

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

Summary

Issuer Rating	A-
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	14 January 2026

Lianhe Ratings Global Limited (“Lianhe Global”) has assigned ‘A-’ global scale Long-term Issuer Credit Rating with Stable Outlook to Zhengding State-owned Assets Holding and Operating Group Co., Ltd. (“ZSAHO” or “the company”)

Summary

The Issuer Credit Rating reflects a high possibility that the People’s Government of Zhengding County, Shijiazhuang City (“Zhengding government”) would provide very strong support to ZSAHO if needed, in light of its indirect full ownership of ZSAHO. ZSAHO’s strategic importance as the sole local investment and development company that is responsible for urban development and operation and infrastructure construction in Zhengding County, Shijiazhuang City (“Zhengding”), and the linkage between the Zhengding government and ZSAHO, including approval of the senior management appointment, strategic alignment, supervision of major investment and financing plan decisions and ongoing operational and financial support. In addition, the Zhengding government may face significant negative impact on its reputation and financing activities if ZSAHO encounters any operational and financial difficulties.

Zhengding is a core urban county under the jurisdiction of Shijiazhuang City, Hebei Province. Zhengding’s GDP grew by 5.6% to RMB38.8 billion in 2024, while its budgetary revenue reached RMB5.8 billion in 2024.

The Stable Outlook reflects our expectation that ZSAHO’s strategic importance would remain intact while the Zhengding government will continue to ensure ZSAHO’s stable operation.

Rating Rationale

Government’s Ownership and Supervision: The Zhengding government indirectly holds the full ownership of ZSAHO through Zhengding Industrial Investment Holding Group Co., Ltd. (“ZIIHG”). The local government has the final decision-making authority and supervision over the company, including approval and supervision of the senior management, strategy alignment and major investment and financing plan decisions, etc.

Strategic Importance and Strategic Alignment: ZSAHO serves as the sole entity for industrial development and urban operation in Zhengding. It undertakes functions including regional environmental sanitation management, urban infrastructure construction and industrial investment, providing vital support for local economic growth and labor employment. The company engages in diversified core businesses, covering supermarket operation, supply chain sales, tourism services, sand and gravel sales, leasing, and sanitation maintenance. These businesses drive the development of key sectors such as regional commerce, cultural tourism, and urban infrastructure. Closely aligned with the local government’s goals of tapping tourism potential, upgrading industrial chains, and improving urban governance, it highlights ZSAHO’s strategic significance in advancing Zhengding’s development.

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Applicable Criteria

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

Ongoing Government Support: ZSAHO benefits from favorable conditions that facilitate project acquisition and resource access in Zhengding. Besides, the local government provided ongoing support to ZSAHO by injecting cash, equity of local SOEs, and other assets into the company between 2022 and the first nine months of 2025. The government injected RMB265.8 million in 2023 and RMB1.1 billion in 2024 into ZSAHO's paid-in capital through monetary capital injections. The company also received operational subsidies totaling RMB147.0 million over the same period. We expect ZSAHO to receive ongoing support from the local government in the future considering its strategic importance in Zhengding.

ZSAHO's Financial Matrix and Liquidity Position: ZSAHO's total assets increased steadily from RMB12.5 billion at end-2023 to RMB16.9 billion at end-September 2025, driven by expansion of its business scale and ongoing asset injections from the Zhengding government. ZSAHO's total debt has been on an upward trend over the past few years, increasing to RMB4.4 billion at end-September 2025 from RMB1.2 billion at end-2023. The company's financial leverage, as measured by the debt-to-capitalization ratio, increased to 28.7% from 11.3% during this period, yet it remained relatively low.

ZSAHO's short-term debt servicing pressure was low. At end-September 2025, the company had a cash balance of RMB1.6 billion, while its debt due within one year was RMB1.5 billion. ZSAHO mainly relies on external financing and has access to various financing channels, including bank loans, bond issuance and non-traditional financing, to support its debt repayments and business operations. The company has unused bank facilities of RMB3.9 billion at end-March 2025.

Rating Sensitivities

We would consider downgrading ZSAHO'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 ZSAHO, or (3) there is a downgrade in our internal credit assessment on the Zhengding government.

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

Operating Environment

Economic Condition of Zhengding

Zhengding is a core county under the jurisdiction of Shijiazhuang City, Hebei Province, and is located in the northeastern part of Shijiazhuang's main urban area, north of the Hutuo River. As a national historical and cultural city and an important growth pole of Shijiazhuang, Zhengding has established an industrial structure featuring digital economy, high-end equipment manufacturing, biomedicine, modern logistics, and headquarters economy, as well as cultural tourism and modern commerce. Zhengding has jurisdiction over eight towns, two sub-district offices, and multiple functional zones, including China (Hebei) Pilot Free Trade Zone Zhengding Area, with a total area of 487.2 square kilometers. At end-2024, Zhengding had a resident population of approximately 0.6 million, with a relatively high urbanization rate.

Zhengding maintained relatively stable economic growth in the past three years, and its GDP amount reached RMB38.8 billion in 2024, representing a year-over-year growth rate of 5.6%. The economy of Zhengding was mainly boosted by the tertiary industries, which

accounted for 71.6% of GDP in 2024. The GDP per capita of Zhengding increased steadily in the past three years and reach c. RMB70,100 in 2024.

Zhengding's Economic Condition		2022	2023	2024
(RMB billion)				
GDP		33.8	36.1	38.8
-Primary industry (%)		11.6	10.2	9.2
-Secondary industry (%)		25.9	24.3	19.2
-Tertiary industry (%)		62.5	65.5	71.6
GDP growth rate (%)		8.0	6.9	5.6
Fixed asset investment growth rate (%)		10.4	-4.5	9.3
Population (million)		0.6	0.6	0.6

Source: *Financial Bureau of Zhengding, Statistical Bureau of Zhengding and Lianhe Global's calculations*

Fiscal Condition of Zhengding

The Zhengding government's budgetary revenue increased steadily from RMB5.1 billion in 2022 to RMB5.8 billion in 2024, while the contribution of tax revenue to budgetary revenue rose to 37.3% from 28.2% over the same period. The fiscal self-sufficiency rate of the Zhengding government was low, yet the budget deficit narrowed to 43.9% in 2024 from 53.3% in 2022. Both Government fund income and transfer payments from higher government were relatively large, together representing 60.7% of aggregate fiscal revenue in 2024.

The outstanding debt of the Zhengding government kept growing in past few years. At end-2024, the Zhengding government's outstanding debt increased to RMB24.6 billion, including general government debts of RMB2.8 billion and special debts of RMB21.8 billion. Its government debt ratio, as measured by the total government debt/aggregate revenue, was elevated to 166.2% at end-2024 from 129.4% at end-2022, mainly due to the large increase in special debts.

Zhengding's Fiscal Condition		2022	2023	2024
(RMB billion)				
Budgetary revenue		5.1	5.7	5.8
Budgetary revenue growth rate (%)		18.1	3.0	2.9
Tax revenue		1.5	2.1	2.2
Tax revenue (% of budgetary revenue)		28.2	37.5	37.3
Government fund income		7.8	5.6	4.8
Transfer payment		2.0	2.5	4.1
Aggregate revenue		15.0	13.8	14.8
Budgetary expenditure		7.9	8.1	8.4
Budget balance ¹ (%)		-53.3	-44.0	-43.9

¹ Budget balance = (1-budgetary expenditure / budgetary revenue) * 100%

Source: *Financial Bureau of Zhengding, Statistical Bureau of Zhengding and Lianhe Global's calculations*

Company Profile

Ownership Structure

ZSAHO was established in October 2022 with an initial registered capital of RMB1.0 billion. Through successive capital injections and asset allocations from the government, ZSAHO's capital strength has been steadily enhanced. Its paid-in capital reached RMB1.8 billion at end-September 2025. Currently, ZSAHO is 100% owned by Zhengding SAOSC's wholly-owned ZIIHG, with the Zhengding Government as its ultimate controller.

Revenue Breakdown

ZSAHO is a diversified operation entity in Zhengding, primarily engaged in eight business segments: supermarket operation, supply chain sales, tourism, sand and gravel sales, leasing, sanitation and maintenance services, other principal businesses, and other businesses. It forms a multi-dimensional revenue structure relying on subsidiary operations and regional resource advantages, with total revenue growing significantly during the reporting period.

ZSAHO's total operating income reached RMB658.9 million, RMB1.1 billion, and RMB2.0 billion in 2022, 2023, and 2024, respectively, showing a strong growth trend. Revenue growth was driven mainly by the newly launched supply chain sales business and the expansion of existing business, with the business mix shifting notably as supply chain sales became the most significant revenue contributor in 2024.

Supermarket Operation

As a traditional core business, this segment is primarily handled by ZSAHO's subsidiary, Hebei Ruitian Economic and Trade Co., Ltd., which focuses on the Zhengding County market, with individual customers as the primary target group. The customer base is scattered, with electronic payments as the primary settlement method and daily settlement of revenue.

Revenue reached RMB466.6 million (70.8% of total), RMB517.0 million (49.2% of total), and RMB560.1 million (28.0% of total) in 2022, 2023, and 2024, respectively. Although revenue increased steadily, its share of total income declined year by year due to the rapid growth of other businesses. The business is mature and sustainable, with revenue primarily from home appliance, supermarket, and shopping mall sales.

In 2024, Ruitian home appliance sales, Ruitian supermarket sales, and shopping mall sales contributed RMB150.6 million (26.9%), RMB116.6 million (20.8%), and RMB126.7 million (22.6%) of the segment's revenue, respectively. In procurement, ZSAHO cooperates with local agricultural cooperatives and planting bases, selecting suppliers based on historical cooperation, price, and delivery timeliness.

Supply Chain Sales

Launched in 2023, this business is operated by ZSAHO's wholly-owned subsidiary Shijiazhuang Juchuang Supply Chain Co., Ltd., adopting a business model of procuring from upstream suppliers first and then selling to downstream customers, with rapid growth becoming the most significant revenue segment in 2024.

Revenue was nil in 2022, RMB258.4 million (24.6% of total) in 2023, and RMB948.3 million (47.3% of total) in 2024. The main procured products include cotton, group meals, and coal, with the top five suppliers contributing a total procurement amount of RMB575.8 million in 2024. The top five customers generated total sales of RMB710.0 million in 2024, with a focus on cotton, group meals, and coal.

Tourism Business

Undertaken by ZSAHO and its subsidiaries Zhengding Rongguofu Cultural Tourism Development Co., Ltd. and Zhengding County Longxing Cultural Tourism Development Co., Ltd., this segment focuses on ticket revenue from core scenic spots, showing rapid growth in 2023 and maintaining stability in 2024.

Revenue reached RMB5.2 million (0.8% of total), RMB67.3 million (6.4% of total), and RMB94.4 million (4.7% of total) in 2022, 2023, and 2024, respectively. The core revenue contributors are Zhengding Rongguofu Scenic Spot and Longxing Temple Scenic Spot (both

national AAAA-level scenic spots), which generated RMB34.6 million (36.7%) and RMB43.2 million (45.7%) of the segment's revenue in 2024.

Sand and Gravel Sales

Mainly carried out by the ZSAHO and its subsidiary Hebei Zhending Real Estate Group Co., Ltd., this business relies on government-authorized ecological restoration-related gravel disposal rights, with sales conducted through public auction.

Revenue was RMB103.3 million (15.7% of total), RMB59.7 million (5.7% of total), and RMB77.3 million (3.9% of total) in 2022, 2023, and 2024, respectively. ZSAHO obtained the management, disposal, and income rights of gravel generated from ecological restoration in three areas of Zhengding County through government notices, with a 30-year authorization period. In 2024, the top five customers contributed 77.6% of the segment's revenue, with relatively concentrated customer sources.

Leasing Business

Operated by subsidiaries Zhengding County Yiju Construction Development Co., Ltd. ("Yiju Construction") and Zhengding High-tech Industrial Development Zone Xincheng Construction and Development Co., Ltd. ("Xincheng Construction"), this segment mainly includes leasing public rental housing, factories, and office buildings, serving as a stable supplementary revenue source.

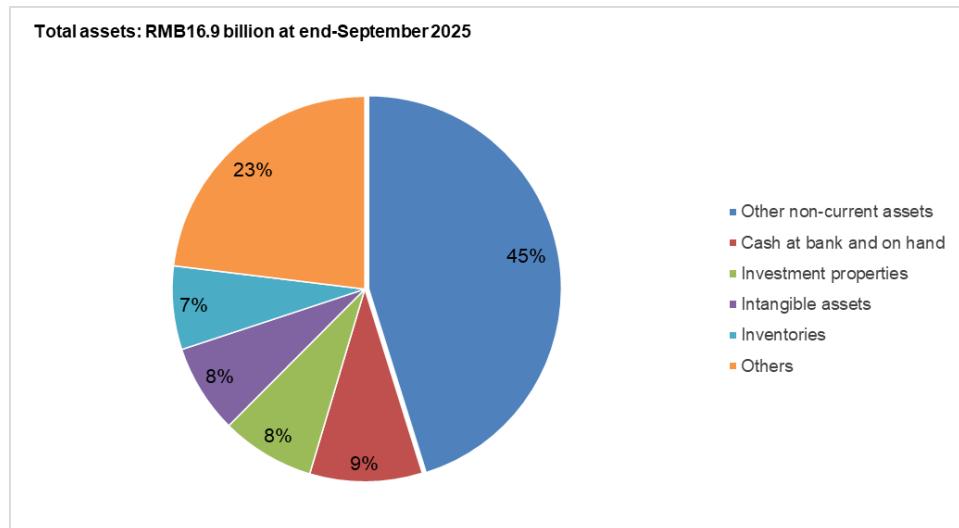
Revenue reached RMB27.5 million (4.2% of total), RMB57.7 million (5.5% of total), and RMB73.6 million (3.7% of total) in 2022, 2023, and 2024, respectively. As of the end of 2024, Yiju Construction managed 1,514 public rental housing units, with a 99.0% occupancy rate, offering subsidized rent of RMB4.9 per square meter per month. Xincheng Construction leases factory and office buildings in the high-tech zone, with monthly rent ranging from RMB15.0 to RMB33.0 per square meter and quarterly settlement.

Other Principal Businesses

This segment, undertaken by multiple subsidiaries, covers grain and oil sales, property services, tap water fees, human resources services, rural sanitation services, and sports training income, showing steady revenue growth.

Revenue reached RMB52.2 million (7.9% of total), RMB85.9 million (8.2% of total), and RMB113.6 million (5.7% of total) in 2022, 2023, and 2024, respectively. Each sub-business is operated by a dedicated subsidiary, forming a complementary set of businesses to ZSAHO's core businesses.

Assets Breakdown



Source: The company's financial reports and Lianhe Global's calculations

ZSAHO's asset liquidity is constrained by three key factors: (1) the high proportion of non-current assets (70.9% of total assets at end-September 2025) leading to a rigid asset structure; (2) the large scale of assets tied to regional infrastructure and rights-based holdings (RMB5.0 billion in sand and auxiliary material operation rights, RMB2.6 billion in county tourism resources, and RMB1.3 billion in investment properties at end-September 2025), which limits asset monetization and collateral utilization due to their project-specific and rights-constrained nature; and (3) the long cycle and low turnover of core assets (inventories of RMB1.2 billion with RMB1.0 billion in development costs) tied to urban renewal and infrastructure projects. These factors collectively weaken the company's ability to convert assets into cash to meet short-term operational and debt-servicing needs.

Key Financial Data				
(RMB million)	2022	2023	2024	2025.9
Total Assets	10,288	12,476	15,699	16,910
Equity	9,004	9,392	10,727	10,998
Debt	435	1,194	3,120	4,431
Debt / (Debt + Equity) (%)	4.6	11.3	22.5	28.7
Unrestricted cash/ST Debts (x)	2.9	1.7	0.5	1.1
Debt/EBITDA (x)	2.7	5.4	3.9	-
Revenue	659	1,052	2,004	2,574
Operation Profit	155	125	144	63
Gross Margin (%)	18.6	20.7	15.3	7.0
Cash from sales or services/ Revenue (%)	193.4	95.6	58.2	92.2

Source: ZSAHO and Lianhe Global's calculations

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