Credit Opinion

5 November 2026

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

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Zhejiang Changsanhe Holding Group Co., Ltd.

Surveillance credit rating report

CCXAP affirms Zhejiang Changsanhe Holding Group Co., Ltd.'s long-term credit rating at A_g-, with stable outlook.

Summary

The A_g- long-term credit rating of Zhejiang Changsanhe Holding Group Co., Ltd. ("ZCHG" or the "Company") reflects Huzhou Municipal Government's (1) very strong capacity to provide support, and (2) very high willingness to provide support, based on our assessment of the Company's characteristics.

Our assessment of Huzhou Municipal Government's capacity to support reflects its favorable geographic advantage and good fiscal stability. Yangtze River Delta Industrial Cooperation Zone (Huzhou) ("YICZ") was initiated to support the implementation of the national strategy of Yangtze River Delta Integrated Development in Huzhou City, which is a key area for the development of strategic emerging industries in Huzhou City.

The rating also reflects the local government's willingness to provide support, which is based on the Company's (1) monopoly position in the development of YICZ; (2) good track record of receiving ongoing government support; and (3) access to both bank financing and bond market.

However, the rating is constrained by the Company's (1) medium exposure to commercial activities; (2) increasing debt burden and short-term repayment pressure; and (3) moderate asset quality.

The stable outlook on ZCHG's rating reflects our expectation that the local government's capacity to support will remain stable, and the Company will maintain its monopoly position in the development of YICZ over the next 12-18 months.

Rating Drivers

- Monopoly position in the development of YICZ
- Medium exposure to commercial activities
- Good track record of receiving ongoing government support
- Increasing debt burden and short-term repayment pressure
- Moderate asset quality
- Access to both bank financing and bond market

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 increase in its strategic significance or 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 decrease in its strategic significance; decrease in government payments; or increase in exposure to commercial activities.

Key Indicators

	2023FY	2024FY	2025FY	2026H1
Total Asset (RMB billion)	23.2	26.4	28.1	29.8
Total Equity (RMB billion)	16.9	17.1	17.1	17.1
Total Revenue (RMB billion)	0.7	0.9	1.1	0.4
Total Debt/Total Capital (%)	21.7	29.2	35.3	39.5

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

Source: Company data, CCXAP research

Corporate Profile

Reorganized and established in 2022, ZCHG is authorized to be exclusively responsible for the development, construction, and investment of YICZ, focusing primarily on the planning and development of 86.9 square kilometers of core area in YICZ. The Company is also engaged in commercial businesses such as property leasing, industrial investments, logistics and transportation, trading and building construction.

As of 30 June 2026, the State-owned Assets Supervision and Administration Commission of Huzhou Municipal People's Government ("Huzhou SASAC") was the Company's ultimate controller, directly holding 47.2% of the Company's shares, and indirectly holding 29.7% of the shares through the two companies, with a total shareholding of 76.9%. Anji County Tianzi Lake Agricultural Comprehensive Development Co., Ltd. held 23.1% of the Company's shares. Huzhou SASAC has delegated the control and oversight of the Company's daily operations and project investments to the Management Committee of YICZ.

Exhibit 1. Revenue structure in 2025

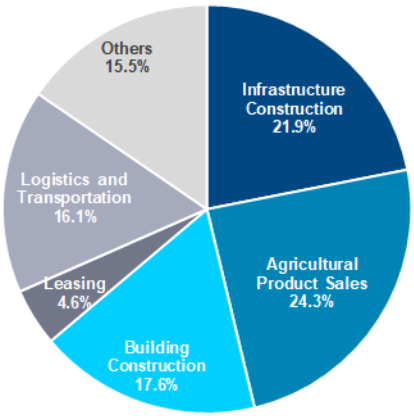
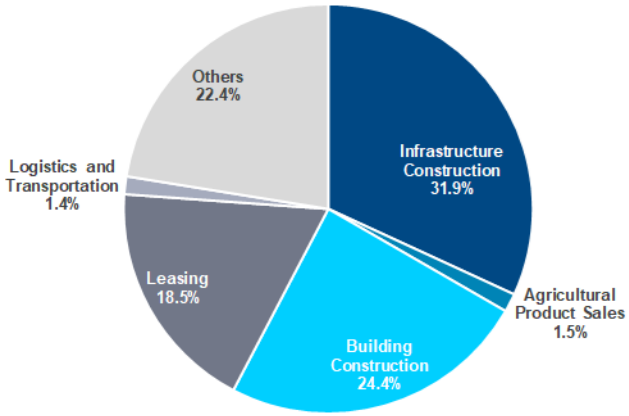
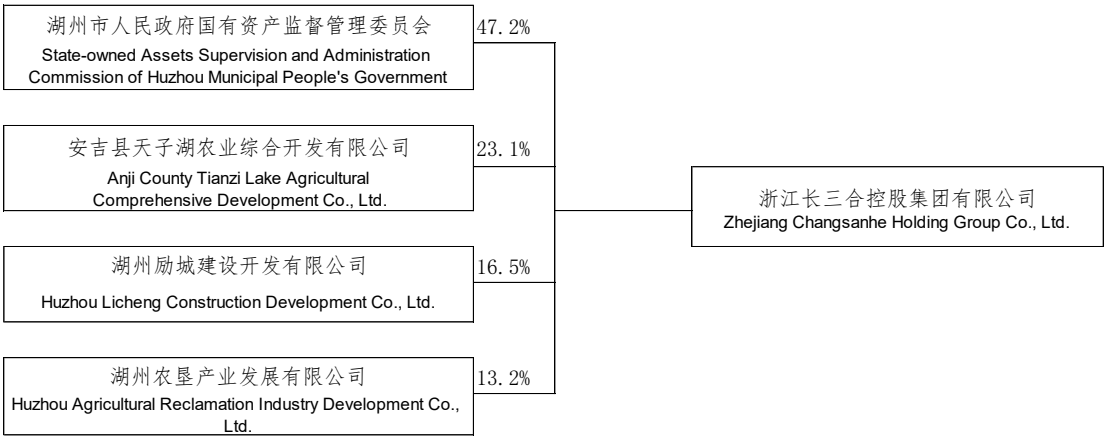


Exhibit 2. Gross profit structure in 2025



Source: Company information, CCXAP research

Exhibit 3. Shareholding chart as of 30 June 2026



Source: Company information, CCXAP research

Rating Considerations

Government Capacity to Provide Support

We believe that Huzhou Municipal Government has a very strong capacity to provide support, as reflected by its favorable geographic advantage and good fiscal stability. However, the capacity to support is constrained by its relatively 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. During the 15th Five-Year Plan period (2026-2030), Huzhou City has adopted the “1366” modern industrial framework, featuring artificial intelligence as the leading industry, alongside modern textiles, advanced alloy materials, and green home furnishings as its characteristic sectors. It has achieved a steady increase in gross regional product (“GRP”) over the past three years. In 2025, Huzhou City recorded a GRP of RMB445.3 billion, increasing by 5.9% year-over-year (“YoY”). However, affected by the decline in non-tax income, Huzhou Municipal Government’s general budgetary revenue decreased from RMB41.1 billion in 2024 to RMB39.0 billion in 2025. It maintained good fiscal stability, with tax income accounting for around 82.1% of general budgetary revenue for the past three years. Its fiscal balance remained

at a moderate level, with a general budgetary revenue to general budgetary expenditure ratio of 66.4% in 2025. Its government fund income decreased to RMB34.6 billion in 2025, due to the sluggish land market. However, Huzhou Municipal Government faces a high debt burden, with its outstanding direct government debt increasing from RMB161.1 billion at end-2024 to RMB187.3 billion at end-2025, accounting for 42.1% of its GRP and 161.9% of its total fiscal revenue. In the first half of 2026, Huzhou City recorded a GRP of RMB223.4 billion, with a YoY growth of 5.7%.

Exhibit 4. Key Economic and Fiscal Indicators of Huzhou City

	2023FY	2024FY	2025FY
GRP (RMB billion)	401.5	421.3	445.3
GRP Growth (%)	5.8	5.8	5.9
General Budgetary Revenue (RMB billion)	41.1	41.1	39.0
General Budgetary Expenditure (RMB billion)	60.7	59.1	58.6
Local Government Debt (RMB billion)	136.4	161.1	187.3

Source: Statistics Bureau of Huzhou City, Huzhou Finance Bureau, CCXAP research

Established in January 2022, YICZ is located at the intersection of the Hangzhou-Nanjing Economic Belt and the G60 Science and Technology Innovation Corridor, serving as a central hub along two emerging development corridors in the Yangtze River Delta and a western gateway within the Shanghai Metropolitan Area's sphere of influence. It is strategically focused on developing high-end equipment and new materials as part of its "2+N" modern industrial system, with a commitment to cultivating emerging strategic industries. As the sole developer and constructor in YICZ, ZCHG is well-positioned to capitalize on significant opportunities in infrastructure construction and supporting facility development in the region. During the 14th Five-Year Plan period, the Company focused on the construction of the start-up area of YICZ, which is located between Si'an Town, Changxing County and Tianzihu Town, Anji County, with a total area of 24.3 square kilometers. With the development of the start-up area largely completed, the Company is expected to shift its focus toward advancing the construction of the core area of YICZ during the 15th Five-Year Plan period. The core area covers a planned area of 86.9 square kilometers, comprising Si'an Town and part of Tianzihu Town.

Government Willingness to Provide Support

Monopoly position in the development of YICZ

As the sole development and construction entity in YICZ, ZCHG is authorized to carry out various construction projects, such as municipal roads, infrastructure, and resettlement housing in YICZ. The Company also takes responsibility for public utilities and industrial operations within YICZ. Since its establishment, the Company has maintained a robust pipeline of construction projects through the development of the start-up area. Looking ahead, as the core area begins to advance, the Company is expected to further strengthen its project portfolio, ensuring long-term business continuity and stability. Given its policy-backed role and exclusive mandate, ZCHG is expected to maintain its monopoly position in YICZ development in the foreseeable future.

ZCHG adopts the repurchase model and the agency construction model to conduct infrastructure construction projects. As of 30 June 2026, the Company had completed infrastructure projects with a total investment of RMB1.3 billion and received repayment of RMB1.5 billion. Additionally, the Company had 9 infrastructure construction projects under construction, with a total estimated investment of RMB3.5 billion, of which RMB141.4 million remained to be invested. The Company had no planned infrastructure projects as of 30 June 2026, and the sustainability of this business will depend on the progress of the core area development. The

funding of the projects is partially covered by special government bond funds, which alleviates the Company's funding pressure from capital expenditure.

ZCHG also participates in public utility services through pipe network leasing. The Company holds the pipe network use right within the core area, with an appraised value of RMB1.65 billion, which was obtained through the asset injection from the Management Committee of YICZ. The pipe network is leased to a local wastewater treatment plant for an annual rent of around RMB30.0 million, and the lease agreement was renewed for six years from January 2025 to December 2030 with the rent unchanged. As of 30 June 2026, the Company had 2 public utility service projects under construction, including a pipe renewal project and a wastewater treatment plant, with a total estimated investment of RMB676.0 million, of which RMB630.0 million remained to be invested.

Medium exposure to commercial activities

Alongside the development of YICZ, ZCHG has established a diverse range of commercial operations, including property leasing, industrial investment, logistics and transportation, trading, and building construction. With the transfer and acquisition of assets such as billboard operation rights, reservoirs, and investment properties, as well as the ongoing investment in self-operated projects and industrial funds, the Company's exposure to commercial businesses has increased. We consider the Company's exposure to commercial businesses to be medium, accounting for about 30% of its total assets.

ZCHG's leasable assets include 126 commercial properties transferred from local governments and industrial factories. Commercial properties are leased through market-oriented mechanisms, while industrial facilities are primarily rented out to companies under investment promotion projects led by the local government. As of 30 June 2026, the Company's main leasing properties, comprising Xihu Sci-Tech Innovation Park, the Innovation Complex and commercial properties in Huzhou, had a total leasable area of approximately 230,700 square meters, of which 106,800 square meters had been leased out, representing an occupancy rate of 46.3%. The Company generated rental income of RMB20.1 million in 2025 and RMB13.2 million in the first half of 2026. As the Company continues to expand its leasable assets and self-operated projects, their operating performance and profitability will largely depend on investment promotion and economic development in YICZ, which warrants continued attention.

The Company is also engaged in the construction of self-operated projects, such as industrial parks, residential housing and energy storage facilities, as part of the development of YICZ. Upon completion, the Company will generate rental income, electricity fee income and other investment returns through the operation of these projects, including the leasing of industrial parks and properties. The Company primarily relies on self-raised funds for the construction of these projects. As of 30 June 2026, the Company had 7 self-operated projects under construction, with a total planned investment of RMB5.1 billion, of which RMB3.6 billion remained to be invested. Additionally, the Company had 2 self-operated projects under planning with a total estimated investment of RMB965.0 million. The Company's ongoing and planned self-operated projects require substantial future investment, posing significant pressure on its capital expenditure.

Through engaging in industrial fund investments, ZCHG plays a key role in supporting the investment promotion and industrial development initiatives in YICZ. The Company's industrial investment business has developed rapidly, with continuously improving investment decision-making mechanisms and substantial planned investment volumes. As of 31 December 2025, the Company had participated in 16 industrial funds with a total fund size of RMB13.2 billion, of which the Company's committed contribution was RMB5.9 billion and RMB1.6 billion had been paid in, indicating significant future funding commitments. These funds primarily target the new energy, high-end manufacturing, pharmaceutical, and information technology industries within YICZ. In 2025,

the Company received a total of RMB55.6 million in returns through the liquidation of one fund and the exit of one project. However, as most of the funds remain in the investment phase and realized returns are low, the profitability of the industrial investment business warrants continued attention.

Since the second half of 2023, ZCHG has been operating logistics and transportation services, mainly involving the transport of alumina, cotton yarn, and coal. The primary transportation routes span the Xinjiang-Yangtze River Delta trunk line and last-mile distribution within Zhejiang Province. The Company also leases an 8,000-square-meter warehouse near Changxing South Railway Station to store goods such as yarn and PVC for integrated logistics clients. Logistics revenue increased from RMB166.9 million in 2024 to RMB184.9 million in 2025. While the business benefits from strong customer resources and demonstrates growth potential, its profitability remains weak, with a gross profit margin of 0.8% in 2025, constrained by declining freight rates. Its future investment returns and earnings are subject to industry cyclicality.

The Company started its trading business in 2023, with products mainly including agricultural products, cotton yarn, coal products and industrial salt. The business follows a purchase-based-on-sales model, with revenue from agricultural products and industrial salt recognized on a gross basis and other trading revenue recognized on a net basis. The trading income accounts for a significant portion of the Company's total revenue but has low profitability. In 2025, it recorded revenue of RMB293.3 million, with a gross profit margin of 2.8%. In addition, the Company has a high concentration in its top 5 customers and suppliers. If suppliers have related problems in product quality, supply capacity, and capital turnover, the Company faces the risk of failing to deliver goods to downstream customers on time.

In late 2023, the Company commenced its building construction business through its subsidiary, Zhejiang Weigu Construction Co., Ltd., which holds Grade II general contracting qualifications for building construction and municipal public works. Projects are obtained through market-based tendering. The Company had contracts on hand of RMB560.0 million at end-2025, providing an adequate project pipeline and indicating good business sustainability. In 2025, the business recorded revenue of RMB201.5 million, with a gross profit margin of 12.4%. In the first half of 2026, building construction revenue reached RMB131.4 million, making it the Company's largest revenue source for the period.

The Company holds a portfolio of mineral assets transferred by the Management Committee of YICZ, mainly quartz and sandstone mines, with a total reserve of 263.0 million tons and a total appraised value of RMB5.2 billion. The mineral resources are primarily used for project construction in YICZ, and the Company has not yet obtained the relevant mining rights. Under its operational model, the Company is responsible for raw material supply and finished product sales, while mineral processing is outsourced, which may generate mineral sales revenue in the future. The Company also holds 20-year concession rights for two reservoir assets in the region, with a total appraised value of RMB818.0 million, and plans to generate rental income from these reservoirs through leasing.

Good track record of receiving ongoing government support

ZCHG has a proven track record of receiving government support in the form of capital injections, asset transfers, financial subsidies and special bonds. In 2022, the Company received a capital injection of RMB2.3 billion from the government. Since 2020, the local government has continuously transferred assets to the Company, significantly enhancing its capital strength and diversifying its business. In 2024, the local government transferred billboard operation rights in YICZ to the Company, increasing its capital reserves by RMB218.9 million. From 2023 to 2025, the Company received a total of RMB564.2 million in government subsidies to support its operations. As of 30 June 2026, the outstanding balance of special bond funds allocated to the

Company was RMB416.8 million, primarily used to support industrial park development and regional infrastructure projects. Given its critical role in YICZ, we expect that the local government will continue to provide ongoing support to the Company in the future.

Increasing debt burden and short-term repayment pressure

Driven by the construction of self-operated projects and the expanding scale of fund investments, ZCHG's debt level has continued to rise. The Company's total debt increased significantly from RMB7.0 billion at end-2024 to RMB11.1 billion at mid-2026, with its total capitalization ratio rising from 29.2% to 39.5% over the same period. Its short-term repayment pressure has also increased. At mid-2026, the short-term debt to total debt ratio rose from 15.2% at end-2024 to 29.5%, while its cash to short-term debt ratio was 0.7x.

The Company's exposure to contingent liability risk is low, with external guarantees of RMB261.5 million as of 30 June 2026, accounting for 1.5% of its total equity. Given the large remaining investment required for its self-operated projects and industrial investments, the Company faces considerable capital expenditure pressure. As its funding needs will rely mainly on external financing, we expect its debt level and leverage to continue increasing.

Moderate asset quality

The Company's asset quality is moderate, which constrains its financing flexibility. Its total assets mainly consist of less liquid assets, such as inventory from infrastructure construction projects and land, as well as intangible assets acquired through transfers, totally accounting for 60.6% of total assets as of 30 June 2026. Meanwhile, the Company's restricted assets amounted to RMB2.0 billion as of 30 June 2026, representing 6.8% of its total assets. Nonetheless, the Company's intangible assets, mainly comprising operating rights for mining, parking lots and reservoirs, along with its investment properties, are expected to generate income for the Company over time. In addition, attention should be paid to the progress of obtaining land title certificates in inventories and the monetization of operating right assets under intangible assets.

Access to both bank financing and bond market

While ZCHG primarily relies on bank loans for financing, it has expanded its funding channels to the bond market. As of 30 June 2026, bank loans accounted for about 92% of its total debt, with the remainder in onshore corporate bonds. The Company has established long-term borrowing relationships with policy banks and national commercial banks, including Agricultural Development Bank, Bank of China and Industrial and Commercial Bank of China. As of 30 June 2026, the Company had total credit facilities of RMB19.5 billion, of which RMB9.4 billion remained unutilized, providing a sufficient liquidity buffer. Additionally, the Company gained access to the onshore bond market through its subsidiary, Zhejiang Changchuang Green Technology Development Group Co., Ltd., which issued a RMB500.0 million bond in July 2025 and a RMB350.0 million bond in June 2026, with an average coupon rate of 1.9%.

ESG Considerations

ZCHG assumes environmental risks through its infrastructure construction projects and drainage pipe renewal construction 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, ZCHG has played a crucial role in the social welfare of YICZ by participating in the construction of resettlement housing and municipal roads in YICZ. Demographic changes, public awareness,

and social priorities shape the government's development strategy and will affect the government's propensity to support the Company.

In terms of corporate governance, ZCHG'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).

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