

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.

Hong Kong, 5 January 2026 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned first-time long-term credit rating of A_g- to Huzhou Wuxing State-owned Assets Investment and Operation Co., Ltd., with stable outlook.

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.

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.

Rating Rationale

Credit Strengths

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. Apart from its important subsidiary, WIID, the Company will 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.

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. 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.

Good funding access with multiple financing channels. 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.

Credit Challenges

Increasing exposure to commercial activities. 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.

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.

Medium contingent liability risk from external guarantees. 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.

Rating Outlook

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.

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.

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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