

Zhengzhou Urban Construction Investment Group Co., Ltd.

Summary

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| Issuer Rating | A+ |
| Outlook | Stable |
| Location | China |
| Industry | Local Investment and Development Companies |
| Date | 4 December 2025 |

Lianhe Ratings Global Limited (“Lianhe Global”) has upgraded the global scale Long-term Issuer and Issuance Credit Rating of Zhengzhou Urban Construction Investment Group Co., Ltd. (“ZZC” or “the company”) to ‘A+’ from ‘A-’; Issuer Rating Outlook is Stable

Summary

The Issuer Credit Rating upgrade reflects ZZC’s enhanced strategic importance, its increasing contributions to the revitalization of existing assets in Zhengzhou (“Zhengzhou”), industrial upgrading and transformation, as well as urban development and management. ZZC plays a critical role in the revitalization of various existing assets and urban development in Zhengzhou, including the refurbishment and/or establishment of theaters, science and technology museums, youth park parking facilities, and the development and maintenance of landscape rivers. The company is also involved in the construction of cross-border e-commerce hubs, short-video production bases, cultural and creative districts, waste recycling projects, and the transformation of factory sites into multifunctional industrial parks. Furthermore, ZZC participates in projects that promote Zhengzhou’s industrial upgrading and transformation has broadened its focus to include asset-light ventures, such as cultural tourism and digital economy. These initiatives align closely with the local government’s strategy for industrial transformation and upgrading, fostering attract investment and accelerating industrial growth.

We believe this presents a high possibility that Henan’s Zhengzhou municipal government (“Zhengzhou government”) would provide very strong support to ZZC if needed. This mainly considers the Zhengzhou government’s full ownership of ZZC, the high strategic importance of ZZC to Zhengzhou in the municipal infrastructure construction and maintenance, and the strong linkage between the Zhengzhou government and ZZC, including management supervision, strategic alignment, and ongoing operational and financial support. In addition, the Zhengzhou government may face significant negative impact on its reputation and business and financing activities should ZZC encounter any operational or financial difficulties.

Zhengzhou is the capital city of Henan Province. The Zhengzhou government’s budgetary revenue stood at a level of RMB115.5 billion in 2024, while its GDP grew steadily by 5.7% to RMB1,453.2 billion in the same year.

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

Rating Rationale

Government’s Ownership and Supervision: The Zhengzhou government has 100% indirect ownership of ZZC via the State-owned Assets Supervision and Administration Commission of Zhengzhou (“Zhengzhou SASAC”), which is appointed by the government to supervise state-owned entities. Zhengzhou SASAC is the only shareholder with 100% ownership through its fully-owned Zhengzhou Urban Development Group Co., Ltd (formerly known as Zhengzhou Real Estate Group Co., Ltd.), and the Zhengzhou government is the ultimate controller.

Analysts

Rechel Chen
(852) 3462 9589
rechel.chen@lhratingsglobal.com

Toni Ho, CFA, FRM
(852) 3462 9578
toni.ho@lhratingsglobal.com

Applicable Criteria

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

Strategic Importance and Strategic Alignment: ZYC remains one of Zhengzhou's major investment and financing platforms, undertaking various businesses, including municipal infrastructure construction and maintenance, as well as commodity trading, to support Zhengzhou's economic development. ZYC extended its business scope to participate in the real estate sector, mainly involving resettlement housing. Additionally, ZYC widens its contributions to revitalization of existing assets, industry upgrading and transformation, urban development and management, as well as asset-light ventures in Zhengzhou. These initiatives align closely with the Zhengzhou government's strategy for industrial transformation and upgrading, fostering investment attraction and accelerating industrial growth.

Ongoing Government Support: The Zhengzhou government and Zhengzhou SASAC have strong control and supervision over ZYC, including control of the board of directors and major strategic, investment and financing planning. ZYC's business operation and development have been aligned with the government's economic and social policies. As one of the national central cities in the central region of China, Zhengzhou has devoted to optimise its economic structure and strengthen the transportation connections and logistic services to promote urban and rural development.

ZYC's Financial Matrix and Liquidity Position: ZYC's total assets increased steadily to RMB 54.4 billion at end-June 2025, up from RMB 53.1 billion at end-2024. During the same period, ZYC's total debt expanded from RMB 30.1 billion to RMB 31.2 billion. As a result, the company's financial leverage, as measured by the debt to capitalization ratio, increased from 60.9% to 61.7%.

ZYC's asset liquidity remained weak. Inventories (primarily land use rights and construction costs) and other non-current assets accounted for approximately 65.0% of the company's total assets at end-June 2025. These assets typically take a long time to monetize owing to protracted development and a cash collection period.

The short-term debt servicing pressure of ZYC was high. At end-June 2025, the company had a cash balance of RMB3.4 billion (including restricted cash of RMB13.2 million), while its debt due within one year was RMB7.9 billion. ZYC has access to various financing channels, including bank loans, bond issuances, and other non-traditional financing channels, to support its debt repayments and business operations. At end-June 2025, the company had total credit lines of RMB35.7 billion, with unused credit lines of RMB21.2 billion.

Rating Sensitivities

We would consider downgrading ZYC's rating if (1) there is perceived weakening in support from Henan's Zhengzhou government, particularly due to its reduced strategic importance, or (2) there is a significant reduction of the Zhengzhou government's ownership of ZYC, or (3) there is a downgrade in our internal credit assessment on the Zhengzhou government.

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

Any rating action on ZYC's rating would result in a similar rating action on the USD notes.

Full List of Issuance Rating

- USD210 million 5.0% senior unsecured notes due 2027 to 'A+' from 'A-'

Operating Environment

Economic Condition of Zhengzhou

Zhengzhou's GDP amount increased to RMB1,453.2 billion in 2024 from RMB1,392.7 billion in 2023, with its economic growth rate declined to 5.7% from 7.4% year-on-year. The GDP per capita of Zhengzhou was RMB111,051 in 2024.

| Zhengzhou's Economic Conditions | | | |
|--|-------------|-------------|-------------|
| (RMB billion) | 2022 | 2023 | 2024 |
| GDP | 1,273.6 | 1,392.7 | 1,453.2 |
| -Primary industry (%) | 1.4 | 1.3 | 1.3 |
| -Secondary industry (%) | 40.0 | 39.5 | 37.7 |
| -Tertiary industry (%) | 58.6 | 59.2 | 61.0 |
| GDP growth rate (%) | 1.0 | 7.4 | 5.7 |
| Fixed asset investment growth rate (%) | -8.5 | 6.8 | 5.3 |
| Population (million) | 12.8 | 13.0 | 13.1 |

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

Fiscal Condition of Zhengzhou

The budgetary revenue of the Zhengzhou government decreased slightly to RMB115.5 billion in 2024 from RMB116.6 billion in 2023, with the contribution of tax revenue lowered to 67.1% from 67.5% over the same period. The fiscal self-sufficiency rate of the Zhengzhou government remained weak, with its budget deficit slightly widened to 31.9% in 2024 from 30.3% in 2023.

The outstanding debt of the Zhengzhou government has kept growing over the past few years. At end-2024, the Zhengzhou government's outstanding debt increased to RMB393.8 billion from RMB335.5 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, surged to 210.4% at end-2024 from 165.9% at end-2023.

| Zhengzhou's Fiscal Condition | | | |
|--------------------------------------|-------------|-------------|-------------|
| (RMB billion) | 2022 | 2023 | 2024 |
| Budgetary revenue | 113.0 | 116.6 | 115.5 |
| Budgetary revenue growth rate (%) | -7.7 | 3.1 | -3.6 |
| Tax revenue | 72.4 | 78.6 | 77.5 |
| Tax revenue (% of budgetary revenue) | 64.1 | 67.5 | 67.1 |
| Government fund income | 52.1 | 38.8 | 34.8 |
| Transfer payment | 34.5 | 35.6 | 35.7* |
| Aggregate revenue | 199.9 | 191.1 | 186.0 |
| Budgetary expenditure | 144.8 | 152.0 | 152.4 |
| Budget balance ¹ (%) | -28.1 | -30.3 | -31.9 |

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

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

**Estimated by Lianhe Global*

Company Profile

As one of the major state-owned asset management and infrastructure investment and operation entities in Zhengzhou, ZCC has played an important role in the economic development of Zhengzhou. Zhengzhou SASAC is the only shareholder with 100% ownership through its fully-owned Zhengzhou Urban Development Group Co., Ltd (formerly



known as Zhengzhou Real Estate Group Co., Ltd.), and the Zhengzhou government is the ultimate controller.

As one of the major state-owned asset management and infrastructure investment and operation entities in Zhengzhou, ZYC engages in public infrastructure construction and maintenance, and trading businesses. Additionally, the company widens its contributions to revitalization of existing assets, industry upgrading and transformation, urban development and management, as well as asset-light ventures in Zhengzhou. In 2024, ZYC recorded a growth in revenue to reach RMB913 million with a gross margin of 7.3%.

| Key Financial Data | | | | |
|---|--------|--------|--------|--------|
| (RMB million) | 2022 | 2023 | 2024 | 2025.6 |
| Total Assets | 50,393 | 50,885 | 53,114 | 54,382 |
| Equity | 19,030 | 19,114 | 19,310 | 19,323 |
| Debt | 28,254 | 28,443 | 30,052 | 31,161 |
| Debt / (Debt + Equity) (%) | 59.8 | 59.8 | 60.9 | 61.7 |
| Unrestricted cash/ST Debts (x) | 1.9 | 0.5 | 0.3 | 0.4 |
| Debt/EBITDA (x) | 49.3 | 58.2 | 57.5 | - |
| Revenue | 838 | 849 | 913 | 92 |
| Operation Profit | 62 | 91 | 102 | 27 |
| Gross Margin (%) | 8.6 | 4.6 | 7.3 | 56.8 |
| Cash from sales or services/ Revenue (%) | 66.4 | 40.4 | 58.6 | 476.2 |

Source: ZYC and Lianhe Global's calculations

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