

Credit Opinion

29 January 2026

Ratings

Senior Unsecured Debt Rating	BBB _g ⁺
Long-Term Credit Rating	BBB _g ⁺
Outlook	Stable
Category	Corporate
Domicile	China
Rating Type	Solicited Rating

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Jiaozuo State-owned Capital Operation (Holding) Group Co., Ltd.

Surveillance credit rating report

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

Summary

The BBB_g⁺ long-term credit rating of Jiaozuo State-owned Capital Operation (Holding) Group Co., Ltd. ("JZSC" or the "Company") 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.

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.

Rating Drivers

- The key entity supporting Jiaozuo City’s industrial development
- Important role in state-owned asset operation and urban construction in Jiaozuo City
- Revenue from diversified businesses despite geographic concentration
- Limited revenue scale along with moderate profitability
- Rising debt level and relatively weak debt servicing metrics
- Sufficient standby liquidity and access to diversified funding channels
- High likelihood of support from the Jiaozuo Municipal Government

Rating Sensitivities

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.

Key Indicators

	2022FY	2023FY	2024FY	2025Q3
Total Assets (RMB billion)	23.6	25.4	25.4	27.1
Total Equity (RMB billion)	19.0	18.8	17.5	18.1
Total Revenue (RMB billion)	3.2	3.0	3.6	3.2
Net Profit (RMB billion)	0.2	0.3	0.3	0.1
EBIT Margin (%)	11.9	17.6	14.9	-
Return on Assets (%)	1.6	2.2	1.5	-
Total Debt/Total Capital (%)	11.0	17.1	22.4	27.0
Total Debt/EBITDA (x)	4.2	5.3	6.9	-
EBITDA/Interest (x)	4.7	5.2	4.4	-
FFO/Total Debt (%)	21.1	16.4	11.1	-

All ratios and figures are calculated using CCXAP’s adjustments. The financial data for 2022FY and 2023FY are based on pro forma financial statements, considering the equity transfers and asset injections in 2024. Indicators marked with “-” are not applicable or not comparable.

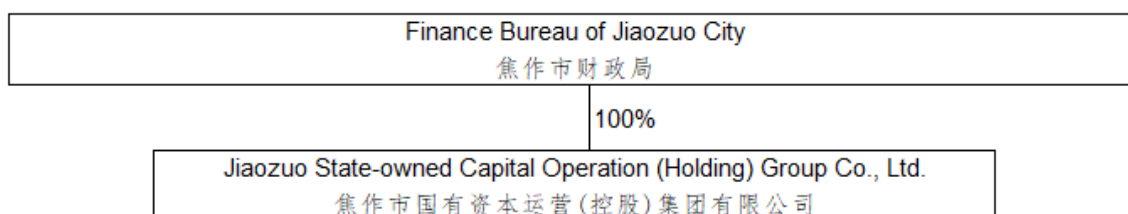
Source: Company data, CCXAP research

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

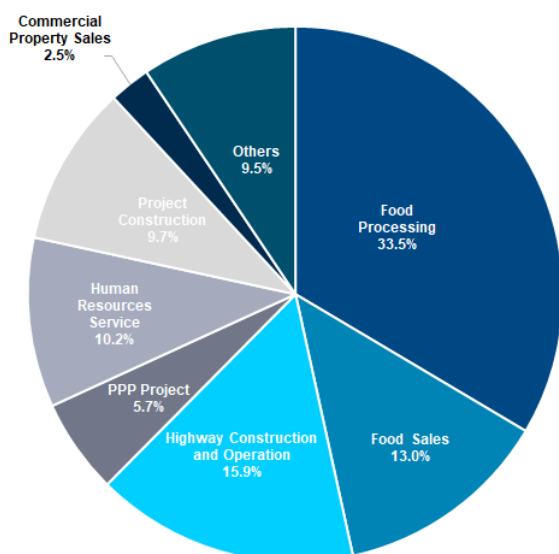
City, as part of broader effort to commercialize JZSC's operation. After the consolidation and reorganization, the Company is positioned as a key entity in industrial investment and state-owned asset operation in Jiaozuo City, with different business scopes covering project construction, food processing, 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.

Exhibit 1. Shareholding chart as of 30 September 2025



Source: Company information, CCXAP research

Exhibit 2. Revenue structure in 2024



Source: Company information, CCXAP research

Rating Considerations

Business Profile

The key entity supporting Jiaozuo City's industrial development

The Company participates in the food processing business mainly through its subsidiary, Henan Bonong Industrial Group Co., Ltd. ("Bonong Group"), in which the Company holds 90% of equity. Bonong Group's products mainly include instant noodles, dairy products, and pork products, which are sold to multiple provinces and cities in China and are exported overseas, and have a relatively high recognition in Jiaozuo City. Most customers are wholesalers, such as state-owned supermarkets and hypermarkets. Over the past two years, the food processing business has achieved a consistent growth in production and sales. In 2024, the business segment generated RMB1.2 billion of revenue for the Company, representing a year-on-year ("YoY") growth rate of 23.6%. Meanwhile, the business has a relatively good profitability, with its gross profit margin being 18.6%

in 2024. Overall, we anticipate that Bonong Group would maintain its good market position in food processing industry, which will benefit JZSC through the sustained growth in business.

In 2024, the Company launched a new food sales business, primarily focused on the supply chain of fresh and frozen seafood products. The business mainly operates under a "sales-driven procurement" model, with downstream customers consisting mainly of wholesalers, catering enterprises, and supermarkets. In 2024, this business generated RMB469.0 million in sales revenue for the Company, albeit with a relatively low gross profit margin of 1.9%. We believe this business can provide supplementary income stream for the Company. However, it is exposed to a high concentration risk on the upstream supplier side, with the top five suppliers accounting for over 75% of the total procurement volume in 2024.

To support the regional industrial development, the Company also constructs self-operated projects within Jiaozuo City. The Company obtains projects' funding mainly through external financing, and balances the funds through operational income and leasing. As of 30 September 2025, the Company had 10 main self-operated projects under construction, with a total investment amount of around RMB3.9 billion, and an uninvested amount of around RMB2.7 billion. 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. Such projects ensure the sustainability of the Company's business. However, the relatively large future investment 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.

The Company is also involved in cultural tourism business to promote the development of tourist industry, which also expands the diversity of the Company's business and complement the Company's revenues. The cultural tourism business includes theater performance, cultural tourism, and hotel management, which has realized revenue of RMB89.0 million and RMB68.0 million in 2023 and 2024, respectively.

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.

JZSC participates in urban construction mainly under agency construction model. Under the agency construction model, the Company is entrusted by the related government parties to construct urban construction projects. The primary funding sources for the projects are government fiscal funds, supplemented by the Company's self-raised funds. The Company receives project payments from the entrusting parties based on actual costs plus a mark-up during the construction phase. As of 30 September 2025, the Company had completed 10 major construction projects with a total investment of RMB4.1 billion, and it had collected RMB3.3 billion of government repayments from these projects. Meanwhile, the Company had 9 projects under construction with a total investment amount of RMB4.4 billion, and an uninvested amount of RMB3.1 billion. Among them, the most significant project is the resettlement project for the middle route of the South-to-North Water Diversion project, with an investment scale of RMB4.0 billion. In 2024, the Company's recognized construction revenue amounted to RMB350.0 million, representing a YoY increase of 91.3%. This significant growth was primarily driven by increased settlements of projects completed during the year.

In addition, the Company undertakes PPP projects by establishing project companies with the local government, and is responsible for the project's construction and operation. As of 30 September 2025, the Company had one river ecological regulation PPP project under operation, with a total investment of RMB1.7 billion. The fund balancing is expected to be achieved through operating income such as water supply and government subsidies. However, these urban construction projects were mostly completed, while the government payments for these projects were prolonged. As the PPP project was put into operation in 2024, the revenue generated from this project is small which is insufficient to cover the costs. The Company will undertake more self-operated industrialization projects in the future, supporting the industrial development in Jiaozuo City.

The Company participates in highway operation business and is mainly responsible for operating and managing two sections of the Zheng-Jiao-Jin Expressway, with a total length of around 72.8 kilometers and operating right of 30 years. The expressway was constructed by JZSC and was fully completed in December 2002, with a total investment of RMB2.6 billion. In terms of the business model, all the toll fees collected at the toll stations are handed over to the highway management bureau, and the Company then receives management fees based on the actual mileage and traffic volume. The traffic volume of this expressway has been stable over the past two years, and the business generated RMB571.5 million of operational revenue for the Company in 2024. In the first nine months of 2025, the expressway recorded RMB429.9 million of revenue. Moreover, the highway operation business has demonstrated solid profitability over the past few years, with its gross profit margin consistently exceeding 50%. It has contributed a significant portion of the Company's total profit. The Company hold the toll collection rights until 2032, which should secure a stable income stream for the foreseeable future.

Revenue from diversified businesses despite geographic concentration

JZSC is also involved in other businesses, including human resources service, commercial property sales, and cultural tourism service, which diversified its income sources. However, the Company is exposed to certain regional concentration risks as most of these businesses are concentrated in Jiaozuo City.

JZSC engages in real estate development business for the construction and sales of residential and commercial properties in Jiaozuo City. As of 30 September 2025, the Company had 2 housing projects under construction, with a total investment of RMB2.1 billion, and an uninvested amount of RMB1.3 billion. The Company received RMB650.0 million of sales collection as of the same date. However, it is facing certain destocking pressure amid the downturn of the property market, and the relatively large uninvested capital will exert greater expenditure pressure on the Company. The property sales business generated RMB89.3 million of revenue in 2024, representing a YoY decrease of 46.1% compared to 2023. Moreover, its gross profit margin deteriorated to a negative level in 2024, underscoring the downward pressure of the property market.

JZSC's human resources services, operated through its subsidiary, generate service fees primarily by providing labor services to local government departments and large enterprises in Jiaozuo City. This business provides supplementary revenue stream of over RMB300 million per year to the Company. However, it operated on a thin margin, with a gross profit margin of only 1.3% in 2024. Revenue from the human resources services business has declined over the last years due to a reduction in the demand for labor because of the economic downturn and the establishment of new human resources companies in the region. The Company also engages in the operation of geothermal resources, which generate small revenues.

Financial Profile

Limited revenue scale along with moderate profitability

As the newly launched food sales business began to generate revenue, the Company's total revenue increased from RMB3.0 billion in 2023 to RMB3.6 billion in 2024, indicating a YoY growth rate of 18.7%. In 2024, the food processing business was the main contributor of JZSC's revenue, accounting for 33.5% of its total revenue, followed by highway construction and operation (15.9%), food sales (13.0%), human resources service (10.3%), and PPP project operation (5.7%). However, despite continuous revenue growth over the past few years, the Company's revenue scale remains relatively small.

The profitability of JZSC is moderate as reflected by its relatively low return on assets (ROA) and medium EBIT margin. Its three-year average EBIT margin and ROA stood at 16.3% and 1.9%, respectively. Its EBIT margin declined to 14.9% in 2024 due to the profit reduction of property sales and project construction businesses and the increase in management fees. The weak return on assets was mainly caused by the Company's large non-income producing assets. More than 40% of its total assets were long-term equity investments and intangible assets, which mainly composed of equity stakes in local SOEs and geothermal resources, both of which offer relatively low returns. In addition, the Company's sand and gravel operation rights were transferred out and replaced with equity shares in some SOEs in Jiaozuo City in 2024. 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. However, ongoing capital injections from the local government have strengthened the Company's overall capital base, thereby keeping its debt leverage at a moderate level. Its total capitalization ratio, as measured by total debt to total capital, stood at 27.0% as of 30 September 2025. Meanwhile, the Company faced moderate short-term debt pressure, with short-term debt accounting for 18.8% of its total debt on the same date.

JZSC's stand-alone debt servicing capacity is constrained by its moderate profitability. Key metrics include a three-year average EBITDA interest coverage ratio of 4.8x and a total debt/EBITDA ratio of 6.1x, indicating a relatively weak coverage for debt obligations and moderate coverage for debt interests. Furthermore, the Company's FFO/debt ratio declined to 11.1% in 2024, primarily driven by its ongoing investments in project construction. 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.

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, such as Industrial and Commercial Bank of China, Postal Savings Bank of China, and China Everbright Bank. As of 30 September 2025, the Company had RMB19.2 billion of banking credit facilities in total, with the available portion being RMB16.2 billion, indicating sufficient standby liquidity. Moreover, the Company has also tapped into onshore and offshore bond markets. From December 2024 to January 2026, the Company

had issued three tranches of onshore corporate bonds and one tranche of offshore USD bond, raising about RMB1.5 billion and USD150.0 million, respectively. The coupon rates for its onshore bonds ranged from 2.47% to 2.99%, while the rate for offshore bond was 6.5%. 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.

External Support

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. This expectation incorporates our considerations of 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.

Jiaozuo City is committed to build three industrial clusters, including high-end equipment, green food and new materials, contributing to regional industrial upgrading. Jiaozuo City's economic strength is moderate, with GRP ranking 13th among 18 jurisdictions in Henan Province. At the same time, Jiaozuo Municipal Government's general budgetary revenue was RMB12.9 billion in 2024, of which tax income accounted for 72.1%.

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. The Company is also required to report its annual budget, objectives, plans and performance to the Finance Bureau of Jiaozuo City. Its strategy and investment are aligned with Jiaozuo Municipal Government's policies of investing in industries, such as food industry, to promote industrial upgrading in the region.

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. From 2023 to 2024, the Finance Bureau of Jiaozuo City has transferred assets including geothermal resources and equity stakes of several SOEs to the Company, broadening its business scope and enhancing its competitiveness. Moreover, from 2024 to 2025Q3, the Jiaozuo Finance Bureau injected a cumulative RMB1.8 billion of cash into the Company, raising its paid-in capital to RMB5.4 billion as of 30 September 2025. In terms of operational support, the local government provided subsidies totaling RMB10.4 million between 2024 and 2025Q3. The Company also received RMB239.2 million in special bond fundings from local government to fund its construction projects over the same period. Given JZSC's systemic importance to Jiaozuo City, we expect ongoing government support through financial subsidies, capital injections, or asset transfers.

Structural Consideration

JZSC's senior unsecured debt rating is equivalent to its long-term credit rating. We believe that government support will flow through the Company given its important role in state-owned asset operation and urban construction in Jiaozuo City, thereby mitigating any differences in an expected loss that could result from structural subordination.

Rating Methodology

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

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