

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

Hong Kong, 18 June 2025 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has affirmed Zhejiang Xingshanghe Urban Development Group Co., Ltd. (“ZXUD” or the “Company”)'s long-term credit rating at BBB<sub>g</sub>, with stable outlook.

The BBB<sub>g</sub> long-term credit rating of ZXUD 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 provide 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.

### **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.

### **Rating Rationale**

#### **Credit Strengths**

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

**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. 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.** The Company's large investment needs can be partially mitigated by its multiple financing channels and sufficient credit facilities. 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.

### Credit Challenges

**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.

**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.

**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.

### Rating Outlook

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.

#### 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.

### **Rating Methodology**

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

### **Regulatory Disclosures**

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