

Credit Opinion

21 August 2025

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

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Huzhou Wuxing Economic Development and Investment Group Co., Ltd.

Surveillance credit rating report

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

Summary

The BBB_g long-term credit rating of WEDG reflects Wuxing District Government's strong capacity to support and its very 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 payments.

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

The stable outlook on WEDG'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 important role in local infrastructure construction in Wuxing EDZ over the next 12 to 18 months.

Rating Drivers

- Strategic importance in the infrastructure construction in Wuxing EDZ
- Medium exposure to commercial activities
- Track record of receiving government payments
- Increasing debt burden and moderate asset liquidity
- Diversified financing channels access
- Medium contingent liability risk from external guarantees

Rating Sensitivities

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 or weakened funding capabilities.

Key Indicators

	2022FY	2023FY	2024FY
Total Asset (RMB billion)	15.5	19.0	24.7
Total Equity (RMB billion)	7.5	7.6	8.3
Total Revenue (RMB billion)	0.9	0.8	0.7
Total Debt/Total Capital (%)	47.4	57.9	63.9

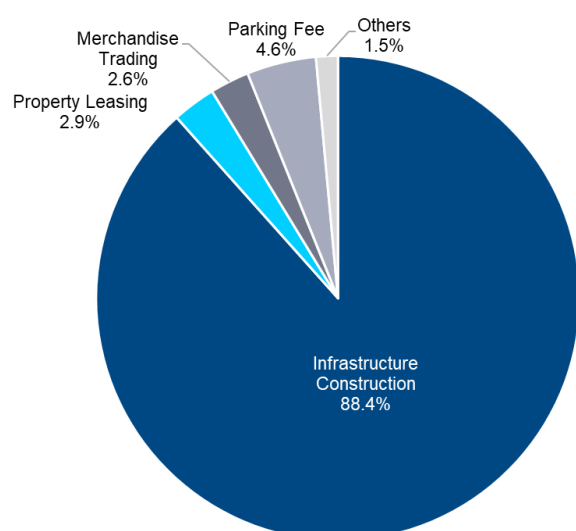
All ratios and figures are calculated using CCXAP's adjustments.

Source: Company data, CCXAP research

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 and self-operated projects in Wuxing EDZ. It is also involved in commercial businesses including property leasing, merchandise trading, and ore sales. As of 31 December 2024, the Company is wholly owned by the Wuxing District Government through its state-owned entities. Specifically, Huzhou Wuxing State-Owned Capital Investment Development Co., Ltd. ("WSCl") and Huzhou Wuxing Transportation and Tourism Investment Development Group Co., Ltd. ("WTTI") each hold 30% of the Company's shares, while the remaining 40% is directly held by the State-Owned Capital Supervision and Administration Service Centre of Wuxing District, a government-controlled institution. The ultimate controlling shareholder is the People's Government of Wuxing District.

Exhibit 1. Revenue structure in 2024



Source: Company information, CCXAP research

Exhibit 2. Shareholding chart as of 30 June 2025



Source: Company information, CCXAP research

Rating Considerations

Government's Capacity to Provide Support

We believe the local government of Wuxing District has a strong capacity to provide support given its economic importance in Huzhou City, with ongoing economic growth, but constrained by weak debt profile.

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. In 2024, Huzhou City recorded a gross regional product ("GRP") of RMB421.3 billion, increasing by 5.8% YoY. In the first half of 2025, Huzhou City's GRP amounted to RMB208.0 billion, up 6.3% YoY. Due to the economic recovery and industry growth, Huzhou Municipal Government's general budgetary revenue recorded RMB41.1 billion in 2024. It also has good fiscal stability, with tax income accounting for around 80% of general budgetary revenue for the past three years. Its fiscal balance remained at a moderate level, with general budgetary revenue to general budgetary expenditure ratio of 69.6% in 2024. However, Huzhou Municipal Government's debt burden was relatively heavy with an

outstanding direct government debt of RMB161.1 billion at end-2024, 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

As the central municipal district of Huzhou City, Wuxing District is located at the intersection of Shanghai Metropolitan Circle, Hangzhou Metropolitan Circle and Taihu Lake Economic Circle. A large number of large-scale headquarters gather in Wuxing District. In addition, Huzhou South Taihu High-tech Industrial Zone and Huzhou Economic and Technological Development Zone are also located in Wuxing District. The textile and garment industries are traditional pillar industries in Wuxing District, and five characteristic industrial clusters have been formed, including children's clothing, cashmere products, functional fibers, home textiles, and silk weaving. The intelligent equipment industry is one of the equipment manufacturing industries supported by Wuxing District Government, forming a complete industrial chain including equipment manufacturing, R&D and design, intelligent support, and integrated services. In 2024, Wuxing District ranks 54th among the top 100 comprehensive strength districts. At the same time, the GRP of the Wuxing District increased by 5.5% YoY to RMB93.5 billion, representing around 22.2% of Huzhou City's GRP. Wuxing District Government's general budgetary revenue increased from RMB6.7 billion in 2023 to RMB6.8 billion in 2024. Wuxing District has a strong fiscal balance but a weak debt profile, with high general budgetary revenue to the general budgetary expenditure of 105.0% in 2024 and a government debt to total fiscal revenue ratio of 140.7% as of 31 December 2024.

Exhibit 4. Key economic and fiscal indicators of Wuxing District

	2022FY	2023FY	2024FY
GRP (RMB billion)	89.7	92.5	93.5
GRP Growth (%)	3.5	5.3	5.5
General Budgetary Revenue (RMB billion)	6.2	6.7	6.8
General Budgetary Expenditure (RMB billion)	6.9	7.0	6.4
Local Government Debt (RMB billion)	17.1	18.6	21.9

Source: Statistics Bureau of Wuxing District, CCXAP research

Wuxing EDZ was established in 2015 with the approval of the Zhejiang Provincial Government. It has formed three leading industries including smart equipment, cosmetics, new energy vehicles and biomedicine. In 2020, Wuxing EDZ was listed as a national green industry demonstration base. The total development area of the Economic Development Zone is 9.6 square kilometers, including Donglin subdivision, Daixi subdivision and Daochang subdivision. Wuxing EDZ prioritizes four pillar industries including fashion & beauty, equipment manufacturing, modern textiles, and new energy, while actively expanding into emerging sectors such as advanced materials, biomedical devices, and construction waste recycling. These initiatives continuously strengthen its industrial supply chain resilience and competitive advantage. As an important entity of

infrastructure construction in Wuxing EDZ, the development of Wuxing EDZ will provide opportunities for the Company.

Government's Willingness to Provide Support

Strategic importance in the infrastructure construction in Wuxing EDZ

There are six major local infrastructure investment finance companies ("LIIFCs") supporting the development of Wuxing District, each having a clear position. As one of the four major LIIFCs, WSCI is primarily responsible for the construction and development of major infrastructure in Wuxing District, holding 30% of the Company's shares. Besides, WTTI, responsible for undertaking transportation and tourism-related construction projects in Wuxing District, holds the 30% shares of the Company. 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.

As an important infrastructure construction entity in Wuxing District of Huzhou City, WEDG is primarily engaged in construction projects including road and bridge construction, comprehensive environmental improvement, sewage treatment and relocation housing construction in Wuxing EDZ. The Company adopts an agency model for its infrastructure construction projects. As of 31 December 2024, the Company had completed 6 key infrastructure construction projects with a total investment of around RMB2.8 billion. The payback progress is subject to settlement periods and government planning. There were 11 infrastructure construction projects under construction, with a total invested amount of around RMB3.6 billion. Besides, the Company had 2 infrastructure construction projects under planning with a total investment amount of around RMB113.0 million. Overall, the Company's projects in the pipelines can ensure the sustainability of the business, but cause certain capital expenditure pressure on the Company.

Medium exposure to commercial activities

WEDG's commercial businesses mainly include merchandise trading, ore sales and property leasing. In addition, the Company is also carrying out self-operated projects in the region. We consider the Company's exposure to commercial businesses to be medium, accounting for around 35% of its total assets.

The Company has conducted its merchandise trading business since 2021, primarily through its minority-owned consolidated subsidiary, Huzhou Wuxing Xuge Supply Chain Management Co., Ltd ("Xuge Supply Chain"). Xuge Supply Chain primarily trades building materials such as steel. The Company adopts a demand-driven business model for its trading business and does not keep inventory. The merchandise trading business contributes supplementary income for the total revenue of the Company, accounting for 2.6% of its total revenue in 2024. The profitability of this business improved greatly in 2024 with a gross profit margin of 10.2% compared with 1.4% in 2023, primarily due to a reduction in sales costs. However, the Company's high reliance on its top 1 customers and top 2 suppliers increased uncertainties in this business.

The Company continues to develop its property management and property leasing businesses. It receives service fees by providing property management services for agricultural product trading centers through its subsidiary. The Company also leases out its commercial properties for rental revenue, with a rental area of 94,800 square meters and an average rental rate of 63.1% as of the end of 2024. Furthermore, the revenue of leasing business amounted to RMB20.6 million in 2024, accounting for around 2.9% of total revenue, with a profit margin of 35.4% in 2024.

In addition, the Company has 11 self-operated projects under construction, such as industrial parks in Wuxing EDZ, with a total investment amount of around RMB10.9 billion and an outstanding amount of RMB6.7 billion. The Company plans to achieve a funding balance for self-operated projects through leasing. We expect that these projects exert large capital expenditure pressure on the Company. Due to the economic downturn, the future revenue generated from this business is uncertain, subject to regional development and the operating performance of attracted enterprises. At the same time, along with the completion of self-operated projects, the proportion of the Company's commercial business will increase in the future.

WEDG also conducts ore sales business. The Company owns the mining rights to a tuff mine located in Beauty Town of Daixi Town in Wuxing District. Nuclear Industry Shaft Construction Group Co., Ltd. has been contracted as the general contractor and is responsible for the mining, transportation and processing services. The mining in Phase 1 has been completed. Phase II was acquired through a transfer in December 2024 and is expected to commence mining by the end of 2025. As this project-based business had just initiated its second phase, it generated no revenue in 2024.

Track record of receiving government payments

WEDG has a proven track record of receiving government support in the form of capital injection, asset transfers, tax incentives and financial subsidies. In 2020, the Company received asset transfers from the government including forest rights, sand mining rights, and the equity shares of Huzhou Wuxing Shangqiang Industry and Trade Co., Ltd. and Huzhou Wuxing Beauty Town Construction Management Co., Ltd., increasing the Company's capital strength and broadening its business scope. In 2022, the Company received mining rights and advertising space management rights, increasing its capital reserve by RMB3.4 billion. In 2024, the local government transferred assets of parking space and advertising space of RMB339.0 million to the Company without compensation. From 2022 to 2024, the Company received government subsidies of approximately RMB252.1 million. 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.

Increasing debt burden and moderate asset liquidity

WEDG's debt burden is increasing, which is driven by the large capital expenditure from self-operated projects. Its total debt has increased from RMB10.4 billion at end-2023 to RMB14.7 billion at end-2024, with a total capitalization ratio of 63.9% as of 31 December 2024. The Company has relatively high short-term debt repayment pressure since its short-term debt accounted for about 50.2% of total debt as of 31 December 2024, and the liquidity profile was weak with a cash-to-short-term debt ratio of around 0.3x at the same time, indicating that its cash balance was insufficient to cover its short-term debt. Considering the capital expenditure pressure caused by the Company's large number of self-operated projects, we expect that the Company will continue to raise funds through external financing. Therefore, the Company's total debt will keep growing over the next 12-18 months.

WEDG's asset liquidity is moderate as they are mainly inventories and other receivables with weak liquidity. As of 31 December 2024, the inventories and receivables accounted for 44.7% of its total assets. The inventories mainly consisted of construction costs caused by infrastructure construction projects and the receivables mainly consisted of uncollected payments from the local government and other state-owned enterprises. The moderate liquidity asset may undermine the Company's financing flexibility, which is credit-negative. As of July 2025, the Company holds commercial bills overdue totaling RMB22.0 million, resulting from payment defaults by five counterparties now under investigation for suspected fraud.

Diversified financing channels access

WEDG has relatively good access to various sources of funding, including bank loans and offshore bond financing. As of 31 December 2024, around 52.2% of debt financing were provided by bank loans and the Company had obtained a total of RMB15.6 billion in bank credit facilities, with an available credit of RMB7.3 billion. In terms of direct financing, as of 31 May 2025, the Company had 2 outstanding offshore bonds, with total issued amount of RMB1.3 billion, with coupon rates of 6.5% and 5.2%, respectively. However, the Company has a relatively high reliance on non-standard financing, accounting for 22.7% of the total debt at end-2024, with a relatively high interest rate of around 7.4%.

Medium contingent liability risk from external guarantees

WEDG has medium exposure to contingent liabilities. As of 31 December 2024, the Company's external guarantee amount was RMB2.5 billion, accounting for 30.3% of its net assets. Most of the external guarantees are provided to Huzhou New City Investment Development Group Co., Ltd, a subsidiary of Huzhou Wuxing Development of State-owned Capital Investment Co., Ltd. We expect that the contingent risk of the external guarantee is controllable, considering that these guarantees are all related parties. Nevertheless, if a credit event occurs in Wuxing District, it may lead to large-scale cross-default and increasing repayment obligations of the Company.

ESG Considerations

WEDG assumes environmental risks through its infrastructure construction projects. Such risks could be moderated through environmental studies and detailed planning prior to the start of the projects and close supervision during construction.

In terms of social awareness, WEDG has played a crucial role in the social welfare of Wuxing District by involving the construction of road and bridge construction, comprehensive environmental improvement, sewage treatment and relocation housing construction projects.

In terms of corporate governance, WEDG's governance considerations are also material as the Company is subject to local government oversight and reporting requirements, reflecting its public-policy role and status as a government-owned entity.

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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