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

Hong Kong, 14 November 2025 – China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") has affirmed the long-term credit rating of Zhejiang Changxing Financial Holdings Group Co., Ltd. ("ZCFH" or the "Company") at BBB_g+, with stable outlook. At the same time, CCXAP has affirmed its senior unsecured debt rating at BBB_g+.

The BBB_g+ long-term credit rating of ZCFH 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 58^{th} 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.

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.

Rating Rationale

Credit Strengths

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. 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.

Good track record of receiving government payments. ZCFH has consistently received substantial support from the local government since its establishment. Given its strategic role in Changxing County's development, we expect continued government support in the foreseeable future.

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. The Company also has good access to both the onshore and offshore debt markets.

Credit Challenges

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.

High short-term repayment pressure and weak asset liquidity. ZCFH's total debt has remained relatively stable in recent periods. 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. 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.

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.

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 Outlook

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.

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 strengths 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.

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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