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

Hong Kong, 10 November 2026 – China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") has affirmed the long-term credit rating of Zhejiang Changxing Innovation Investment Group Co., Ltd. ("ZCII" 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 ZCII 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 58th among the Top 100 Economic Counties in China in 2025, with sound 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 support; and (3) good access to various funding sources. However, the rating is constrained by the Company's (1) medium exposure to commercial activities; (2) high debt leverage and weak asset liquidity; and (3) increased contingent liability risks from external guarantees.

Corporate Profile

Founded in 2011, ZCII is one of the major infrastructure construction and state-owned asset operation entities in Changxing County, mainly engaged in land development and infrastructure construction, along with commercial trading. In May 2025, following the integration of state-owned platforms in Changxing County, the Company became wholly owned by Zhejiang Changxing Industrial Holding Group Co., Ltd. ("ZCIH"), and subsequently transferred its 70% stake in Changxing Industrial Investment Development Group Co., Ltd. and certain other subsidiaries to ZCIH as part of the restructuring. In December 2025, the Company changed its name from Zhejiang Changxing Financial Holdings Group Co., Ltd. to its current name. As of 30 June 2026, ZCIH owned 100% of the Company's shares and the Changxing County Finance Bureau was the ultimate controller.

Rating Rationale

Credit Strengths

Important position in land development and infrastructure construction of Changxing County. Although the restructuring reduced the Company's business scope and capital base, with capital reserves decreasing by RMB7.6 billion in 2025, ZCII retains its important role in the urban infrastructure development and state-owned asset operation in Changxing County, with main responsibilities on land development and infrastructure construction.

Good track record of receiving government support. ZCII has consistently received substantial support from the local government since its establishment. Although the asset transfers in 2025 reduced the Company's equity, they were carried out as part of the local government's restructuring of state-owned platforms, and the Company retained its core public-policy functions. Given its strategic role in Changxing County's development, we expect continued government support in the foreseeable future.

Good access to various funding sources. ZCII's diversified funding sources, which include bank loans and bond issuances, may help alleviate its liquidity pressure. Besides, the Company has a relatively moderate reliance on non-standard financing, accounting for 17.8% of total debt.

Credit Challenges

Medium exposure to commercial activities. ZCII also participates in commercial activities such as commercial trading and equity investments. As of 30 June 2026, ZCII had moderate exposure to commercial risk, with commercial business assets accounting for 20% to 25% of its total assets. Following the divestiture of its subsidiaries in 2025, ZCII ceased conducting guarantee, finance leasing, property management, rental and scenic area operation businesses, which reduced the diversity of its commercial operations.

High debt leverage and weak asset liquidity. ZCII's total debt has remained relatively stable, with adjusted total debt increasing slightly from RMB42.3 billion at end-2024 to RMB42.9 billion at mid-2026, while the total capitalization ratio rose from 55.2% to 60.3% over the same period, mainly due to the decrease in equity following the asset transfers in 2025. ZCII's asset liquidity is weak, which may undermine its financial flexibility. As of 30 June 2026, its assets were primarily composed of inventories and receivables, totally accounting for around 65.5% of total assets.

Medium contingent liability risks in external guarantees. The Company's external guarantees increased from RMB7.4 billion at end-2024 to RMB11.7 billion at mid-2026, accounting for 41.3% of its net assets. The external guarantees are mainly provided to the SOEs in Changxing County, without counter-guarantee measures. In case a credit event occurs, the Company may face certain contingent liability risks and cross-default risks.

Structural Consideration

ZCII'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 ZCII'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 strengthens 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).

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