

Credit Opinion

4 June 2025

Ratings	
Senior Unsecured Debt Rating	BBB _g +
Long-Term Credit Rating	BBB _g +
Outlook	Stable
Category	Corporate
Domicile	China
Rating Type	Solicited Rating

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Changxing Urban Construction Investment Group Co., Ltd.

Surveillance credit rating report

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

Summary

The BBB_g+ long-term credit rating of Changxing Urban Construction Investment Group Co., Ltd. (“CUCI” or the “Company”) 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 support reflects its ranking of 57th among the Top 100 Counties in China in 2024, with good economic strength and moderate fiscal metrics.

The rating also reflects the local government’s willingness to support, which is based on the Company’s (1) dominant position of infrastructure development and public services in Changxing County; (2) access to diversified funding channels; and (3) good track record of receiving ongoing government payments.

However, the rating is constrained by the Company’s (1) increasing exposure to commercial activities; (2) medium contingent liability risk from external guarantees provided to other SOEs; and (3) large debt burden and moderate asset liquidity.

The stable outlook on CUCI’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 the public welfare functions in Changxing County.

Rating Drivers

- Dominant position of infrastructure development and public services in Changxing County
- Good track record of receiving ongoing government payments
- Increasing exposure to commercial activities
- Large debt burden and moderate asset liquidity
- Access to diversified funding channels
- Medium contingent liability risk from external guarantees provided to other SOEs

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) the local government's capacity to support strengthens; or (2) the Company's characteristics change in a way that strengthens the local government's willingness to support, such as decrease in exposure to commercial activities; or improvement in assets quality.

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.

Key Indicators

	2022FY	2023FY	2024FY	2025Q1
Total Asset (RMB billion)	76.5	80.3	83.2	84.7
Total Equity (RMB billion)	32.9	32.6	33.5	33.3
Total Revenue (RMB billion)	3.3	3.4	4.7	0.6
Total Debt/Total Capital (%)	52.7	55.6	56.2	57.1

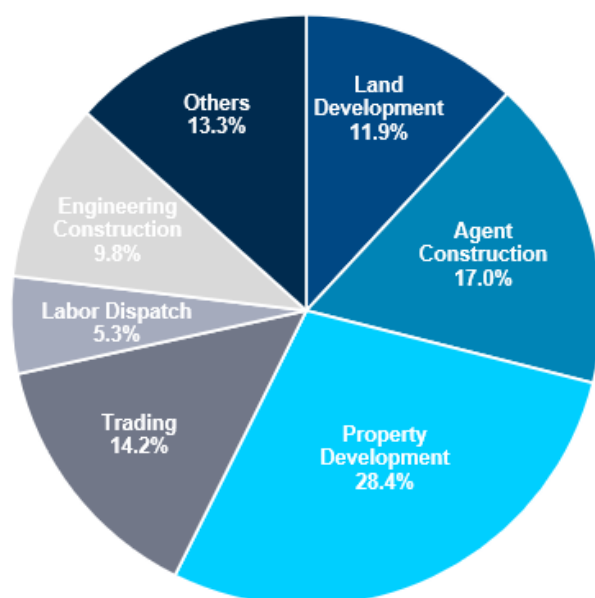
All ratios and figures are calculated using CCXAP's adjustments.

Source: Company data, CCXAP research

Corporate Profile

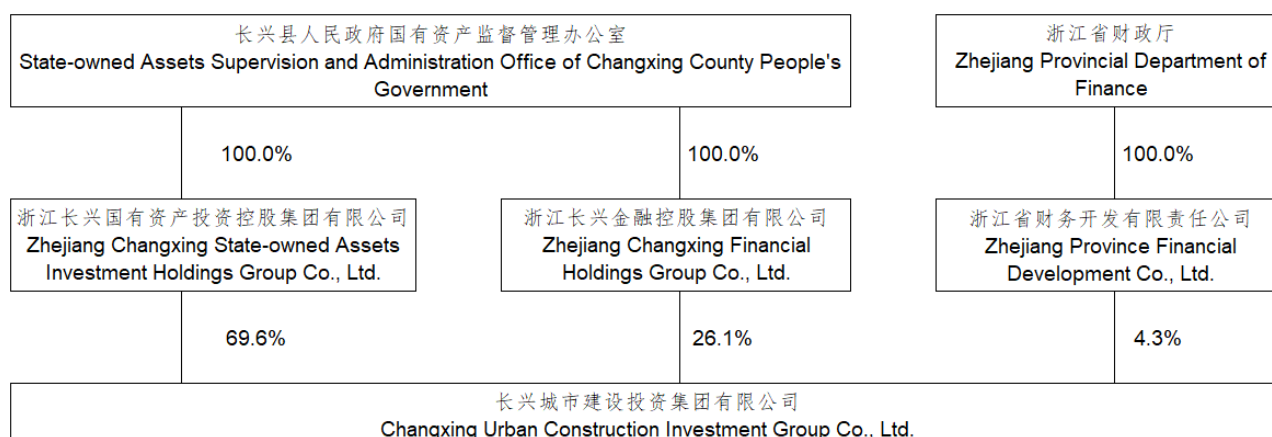
Established in 2007, CUCI is one of the key local infrastructure investment and financing companies ("LIIFCs") in Changxing County, Huzhou City. The Company mainly engages in trading, infrastructure construction, property development, primary land consolidation and city operations, including water supply, assets leasing and car park operation in Changxing County. In June 2024, the State-owned Assets Supervision and Administration Office of Changxing County People's Government ("Changxing SASAO") transferred 69.6% of its shares in Company to Zhejiang Changxing State-owned Assets Investment Holdings Group Co., Ltd. ("CXSI") free of charge. After the share transfer, CXSI became the new controlling shareholder with a 69.6% stake, while the actual controller remained unchanged as the Changxing SASAO. Zhejiang Changxing Financial Holdings Group Co., Ltd. and Zhejiang Province Financial Development Co., Ltd. retained the remaining 26.1% and 4.3% of the Company's shares, respectively.

Exhibit 1. Revenue structure in 2024



Source: Company information, CCXAP research

Exhibit 2. Shareholding chart as of 31 March 2025



Source: Company information, CCXAP research

Rating Considerations

Government Capacity to Support

We believe that Changxing County Government has a strong capacity to provide support given its status as the 57th Top 100 Economic Counties in China in 2024, with good economic strength and moderate fiscal metrics.

Zhejiang Province is located on the southern wing of the Yangtze River Delta along the southeast coast of China. Its diverse pillar industries encompass emerging sectors like visual intelligence, new energy, life sciences, logistics equipment manufacturing, as well as traditional specialties such as knitting, pen-making, crystal processing, quilting, and padlock production. Zhejiang Province has strong economic strength. In 2024, its gross regional product ("GRP") ranked fourth among all provinces in China, reaching RMB9.0 trillion, with a year-on-year ("YoY") increase of 5.5%. In 2024, its general budgetary revenue reached RMB0.9 trillion, ranking 3rd among all provinces in China. Its fiscal position remained stable, with tax income accounting for approximately

81.8% of the general budgetary revenue over the past three years. However, Zhejiang Province faces a relatively heavy debt burden, with its government debt reaching RMB2.7 trillion at end-2024.

Located in the northern part of Zhejiang Province, Huzhou City is the node city connecting the north and south areas of the Yangtze River Delta region. Huzhou City has four leading industries including information technology, high-end equipment, health and tourism. It has achieved a significant increase in GRP over the past three years. In 2024, Huzhou City recorded a GRP of RMB421.3 billion, increasing by 5.8% YoY. Huzhou Municipal Government's general budgetary revenue was RMB41.1 billion, with a slight YoY increase of 0.1%. It also has good fiscal stability, with tax income accounting for around 84.1% of general budgetary revenue for the past three years. Its fiscal balance remained at a moderate level, with a general budgetary revenue to general budgetary expenditure ratio of 69.6% in 2024. However, Huzhou Municipal Government's debt burden has increased rapidly from RMB136.4 billion in 2023 to RMB161.1 billion in 2024, and the scale was large, accounting for 38.2% of its GRP and 142.8% of its total fiscal revenue.

Exhibit 3. Key economic and fiscal indicators of Huzhou City

	2022FY	2023FY	2024FY
GRP (RMB billion)	385.0	401.5	421.3
GRP Growth (%)	3.3	5.8	5.8
General Budgetary Revenue (RMB billion)	38.7	41.1	41.1
General Budgetary Expenditure (RMB billion)	60.2	60.7	59.1
Local Government Debt (RMB billion)	118.9	136.4	161.1

Source: Statistics Bureau of Huzhou City, CCXAP research

Changxing County is the second largest county, in terms of GRP, in Huzhou City. According to CCID Consulting, it ranked 57th among the Top 100 Economic Counties in China in 2024. It also ranked third among the top 100 tourism comprehensive strength counties for six consecutive years. The pillar industries of Changxing County are textile, cement and battery manufacturing industries. Changxing County has strong private economic development. At the end of 2024, there were 941 private-owned enterprises, accounting for 90.7 % of all designated size industrial enterprises; and there was a total of 13 listed companies in Changxing County that have raised an aggregate RMB2.9 billion through IPOs. In 2024, Changxing County recorded a GRP of RMB92.8 billion, increasing by 5.8% YoY, representing around 22.0% of Huzhou City's GRP. We believe that the sustainable economic development of Changxing County provides a sound external environment for the Company's business development. Its general budgetary revenue also increased from RMB8.7 billion in 2023 to RMB8.9 billion in 2024. It also has good fiscal quality, with tax income accounting for around 81.8% of general budgetary revenue. However, Changxing County had an increasing debt burden, as of end-2024, Changxing County Government's outstanding direct debt amounted to RMB22.1 billion, about 23.9% of its GRP and 126.0% of its total fiscal revenue.

Exhibit 4. Key economic and fiscal indicators of Changxing County

	2022FY	2023FY	2024FY
GRP (RMB billion)	85.3	89.4	92.8
GRP Growth (%)	4.2	6.5	5.8
General Budgetary Revenue (RMB billion)	8.2	8.7	8.9
General Budgetary Expenditure (RMB billion)	10.5	12.0	11.7
Local Government Debt (RMB billion)	19.1	20.2	22.1

Source: Statistics Bureau of Changxing County, CCXAP research

Government Willingness to Support

Dominant position of infrastructure development and public services in Changxin County

Changxing County's development is supported by four key LIIFCs, each with a distinct position under municipal planning. The Company's controlling shareholder CXSI serves as the core urban construction and operation entity as well as a key industrial investment platform in Changxing County. CUCI remain its position as a primary investment and construction platform, specializing in public sector activities including infrastructure development, land consolidation, and water supply services. Given CUCI's dominant position in local development and the essential nature of its public service operations, we believe its role is irreplaceable in the medium to long term.

As the primary infrastructure and public service platform in Changxing County, the Company undertakes infrastructure construction projects under the agency construction model by signing entrusted construction agreements with the local government. As of 31 December 2024, the Company had 13 infrastructure construction projects under construction, with a total estimated investment of RMB800 million, and an uninvested amount of RMB332.0 million. It also had 3 infrastructure construction projects under planning, with a total estimated investment of RMB134.0 million. These projects mainly include the construction of roads, schools, hospitals and environment improvement projects. With adequate projects under construction, the Company's infrastructure business demonstrates good sustainability.

CUCI also has maintained a strong regional position in the primary land consolidation of Changxing County. Its business scope covers Longshan New District, Huilongshan New District and the Old Town District. As of 31 December 2024, the Company completed the consolidation of 224.5 mu land parcels that have not yet been sold. For other projects covering a total area of 308.4 mu that have already been completed, the Company has received cumulative payments amounting to RMB560.0 million. The Company also has one land consolidation project under development with an area of 10.2 thousand mu and an invested amount of RMB985.0 million. However, the primary land consolidation business is largely susceptible to market conditions and government policies.

The Company has participated in water supply projects through its subsidiary, such projects include the production and construction of water supply and drainage, and the installation of water engineering. In 2024, the Company acquired 5 new water treatment plants and established 3 additional service branches, expanding its coverage to 1,154.0 square kilometers. The newly added facilities serve approximately 172,000 residents. Besides, the Company primarily reduces water leakage rates through pipeline network upgrades and proactive leak detection measures, dropping to around 10%.

With the completion of its development projects, we expect that the Company's public welfare function will be strengthened, suggesting stronger strategic importance and stronger governmental support.

Good track record of receiving ongoing government payments

The local government provides strong support, in terms of capital injection, asset injection and financial subsidies, to the Company to support its business development and enhance its assets. As the Company is responsible for public utilities such as infrastructure construction in Changxing County, it has continuously obtained fiscal subsidies from the local government. In 2024, the Company received RMB76.6 million in government subsidies to support its operation.

To support the Company's industrial development, the government has injected equity interests and transferred assets including the talent innovation tower, civil defense projects, nursery stock operating rights, as well as

real estate properties to the Company, resulting in a RMB2.0 billion increase of capital reserve in 2024. And these industrialized assets will bring operating income to the Company. Given CUCI's important role in the development of Changxing County, we expect the local government will continue to provide ongoing support to the Company.

Increasing exposure to commercial activities

Since 2024, the Company gratuitously transferred out some subsidiaries with a progressive plan to transfer its industrial-related businesses to CXSI. Meanwhile, some new subsidiaries were established for cultural tourism and water affairs. CUCI has expanded its market-oriented businesses including tourism, property development, and industrial park projects. Overall, the proportion of commercial business assets is around 30% of the Company's total assets, indicating increasing commercial business risk. We also expect that the expanded industrial business layout can enrich its income source. However, some of these businesses such as property development are affected by the downturn of China's property market, which may adversely affect the Company's profitability.

CUCI has engaged in property development since December 2017. As of 31 March 2024, the Company held 7 properties with a remaining saleable area of 97.3 thousand square meters ("sqm"), indicating that income from property sales will be relatively sufficient in the future. In addition, the Company had 3 property projects under construction, with a total planning construction area of 471.8 thousand sqm, and an uninvested amount of RMB860 million. The property sales income is the largest contributor to the Company's revenue. In 2024, the revenue from this business accounted for 28.4% of the total revenue. In addition, except for the Lanyuan project, all of the Company's property projects are in the form of resettlement housing and commercial housing, accounting for around 60% of the total areas. As of 31 December 2024, the Company has 6 completed resettlement housing projects, all with a sales rate exceeding 70%, indicating good payment collection for this business. However, uncertainty exists in this business as it is highly subject to local government planning and the local real estate market, which may also exert higher volatility during the downturn of China's property market.

Apart from property development businesses, CUCI is also engaged in urban public parking management, advertising space management, and gravel resource development. The Company generates business revenue by leasing or managing these concession rights. Moreover, the Company leases out its investment properties to generate rental income, with a rental rate of more than 90%. In terms of human resources services, the Company provides comprehensive HR solutions, including flexible employment, recruitment services, talent training, and consulting services. As of the end of 2024, the Company managed a total of 2,548 on-street parking spaces, 6 surface parking lots, and 6 underground parking facilities. Additionally, the Company is planning to invest in the industrial park construction and No. 9 highway cultural tourism projects in 2025, which are expected to generate operating revenue for the Company.

For the trading segment, the Company mainly provides building materials and coal to local corporations. The trade business has a large revenue scale but poor profitability, which contributed around 14.2% of the Company's revenue in 2024. Its gross profit margin declined from 4.4% in 2023 to 1.4% in 2024, primarily attributed to the overall economic downturn and fluctuations in commodity market prices. In addition, the Company still exhibited a relatively high concentration risk as its top 5 suppliers and customers accounted for around 76.8% and 54.7% of its purchasing and sales amount, respectively, in 2024.

Large debt burden and moderate asset liquidity

The Company's total debt continued to increase due to ongoing investment needs. From 2023 to 2025Q1, the Company's total debt increased from RMB40.8 billion to RMB44.3 billion, and its total capitalization ratio was at a relatively high level of around 57.1% as of 31 March 2025. In addition, the Company has a relatively high short-term debt servicing pressure, with a short-term debt to total debt ratio of 27.9% and its cash to short-term debt ratio was 0.4x as of the end of March 2025. We expect the Company's debt leverage to remain at a high level in the next 12 to 18 months, given its large capital expenditure needs for its extensive construction projects in the pipeline.

The Company's asset liquidity is moderate as they are mainly inventories with weak liquidity. As of 31 March 2025, the inventories amounted to RMB30.4 billion, accounting for 35.9% of total assets, and mainly consisted of construction costs caused by infrastructure construction projects. It also has other receivables totaling RMB18.6 billion, accounting for 22.9% of total assets. These primarily consisted of intercompany advances, mainly provided to local state-owned enterprises and government agencies. The moderate liquidity asset may undermine the Company's financing flexibility, which is credit negative. Besides, the scale of the Company's restricted assets increased to RMB7.4 billion by the end of 2024, and the majority of these restricted assets were investment properties pledged for borrowings, accounting for approximately 52.2%.

Access to diversified funding channels

The Company's large investment needs can be mitigated by its diversified financing channels. The Company has access to various sources of funding, including bank loans, onshore and offshore bond financing and non-standard financing. As of end-2024, the Company had total credit facilities of RMB26.1 billion, of which the unutilized amount was about RMB8.3 billion. The Company also has good access to the debt markets. The Company and its subsidiary have issued various bond products, including PPNs, MTNs, green bonds, and offshore USD bonds, with an outstanding amount of RMB10.1 billion and USD374.0 million at end-2024, respectively. Besides, the Company's exposure to non-standard financing is relatively low, accounting for about 10.0% of total debt at end-2024.

Medium contingent liability risk from external guarantees provided to other SOEs

The Company is exposed to a medium contingent liabilities risk. At the end of 2024, the Company recorded an external guarantee amount of RMB9.7 billion, accounting for 28.9% of its total equity. Those guaranteed entities are the state-owned enterprises ("SOE") in Changxing County, without counter-guarantee measures. The credit risk of the Company and other local SOEs might be heightened if one guaranteed entity suffers from credit issues.

ESG Considerations

CUCI is exposed to environmental risks because it has undertaken infrastructure construction and utility projects. Such risks could be moderated by conducting environmental studies and planning before the commencement of projects, and close supervision during the construction phase. Since 2021, CUCI has issued one green USD bonds and three green corporate bonds on both onshore and offshore markets. The issuance of green bonds by CUCI is an important example of promoting the innovative development of green finance, which can reduce its environmental risks.

In terms of social concerns, CUCI plays a crucial role in the social welfare of the residents in Changxing County by providing utility services, including water supply, sewage treatment, education, and car park operation. As

an important state-owned entity in Changxing County, the Company has also launched multiple measures to ensure the provision of utilities and daily needs of the residents during the pandemic control period.

In terms of corporate governance, CUCI has established a sound and effective internal control framework, and has also set up a corporate governance structure, with the shareholders, directors, supervisors, senior management team and internal departments performing their duties collectively and efficiently. The Company is subject to oversight and reporting requirements to the Changxing SASAO, which has full control and supervision of the Company's operation.

Structural Considerations

The rating of the senior unsecured bonds is equivalent to CUCI's long-term credit rating. We believe that government support will flow through the Company given its important role in undertaking public services in Changxing County, thereby mitigating any differences in an expected loss that could result from structural subordination.

Rating Methodology

The methodology used in this rating is the Rating Methodology for [China's Local Infrastructure Investment and Financing Companies \(July 2022\)](#).

Appendix

Exhibit 5. Peer Comparison

	Changxing Urban Construction Investment Group Co., Ltd.	Zhejiang Changxing Financial Holdings Group Co., Ltd.
Long-Term Credit Rating	BBB _g +	BBB _g +
Shareholder	Zhejiang Changxing State-owned Assets Investment Holdings Group Co., Ltd. (69.6%), Zhejiang Changxing Financial Holdings Group Co., Ltd. (26.1%), Zhejiang Province Financial Development Co., Ltd. (4.3%)	Changxing Finance Bureau (100%)
Positioning	Infrastructure development and public services in Changxing County	Land development and infrastructure construction of Changxing County
Total Asset (RMB billion)	84.7	86.0
Total Equity (RMB billion)	33.3	34.5
Total Revenue (RMB billion)	0.6	0.6
Total Debt/Total Capital (%)	57.1	56.0

All ratios and figures are calculated using CCXAP's adjustments based on financial data in 2025Q1.

Source: Company information, CCXAP research

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