

Zhongyuan Aviation Leasing Co., Ltd.

Lianhe Ratings Global Limited (“Lianhe Global”) has assigned ‘A’ global scale Long-term Issuer Credit Rating with Stable Outlook to Zhongyuan Aviation Leasing Co., Ltd. (“ZYALC” or “the company”)

Summary

Issuer Rating	A
Outlook	Stable
Location	China
Industry	Non-Bank Financial Institutions
Date	29 September 2025

Summary

The Issuer Rating reflect ZYALC’s robust position in Henan Province’s financial leasing market, sound capital adequacy and asset quality, as well as ongoing operational and financial support from its controlling shareholder Zhongyuan Asset Management Co., Ltd. (“Zhongyuan AMC”, ‘A+’/Stable), a major local AMC in Henan Province playing an important role in resolving financial risks and maintaining the financial stability within the region.

The Stable Outlook reflects our expectation that ZYALC would maintain its leading position in the financial leasing business in Henan Province, while Zhongyuan AMC will continue to ensure ZYALC’s stable operation.

Rating Rationale

Robust Market Position in Henan Province: ZYALC has established a strong market position in Henan Province as the first comprehensive financial leasing company focusing on the development of aviation industry in Zhengzhou Airport Economy Zone (郑州航空港经济综合实验区). With years of experience and its professional team specializing in aircraft leasing business, ZYALC has established its market competitiveness in both financial leasing and operating leasing businesses in Henan Province. Apart from aircraft leasing, the company has expanded its leasing services into new infrastructure, green energy, cultural tourism and other creative industries, to diversify its revenue sources and enlarge its business scale.

Strong Shareholder Support: ZYALC is an important subsidiary of Zhongyuan AMC, maintaining strong ties with the parent through management oversight and business collaboration, enabling the provision of comprehensive financial services. ZYALC has received continuous support from Zhongyuan AMC, mainly in the forms of capital injection, liquidity support, resource sharing, business synergies, etc. In 2023, ZYALC received a capital injection of RMB500 million from its shareholders, including a cash injection of RMB255 million from Zhongyuan AMC. Given its strategic importance in the development of local aviation industry, we expect ZYALC to receive timely support from its shareholders in the future.

Sound Capital Adequacy and Asset Quality: ZYALC enjoys a good capital adequacy supported by capital injections from its shareholders. Its total equity increased steadily to RMB2.7 billion at end-June 2025 from RMB1.9 billion at end-2021. The company’s capital adequacy, as measured by common equity to total assets (tangible), increased to 36.4% from 24.5% over the same period. Its financial leverage, as measured by debt/ capitalization, reached 62.9% at end-June 2025, which was generally lower than that of most financial leasing companies in China. In addition, ZYALC had a good asset quality at end June-2025.

High Business Concentration: ZYALC has demonstrated a high business concentration its financial leasing assets in both geographical and sector distributions. More than 95% of financial leasing assets are concentrated within Henan Province, while about 40% of financial leasing assets are related to government-enterprise cooperation sector. Nevertheless, ZYALC’s established risk management system could mitigate the potential concern about business concentration. In addition, ZYALC has a relatively diversified client

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Applicable Criteria

Non-Bank Financial Institutions
Criteria (21 November 2023)

base, with the largest single client accounting for c. 7.3% of its financial leasing assets at end-2024.

Moderate Profitability and Liquidity: ZYALC's annualized return on average asset remained relatively stable at c. 2% from 2021 to the first six months of 2025, while its annualized return on average equity decreased from 8.7% to 5.5% over the same period, indicating a moderate profitability.

ZYALC's liquidity was also moderate. At end-June 2025, short-term debts contributed 30.4% of the company's total debt, and cash and other liquid assets covered 57.4% of its debts due within one year. Yet nearly half of its debts will mature in more than 3 years, which was in line with the long-term nature of aircraft leasing.

In addition, the company has access to multiple financing channels, mainly including bank borrowings and bond issuance, to support its business operations and debt repayment. By end-June 2025, the company had credit facilities totaling RMB8.8 billion, of which RMB4.6 billion was unused.

Rating Sensitivities

We would consider downgrading ZYALC's rating if (1) there is a significant reduction of Zhongyuan AMC's shareholding, or (2) operational and financial support from Zhongyuan AMC is expected to be weakened, or (3) it suffers a significant deterioration in operating performance in terms of profitability or asset quality, or (4) its liquidity is materially worsened.

We would consider upgrading ZYALC's rating if (1) there is a higher likelihood of support from Zhongyuan AMC with greater business and financial linkages, or (2) it were to notably improve its business diversification, or (3) it were to further improve its capital buffer to support business growth and withstand economic downturn.

Company Profile

Founded in May 2016, ZYALC is a financial leasing company located in Henan Province and is mainly engaged in financial leasing, operating leasing (mainly aircraft leasing) and commercial factoring, with a policy mission to support the development of Zhengzhou Airport Economy Zone, the first and only national pioneer zone of airport economy.

Zhongyuan AMC is the controlling shareholder of ZYALC, holding 51% equity of the company at end-June 2025; The remaining 49% shares are mainly held by other state-owned enterprises in Henan Province. The Department of Finance of Henan Province is the ultimate controller of the company.

As a major local AMC in Henan Province, Zhongyuan AMC plays an important role in resolving financial risks and maintaining the financial stability within the region. ZYALC is an important subsidiary of Zhongyuan AMC, maintaining strong ties with the parent through management oversight and business collaboration, enabling the provision of comprehensive financial services.

Exhibit 1: ZYALC's Shareholding Structure

Shareholder	Shareholding (%)
Zhongyuan Asset Management Co., Ltd.	51.00
Henan Land Asset Operation and Management Co., Ltd.	21.71
Henan Airport Group Investment Co., Ltd.	17.37
Hengyu Investment Holdings (Hong Kong) Co., Limited	5.92
Henan Airport Group Co., Ltd.	4.00

Total **100.00**

Source: ZYALC and Lianhe Global's calculations

Business Profile

Exhibit 2: ZYALC Businesses Breakdown

RMB million	2022		2023		2024		1H2025	
	Revenue	%	Revenue	%	Revenue	%	Revenue	%
Operating Leasing	239	42.2	244	45.7	249	52.0	131	61.2
Finance Leasing	259	45.6	214	40.1	182	38.2	74	34.6
Factoring	9	1.5	20	3.8	15	3.1	4	1.9
Others	60	10.6	55	10.4	32	6.8	5	2.3
Total	567	100.0	534	100.0	478	100.0	214	100.0

Source: ZYALC and Lianhe Global's calculations

ZYALC mainly engages in operating leasing (aircraft leasing) and finance leasing businesses. With years of experience and its professional team specializing in aircraft leasing business, ZYALC has established its market competitiveness in both financial leasing and operating leasing businesses in Henan Province. Apart from aircraft leasing, the company has expanded its leasing services into new infrastructure, green energy, cultural tourism and other creative industries, to diversify its revenue sources and enlarge its business scale.

By end-June 2025, the ZYALC owned nine planes, mainly leased to major state-owned airlines in China under medium to long lease terms, which could generate stable rental incomes for ZYALC. Yet ZYALC's revenue from finance leasing business declined gradually in the past three years, as the company controlled its exposure to local government financing vehicles, following the policy's guidance. Its finance leasing business mainly involved in state-owned enterprises in Henan Province, demonstrating high geographical and sector distributions. More than 95% of financial leasing assets are concentrated within Henan Province, while about 40% of financial leasing assets are related to government-enterprise cooperation sector.

Nevertheless, ZYALC keeps a prudent underwriting standard and a comprehensive risk management system that could mitigate the potential concern. By end-June 2025, the company had a good asset quality.

Financial Profile

ZYALC's asset size fluctuated between RMB6.5 billion and RMB7.5 billion in the past few years, subjecting to the amount of finance lease assets deployed during the year. The company total debt decreased to RMB3.8 billion at end-2024 from RMB5.2 billion at end-2021. Benefited by the capital injection from its shareholders, the company's capital adequacy, as measured by common equity to total assets (tangible), increased to 36.4% from 24.5% over the same period.

In the first half of 2025, ZYALC increased its investment in both operating and finance leasing, mainly funded by borrowings. Its financial leverage reached 62.9% at end-June 2025, which was generally lower than that of most financial leasing companies in China.

ZYALC's profitability was largely stable. Its annualized return on average asset remained relatively stable at c. 2% from 2021 to the first six months of 2025, while its annualized return on average equity decreased from 8.7% to 5.5% over the same period, indicating a moderate profitability.

ZYALC's liquidity was moderate. At end-June 2025, short-term debts contributed 30.4% of the company's total debt, and cash and liquidity assets covered 57.4% of its debts due within one year. Yet nearly half of its debts will mature in more than 3 years, which was in line with the long-term nature of aircraft leasing.

In addition, the company has access to multiple financing channels, mainly including bank borrowings and bond issuance, to support its business operations and debt repayment. By end-June 2025, the company had credit facilities totaling RMB8.8 billion, of which RMB4.6 billion was unused.

Exhibit 3: ZYALC's Key Financial Metrics

RMB million	2021	2022	2023	2024	2025.6
Total Asset	7,265	6,623	7,112	6,517	7,279
Total Equity	1,853	1,908	2,508	2,589	2,655
Total Debt	5,200	4,456	4,241	3,841	4,506
Total Revenue	616	567	534	478	214
Net Profit	162	134	165	151	72
Return on Average Asset (%)	2.2	1.9	2.4	2.2	2.1*
Return on Average Equity (%)	8.7	7.1	7.5	5.9	5.5*
Impaired Loans to Gross Loans (%)	0.0	0.0	0.0	0.0	0.0
Common Equity to Total Asset (tangible, %)	25.2	28.6	35.1	39.6	36.4
Total debt to capitalization (%)	73.7	70.0	62.8	59.7	62.9
Liquid Assets to Short-term Debt (%)	32.9	25.2	35.4	67.2	57.4

Source: ZYALC and Lianhe Global's calculations

*Note: Annualized ratio

External Support

Strong External Support from Zhongyuan AMC

ZYALC would likely receive strong support from Zhongyuan AMC to ensure its stable operation, considering Zhongyuan AMC's majority ownership of ZYALC, strong integration and linkage, the potential impact on Zhongyuan AMC's reputation.

Zhongyuan AMC's Ownership and Support

Zhongyuan AMC directly owns 51% shares of ZYALC, and ZYALC is the core subsidiary under Zhongyuan AMC. ZYALC maintains strong ties with the parent through management

oversight and business collaboration, enabling the provision of comprehensive financial services.

Zhongyuan AMC's Ability to Provide Support

As a major local AMC in Henan Province, Zhongyuan AMC plays an important role in resolving financial risks and maintaining the financial stability within the region. Zhongyuan AMC has received strong support from the local government, mainly in the form of capital injections. Considering its strategic importance in Henan Province, we believe Zhongyuan AMC's ability to provide support is high.

Appendix: ZYALC's Rating Factors

Key Factors	Weight	Initial Rating
I. Operating Environment	15.00%	a-
II. Business Profile	25.0%	bbb-
III. Governance and Management	5.0%	bbb+
IV. Risk Management and Exposures	20.0%	bbb
V. Financial Profile	35.0%	bbb+
Stand-Alone Creditworthiness	100.0%	bbb
VI. External Support		Strong
Issuer Credit Rating		A
<i>Source: Lianhe Global</i>		

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