Zhejiang Tianzihu Industrial Investment Co., Ltd.

Summary	
Issuer Rating	BBB
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	21 November 2025

Analysts
Jack Li, CESGA
(852) 3462 9585
jack.li@lhratingsglobal.com

Joyce Huang, CFA
(852) 3462 9586
joyce.huang@lhratingsglobal.com

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

Lianhe Ratings Global Limited ("Lianhe Global") has affirmed 'BBB' global scale Long-term Issuer Credit Rating of Zhejiang Tianzihu Industrial Investment Co., Ltd. ("ZTIIC" or "the company"); Issuer Rating Outlook Stable

Summary

The Issuer Credit Rating reflects a high possibility that the People's Government of Anji County, Huzhou City ("Anji government") would provide very strong support to ZTIIC if needed, in light of its indirect full ownership of ZTIIC, ZTIIC's strategic importance as the key entity for infrastructure construction and state-owned asset operation in Anji County, Huzhou City ("Anji"), especially in the Tianzihu Town ("Tianzihu"), and the linkage between the local government and ZTIIC, including appointment of the senior management, strategic alignment, supervision of major investment and financing decisions and ongoing operational and financial support. In addition, the Anji government may face significant negative impact on its reputation and financing activities if ZTIIC encounters any operational and financial difficulties.

Anji is one of the counties under the jurisdiction of Huzhou City. Its GDP grew steadily by 6.5% to RMB67.6 billion in 2024. However, the budgetary revenue decreased by 4.0% to RMB6.3 billion in 2024.

The Stable Outlook reflects our expectation that ZTIIC's strategic importance would remain intact while the Anji government will continue to ensure ZTIIC's stable operation.

Rating Rationale

Government's Ownership and Supervision: The Financial Bureau of Anji County ("Anji FB"), as the actual controller, holds 100% shares of ZTIIC through Zhejiang Anji Construction Holding Group Co., Ltd. ("ZACH", "BBB/Stable"). The Anji government has strong control and supervision over the company, including the appointment of senior management, decisions on its strategic development, and supervision of its major investment and funding plans. In addition, the local government has an assessment mechanism over the company and periodically appoints auditors to supervise its operating performance and financials.

Strategic Importance to Anji and Strategic Alignment: ZTIIC remains an important local investment and development company ("LIDC") in Anji that primarily engages in infrastructure construction and state-owned asset operation in the region. It focuses on several crucial areas, including infrastructure development in specific regions of Tianzihu, Zhangwu, and Xilong. Its activities encompass green projects, new rural development initiatives, sale of bentonite and its products and others. ZTIIC plays an important role in promoting the region's economic and social development. Its business operations and strategic planning have been aligned with the local government's development plans.

Ongoing Government Support: ZTIIC receives ongoing operational subsidies and asset/capital injections from the local government to support its business operations. Between 2022 and the first half of 2025, ZTIIC received operational subsidies totaling RMB423.3 million from the local government. Over the same period, ZTIIC received capital and asset injections in the form of operating right assets, usage rights and other state-owned assets. We believe ZTIIC will likely receive strong support from the local government in the coming years considering its strategic importance in Anji.

ZTIIC's Financial Matrix and Liquidity Position: ZTIIC's total assets showed an increasing trend and reached RMB16.5 billion at end-June 2025. The total debts of the company decreased to RMB8.7 billion at end-June 2025 from RMB9.7 billion at end-2023. Its financial leverage, as measured by debt/capitalization, also decreased to 49.7% at end-June 2025 from 56.1% at end-2023. In addition, ZTIIC's asset liquidity was weak. The company's project development activities accumulated sizeable inventories (mainly construction costs and reserved land use rights), accounting for 70.2% of total asset at end-June 2025.

The liquidity of ZTIIC was relatively tight. ZTIIC had a cash balance of RMB883.4 million at end-June 2025, compared with debt within one year of RMB2.5 billion. The company mainly relies on external financing and has access to various financing channels, including bank loans, onshore and offshore bond issuance and non-traditional funding, to support its debt repayment and business operations.

Rating Sensitivities

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

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

Operating Environment

Economic Condition of Anji

Anji is a county under the jurisdiction of Huzhou City and located in the northwest of Zhejiang Province. Anji has a total land area of 1,886 square kilometers. At end-2024, Anji had a resident population of 0.6 million.

Anji's economy maintained stable growth in the past few years and its GDP reached RMB67.6 billion in 2024, representing a year-on-year growth of 6.5% (2023: 5.1%). Anji's economic growth was mainly fueled by secondary and tertiary industries, which accounted for 46.4% and 48.6% of GDP in 2024, respectively.

Anji's GDP and Fixed Asset Investment (RMB billion)	**2022**	**2023**	**2024**
GDP	58.2	61.5	67.6
-Primary industry (%)	5.2	5.2	5.0
-Secondary industry (%)	46.8	43.9	46.4
-Tertiary industry (%)	48.1	50.8	48.6
GDP growth rate (%)	0.9	5.1	6.5
Fixed asset investment growth rate (%)	7.6	22.6	9.6
Population (million)	0.6	0.6	0.6

Source: Financial Bureau of Anji, statistical bureau of Anji and Lianhe Global's calculations

Fiscal Condition of Anji

The Anji government's budgetary revenue decreased by 4.0% in 2024 to RMB6.3 billion in 2024 from 6.5 billion in 2023, mainly due to tax revenue dropping to RMB5.3 billion from

RMB5.9 billion during the same period. However, its budgetary balance improved in 2024, with a fiscal deficit narrowing to 35.8% in 2024 from 43.9% in 2023. The government fund income, mainly generated from land sales, continued to decline due to prolonged property market downturn.

The government debt of Anji kept growing in past years. At end-2024, The Anji government's outstanding debt increased to RMB22.4 billion from RMB21.9 billion at end-2023, mainly due to the issuance of special purpose debts to support local public projects. Its government debt ratio, as measured by the total government debt/aggregate revenue, increased to 153.1% from 96.9% over the same period.

Anji's Fiscal Condition (RMB billion)	**2022**	**2023**	**2024**
Budgetary revenue	6.2	6.5	6.3
Budgetary revenue growth rate (%)	-5.1	4.2	-4.0
Tax revenue	5.7	5.9	5.3
Tax revenue (% of budgetary revenue)	91.3	90.9	85.4
Government fund income	9.0	12.8	5.8
Transfer payment	3.0	3.0	2.3
Aggregate revenue	**18.2**	**22.6**	**14.6**
Budgetary expenditure	9.4	9.4	8.5
Budget balance[1] (%)	-50.8	-43.9	-35.8
Government debt ratio (%)	122.3	96.9	153.1

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

Source: Financial Bureau of Anji, statistical bureau of Anji and Lianhe Global's calculations

Company Profile

ZTIIC was established on 2 June, 2004, by Anji County Asset Management Co., Ltd. and Anji County Economic and Technological Development Co., Ltd., with an initial registered capital of RMB20 million. In May 2021, 100% of the company's shares were transferred to ZACH. The company's registered and paid-up capital was RMB300 million, with ZACH as the sole shareholder and the Anji FB as the actual controller at end-June 2025.

ZTIIC is a key player in infrastructure construction in Anji, focusing on project management in the northern regions. Its core activities include infrastructure construction, landscaping, new rural development, and the sale of bentonite products. The company realized revenue of RMB585.5 million, RMB549.2 million, RMB558.2 million and RMB262.4 million in 2022, 2023, 2024 and the first six months of 2025, respectively. The overall gross profit margin has remained stable between 8%-10% over the past years.

Key Financial Data (RMB million)	**2022**	**2023**	**2024**	**2025.6**
Total Assets	16,344	17,678	16,603	16,528
Equity	7,246	7,624	7,707	8,763
Debt	8,727	9,739	8,147	8,672
Debt / (Debt + Equity) (%)	54.6	56.1	51.4	49.7
Unrestricted cash/ST Debts (x)	0.2	0.1	0.2	0.2
Debt/EBITDA (x)	42.3	48.0	46.3	-
Revenue	585.5	549.2	558.2	262.4
Operation Profit	103	122	97	61
Gross Margin (%)	9.5	9.6	8.2	7.9
Cash from sales or services/ Revenue (%)	84.9	229.6	101.1	62.9

Source: CSID and Lianhe Global's calculations

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