

Credit Opinion

14 November 2025

Ratings	
Senior Unsecured Debt Rating	BBB _g +
Long-Term Credit Rating	BBB _g +
Outlook	Stable
Category	Corporate
Domicile	China
Rating Type	Solicited Rating

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Zhejiang Changxing Financial Holdings Group Co., Ltd.

Surveillance credit rating report

CCXAP affirms Zhejiang Changxing Financial Holdings Group Co., Ltd.'s long-term credit rating at BBB_g+, with stable outlook.

Summary

The BBB_g long-term credit rating of Zhejiang Changxing Financial Holdings Group Co., Ltd. ("ZCFH" or the "Company") reflects Changxing County Government's (1) strong capacity to provide support, and (2) extremely high willingness to provide support, based on our assessment of the Company's characteristics.

Our assessment of Changxing County Government's capacity to provide support reflects Changxing County's ranking of 58th among the Top 100 Economic Counties in China in 2025, with good economic strength and moderate fiscal metrics.

The rating also reflects the local government's willingness to provide support, which is based on the Company's (1) important position in land development and infrastructure construction of Changxing County; (2) good track record of receiving government payments; and (3) good access to various funding sources.

However, the rating is constrained by the Company's (1) medium commercial business risk; (2) high short-term repayment pressure and weak asset liquidity; and (3) medium contingent liability risks in external guarantees.

The stable outlook on ZCFH's rating reflects our expectation that the local government's capacity to support will remain stable, and the Company will maintain its important role in land development and infrastructure construction in Changxing County for the next 12 to 18 months.

Rating Drivers

- Important position in land development and infrastructure construction of Changxing County
- Good track record of receiving government payments
- Medium commercial business risk
- High short-term repayment pressure and weak asset liquidity
- Good access to various funding sources
- Medium contingent liability risks in external guarantees

Rating Sensitivities

What could upgrade the rating?

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

What could downgrade the rating?

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

Key Indicators

	2022FY	2023FY	2024FY	2025H1
Total Asset (RMB billion)	83.9	85.4	86.3	84.6
Total Equity (RMB billion)	37.0	34.7	34.6	31.8
Total Revenue (RMB billion)	4.1	2.9	2.7	1.1
Total Debt/Total Capital (%)	50.3	55.5	55.2	56.8

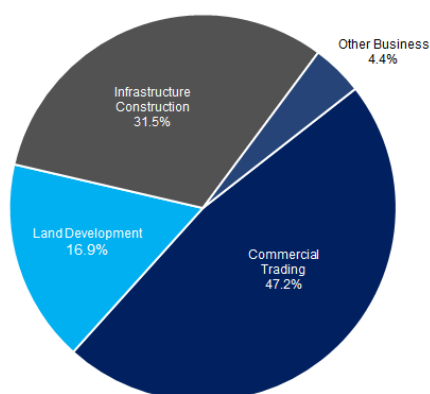
All ratios and figures are calculated using CCXAP's adjustments.

Source: Company data, CCXAP research

Corporate Profile

Founded in 2011, ZCFH is one of the predominant state-owned capital management and industrial investment enterprises in Changxing County. The Company is mainly engaged in land development and infrastructure construction, along with commercial businesses including commercial trading, financial investment, and tourism. In May 2025, following a series of equity transfers approved by the Changxing County Finance Bureau, ZCFH became wholly owned by Zhejiang Changxing Industrial Holding Group Co., Ltd. ("Changxing Industrial Holding"), which also acquired a 70% stake in the Company's subsidiary Changxing Industrial Investment Development Group Co., Ltd. ("Changxing Industrial Investment"). The ultimate controller is the Changxing County Finance Bureau.

Exhibit 1. Revenue structure in 2024



Source: Company information, CCXAP research

Exhibit 2. Shareholding Chart as of 30 June 2025



Rating Considerations

Government's Capacity to Provide Support

We believe that Changxing County Government has a strong capacity to provide support given its status as the 58th Top 100 Economic Counties in China in 2025, with good economic strength and moderate fiscal metrics.

Zhejiang Province is located on the southern wing of the Yangtze River Delta along the southeast coast of China. Its diverse pillar industries encompass emerging sectors like visual intelligence, new energy, life sciences, logistics equipment manufacturing, as well as traditional specialties such as knitting, pen-making, crystal processing, quilting, and padlock production. Zhejiang Province has strong economic strength. In 2024, its gross regional product ("GRP") ranked fourth among all provinces in China, reaching RMB9.0 trillion, with a year-on-year ("YoY") increase of 5.5%. In 2024, its general budgetary revenue reached RMB0.9 trillion, ranking 3rd among all provinces in China. Its fiscal position remained stable, with tax income accounting for approximately 81.8% of the general budgetary revenue over the past three years. However, Zhejiang Province faces a relatively heavy debt burden, with its government debt reaching RMB2.7 trillion at end-2024. In the first half of 2025, Zhejiang Province recorded a GRP of RMB4.5 trillion, with a YoY growth of 5.8%.

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 gross regional product (“GRP”) over the past three years. In 2024, Huzhou City recorded a GRP of RMB421.3 billion, increasing by 5.8% year-over-year (“YoY”). Supported by 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 demonstrates good fiscal stability, with tax income accounting for around 84.1% 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 69.6% in 2024. However, Huzhou Municipal Government faces a high debt burden, with an outstanding direct government debt of RMB161.1 billion at end-2024, accounting for 38.2% of its GRP. In the first half of 2025, Huzhou City recorded a GRP of RMB208.0 billion, with a YoY growth of 6.3%.

Exhibit 3. 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

Changxing County is the second largest county, in terms of GRP, in Huzhou City. According to CCID Consulting, it ranked 58th among the Top 100 Economic Counties in China in 2025. It also ranked third among the top 100 tourism comprehensive strength counties for six consecutive years. The pillar industries of Changxing County are textile, cement and battery manufacturing industries. Changxing County has strong private economic development. At the end of 2024, there were 941 private-owned enterprises, accounting for 90.7 % of all designated size industrial enterprises; and there were a total of 13 listed companies in Changxing County that have raised an aggregate RMB2.9 billion through IPOs. In 2024, Changxing County recorded a GRP of RMB92.8 billion, increasing by 5.8% YoY, representing around 22.0% of Huzhou City’s GRP. We believe that the sustainable economic development of Changxing County provides a sound external environment for the Company’s business development. Its general budgetary revenue also increased from RMB8.7 billion in 2023 to RMB8.9 billion in 2024. It also has good fiscal quality, with tax income accounting for around 81.8% of general budgetary revenue. However, Changxing County had an increasing debt burden, as of end-2024, Changxing County Government’s outstanding direct debt amounted to RMB22.1 billion, about 23.9% of its GRP and 126.0% of its total fiscal revenue. Changxing recorded a GRP of RMB45.4 billion in 2025H1, with a YoY growth of 6.1%.

Exhibit 4. Key economic and fiscal indicators of Changxing County

	2022FY	2023FY	2024FY
GRP (RMB billion)	85.3	89.4	92.8
GRP Growth (%)	4.2	6.5	5.8
General Budgetary Revenue (RMB billion)	8.2	8.7	8.9
General Budgetary Expenditure (RMB billion)	10.5	12.0	11.7
Local Government Debt (RMB billion)	19.1	20.2	22.1

Source: Statistics Bureau of Changxing County, CCXAP research

Government's Willingness to Provide Support

Important position in land development and infrastructure construction of Changxing County

There are four major LIIFCs supporting the development of Changxing County, each with distinct functions. In May 2025, the local government transferred 100% equity interests of ZCFH to Changxing Industrial Holding, which primarily serves as a financial and industrial investment platform, and transferred 70.0% equity interests of its former subsidiary, Changxing Industrial Investment, to Changxing Industrial Holding. Following the equity transfer in May 2025, ZCFH remained its important role in urban infrastructure development and state-owned asset management in Changxing County, with focused responsibilities on the construction of Taihu New City and Tuying Tourism Resort.

ZCFH maintains a dominant regional position in the land development and consolidation business in Changxing County, primarily in the Taihu New City and Tuying Tourism Resort areas. From 2023 to 2025H1, the Company had completed 37 land development and consolidation projects, with a total invested amount of RMB1.0 billion, recognized revenue of RMB1.3 billion and collected payments of RMB962.0 million. Besides, the Company had 4 major land development projects under construction with a total invested amount of RMB13.4 billion and there are no projects under planning, indicating uncertainty business sustainability. In addition, land development and consolidation business is highly susceptible to government planning and regional land market conditions, which may exert uncertainty to the Company.

ZCFH maintains a leading position in infrastructure construction of Changxing County. Its business scope mainly covers the Taihu New District and Taihu Tuying Tourism Resort Area. As of 30 June 2025, the Company had completed 16 projects with a total investment of RMB1.3 billion, of which RMB873.5 million has been collected. Also, the Company had 2 projects under construction with a total planned investment of RMB1.4 billion, of which RMB193.9 million remains to be invested. The Company's ongoing construction projects are approaching the final stages of investment, indicating reduced capital expenditure needs in the future. Although the Company achieved revenue growth in 2024 driven by increased project handovers, the absence of new projects in the pipeline indicates uncertain business sustainability. Nevertheless, as of mid-2025, the Company held development costs primarily from ongoing land development and infrastructure construction projects of RMB22.6 billion in inventory, providing a basis for future revenue recognition.

Good track record of receiving government payments

ZCFH has consistently received substantial support from the local government since its establishment. In 2024 and 2025H1, the Company has received government subsidies totaling RMB1.4 billion. Additionally, the local government provided financial interest subsidies amounting to RMB1.2 billion during the same period, which were utilized to offset financial expenses or capitalize interest costs. Furthermore, the Company has received substantial asset injections from government, including sewage pipeline networks, and equity transfers of various entities. Given its strategic role in Changxing County's development, we expect continued government support in the foreseeable future.

Medium exposure to commercial activities

ZCFH also participates in commercial activities such as commercial trading, tourism and property leasing businesses. By the end of June 2025, ZCFH had moderate exposure to commercial risk, with commercial business assets accounting for around 20% of its total assets. Following the transfer of Changxing Industrial Investment to Changxing Industrial Holding in 2025, ZCFH will cease conducting industrial investments, finance leasing, and guarantee businesses.

The Company's rental business primarily conducted by its subsidiaries. It has generated approximately RMB3.8 million in annual rental income through transferring 1,900.0 mu of land use rights to Longmont-related entities under 40-year agreements. It also achieved rental income of RMB13.2 million in 2024 from leasing the Zhejiang Changxing University Science Park, which spans 330 mu with 220,000 sqm of planned gross floor area.

The Company's tourism revenue is primarily generated from entrance fees at the Tuying Wetland Cultural Park, a national 4A-level scenic area covering 5,000 mu, reaching RMB10.0 million in 2024. The Company is also responsible for property management, catering enterprise management, landscaping project construction, and hotel operations within the Tuying Tourism Resort, but with limited income scale.

ZCFH's commercial trading business mainly includes the sales of materials related to battery production, such as electrolytic lead. The commercial trading business remained its largest revenue source, contributing 47.2% of total revenue in 2024, but recording a low gross profit margin of around 1%. The business exhibits high concentration risk, with the top five customers accounting for 94.3% of total sales and the top five suppliers comprising 75.1% of total procurement. In addition, most of the Company's trading business customers are private enterprises under extended payment arrangements. At end-2024, the outstanding trade receivables from trading business reached RMB122.0 million, indicating certain capital recovery pressure for the Company.

High short-term repayment pressure and weak asset liquidity

ZCFH's total debt has remained relatively stable in recent periods, with adjusted total debt slightly decreased from RMB42.8 billion at end-2023 to RMB41.9 billion at mid-2025, while the total capitalization ratio (total debt to total capital) remained high level of 56.8%. However, the Company's has high short-term repayment pressure, with the short-term debt ratio increasing significantly from 36.4% in 2023 to 47.1% in 2025H1 and its unrestricted cash to short-term debt ratio of 0.1x at mid-2025.

ZCFH's asset liquidity is weak, which may undermine its financial flexibility. As of 30 June 2025, its assets were primarily composed of inventories and receivables, totally accounting for around 65.0% of total assets. Inventories are mainly development costs for infrastructure construction and land development projects, while receivables are mainly unreceived payments from the agencies of government or other state-owned companies, all of which are considered low liquidity. Meanwhile, the Company had a restricted assets amount of RMB5.5 billion, accounting for 6.5% of its total assets. As of 30 June 2025, the Company's equity investments accounted for around 19.4% of total assets, with modest overall investment returns, indicating moderate asset quality.

Good access to various funding sources

ZCFH's diversified funding sources, which include bank loans and bond issuances, may help alleviate its liquidity pressure. The Company maintains good relationships with large domestic banks such as the Agricultural Development Bank of China and Industrial and Commercial Bank of China. As of 30 June 2025, the Company had total credit facilities of RMB43.7 billion, with the available portion being RMB12.7 billion, indicating sufficient standby liquidity. The Company also has good access to both the onshore and offshore debt markets. As of 30 June 2025, the Company's had outstanding onshore bond of RMB6.4 billion at a low average coupon rate of 3.7%, and outstanding offshore bond of RMB316.0 million, with average coupon rate of 5.9%. Besides, it has a relatively moderate reliance on non-standard financing, accounting for 19.2% of total debt.

Medium contingent liability risks in external guarantees

Mutual guarantees between local state-owned enterprises ("SOEs") in Changxing County continue to exist. As a result, the Company is exposed to moderate contingent liabilities risks. As of 30 June 2025, the Company's

external guarantee amounted to RMB8.0 billion, accounting for 25.0% of its net assets. The external guarantees are mainly provided to the SOEs in Changxing County. In case a credit event occurs, the Company may face certain contingent liability risks and cross-default risks.

ESG Considerations

ZCFH assumes environmental risks through its infrastructure construction and land development projects. Such risks could be moderated through environmental studies and detailed planning prior to the start of the projects and close supervision during construction.

In terms of social awareness, ZCFH has played a crucial role in the social welfare of Changxing County by being involved in urban infrastructure projects.

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

Structural Consideration

ZCFH's senior unsecured debt rating is in line with its long-term credit rating. We believe that government support will flow through the Company given its role as the primary platform for land development and infrastructure construction in Changxing County, thereby mitigating any differences in an expected loss that could result from structural subordination.

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 5. Peer Comparison

	Zhejiang Changxing Financial Holdings Group Co. Ltd..	Changxing Urban Construction Investment Group Co., Ltd.
Long-Term Credit Rating	BBB _g +	BBB _g +
Shareholder	Zhejiang Changxing Industrial Holding Group Co., Ltd. (100%)	State-owned Assets Supervision and Administration Office of Changxing County People's Government. (69.57%); Changxing County Finance Bureau. (26.09%) and Zhejiang Province Financial Development Co., Ltd. (4.35%)
Positioning	Predominant state-owned capital management and industrial investment enterprise in Changxing County	Key infrastructure investment and financing company in Changxing County
Total Asset (RMB billion)	86.3	83.2
Total Equity (RMB billion)	34.6	33.5
Total Revenue (RMB billion)	2.7	4.7
Total Debt/Total Capital (%)	55.2	56.2

All ratios and figures are calculated using CCXAP's adjustments based on financial data as of 31 December 2024.

Source: Company information, CCXAP research

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