

Credit Opinion

30 October 2025

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

Analyst Contacts

Peter Chong +852-2860 7124
Associate Director of Credit Ratings
peter_chong@ccxap.com

Karissa Du +852-2860 7126
Credit Analyst
karissa_du@ccxap.com

Elle Hu +852-2860 7120
Executive Director of Credit Ratings
elle_hu@ccxap.com

**The first name above is the lead analyst for this rating and the last name above is the person primarily responsible for approving this rating.*

Client Services

Hong Kong +852-2860 7111

Zhejiang Changsanhe Holding Group Co., Ltd.

Surveillance credit rating report

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

Summary

The A_g- long-term credit rating of Zhejiang Changsanhe Holding Group Co., Ltd. ("ZCHG" or the "Company") 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 good geographic advantage, with ongoing economic growth and outstanding fiscal quality. 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 payments; and (3) broadened funding channels.

However, the rating is constrained by the Company's (1) medium exposure to commercial activities; (2) increasing debt burden; and (3) moderate assets quality.

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.

Rating Drivers

- Monopoly position in the development of YICZ
- Good track record of receiving ongoing government payments
- Medium exposure to commercial activities
- Increasing debt burden
- Moderate asset quality
- Broadened funding channels

Rating Sensitivities

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 strengthens 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.

Key Indicators

	2022FY	2023FY	2024FY	2025H1
Total Asset (RMB billion)	19.6	23.2	26.4	28.1
Total Equity (RMB billion)	16.8	16.9	17.1	17.1
Total Revenue (RMB billion)	0.7	0.7	0.9	0.3
Total Debt/Total Capital (%)	11.7	21.7	29.2	33.2

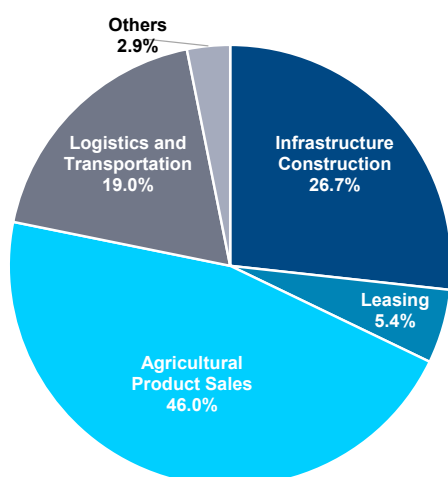
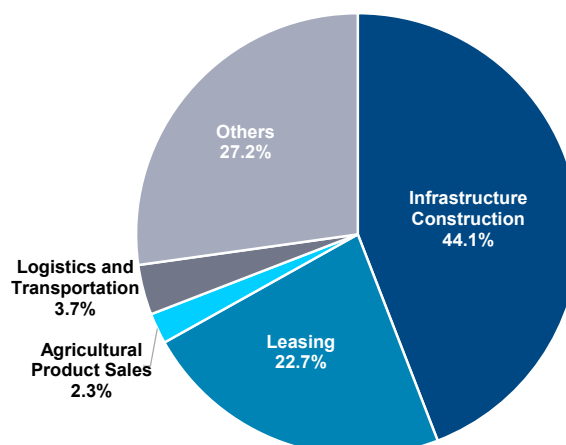
All ratios and figures are calculated using CCXAP's adjustments.

Source: Company data, CCXAP research

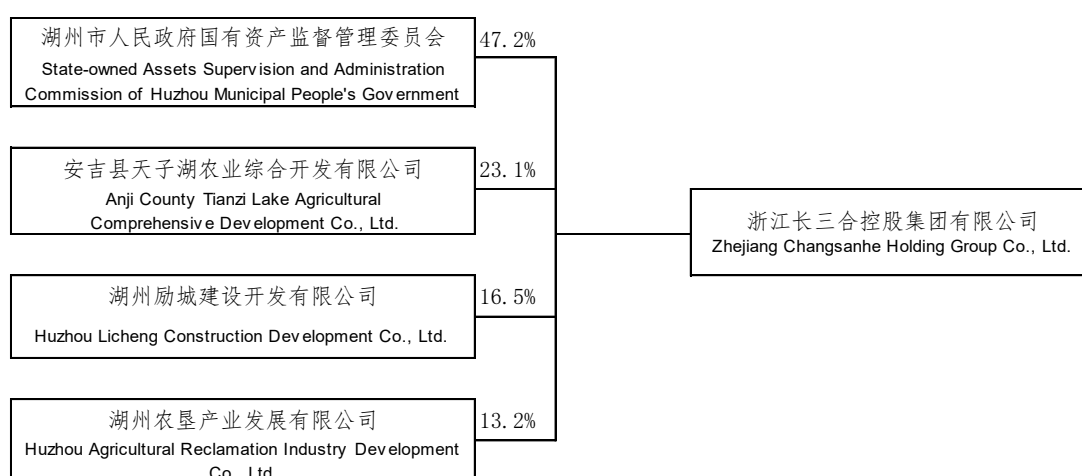
Corporate Profile

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 the YICZ. The Company also engaged in commercial business such as property leasing, industrial investments, logistics and transportation, and trading.

As of 30 June 2025, 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. The Management Committee of YICZ has been delegated control and oversight over the Company's daily operation and project investment by Huzhou SASAC.

Exhibit 1. Revenue structure in 2024**Exhibit 2. Gross profit structure in 2024**

Source: Company information, CCXAP research

Exhibit 3. Shareholding chart as of 30 June 2025

Source: Company information, CCXAP research

Rating Considerations

Government Capacity to Provide Support

We believe that Huzhou Municipal Government has a very strong capacity to provide support as reflected by its good geographic advantage and good fiscal stability. However, the capacity to support is constrained by its relatively 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. It has achieved a significant increase in gross regional product ("GRP") over the past three years. In 2024, Huzhou City recorded a GRP of RMB421.3 billion, increasing by 5.8% year-over-year ("YoY"). Supported by the economic recovery and industry growth, Huzhou Municipal Government's general budgetary revenue increased from RMB38.7 billion in 2022 to RMB41.1 billion in 2024.

It also demonstrates 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 general budgetary revenue to general budgetary expenditure ratio of 69.6% in 2024. However, Huzhou Municipal Government faces a high debt burden, with an outstanding direct government debt of RMB161.1 billion at end-2024, accounting for 38.2% of its GRP. In the first half of 2025, Huzhou City recorded a GRP of RMB208.0 billion, with a YoY growth of 6.3%.

Exhibit 4. 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

Established in January 2022, YICZ is located at the intersection of the Hangzhou-Nanjing Economic Belt and the G60 Science and Technology Innovation Corridor, serving as a central hub along two emerging development corridors in the Yangtze River Delta and a western gateway within the Shanghai Metropolitan Area's sphere of influence. It is strategically focused on developing high-end equipment and new materials as part of its "2+N" modern industrial system, commitment to cultivating emerging strategic industries. As the sole developer and constructor in YICZ, ZCHG is well-positioned to capitalize on significant opportunities in infrastructure construction and supporting facility development in the region. During the 14th Five-Year Plan period, the Company focuses on the construction of the start-up area of YICZ, which is located between Si'an Town, Changxing County and Tianzihu Town, Anji County, with a total area of 24.3 square kilometers. As the start-up area's development nearing completion, the Company is expected to shift its focus toward advancing the construction of the core area of YICZ during the 15th Five-Year Plan period. The core area, which has a planned area of 86.9 square kilometers, includes Si'an Town and part of Tianzihu Town.

Government Willingness to Provide Support 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 the YICZ. The Company also takes responsibility for public utilities and industrial operations within the YICZ. Since its establishment, the Company has maintained a robust pipeline of construction projects through the development of the start-up area. Looking ahead, as the core area begins to advance, the Company is expected to further strengthen its project portfolio, ensuring long-term business continuity and stability. Given its policy-backed role and exclusive mandate, ZCHG is expected to maintain its monopoly position in YICZ development for the foreseeable future.

ZCHG adopts the repurchase model and the agency construction model to conduct infrastructure construction projects. As of 30 June 2025, the Company had completed infrastructure projects with a total investment of RMB1.3 billion and received a repayment of RMB1.5 billion. Additionally, the Company had 10 infrastructure construction projects under construction, with a total estimated investment of RMB4.2 billion, of which RMB307.0 million remained to be invested. The funding of the projects is partially covered by special government bond funds, alleviating the financial burden on the Company's capital expenditure.

ZCHG also participates in public utility services through pipe network leasing. The Company holds the pipe network use right within the core area, with an appraised value of RMB1.7 billion, which was obtained through the asset injection from the Management Committee of YICZ. As of 30 June 2025, the Company had 1 drainage pipe renewal project under construction, with a total estimated investment of RMB520.0 million, of which RMB489.0 million remained to be invested. At the same time, the Company plans to construct a wastewater treatment plant with a total estimated investment of RMB156.0 million.

Medium exposure to commercial activities

ZCHG's commercial operations have become increasingly diversified alongside the development of YICZ, encompassing property leasing, industrial investment, logistics and transportation, and trading. With the transfer and acquisition of assets such as billboard operation rights, reservoir, and investment properties, 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.

ZCHG's leasable assets include 126 commercial properties transferred from local governments and industrial factories. Commercial properties are leased through market-oriented mechanisms, while industrial facilities are primarily rented out to companies under investment promotion projects led by the local government. As of the end of 2024, the overall occupancy rate reached 53.0%, generating rental income of RMB19.8 million for the year.

The Company is also engaged in the construction of self-operating projects, such as industrial parks and residential housing, as part of its park development activities. Upon completion, the Company will generate rental income and investment returns through operations of these projects, including the leasing of industrial parks, pipeline networks, and properties. The Company primarily relies on self-raised funds for the construction of these projects. As of 30 June 2025, the Company had three projects under construction with a total planned investment of RMB3.5 billion, of which RMB2.6 billion remained to be invested. Additionally, the Company had two planned projects with a total estimated investment of RMB580.0 million. The Company's ongoing and planned self-operated projects still require substantial future investment, posing significant pressure on its capital expenditures.

Through engaging in industrial fund investments, ZCHG plays a key role in supporting investment promotion and industrial development initiatives in YICZ. The Company's industrial investment business has developed rapidly, with continuously improving investment decision-making mechanisms and substantial planned investment volumes. As of 30 June 2025, the Company had established 12 industrial funds with a total committed contribution of RMB4.2 billion, of which RMB1.1 billion had been paid-in, indicating significant future funding commitments. These funds primarily target the new energy, high-end manufacturing, pharmaceutical, and information technology industries within YICZ. As of 30 June 2025, all invested projects remained in the investment phase and had not yet generated any returns. The future profitability of these investments therefore requires close attention.

Since the second half of 2023, ZCHG has been operating logistics and transportation services, mainly involving transport of alumina, cotton yarn, and coal. The primary transportation routes span the Xinjiang–Yangtze River Delta trunk line and last-mile distribution within Zhejiang Province. The Company also leases an 8,000-square-meter warehouse near Changxing South Railway Station, to store goods such as yarn and PVC for integrated logistics clients. In 2024, logistics revenue rose to RMB166.9 million, with alumina transport accounting for over 80% of total logistics income. While the business benefits from strong customer resources and demonstrates

growth potential, its profitability remains modest constrained by fluctuating freight rates. The future investment and earnings performance are subject to industry cyclicality.

The Company started its trading business in 2023, with products mainly including cotton yarn, semi-coke, and industrial salt. The Company's business model is purchase based on sales, with a settlement cycle of one month. The trading business accounts for a significant portion of the Company's total revenue. In 2024, the trading business recorded a revenue of RMB413.0 million, but its gross profit margin was less than 1%. In addition, the Company has a high concentration in its top 5 customers and suppliers. If suppliers have related problems in product quality, supply capacity, and capital turnover, the Company faces the risk of failing to deliver goods to downstream customers on time. Additionally, the trading business is still in its early stages, with a limited scale and a customer and supplier base predominantly composed of private enterprises.

The Company holds a portfolio of mineral assets transferred by the Management Committee of YICZ, including quartz and sandstone mines, with a total reserve of 263 million tons and a total estimated value of RMB5.2 billion. The mineral resources primarily serve the purpose of project construction in YICZ. Under its operational model, the Company is responsible for raw material supply and finished product sales, and has outsourced mineral processing activities, which may generate future mineral sales revenue. The Company also holds 20-year concession rights for 2 reservoir assets in the region, with a total appraised value of RMB818.0 million. It plans to generate rental income from these reservoirs through leasing.

Good track record of receiving ongoing government payments

ZCHG has a proven track record of receiving government support in the form of capital injection, asset transfers, financial subsidies and special bonds. In 2022, the Company received a capital injection of RMB2.3 billion from the government. Since 2020, the local government has continuously transferred assets into the Company, significantly enhancing its capital strength and broadening its business diversification. In 2024, the local government transferred billboard operation rights in YICZ to the Company, increasing its total capital reserve by RMB218.9 million. Since 2022, the Company has received RMB499.2 million in government subsidies to support its operation. As of 30 June 2025, the Company had received special bond funds totaling RMB417.8 million, primarily allocated for supporting industrial park development and regional infrastructure projects. Given its critical role in YICZ, we expect that the local government will continue to provide ongoing support to the Company in the future.

Increasing debt burden

Driven by the construction of self-operated projects and the expanding scale of investment funds, ZCHG's debt level continues to rise. The Company's total debt increased significantly from RMB4.7 billion at the end of 2023 to RMB8.5 billion as of 30 June 2025. Despite this growth, its leverage remained relatively modest, with a total capitalization ratio of 33.3% as of 30 June 2025. The Company's short-term debt accounted for 23.9% of its total debt, indicating a healthy debt structure. Nevertheless, as YICZ continues to develop and the Company undertakes additional projects and investments, capital pressure is expected to intensify, with future funding needs likely to rely primarily on external financing.

Moderate asset quality

The Company's asset quality is moderate, constraining its financing flexibility. The Company's total assets mainly consist of less liquid assets such as inventory generated from infrastructure construction projects, lands, and intangible assets acquired through transfers, collectively accounting for 65.5% of the Company's total

assets as of 30 June 2025. Nonetheless, the Company's intangible assets, mainly including the operating rights of mining, parking lots, and reservoir, along with its investment properties, are expected to generate stable income to the Company.

Broadened funding channels

While ZCHG primarily relies on bank loans for financing, it has expanded its funding channels to the bond market. The Company has established long-term borrowing relationships with policy banks and national commercial banks, including Agricultural Development Bank, Bank of China and Industrial and Commercial Bank of China. As of 30 June 2025, the Company had obtained a total of RMB18.2 billion in bank credit facilities, with an available credit of RMB7.4 billion. Additionally, the Company gained access to the onshore bond market through a RMB500.0 million bond issuance by its subsidiary, Zhejiang Changchuang Green Technology Development Group Co., Ltd., in July 2025.

ESG Considerations

ZCHG assumes environmental risks through its infrastructure construction projects and drainage pipe renewal 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, ZCHG has played a crucial role in the social welfare of YICZ by involving the construction of resettlement housing and municipal road in YICZ. Demographic changes, public awareness, and social priorities shape government's development strategy and will affect the government's propensity to support the Company.

In terms of corporate governance, ZCHG'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 \(July 2022\)](#).

Copyright © 2025 China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”). All rights reserved.

No part of this publication may be reproduced, resold or redistributed in any form or by any means, without prior written permission of CCXAP.

A credit rating is the analytical result of current credit worthiness and forward-looking opinion on the credit risk of a rated entity or a debt issue. Credit ratings issued by CCXAP are opinions on the current and relative future credit risk of the rated entities or debt issues, but do not address any other risks, including but not limited to liquidity risk, market price risk, and interest rate risk.

Credit ratings, non-credit assessments, and other opinions included in CCXAP’s publications are not recommendations for investors to buy, sell, or hold particular securities, nor measurements of market value of the rated entities or debt issues. While obtaining information from sources it believes to be reliable, CCXAP does not perform audit and undertakes no duty of independent verification or validation of the information it receives from the rated entities or third-party sources.

All information contained herein belongs to CCXAP and is subject to change without prior notice by CCXAP. CCXAP considers the information contained herein to be accurate and reliable. However, all information is provided on an "as is" and "as available" basis and CCXAP does not guarantee accuracy, adequacy, completeness, or timeliness of the information included in CCXAP’s publications.

To the extent where legally permissible, CCXAP and its directors, officers, employees, agents and representatives disclaim liability to any person or entity (i) for any direct or compensatory losses or damages, including but not limited to by any negligence on the part of, and any contingency within or beyond the control of CCXAP or any of its directors, officers, employees, agents or representatives, arising from or in connection with the information contained herein or the use of or inability to use any such information; and (ii) for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if CCXAP or any of its directors, officers, employees, agents or representatives is advised in advance of the possibility of such losses or damages.

China Chengxin (Asia Pacific) Credit Ratings Company Limited

Address: Suites 1904-1909, 19/F, Jardine House,
1 Connaught Place, Central, Hong Kong

Website: www.ccxap.com

Email: info@ccxap.com

Tel: +852-2860 7111

Fax: +852-2868 0656