



Henan Zhongyu Credit Promotion Co., Ltd.

Surveillance Report

Summary

Issuer Rating	A+
Outlook	Stable
Location	China
Industry	NBFI
Date	22 December 2025

Lianhe Ratings Global Limited ("Lianhe Global") has affirmed 'A+' global scale Long-term Issuer Credit Rating of Henan Zhongyu Credit Promotion Co., Ltd. ("HZCP"); Issuer Rating Outlook Stable.

Summary

The Issuer Rating reflects HZCP's strong franchise and market position as the sole credit enhancement company in Henan Province ("Henan") as well as its strong capital base for future business growth. The rating also considers its concentrated business profile, increasing profitability and moderate leverage and debt burden. Besides, there is a high possibility that the People's Government of Henan Province ("Henan government") would provide strong support to HZCP if needed, in light of its majority ownership of HZCP, HZCP's strategic importance as the sole provincial credit enhancement company in Henan, the linkage between the Henan government and HZCP and ongoing financial and policy support. In addition, the Henan government may face significant negative impact on its reputation and financing activities if HZCP encounters any operational and financial difficulties.

The Stable Outlook reflects our expectation that HZCP will maintain its monopoly market position in Henan's credit enhancement market and an adequate funding and liquidity position which is commensurate with its credit profile.

Rating Rationale

The Sole Credit Enhancement Company in Henan with Monopoly Market Position and Pivotal Strategic Role: HZCP still serves as the only provincial-level credit enhancement company in Henan. It primarily focuses on credit enhancement and investment activities, holding a certain level of importance within the financial system of Henan Province. The company has a monopoly position in the credit enhancement field in Henan, providing it with significant advantages in business operations. Additionally, the company plays a crucial and irreplaceable role in expanding financing channels, facilitating the financing needs of local enterprises, and boosting the financing activities in the bond market in Henan.

Ongoing Business Growth with Substantial Capacity and Minimal Claim History: HZCP's credit enhancement business balance significantly increased to RMB37.4 billion at end-June 2025 from RMB16.4 billion at end-2023, most of which were provided to local investment and development companies ("LIDC") in Henan. The outstanding guarantees to capital ratio remained low at 2.97x at end-June 2025, indicating substantial potential for future business expansion. However, regulatory restrictions on LIDC financing could affect the expansion of its bond credit promotion business. HZCP has not encountered any instances of compensation in the promotion business. All credit enhancement operations have been conducted exclusively within Henan, indicating a high regional concentration.

Increasing Profitability on Expanding Business Scale: With ongoing growth in the credit enhancement business in the first six months of 2025, HZCP achieved a total profit of RMB304.2 million, with annualized average return on asset ("ROA") of 3.4%, compared with 3.4% in 2024 and 3.0% in 2023. Given the moderate guarantee exposures, the future holds substantial potential for business growth and an increase in profitability, especially considering the company's unique position as the exclusive credit enhancement entity in

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Applicable Criteria

Non-Bank Financial Institutions
Criteria (21 November 2023)

Henan. Besides, the company's venture into investment activities and entrusted loan business would further enhance profitability.

Strong Capital Base and Increasing Leverage: HZCP's equity capital rose to RMB12.6 billion at end-June 2025 and shareholders remained 19 from 6 following the introduction of strategic investors in September 2023 (including 14 core LIDCs in Henan and provincial financial institutions) injecting RMB8.0 billion of new capital. HZCP's debt scale has grown substantially since 2024, driven by the issuance of targeted debt financing instrument. The company's total debt surged from RMB861.3 million at end-2023 to RMB4.7 billion at end-June 2025. The debt expansion pushed up HZCP's debt-to-capitalization ratio from 7.2% at end-2023 to 39.1% at end-June 2025. Having said that, per management, the company plans to raise capital through a new round of financing, with a minimum fundraising target of RMB3.0 billion. The upcoming capital infusion will reduce the debt-to-capitalization ratio and bringing its leverage to a reasonable and sustainable level, thereby better supporting the company's long-term operational and development needs.

Strong External Support from Henan Government: We expect HZCP is likely to receive strong support from the Henan government if needed. The Henan Provincial State-owned Assets Supervision and Administration Commission ("Henan SASAC") holds the majority of HZCP's shares via Central Plains Yuzi Investment Holding Group Co., Ltd. ("Yuzi Group"), a local investment and development company acting as the sole provincial-level investment and financing entity for urbanization and affordable housing construction in Henan. Henan SASAC is the actual controller of the company and the Henan government has the final decision-making authority and supervises the company on a regular basis. As the sole credit enhancement entity in Henan, HZCP benefits from ongoing support in capital and business expansion from the Henan government. With its expanding operations, HZCP's significance in maintaining economic and financial stability in Henan is anticipated to grow. In addition, the Henan government may face significant negative impact on its reputation and financing activities if HZCP encounters any operational and financial difficulties.

Rating Sensitivities

We would consider downgrading HZCP's rating if there is 1) significant deterioration in its credit profile, such as notably weakened capital adequacy, significant increase in compensation rate, and weakened funding structure etc., or 2) there is perceived weakening in support from the Henan government, particularly due to its reduced strategic importance, or (3) there is a downgrade in our internal credit assessment on the Henan government.

We would consider upgrading HZCP's rating if (1) there is strengthened support from local government, or (2) there is an upgrade in our internal credit assessment on Henan government.

Company Profile

HZCP was established on February 8, 2022, with Henan Yuzi Urban and Rural Integration Construction and Development Group Co., Ltd. ("Yuzi Integration") as the initiator and controlling shareholder. The initial registered capital was RMB4.0 billion. In July 2022, Yuzi Integration transferred its holdings in the company to Henan Province Enterprise Credit Insurance Fund, Henan Zhongyu Asset Management Co., Ltd., China Pingmei Shenma Energy and Chemical Group Co., Ltd., Luoyang Heluo New Industry Investment Development Co., Ltd., and Henan Asset Management Co., respectively.

In September 2023, HZCP received a capital injection of RMB8.0 billion, increasing the paid-up capital to RMB12.0 billion. The number of shareholders increased from 6 to 19, with the new shareholders mainly consisting of 14 local LIDCs in various cities in Henan. Yuzi

Integration, as a wholly-owned subsidiary of Yuzi Group, is the controlling shareholder of the company. Yuzi Group is a wholly state-owned enterprise under the Henan SASAC, making the Henan SASAC the actual controller of the company.

Appendix I: HZCP's Rating Factors

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

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