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

Hong Kong, 5 November 2026 – China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") has affirmed the long-term credit rating of Zhejiang Changsanhe Holding Group Co., Ltd. ("ZCHG" or the "Company") 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 favorable geographic advantage and good fiscal stability. 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 in Huzhou City.

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 support; and (3) access to both bank financing and bond market. However, the rating is constrained by the Company's (1) medium exposure to commercial activities; (2) increasing debt burden and short-term repayment pressure; and (3) moderate asset quality.

Corporate Profile

Reorganized and established in 2022, ZCHG is authorized to be exclusively responsible for the development, construction, and investment of YICZ, focusing primarily on the planning and development of 86.9 square kilometers of core area in YICZ. The Company is also engaged in commercial businesses such as property leasing, industrial investments, logistics and transportation, trading and building construction. As of 30 June 2026, 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. Huzhou SASAC has delegated the control and oversight of the Company's daily operations and project investments to the Management Committee of YICZ.

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 YICZ. Given its policy-backed role and

exclusive mandate, ZCHG is expected to maintain its monopoly position in YICZ development in the foreseeable future.

Good track record of receiving ongoing government support. ZCHG has a proven track record of receiving government support in the form of capital injections, 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.

Access to both bank financing and bond market. While ZCHG primarily relies on bank loans for financing, it has expanded its funding channels to the bond market. As of 30 June 2026, bank loans accounted for about 92% of its total debt, with the remainder in onshore corporate bonds.

Credit Challenges

Medium exposure to commercial activities. With the transfer and acquisition of assets such as billboard operation rights, reservoirs, and investment properties, as well as the ongoing investment in self-operated projects and industrial funds, 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 and short-term repayment pressure. The Company's total debt increased significantly from RMB7.0 billion at end-2024 to RMB11.1 billion at mid-2026, with its total capitalization ratio rising from 29.2% to 39.5% over the same period. Its short-term repayment pressure has also increased. At mid-2026, the short-term debt to total debt ratio rose from 15.2% at end-2024 to 29.5%, while its cash to short-term debt ratio was 0.7x.

Moderate asset quality. Its total assets mainly consist of less liquid assets, such as inventory from infrastructure construction projects and land, as well as intangible assets acquired through transfers. Nonetheless, the Company's intangible assets, mainly comprising operating rights for mining, parking lots and reservoirs, along with its investment properties, are expected to generate income for the Company over time.

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 strengths 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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