

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

Hong Kong, 30 October 2025 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has affirmed Zhejiang Changsanhe Holding Group Co., Ltd.’s (“ZCHG” or the “Company”) long-term credit rating at A_g-, with stable outlook.

The A_g- long-term credit rating of ZCHG 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 good geographic advantage, with ongoing economic growth and outstanding fiscal quality. 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.

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 payments; and (3) broadened funding channels. However, the rating is constrained by the Company’s (1) medium exposure to commercial activities; (2) increasing debt burden; and (3) moderate assets quality.

Corporate Profile

Reorganized and established in 2022, ZCHG is authorized to be exclusively responsible for the development, construction, and investment of YICZ, mainly for the planning and development of 86.9 square kilometers of core area in the YICZ. The Company also engaged in commercial business such as assets leasing, trading of agricultural products and fund investment.

As of 30 June 2025,, 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. The Management Committee of YICZ has been delegated control and oversight over the Company’s daily operation and project investment by Huzhou SASAC.

Rating Rationale

Credit Strengths

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 the YICZ. The Company also takes responsibility for public utilities and industrial operations within the 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 for the foreseeable future.

Good track record of receiving ongoing government payments. ZCHG has a proven track record of receiving government support in the form of capital injection, asset transfers, financial subsidies and special bonds. Given its critical role in YICZ, we expect that the local government will continue to provide ongoing support to the Company in the future.

Broadened funding channels. While ZCHG primarily relies on bank loans for financing, it has expanded its funding channels to the bond market. As of 30 June 2025, the Company had obtained a total of RMB18.2 billion in bank credit facilities, with an available credit of RMB7.4 billion. Additionally, the Company gained access to the onshore bond market through a RMB500.0 million bond issuance by its subsidiary, Zhejiang Changchuang Green Technology Development Group Co., Ltd., in July 2025.

Credit Challenges

Medium exposure to commercial activities. ZCHG's commercial operations have become increasingly diversified alongside the development of YICZ, encompassing property leasing, industrial investment, logistics and transportation, and trading. With the transfer and acquisition of assets such as billboard operation rights, reservoir, and investment properties, 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.

Increasing debt burden. Driven by the construction of self-operated projects and the expanding scale of investment funds, ZCHG's debt level continues to rise. The Company's total debt increased significantly from RMB4.7 billion at the end of 2023 to RMB8.5 billion as of 30 June 2025. Despite this growth, its leverage remained relatively modest, with a total capitalization ratio of 33.3% as of 30 June 2025.

Moderate asset liquidity. The Company's asset quality is moderate, constraining its financing flexibility. The Company's total assets mainly consist of less liquid assets such as inventory generated from infrastructure construction projects, lands, and intangible assets acquired through transfers, collectively accounting for 65.5% of the Company's total assets as of 30 June 2025.

Rating Outlook

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.

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.

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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