

Heze City Investment Holdings Group Co., Ltd.

Lianhe Ratings Global Limited (“Lianhe Global”) has affirmed ‘BBB+’ global scale Long-term Issuer and Issuance Credit Rating of Heze City Investment Holdings Group Co., Ltd. (“HZCI”); Issuer Rating Outlook is Stable.

Summary

The Issuer Credit Rating reflects a high possibility that the People’s Government of Heze City (“Heze government”) would provide strong support to HZCI if needed. This mainly considers its full ownership of HZCI and HZCI’s strategic importance as an important local investment and development company (“LIDC”) that is responsible for urban development and industrial investment in Heze City (“Heze”). In addition, the linkage between the Heze government and HZCI is strong, including management supervision, strategic alignment, and ongoing operational and financial support. We believe that the local government has a strong willingness to ensure HZCI’s business and financial viability in order to safeguard its reputation and local financing activities.

Heze is a prefecture-level city located southwest of Shandong Province. In 2025, Heze’s GDP reached RMB 493.7 billion, representing a year-over-year growth rate of 5.0%, while the Heze government’s budgetary revenue increased by 1.3% to RMB33.3 billion.

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

Lianhe Global has also affirmed ‘BBB+’ global scale Long-term Issuance Credit Rating of the senior unsecured bonds issued by HZCI at the same time. A full list of affirmed issuance rating is included in this report.

Rating Rationale

Government’s Ownership and Supervision: The Heze government holds 100% shares of HZCI through the Finance Bureau of Heze (“Heze FB”). The local government has strong control over the company, including the appointment of senior management and supervision of development strategy, major financing plan and investment decisions. In addition, the local government has formulated a performance assessment policy for the company, and irregularly appoints auditors to review the company’s operating performance and financial position.

Strategic Importance and Alignment: HZCI is a major investment and development entity in Heze, primarily responsible for infrastructure construction in the urban areas of Heze City and the Juancheng Chemical Industrial Park. Its strategic development plan has been aligned with the local government’s economic and social policies.

HZCI is undertaking financial center, hospital, school and smart parking projects in Heze’s urban area to improve the quality of the city’s living and business functions. HZCI has also expanded its operations to the development of high-end industrial parks for biopharmaceuticals, intelligent manufacturing, food, and other industries to support local industrial upgrades.

Ongoing Government Support: HZCI receives ongoing support from the Heze government, including financial subsidies, capital/asset injections and operational support. Considering that HZCI is the only LIDC directly owned by Heze FB, it enjoys priority in the

Summary

Issuer Rating	BBB+
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	3 June 2026

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Applicable Criteria

[China Local Investment and Development Companies Criteria \(31 July 2025\)](#)

use of local government special bonds. The company also received operational subsidies of RMB58.6 million in 2025. We expect HZCI to receive ongoing support from the local government in the coming years, considering its strategic importance in Heze.

HZCI's Financial and Liquidity Position: HZCI's total assets increased steadily to RMB41.2 billion at end-2025 from RMB38.2 billion at end-2024, and further expanded to RMB42.8 billion as of end-March 2026. The company's total debt grew to RMB20.7 billion from RMB18.9 billion over the same period, and continued to rise to RMB21.4 billion at end-March 2026. Its financial leverage, as measured by the debt to capitalization ratio, increased slightly to 56.3% at end-March 2026 from 55.6% at end-2025.

The short-term debt servicing pressure of HZCI was high. At end-2025, the company had unrestricted cash of RMB1.1 billion, while its debt due within one year was RMB8.1 billion. However, the company has access to various financing channels, including bank borrowings, bond issuances and non-traditional financing, to support its debt repayments and business operations. At end-March 2025, the company had unused bank facilities amounting to RMB4.9 billion. We also expect the company to roll over most of its short-term borrowings (end-2025: RMB4.6 billion).

Rating Sensitivities

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

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

Full List of Issuance Ratings

A full list of issuance ratings is included below. Any rating action on HZCI rating would result in a similar rating action on its bonds:

- USD132.28 million 8.0% senior unsecured Notes due 2026 affirmed at 'BBB+'

Operating Environment

Economic Condition of Heze

Heze's GDP grew by 5.0% to RMB493.7 billion in 2025 from RMB480.3 billion in 2024, decelerating from 6.8% in 2024. In 2025, the local economy saw modest structural improvement, with the tertiary sector rising to 49.4% of GDP from 47.4% in 2024, while the secondary industry declined to 41.5% from 43.4% and the primary sector edged down to 9.1%.

Heze's Economic Condition (RMB billion)	2023	2024	2025
GDP	458.8	480.3	493.7
-Primary industry (%)	9.5	9.2	9.1
-Secondary industry (%)	40.3	43.4	41.5
-Tertiary industry (%)	50.2	47.4	49.4
GDP growth rate (%)	6.8	6.8	5.0
Fixed asset investment growth rate (%)	7.9	6.3	-

Population (million)	8.64	8.51	8.51
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Source: Statistical Bureau of Heze and Lianhe Global's calculations

Fiscal Condition of Heze

Heze's budgetary revenue grew by 1.3% to RMB33.3 billion in 2025, marking a further slowdown from the 4.0% growth in 2024 and 5.3% in 2023. The tax revenue ratio declined further to 58.2% from 60.0% in 2024, falling significantly below the 64.8% recorded in 2023, indicating continued pressure on revenue quality. Government fund income shrank to RMB20.8 billion in 2025 from RMB28.7 billion in 2024 and RMB36.0 billion in 2023.

The outstanding debt of the Heze government increased to RMB215.3 billion at end-2025, from RMB180.8 billion at end-2024, mainly due to the new issuance of special-purpose debts. Its government debt ratio, as measured by total government debt/aggregate revenue, increased significantly to 217.4% in 2025 from 172.3% in 2024.

Heze's Fiscal Condition (RMB billion)	2023	2024	2025
Budgetary revenue	31.7	32.9	33.3
Budgetary revenue growth rate (%)	5.3	4.0	1.3
Tax revenue	20.5	19.8	19.4
Tax revenue (% of budgetary revenue)	64.8	60.0	58.2
Government fund income	36.0	28.7	20.8
Transfer payment	42.1	42.9	44.5
Aggregate revenue	110.1	104.9	99.1
Budgetary expenditure	73.5	71.0	75.9
Budget balance ¹ (%)	-132.2	-115.8	-127.8
Government debt ratio (%)	136.4	172.3	217.4

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

Source: Finance Bureau of Heze and Lianhe Global's calculations

Company Profile

HZCI is a major investment and development entity in Heze, primarily responsible for infrastructure construction in the urban areas of Heze City and the Juancheng Chemical Industrial Park. In addition, it has expanded to property development and sales of food, appliances and office supplies. HZCI recorded total revenue of RMB1,952 million, RMB2,221 million and RMB621 million in 2024, 2025 and the first quarter of 2026, respectively. Gross profit margin fluctuated around 17.0%-21.0% from 2023 to 2025.

HZCI's Key Financial Data (RMB million)	2023	2024	2025	2026.3
Total Assets	38,870	38,156	41,228	42,752
Equity	16,152	16,306	16,530	16,599
Debt	20,353	18,869	20,722	22,097*
Debt / (Debt + Equity) (%)	55.8	53.6	55.6	57.1*
Unrestricted cash/ST Debts (x)	0.1	0.1	0.1	0.3
Debt/EBITDA (x)	61.4	40.9	40.0	-
Revenue	2,801	1,952	2,221	621
Operation Profit	210	128	173	97
Gross Margin (%)	16.9	20.5	19.7	25.8
Cash from sales or services/ Revenue (%)	103.2	90.9	118.2	103.2

Source: HZCI and Lianhe Global's calculations

*Estimated by Lianhe Global

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