

## Credit Opinion

18 June 2025

Ratings	
Category	Corporate
Domicile	China
Rating Type	Solicited Rating
Long-Term Credit Rating	BBB <sub>g</sub>
Outlook	Stable

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## Zhejiang Xingshanghe Urban Development Group Co., Ltd.

### Surveillance credit rating report

**CCXAP affirms Zhejiang Xingshanghe Urban Development Group Co., Ltd.'s long-term credit rating at BBB<sub>g</sub>, with stable outlook.**

### Summary

The BBB<sub>g</sub> long-term credit rating of Zhejiang Xingshanghe Urban Development Group Co., Ltd. ("ZXUD" or the "Company") reflects (1) Nanxun District Government's strong capacity to provide support; and (2) the local government's extremely high willingness to provide support, based on our assessment of the Company's characteristics.

Our assessment of Nanxun District Government's capacity to provide support is reflected by its good geographic advantage and improving economic fundamentals, but constrained by its modest fiscal profile.

The rating also reflects the local government's willingness to support, which is based on the Company's (1) primary role in Nanxun District's infrastructure development, with a large amount of public projects in the pipeline; (2) good track record of receiving government support; and (3) multiple financing channels.

However, the Company's rating is constrained by its (1) medium exposure to commercial activities mainly from property development business; (2) relatively high debt leverage with short-term debt repayment pressure; and (3) moderate asset liquidity.

The stable outlook on ZXUD's rating reflects our expectation that the Company will maintain its status as the most important infrastructure construction entity in Nanxun District. We also expect that the Company will continue to receive ongoing government support.

## Rating Drivers

- Primary role in Nanxun District's infrastructure development
- Medium exposure to commercial activities mainly from property development business
- Relatively high debt leverage with short-term debt repayment pressure
- Moderate asset liquidity
- Multiple financing channels but with relatively high non-standard financing exposure
- Good track record of receiving government support
- Medium contingent liability risk from external guarantee

## Rating Sensitivities

### What could upgrade the rating?

The rating could be upgraded if (1) the local government's capacity to support strengthens; and (2) the Company's characteristics change in a way that strengthens the local government's willingness to support, such as a decrease in exposure to commercial activities.

### What could downgrade the rating?

The rating could be downgraded if (1) the local government's capacity to support weakens; or (2) the Company's characteristics change in a way that weakens the local government's willingness to support, such as a decrease in its strategic significance or weaker government support.

## Key Indicators

	2022FY	2023FY	2024FY
Total Asset (RMB billion)	94.8	106.7	108.7
Total Equity (RMB billion)	39.2	42.8	41.6
Total Revenue (RMB billion)	5.8	5.6	5.6
Total Debt/Total Capital (%)	54.4	56.2	58.1

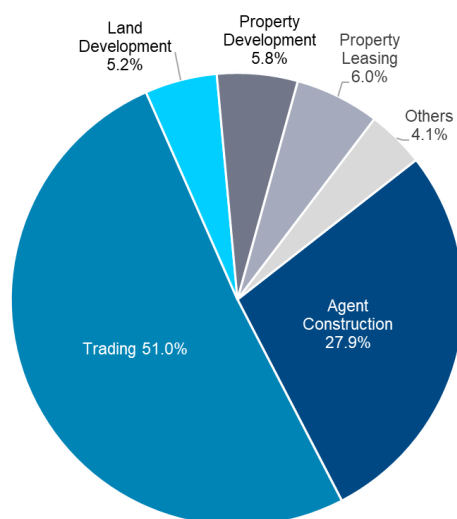
All ratios and figures are calculated using CCXAP's adjustments.

Source: Company Data, CCXAP research

## Corporate Profile

Founded in 2020, after acquiring 93.1% of the equity of Huzhou Nanxun State-owned Assets Investment Holding Co., Ltd ("NXSA") in 2022, ZXUD became the most important local infrastructure investment and financing company ("LIIFC"), with the largest asset size, in Nanxun District. The Company mainly engages in land development, agent construction, and sewage treatment in Nanxun District. Apart from public policy business, it is also engaged in commercial businesses such as property development, property leasing and trading. As of 31 December 2024, the Company was wholly owned and directly controlled by the Finance Bureau of Nanxun District.

## Exhibit 1. Revenue structure in 2024



Source: Company information, CCXAP research

## Rating Considerations

### Government's Capacity to Provide Support

We believe that Nanxun District Government has a strong capacity to provide support as reflected by its good geographic advantage and improving economic fundamentals, but constrained by its modest fiscal profile.

Zhejiang Province is one of the most economically developed provinces in China, and its comprehensive economic strength and private economy leads in China. In 2024, the gross regional product ("GRP") of Zhejiang Province was RMB9.0 trillion, ranking 4<sup>th</sup> among all provinces in China, with a year-on-year ("YoY") increase of 5.5%. In 2024, its general budgetary revenue reached RMB0.9 trillion, ranking 3<sup>rd</sup> among all provinces in China.

Located in the northern part of Zhejiang Province, Huzhou City is the node city connecting the north and south areas of the Yangtze River Delta region. Huzhou City has four leading industries including information technology, high-end equipment, health and tourism. It has achieved a significant increase in GRP over the past three years. In 2024, Huzhou City recorded a GRP of RMB421.3 billion, increasing by 5.8% YoY. Due to the economic recovery and industry growth, Huzhou Municipal Government's general budgetary revenue increased from RMB38.7 billion in 2022 to RMB41.1 billion in 2024. It also has good fiscal stability, with tax income accounting for around 80% of general budgetary revenue for the past three years. Its fiscal balance remained at a moderate level, with general budgetary revenue to general budgetary expenditure ratio of 70.0% in 2024. However, Huzhou Municipal Government's debt burden was relatively heavy with an outstanding direct government debt of RMB161.1 billion at end-2024, accounting for 38.2% of its GRP and 142.8% of its total fiscal revenue.

**Exhibit 2. Key Economic and Fiscal Indicators of Huzhou City**

	2022FY	2023FY	2024FY
GRP (RMB billion)	385.0	401.5	421.3
GRP Growth (%)	3.3	5.8	5.8
General Budgetary Revenue (RMB billion)	38.7	41.1	41.1
General Budgetary Expenditure (RMB billion)	60.2	60.7	59.1
Local Government Debt (RMB billion)	118.9	136.4	161.1

Source: Statistics Bureau of Huzhou City, CCXAP research

Located in the east part of Huzhou City, Nanxun District is at the junction of Jiangsu and Zhejiang Province and is 100 kilometers away from Shanghai and Hangzhou City. It benefits from the industrial transfer and overflow of technical funds in Hangzhou Bay Industrial Belt and Yangtze River Delta Economic Circle, and develops its industrial system forming by two key industries, which are high-end equipment and information economy, and three traditional industries, including new metal material, green home, and modern textile, respectively. It is also rich in cultural and natural resources including one national “5A” scenic area, one national “4A” scenic area and several “3A” scenic areas. In 2024, Nanxun District recorded a GRP of RMB59.9 billion, increasing by 5.7% YoY. Benefiting from economic recovery and sound connection with Shanghai, its general budgetary revenue increased from RMB4.2 billion in 2023 to RMB4.4 billion in 2024. Largely affected by the land market conditions, the government funds in 2024 decreased by 24.5% YoY to RMB4.0 billion. The fiscal balance of Nanxun District is moderate, with a general budgetary revenue/general budgetary expenditure ratio of 64.2% in 2024. In addition, Nanxun District’s debt profile is weak. Nanxun District’s governmental debt amounted to RMB19.3 billion at end-2024, representing 32.2% of GRP and 219.6% of total fiscal revenue.

**Exhibit 3. Key Economic and Fiscal Indicators of Nanxun District**

	2022FY	2023FY	2024FY
GRP (RMB billion)	55.9	58.5	59.9
GRP Growth (%)	3.5	6.0	5.7
General Budgetary Revenue (RMB billion)	4.0	4.2	4.4
General Budgetary Expenditure (RMB billion)	6.9	6.8	6.9
Local Government Debt (RMB billion)	12.4	14.6	19.3

Source: Statistics Bureau of Nanxun District, CCXAP research

In January 2022, the Shanghai Innovation Cooperation Zone (“SICZ”) was established with the approval of the Huzhou Municipal Government and was planned to be in the southeast of Nanxun District. According to the development plan, it has a total area of 30 kilometers and is mainly divided into three districts, Nanxun ancient towns, Shanghai Bay, and the high-speed railway of the high-tech zone. SICZ will focus on the implementation of the construction, promoting the influence of Nanxun ancient town, enhancing transport networking between Shanghai and Huzhou, and optimizing the environment for entrepreneurship, to promote regional development. As an important entity of infrastructure construction in SICZ, the development of SICZ will provide huge opportunities for the Company.

**Government’s Willingness to Provide Support**

**Primary role in Nanxun District’s infrastructure development, with a large amount of public projects in the pipeline**

There are four major LIIFCs in Nanxun District to support local economic and industrial development, each with a clear position in the region. ZXUD is the largest LIIFC by total assets, focusing on land development, agent construction, and sewage treatment in Nanxun District, including SICZ. Among all the four major LIIFCs, ZXUD is the most important infrastructure construction and state-owned assets operation entity in the Nanxun District. We believe the Company will not be easily replaced by other local state-owned enterprises in the foreseeable future. ZXUD maintains as the primary infrastructure construction and state-owned assets operation entity in Nanxun District. It has participated in land development, infrastructure construction, resettlement housing and sewage treatment businesses through its subsidiaries. There are considerable construction projects in the pipeline from these public policy businesses, ensuring their sustainability, but exerting high capital expenditure pressure on the Company.

Since 2022, ZXUD mainly conducts infrastructure projects as a project manager, by signing management contracts with other local state-owned enterprises. Under this model, the Company will no longer be responsible for fundraising. From 2023 to 2024, the Company had completed 23 infrastructure construction projects with a confirmed revenue of RMB2.4 billion in total, and are expected to receive repayment within 3 to 4 years. As of 31 December 2024, the Company had 14 infrastructure construction projects under construction, with a total planned investment of RMB29.5 billion and a remaining investment of RMB3.0 billion. Besides, the Company had 9 projects under planning, with an estimated total investment of RMB3.4 billion. The projects under planning are undertaken by a management model, which relieves the Company's capital expenditure pressure. However, these infrastructure projects typically involve extended construction periods, resulting in delayed fund recovery and uncertain repayment conditions.

ZXUD also undertakes primary land development projects in Nanxun District through the agency construction model. The Company has completed 5 land quota sales projects in 2023 with RMB380.0 million in recognized revenue and full repayment, while its 2 land consolidation projects completed in 2024 generated RMB286.9 million in revenue with pending repayment. As of 31 December 2024, the Company had 2 land projects under consolidation, with a total planned investment of RMB6.0 billion and a remaining investment of RMB314.0 million. The Company currently has a sufficient reserve in land consolidation projects, but the subsequent handover of these projects is subject to uncertainties due to the government's land transfer policies.

According to the resettlement housing construction plan of the local government, ZXUD also conducts resettlement housing construction and sales business in Nanxun District. In 2024, the Company had completed 2 resettlement housing projects and 2 resettlement housing combined with commercial housing projects, with a confirmed revenue of RMB314.9 million. At end-2024, the Company had 2 resettlement housing projects under construction with a total planned investment of RMB652.0 million and a remaining amount of RMB289.0 million. The resettlement housing project generally has long selling cycle and moderate destocking pace, which prolongs the payment collection progress.

ZXUD is one of the important sewage treatment providers in Nanxun District, with a strong regional position and competence. After the completion of the Shanlian Town Sewage Treatment project, the Company has 884.6 kilometers of sewage collection pipeline network and a daily treatment capacity of 120,800 tons, serving around 384,000 residents. Due to the public welfare nature of sewage treatment, the Company regularly receives subsidies from the local government to support its operations. In 2024, sewage treatment business recorded negative gross margins mainly due to high initial costs at newly operational wastewater plants and discounted fees policy for select local enterprises, leading to substantial losses in operations.

### **Medium exposure to commercial activities mainly from property development business**

ZXUD's exposure to commercial activities is medium as the commercial assets accounted for around 25-30% of the total assets as of 31 December 2024. The commercial businesses include property development, property leasing, and trading. These activities have been a good supplement to the Company's operating revenue but would pose the Company to related business risks that require prudent risk control.

ZXUD's property development business mainly involves construction and sales of residential complexes, in Nanxun District. The income from property development is susceptible to regional market situations, causing fluctuations in revenue. In 2024, the revenue from property development decreased by 43.6% YoY to RMB320.6 million due to fewer housing available for sale. As of 31 December 2024, the Company had 2 real estate projects under construction, with a total investment of RMB880.0 million and an uninvested amount of RMB49.0 million. The Company also has 1 real estate project under planning with an estimated investment of RMB249.0 million. Due to the large initial investment and long construction period, the Company may face large capital expenditure pressure and uncertainty in the cash collection and investment return.

ZXUD also engages in the trading business, with diversified trading products such as glycol, logs and PTA. The trading business is the Company's largest source of revenue, accounting for 56.2% of its total revenue in 2024, but recording a low gross profit margin of less than 1.0%. Trading business is based on a sell-to-purchase basis, eliminating the need for cash advances. The Company's trading business has a relatively high reliance on its top 5 customers and suppliers, with the top one supplier accounting for 90.4% of total purchases and the top two customers accounting for 80.1% of total sales in 2024. If there is a loss of important customers, the stability and continuity of the trading business may be affected.

The Company has leased out self-owned investment properties, mainly industrial plants, in Nanxun District to settled companies and government departments, providing stable rental income. In 2024, the revenue from property leasing increased 34.8% YoY to RMB336.0 million, with gross margin significantly improved from 34.2% to 61.6%, primarily driven by revenue growth while property management costs remained relatively stable. However, the business has limited contribution to the Company as it only accounted for 6.0% of its total revenue in 2024.

### **Relatively high debt leverage with short-term debt repayment pressure**

With the increasing financing demand for construction projects, ZXUD's total debt increased from RMB54.7 billion at end-2023 to RMB57.5 billion at end-2024, with a total capitalization ratio of 58.1%. In addition, the Company has relatively high short-term debt repayment pressure since its short-term debt accounted for about 35.5% of total debt as of 31 December 2024. The Company also demonstrates a tightened liquidity position. After excluding restricted cash, the cash to short-term debt ratio was low at 0.1x as of the same date. With a number of projects under construction, we expect the Company will continue to rely on external financing to meet its future capital needs and its debt burden will remain stable in the next 12 to 18 months.

### **Moderate asset liquidity**

ZXUD's asset liquidity is moderate, which may undermine its financial flexibility. The Company's assets mainly consist of inventories, receivables and construction in progress, all with relatively low liquidity. The inventories and constructions in progress are development costs from construction projects, and the receivables mainly consist of uncollected payments from the local government and other state-owned enterprises, totally accounting for about 66.2% of the total assets at end-2024. In addition, the Company's investment properties accounted for about 15.2% of the total assets, which can provide supplementary income to the Company.

### **Good track record of receiving government support**

ZXUD has a good track record of receiving support from local government in terms of capital injections, equity transfer, and government subsidies since its establishment. The local government consistently transfers assets to the Company to support its operations. In 2023, the local government transferred civil air defense parking space with a booking value of RMB3.3 billion to the Company without compensation. In 2024, the Company recognized government-contributed sand and gravel operation rights with a recorded book value of RMB3.9 billion. The Company also received debt repayment funds of RMB35.0 million. The Company regularly receives subsidies from the local government, which amounted to RMB2.5 billion from 2023 to 2024. Considering the status of ZXUD and its tight relationship with the local government, we expect that the support will continue over the next 12 to 18 months.

### **Multiple financing channels but with moderate non-standard financing exposure**

The Company's large investment needs can be partially mitigated by its multiple financing channels and sufficient credit facilities. At end-2024, around 56.9% of the Company's total debt were provided by bank loans with total credit facilities of RMB55.1 billion and an unutilized portion of RMB22.7 billion, indicating sufficient liquidity buffer. Furthermore, the Company has a good track record of direct financing in both onshore and offshore bond markets as it has issued a series of bond products in the onshore debt markets, such as corporate bonds, private bonds and PPNs, with an outstanding amount of RMB10.1 billion in total at end-2024. The Company also had 3 existing offshore bonds issued by its subsidiaries, with a remaining amount of RMB881.0 million in total. However, ZXUD's exposure to non-standard financing has increased, which accounted for around 20% of its total debts. The non-standard financing generally has high financing cost, which would bring higher refinancing pressure to the Company.

### **Medium contingent liability risk from external guarantee**

ZXUD has moderate exposure to external guarantees. As of 31 December 2024, ZXUD's external guarantees amounted to RMB10.7 billion, accounting for 25.8% of its net assets. Most of guarantees are provided to the state-owned enterprises and rural cooperatives in Nanxun District, which are likely to be supported by the local government when a credit event occurs. Nevertheless, if a credit event occurs in Nanxun District, it may lead to large-scale cross-default and increasing repayment obligations of the Company.

## **ESG Considerations**

ZXUD bears environmental risks through its infrastructure projects. Such risks could be moderated by conducting environmental studies and detailed planning before the commencement of projects and close supervision during the construction.

ZXUD involved in real estate construction such as commercial properties in Nanxun District. The Company is also exposed to social risks as a its role of public services provider. Demographic changes, public awareness and social priorities shape government's target for ZXUD, or affect the government's propensity to support the Company.

ZXUD's governance considerations are also material as the Company is subject to oversight and reporting requirements to the local government, reflecting its public-policy role and status as a government-owned entity.



## Rating Methodology

The methodology used in this rating is the Rating Methodology for [China's Local Infrastructure Investment and Financing Companies \(July 2022\)](#).

## Appendix

### Exhibit 4. Peer Comparison

	<b>Zhejiang Xingshanghe Urban Development Group Co., Ltd</b>	<b>Huzhou Nanxun Xunshanghe Construction Development Group Co., Ltd.</b>	<b>Huzhou Nanxun New Town Investment Development Group Co. Ltd</b>
Long-Term Credit Rating	BBB <sub>g</sub>	BBB <sub>g</sub> -	BBB <sub>g</sub> -
Shareholder	Finance Bureau of Nanxun District	Zhejiang Xingshanghe Urban Development Group Co., Ltd	Huzhou Nanxun Xinkai Construction Group Co., Ltd.
Positioning	The most important infrastructure construction and state-owned assets operation entity in Nanxun District	An important role in infrastructure construction in Nanxun District including SICZ	The primary infrastructure construction and land consolidation platform in Nanxun Economic Development Zone
Total Asset (RMB billion)	108.7	18.9	34.6
Total Equity (RMB billion)	41.6	7.5	11.9
Total Revenue (RMB billion)	5.6	1.2	2.2
Total Debt/Total Capital (%)	58.1	49.9	56.5

All ratios and figures are calculated using CCXAP's adjustments based on financial statements in 2024FY.

Source: Company data, CCXAP research



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