

Credit Opinion

5 January 2026

Ratings	
Category	Corporate
Domicile	China
Rating Type	Solicited Rating
Long-Term Credit Rating	A _g -
Outlook	Stable

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Huzhou Wuxing State-owned Assets Investment and Operation Co., Ltd.

Initial credit rating report

CCXAP assigns first-time long-term credit rating of A_g- to Huzhou Wuxing State-owned Assets Investment and Operation Co., Ltd., with stable outlook.

Summary

The A_g- long-term credit rating of Huzhou Wuxing State-owned Assets Investment and Operation Co., Ltd. ("WSAI" or the "Company") reflects Wuxing District Government's strong capacity and very high willingness to provide support to the Company.

Our assessment of Wuxing District Government's capacity to provide support reflects its economic importance in Huzhou City, with ongoing economic growth, but constrained by weak debt profile. In addition, the ongoing economic and industrial development of "Greater Wuxing" has provided a good external environment for the development of the Company.

The rating also reflects the local government's willingness to provide support, which is based on the Company's (1) key position in Wuxing District's development with sufficient project pipeline; (2) good track record of receiving government payments; and (3) good funding access with multiple financing channels.

However, the Company's rating is constrained by its (1) increasing exposure to commercial activities; (2) increasing debt burden with certain pressure on short-term debt repayment; and (3) medium contingent liability risk from external guarantees.

The stable outlook on WSAI's rating reflects our expectation that the Wuxing District Government's capacity to provide support will be stable, and that the Company will maintain its strategic role in local infrastructure construction and industrial investment in Wuxing District over the next 12 to 18 months.

Rating Drivers

- Key position in Wuxing District’s development with sufficient project pipeline
- Increasing exposure to commercial activities with improving business diversification
- Good track record of receiving government payments
- Increasing debt burden with certain pressure on short-term debt repayment
- Moderate asset liquidity
- Multiple financing channels but dependence on non-standard financing
- Medium contingent liability risk from external guarantees

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) Wuxing District 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 provide support, such as decreased commercial activities and improved debt management.

What could downgrade the rating?

The rating could be downgraded if (1) Wuxing District 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 provide support, such as reduced strategic significance, decreased government payments, or weakened funding capabilities.

Key Indicators

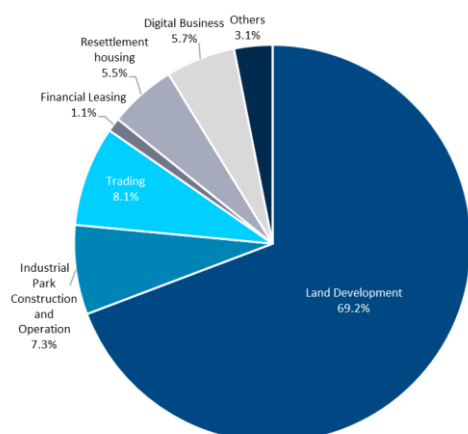
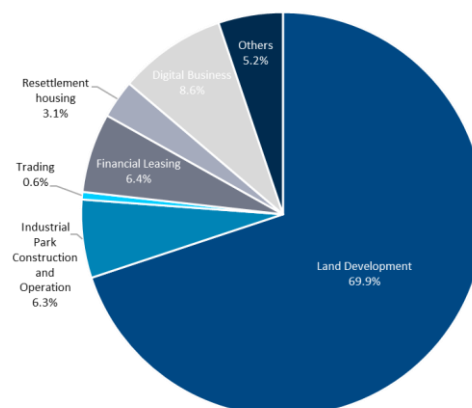
	2022FY	2023FY	2024FY	2025H1
Total Asset (RMB billion)	47.3	59.5	70.4	75.1
Total Equity (RMB billion)	17.1	21.2	25.6	25.6
Total Revenue (RMB billion)	2.4	2.2	2.2	1.1
Total Debt/Total Capital (%)	64.7	64.2	63.0	65.4

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

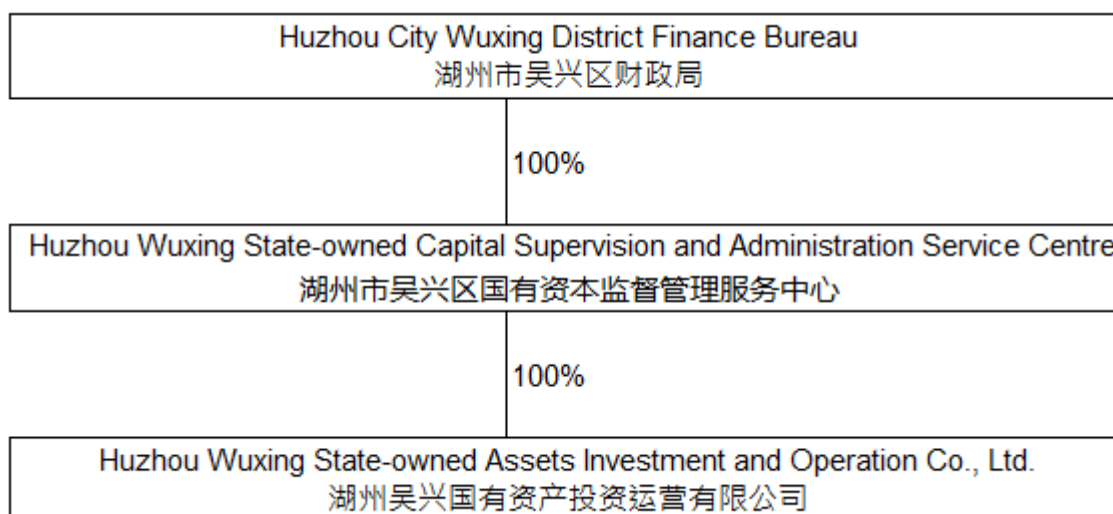
Source: Company data, CCXAP research

Corporate Profile

WSAI, established in 2020 and formerly known as Huzhou Zhanxing Construction Development Co., Ltd., has developed into an important investment and construction platform in Wuxing District and serves as the core operating entity responsible for infrastructure construction, land consolidation and development, as well as the sales of resettlement housing after equity transfer in 2024. In November 2024, Huzhou Wuxing State-owned Capital Supervision and Administration Service Centre (“Wuxing District SCSASC”) transferred its 100.0% shares of Huzhou Wuxing Talent Industrial Investment & Development Group Co. Ltd. (“WIID”) to the Company. The Company also engages in commercial businesses such as industrial park development, industrial investment, trading, property leasing, financial leasing, photovoltaics and digital business. As of 30 June 2025, the Finance Bureau of Wuxing District was the ultimate controller of the Company through Wuxing District SCSASC.

Exhibit 1. Revenue structure in 2024**Exhibit 2. Gross profit structure in 2024**

Source: Company information, CCXAP research

Exhibit 3. Shareholding chart as of 30 June 2025

Source: Company information, CCXAP research

Rating Considerations

Government's Capacity to Provide Support

We believe the local government of Wuxing District has a strong capacity to provide support given its economic importance in Huzhou City, with ongoing economic growth, but constrained by weak debt profile.

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. In 2024, Huzhou City recorded a gross regional product ("GRP") of RMB421.3 billion, increasing by 5.8% YoY. In the first half of 2025, Huzhou City's GRP amounted to RMB208.0 billion, up 6.3% YoY. Due to the economic recovery and industry growth, Huzhou Municipal Government's general budgetary revenue recorded 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 69.6% 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 4. 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: Statistic Bureau of Huzhou City, CCXAP research

As the central municipal district of Huzhou City, Wuxing District is located at the intersection of Shanghai Metropolitan Circle, Hangzhou Metropolitan Circle and Taihu Lake Economic Circle. A large number of large-scale headquarters gather in Wuxing District. In addition, Huzhou South Taihu High-tech Industrial Zone and Huzhou Economic and Technological Development Zone are also located in Wuxing District. The textile and garment industries are traditional pillar industries in Wuxing District, and five characteristic industrial clusters have been formed, including children's clothing, cashmere products, functional fibers, home textiles, and silk weaving. The intelligent equipment industry is one of the equipment manufacturing industries supported by Wuxing District Government, forming a complete industrial chain including equipment manufacturing, R&D and design, intelligent support, and integrated services. In 2024, Wuxing District ranks 54th among the top 100 comprehensive strength districts. At the same time, the GRP of the Wuxing District increased by 5.5% YoY to RMB93.5 billion, representing around 22.2% of Huzhou City's GRP. Wuxing recorded a GRP of RMB45.6 billion in 2025H1, with a YoY growth of 5.5%. Wuxing District Government's general budgetary revenue increased from RMB6.7 billion in 2023 to RMB6.8 billion in 2024. Wuxing District has a strong fiscal balance but a weak debt profile, with high general budgetary revenue to the general budgetary expenditure of 105.0% in 2024 and a government debt to total fiscal revenue ratio of 140.7% as of 31 December 2024.

Under the scope of "Greater Wuxing", which includes Wuxing District and South Taihu Lake New Area, its GRP grew by 5.6% YoY to RMB128.8 billion and general budgetary revenue reached RMB10.8 billion in 2024. The ongoing economic and industrial development of "Greater Wuxing" has provided a good external environment for the development of the Company.

Exhibit 5. Key economic and fiscal indicators of Wuxing District

	2022FY	2023FY	2024FY
GRP (RMB billion)	89.7	92.5	93.5
GRP Growth (%)	3.5	5.3	5.5
General Budgetary Revenue (RMB billion)	6.2	6.7	6.8
General Budgetary Expenditure (RMB billion)	6.9	7.0	6.4
Local Government Debt (RMB billion)	17.1	18.6	21.9

Source: Statistic Bureau of Wuxing District, CCXAP research

Huzhou Wuxing High-tech Industrial Park ("High-tech Park") is a provincial-level high-tech zone located in the north of Zhejiang Province, with a total area of about 75 square kilometers. The three major industries include intelligent equipment, electronic information, and automobile and key parts manufacturing. Relying on the advantages of transportation and location, High-tech Park undertakes high-quality projects from Shanghai,

Suzhou and other places. In 2024, High-tech Park introduced 13 projects each with investment exceeding RMB300.0 million. The total industrial output value above designated size reached RMB29.4 billion, with a YoY increase of 8.5%, while total fixed asset investment achieved RMB8.5 billion, up 9.3% YoY, of which industrial investment was RMB5.7 billion, surging 60.8% YoY.

Government's Willingness to Provide Support

Key position in Wuxing District's development with sufficient project pipeline

WSAI serves as a pivotal entity for industrial investment, industrial park development, and infrastructure construction in Wuxing District, playing a significant role in enhancing local infrastructure and driving capital inflow. WSAI conduct the development and construction projects mainly through its important subsidiary, WIID; apart from WIID, the Company will also conduct more industry park construction project and photovoltaic project. As industrial park development and industrial investment continue to advance, the Company is also tasked with the operation of industry parks, encompassing self-operating projects and talent recruitment, which is expected to generate additional revenue and strengthen its market position. Considering the Company's vital function in the regional economy, it is anticipated that WSAI will maintain its irreplaceable role among local state-owned enterprises in the foreseeable future.

WSAI conducts its infrastructure construction and land development business in the High-tech Park primarily through its core subsidiary under agency construction model. The Company maintains a substantial portfolio of projects under construction. However, the collection of proceeds from completed projects has progressed at a slower pace than scheduled, while further investment is still required, warranting close monitoring of subsequent fund recovery. As of 31 December 2024, the Company had 3 infrastructure construction projects under construction, with a total planned investment of RMB1.4 billion and an uninvested amount of RMB641.8 million, and 4 infrastructure construction projects under planning with an estimated investment of RMB50.0 million.

Meanwhile, the Company had 2 land consolidation projects under construction, with a total planned investment of RMB257.0 million and an uninvested amount of RMB57.4 million and 2 land consolidation projects under planning with a total investment of RMB263.4 million and a total area of 215.0 mu, which are expected to be completed before 2027. As of the 30 June 2025, the Company's inventory included approximately RMB7.7 billion in land consolidation costs not yet transferred, which provides support for future revenue but requires attention to subsequent project progress. Besides, the income and profit from the land development business are largely susceptible to the land market conditions and government's budget, resulting in certain delay in repayment progress. The Management Committee of High-tech Park had accounts payable to the Company aggregating RMB6.2 billion for land development and infrastructure construction projects at mid-2025, indicating slow repayment progress.

The Company also engages in the construction and sales of resettlement housing in High-tech Park under government repurchase model. As of end-2024, the Company had 2 resettlement housing projects under construction, with an estimated total investment of RMB1.5 billion and an outstanding amount of RMB192.0 million. As of 30 June 2025, the carrying amount of inventory related to resettlement housing construction reached RMB1.2 billion. However, the slow collection progress of resettlement housing projects has resulted in capital occupation.

We expect that the considerable projects in the pipelines can ensure the sustainability of the public policy business, but the overall project settlement cycle is generally long, and most of the funds need to be raised by the Company itself, which exerts large capital expenditure pressure on the Company.

Increasing exposure to commercial activities with improving business diversification

WSAI's commercial businesses mainly include industrial park development, industrial investment, trading, financial leasing and digital business. The Company's exposure to commercial businesses is moderate but rising as WSAI is increasing its investment in self-operated projects, accounting for around 20-30% of its total assets. The Company maintains a substantial project pipeline that contributes supplement to the revenue and to local industrial development, but simultaneously increasing its exposure to business risks.

The Company conducts industrial park development business, engaging in the development, construction, operation and management of industrial parks, factories and offices in the High-tech Park. For construction projects, the Company sells the constructed buildings or leases the self-owned properties to obtain income accordingly. The revenue from this business recorded RMB160.0 million in 2024, with decreased gross profit margin of 14.2% in 2024, compared with 22.2% in 2023. However, income from this business is subject to uncertainty due to project construction and sales progress, and future investment in industrial park projects will further increase the Company's capital pressure. As of 31 December 2024, the Company had 3 self-operated projects under construction, with a total planned investment of RMB10.2 billion and uninvested amount of RMB9.0 billion. Meanwhile, the Company had 5 industrial park development projects under planning, with a total estimated investment of RMB3.4 billion as of 31 December 2024, indicating large capital expenditure pressure. Industrial park development is a key growth business for the Company, with numerous projects under construction, ensuring good business continuity. However, this business requires substantial future investment, and the extended payback periods of self-operated projects warrant close monitoring of future operational performance and funding balance.

The Company is positioned to be an important industrial investment entity to promote the development of pillar industries in Wuxing District with a focus on attracting and facilitating project implementation in the region. It engages in industrial investment business by ways of fund investment and direct equity investment. As of 31 December 2024, the Company had invested in 30 industrial funds, with a total planned investment of RMB3.8 billion and an uninvested amount of RMB2.6 billion, which mainly focus on engineering machinery, new materials, automobiles, photovoltaics, intelligent logistics equipment and semiconductors. In addition, the Company had 17 direct equity investment projects, with a total investment of RMB671.0 million. Besides, the Company also exited 3 industrial funds projects with a total amount of RMB118.0 million and an investment return of RMB25.0 million. However, most of investments are at the initial investment stage with long holding periods, exposing the Company to elevated investment and execution risks. Overall, they have not yet reached the return phase, warranting continued monitoring of future exits and performance.

The Company engages in trading cathode copper and crude lead through its subsidiaries. Affected by rebounding market demands, the revenue of trading business increased from RMB147.4 million in 2023 to RMB178.6 million in 2024, accounting for 8.1% of its total revenue with a low gross profit margin of around 1%. In addition, the Company's high reliance on its customers and suppliers increased uncertainties in this business. In 2024, sales of the top 5 clients and purchases from the top 5 suppliers accounted for around 99.1% and 100.0% of total sales and procurements, respectively.

In addition, according to the local government plan, the Company will be engaged in talent service business, mainly responsible for labor dispatch in the High-tech Park. We expect that the government will provide strong support to the Company in terms of investment promotion and talent introduction in the future.

The Company broadened its business scope into digital business in 2022, which mainly include data processing and big data storage. The main customers are mainly government departments. The Company's digital business

achieved stable growth with revenue increasing from RMB121.3 million in 2023 to RMB124.1 million in 2024, with gross profit margins of 12.1% and 25.1%, respectively.

Overall, the Company's financial leasing, digital intelligence integration and other businesses provide effective supplements to the Company's operating income and profits.

Good track record of receiving government payments

WSAI maintains a strong track record of receiving government support in the form of capital injection, asset transfers, and financial subsidies. In 2024, the Wuxing District SCSASC transferred its 100% equity stake in WIID to the Company, enhancing the Company's capital strength greatly. Meanwhile, the Company and its subsidiaries received several assets from the local government without compensation, including rooftop photovoltaic operating rights, parking space operating rights, advertising space operating rights, nursery stock assets, water surface operating rights, and high-standard farmland construction projects, increasing the Company's capital reserve by RMB4.0 billion in total, effectively strengthening its capital base. Furthermore, the Company received government subsidies of RMB1.7 billion from 2022 to 2024, which provide crucial support for the Company's debt servicing and capital expenditure requirements. Considering WSAI's important role in the investment and construction of Wuxing District and its strategic position within the dynamic and expanding "Greater Wuxing" economic sphere, we expect the local government will continue to provide ongoing support to the Company.

Increasing debt burden with certain pressure on short-term debt repayment

Due to continued financing for construction projects, WSAI has demonstrated increasing debt burden. Its total debt increased from RMB28.5 billion at end-2022 to RMB46.9 billion at mid-2025, with a total capitalization ratio of 65.4% as of 30 June 2025. In terms of debt structure, the short-term debt to total debt ratio decreased from 40.8% at end-2022 to 35.4% at mid-2025, indicating that its debt structure has improved with better debt management, but the Company still faces certain pressure on short-term debt repayment. Meanwhile, after excluding restricted cash, the cash to short-term debt ratio was 0.3x, indicating that its cash reserve could not fully cover the short-term debt. Given the Company's future capital expenditure pressure for its investment and construction projects, we expect the Company's debt level will continue to increase for the next 12-18 months.

Moderate asset liquidity

WSAI's asset liquidity is constrained by relatively high portion of restricted assets. As of 30 June 2025, the Company had a number of restricted assets such as land and properties, with a total amount of RMB13.3 billion, accounting for around 17.7% of its total assets. In addition, at mid-2025, the Company's accounts receivables, other receivables, investment properties, and inventories accounted for around 63.9% of total assets, all of which are considered low liquidity. The Company's inventories are mainly the development cost of infrastructure construction and land assets, and uncertainty exists in receivables collection, which depends on the progress of project repayment and realization of land assets. Nevertheless, as of 30 June 2025, the Company's investment properties and intangible assets accounted for around 21.1% of the total assets, providing supplementary income to the Company.

Multiple financing channels but dependence on non-standard financing

WSAI has access to multiple financing channels, including bank loans and bond issuances. As of 30 June 2025, the Company had obtained a total of RMB45.6 billion in bank credit facilities, with an available amount of RMB7.9 billion, indicating a sufficient liquidity buffer. In terms of direct financing, the Company's subsidiary had

issued 5 private notes in the onshore debt market, with an outstanding amount of RMB3.5 billion as of 31 October 2025, with a coupon rate between 2.1% and 4.0%. The Company also has an outstanding amount of USD148.0 million and RMB1.0 billion in the offshore bond market. However, the Company was highly dependent on non-standard financing, with non-standard debts of RMB11.2 billion as of 30 June 2025, accounting for 23.9% of the total debt. We consider the Company's diversified funding channel can largely fulfill its future capital expenditure.

Medium contingent liability risk from external guarantees

WSAI has medium exposure to contingent liabilities. As of 30 June 2025, the Company's external guarantee amount was RMB9.3 billion, accounting for 36.4% of its net assets. All of the external guarantees are provided to local state-owned enterprises in Huzhou City. The local state-owned enterprises have a strong ability to avoid liability risks, because most of these local state-owned enterprises are likely to be supported by the local government when necessary, and therefore contingent risk would be controllable. Nevertheless, if a credit event occurs in Wuxing District, it may lead to large-scale cross-default and increasing repayment obligations of the Company.

ESG Considerations

WSAI 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, WSAI has played a crucial role in the social welfare of Wuxing District by being involved in resettlement housing buildings.

In terms of corporate governance, WSAI'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.

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 6. Peer Comparison

	Huzhou Wuxing State-owned Assets Investment and Operation Co., Ltd.	Huzhou Wuxing Talent Industry Investment and Development Group Co., Ltd.	Huzhou Wuxing Economic Development and Investment Group Co., Ltd.
Long-Term Credit Rating	A _g -	BBB _g +	BBB _g
Shareholder	Wuxing District SCSASC (100%)	Huzhou Wuxing State-owned Assets Investment and Operation Co., Ltd. (100%)	State-Owned Capital Supervision and Administration Service Centre of Wuxing District (40%); Huzhou Wuxing State-Owned Capital Investment Development Co., Ltd. (30%); and Huzhou Wuxing Transportation and Tourism Investment Development Group Co., Ltd. (30%)
Positioning	The important investment and construction platform in Wuxing District and serves as the core operating entity responsible for infrastructure construction, land consolidation and development, as well as the sale of resettlement housing	The important investment and construction platform in Wuxing District and serves as the core operating entity responsible for infrastructure construction, land consolidation and development, as well as the sale of resettlement housing	The primary infrastructure construction and industrial park development operation platform in the Wuxing Economic Development Zone
Total Asset (RMB billion)	70.4	68.7	24.7
Total Equity (RMB billion)	25.6	23.7	8.3
Total Revenue (RMB billion)	2.2	2.2	0.7
Total Debt/Total Capital (%)	63.0	64.8	63.9

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

Source: Company information, CCXAP research

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