中誠信亞太 CCXAP

CCXAP affirms Huzhou Wuxing Economic Development and Investment Group Co., Ltd.'s long-term credit rating at BBB_g, with stable outlook.

Hong Kong, 11 August 2026 – China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") has affirmed the long-term credit rating of Huzhou Wuxing Economic Development and Investment Group Co., Ltd. ("WEDG" or the "Company") at BBB_g, with stable outlook.

The long-term credit rating of WEDG reflects Wuxing District Government's strong capacity to support and its high willingness to support, based on our assessment of the Company's characteristics. 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.

The rating also reflects the local government's willingness to provide support, which is based on the Company's (1) full ownership and ultimate control by the Wuxing District Government; (2) strategic importance in the infrastructure construction in Wuxing Economic Development Zone ("Wuxing EDZ"); and (3) track record of receiving government support. However, the Company's rating is constrained by its (1) high exposure to commercial activities; (2) increasing debt burden; (3) moderate asset quality; and (4) medium contingent liability risk from external guarantees.

Corporate Profile

Established in December 2004 and formerly known as Huzhou Daixi Urban Development Co., Ltd., WEDG serves as an important investment and construction entity in the Wuxing District of Huzhou City. It is primarily engaged in infrastructure construction in Wuxing EDZ. It is also involved in commercial businesses mainly including property leasing, merchandise trading, and ore sales. As of 31 March 2026, Huzhou Wuxing State-Owned Capital Investment Development Co., Ltd. and Huzhou Wuxing Transportation and Tourism Investment Development Group Co., Ltd. each held 30% of the Company's shares, while the State-Owned Capital Supervision and Administration Service Centre of Wuxing District held the remaining 40%. The ultimate controlling shareholder is the People's Government of Wuxing District.

Rating Rationale

Credit Strengths

Strategic importance in the infrastructure construction in Wuxing EDZ. As the primary infrastructure construction and industrial park development operation platform in the Wuxing EDZ, the Company has undertaken a number of infrastructure construction and industrial park development projects within Wuxing EDZ, making great contributions to the local social and economic development, benefiting investment attraction and improving related industrial chains in the Wuxing EDZ. From 2024 to 2025, the Company had invested about RMB6.5 billion into construction projects, with stable project payments from the government.

Track record of receiving government support. WEDG has a proven track record of receiving government support in the form of capital injection, asset transfers, special funds, and financial subsidies. In 2025, the local government transferred sand and gravel mining rights to the Company, increasing its capital reserves by RMB2.9 billion. We expect the local government will continue to provide ongoing support to the Company, given WEDG's important role in the infrastructure construction of Wuxing District, especially Wuxing EDZ.

Credit Challenges

High exposure to commercial activities. WEDG's commercial businesses mainly include merchandise trading, ore sales, electric power service, and property leasing. The Company's exposure to commercial businesses is high and increasing with the completion of its self-operated projects such as industrial plants, accounting for more than 30% of its total assets. Nonetheless, most of these businesses have solid development momentum, providing stable income to the Company.

Increasing debt burden. WEDG's debt burden is increasing, which is driven by the large capital expenditure from self-operated projects. Its total debt has increased from RMB14.7 billion at end-2024 to RMB23.2 billion at end-2026Q1, with a total capitalization ratio of 67.8%. In addition, the Company faces high short-term repayment pressure, as its short-term debt ratio reached 46.1% of total debt, and its cash to short-term debt ratio was low at 0.3x at end-2025.

Moderate asset quality. WEDG's asset liquidity is weak as they are mainly assets with low liquidity such as inventories, receivables, and intangible assets, accounting for 74.2% of total assets. However, the intangible assets, mainly rights of mining, parking lot charging rights, and operational rights of scenic areas, can provide stable operating income for the Company.

Medium contingent liability risk from external guarantees. As of 31 March 2026, the Company's external guarantee amount was RMB2.1 billion, accounting for 19.3% of its net assets. We expect that the contingent risk of the external guarantee is controllable considering that all of the external guarantees are provided to local state-owned enterprises, with relatively low credit risk.

Rating Outlook

The stable outlook on WEDG's rating reflects our expectation that, for the next 12 to 18 months, the Wuxing District Government's capacity to provide support will be stable, and the Company will maintain its important role in local infrastructure construction in Wuxing EDZ.

What could upgrade the rating?

The rating could be upgraded if (1) Wuxing District Government's capacity to provide support strengthens; or (2) the Company's characteristics change in a way that strengthens the local government's willingness to provide support, such as decreased debt burden and improved asset liquidity.

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 support, 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).

Regulatory Disclosures

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