short-term debt pressure increased in the past two years. As of 31 March 2025, the short-term debt to total debt ratio was 39.4%. At the same time, the cash to the short-term debt ratio was 0.4x, indicating insufficient cash reserve to cover short-term debt. Considering the future investment amount in self-operated projects of more than RMB7.1 billion, we expect that the Company will rely on external financing to fulfill its investment needs and the debt level will continue to grow in the next 12-18 months.

ZDSH has relatively weak asset liquidity. As of 31 March 2025, the other non-current assets, inventories, investment properties and intangible assets accounted for around 72.0% of its total assets. These assets were mainly the operation right of sand, gravel and auxiliary materials, franchising rights, tourism resources, construction costs of infrastructure construction, as well as purchased affordable housing, which were considered as low liquidity. Meanwhile, the asset valuation of the operation right of sand, gravel and auxiliary materials is relatively high, at around RMB5.0 billion. Changes in the valuation of sand and gravel materials and auxiliary materials could have a significant impact on the Company's asset scale. In addition, operating rights related to urban operations and tourism resources could generate certain revenue streams to supplement the Company.

Fair access to funding with high concentration on bank loans

ZDSH has fair access to funding with high concentration on bank loans. As of 31 March 2025, bank loans accounted for around 87% of its total debt, majority of which were provided by policy banks, large state-owned commercial banks, and national jointed-stock commercial banks. The average financing cost of bank loans was at a reasonable level of around 3.8%. As of 31 March 2025, the Company had total bank facilities of RMB6.2 billion, with the available portion being RMB3.9 billion, indicating a relatively sufficient standby liquidity. Moreover, the Company's exposure to non-standard financing products is moderate, accounting for around 13.0% of its total debt as of 31 March 2025. The Company's non-standard financing consisted of financial leasing with an average financing cost of 6.0%.

ESG Considerations

ZDSH is exposed to environmental risks because it has undertaken construction projects. Such risks could be moderated by conducting environmental studies and planning before the commencement of projects, and close monitoring during the construction phase.

ZDSH bears social risks as it plays a crucial role in the social welfare of the residents in Zhengding County. 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.

ZDSH's governance considerations are also material as the Company is subject to oversight and reporting requirements to the local 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 \(July 2022\)](#).

Copyright © 2025 China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP"). All rights reserved.

No part of this publication may be reproduced, resold or redistributed in any form or by any means, without prior written permission of CCXAP.

A credit rating is the analytical result of current credit worthiness and forward-looking opinion on the credit risk of a rated entity or a debt issue. Credit ratings issued by CCXAP are opinions on the current and relative future credit risk of the rated entities or debt issues, but do not address any other risks, including but not limited to liquidity risk, market price risk, and interest rate risk.

Credit ratings, non-credit assessments, and other opinions included in CCXAP's publications are not recommendations for investors to buy, sell, or hold particular securities, nor measurements of market value of the rated entities or debt issues. While obtaining information from sources it believes to be reliable, CCXAP does not perform audit and undertakes no duty of independent verification or validation of the information it receives from the rated entities or third-party sources.

All information contained herein belongs to CCXAP and is subject to change without prior notice by CCXAP. CCXAP considers the information contained herein to be accurate and reliable. However, all information is provided on an "as is" and "as available" basis and CCXAP does not guarantee accuracy, adequacy, completeness, or timeliness of the information included in CCXAP's publications.

To the extent where legally permissible, CCXAP and its directors, officers, employees, agents and representatives disclaim liability to any person or entity (i) for any direct or compensatory losses or damages, including but not limited to by any negligence on the part of, and any contingency within or beyond the control of CCXAP or any of its directors, officers, employees, agents or representatives, arising from or in connection with the information contained herein or the use of or inability to use any such information; and (ii) for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if CCXAP or any of its directors, officers, employees, agents or representatives is advised in advance of the possibility of such losses or damages.

China Chengxin (Asia Pacific) Credit Ratings Company Limited

Address: Suites 1904-1909, 19/F, Jardine House,
1 Connaught Place, Central, Hong Kong

Website: www.ccxap.com

Email: info@ccxap.com

Tel: +852-2860 7111

Fax: +852-2868 0656