

## Credit Opinion

11 September 2025

Ratings	
Guaranteed Debt Rating	A <sub>g</sub> <sup>+</sup>
Long-Term Credit Rating	BBB <sub>g</sub> <sup>-</sup>
Outlook	Stable
Category	Corporate
Domicile	China
Rating Type	Solicited Rating

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## Changge Urban Construction Investment Co., Ltd.

### Surveillance credit rating report

**CCXAP affirms Changge Urban Construction Investment Co., Ltd.'s long-term credit rating at BBB<sub>g</sub><sup>-</sup>, with stable outlook.**

### Summary

The BBB<sub>g</sub><sup>-</sup> long-term credit rating of Changge Urban Construction Investment Co., Ltd.'s ("CUCI" or the "Company") reflects Changge City Government's (1) strong capacity to provide support, and (2) very high willingness to provide support based on our assessment of the Company's characteristics. Changge City Government's capacity to support reflects Changge City's good economic fundamentals ranking top among all the counties or districts in Xuchang City with moderate fiscal metrics.

The rating also reflects the local government's willingness to support, which is based on the Company's (1) important role in urban construction of Changge City; and (2) track record of receiving government support.

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

The stable outlook on CUCI's rating reflects our expectation that the Changge City Government's capacity to provide support will be stable, and the Company's characteristics such as its important position in social and economic development of Changge City will remain unchanged over the next 12 to 18 months.

## Rating Drivers

- Important role in urban construction of Changge City
- Track record of receiving government support
- Moderate exposure to commercial activities
- Increasing debt burden and moderate asset liquidity
- Fair access to funding
- Medium exposure to contingent liability risk

## Rating Sensitivities

### What could upgrade the rating?

The rating could be upgraded if (1) Changge City 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 improved debt management or increased financing ability.

### What could downgrade the rating?

The rating could be downgraded if (1) Changge City Government's capacity to support weakens; or (2) the Company's characteristics change in a way that weakens the local government's willingness to provide support, such as decreased regional significance or increased exposure to commercial activities.

## Key Indicators

	2022FY	2023FY	2024FY
Total Asset (RMB billion)	9.5	9.5	10.8
Total Equity (RMB billion)	6.1	6.1	6.4
Total Revenue (RMB billion)	0.7	0.5	0.4
Total Debt/Total Capital (%)	19.9	22.1	22.1

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

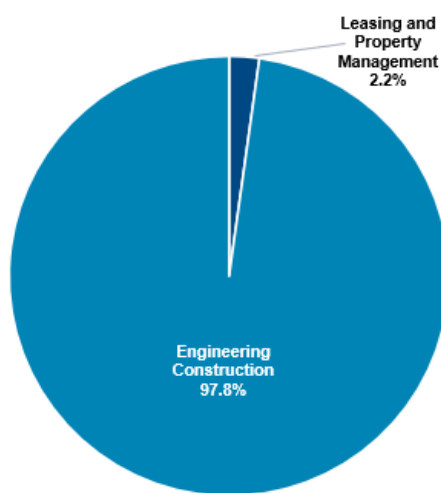
Source: Company data, CCXAP research

## Corporate Profile

Established in 2016, CUCI is one of the major local infrastructure investment and financing companies ("LIIFCs") in Changge City and is mainly responsible for urban construction in Changge City. CUCI is the second largest LIIFC in terms of total assets in Changge City. The Company has also diversified into other commercial business, including self-operated construction and leasing. As of 30 June 2025, the State-owned Assets Administration Commission of Change City directly owned 100% shares of the Company.

**Exhibit 1. Shareholding chart as of 30 June 2025**

Source: Company information, CCXAP research

**Exhibit 2. Revenue structure in 2024**

Source: Company information, CCXAP research

**Rating Considerations****Government's Capacity to Provide Support**

We believe that the Changge City Government has strong capacity to provide support, it reflects Changge City's status as the second largest county or district by GRP in Xuchang City for years with good economic fundamentals, but is constrained by its moderate fiscal metrics.

Henan Province is located at the junction of the three major regions in China, including eastern, central and western regions. It has a strategic position as an important transportation and communication hub, and a material distribution center in China. With the good transportation and location advantages, Henan Province's GRP ranked 6<sup>th</sup> among all provinces in China in 2024.

Xuchang City is located in the central of Henan Province, which is the one of the core cities in the Central Plains Urban Agglomeration and Central Economic Zone. Xuchang City focuses on promoting six emerging industries, including new generation information technology, new materials, biopharmaceuticals, intelligent equipment, intelligent connected networks and new energy vehicles, as well as energy conservation and environmental protection industries. Xuchang City has moderate economic strength. In 2024, it reported a GRP of RMB344.1 billion, representing 6.0% Year-over-Year ("YoY") growth. In the first half of 2025, Xuchang City reported a GRP of RMB170.7 billion, representing 6.6% YoY growth. Meanwhile, the Xuchang Municipal Government's general budgetary revenue decreased to RMB18.4 billion in 2024 from RMB21.2 billion in 2023, and tax accounted for around 66.0% of its general budgetary revenue on average over the past three years, indicating moderate fiscal

stability. However, Xuchang Municipal Government's fiscal balance ratio (general budgetary revenue/general budgetary expenditure) was relatively low, averaging at 56.7% over the past three years. Xuchang Municipal Government highly relied on fiscal support from higher-tier government. Moreover, the government fund revenue of Xuchang Municipal Government decreased from RMB8.2 billion in 2022 to RMB7.9 billion in 2024 due to the reduction of land sales. As of end-2024, its government debt outstanding amount further increased to RMB99.2 billion from RMB82.8 billion as of end-2023, accounting for 28.8% of its GRP.

### **Exhibit 3. Key economic and fiscal indicators of Xuchang City**

	2022FY	2023FY	2024FY
GRP (RMB billion)	374.7	323.8	344.1
GRP Growth (%)	1.8	0.9	6.0
General Budgetary Revenue (RMB billion)	20.4	21.2	18.4
General Budgetary Expenditure (RMB billion)	34.7	34.9	36.4
Local Government Debt (RMB billion)	67.7	82.8	99.2

Source: Xuchang Municipal Government, CCXAP research

Changge City is a county-level city under the jurisdiction of Xuchang City and is located in the center of triangle area of Zhengzhou City, Kaifeng City, and Xuchang City, which is an important city for the integrated development of Zhengzhou City and Xuchang City. After years of development, Changge City has formed "332" industrial pattern, including 3 advantaged industries such as high-end equipment, recycled metal processing, and superhard materials and products industries, 3 distinctive industries such as packaging printing, sanitary ware, and food processing, 2 merging industries such as electronic information and biomedicine. Benefited from the location advantages and reasonable industrial structure, Changge City is the second largest county or district by GRP in Xuchang City with good economic fundamentals. It had recorded a GRP of RMB63.0 billion in 2024, representing a YoY increase of 4.6%. However, Changge City's fiscal metrics have been decreasing over the past two years. Its general budgetary revenue decreased from RMB4.0 billion in 2023 to RMB2.1 billion in 2024, mainly due to the decrease in tax income from RMB2.8 billion in 2023 to RMB1.4 billion in 2024 as a result of tax relief policy as well as the downturn of local economy. Meanwhile, the fiscal balance of Changge City has also weakened, with the fiscal balance ratio being 46.3% in 2024. As of 31 December 2024, the outstanding debt of Changge City Government was RMB11.9 billion, accounting for 18.9% of its GRP.

### **Exhibit 4. Key economic and fiscal indicators of Changge City**

	2022FY	2023FY	2024FY
GRP (RMB billion)	83.3	61.8	63.0
GRP Growth (%)	0.7	0.1	4.6
General Budgetary Revenue (RMB billion)	3.9	4.0	2.1
General Budgetary Expenditure (RMB billion)	5.3	5.1	4.6
Local Government Debt (RMB billion)	6.8	9.4	11.9

Source: Changge City Government, CCXAP research

## **Government's Willingness to Provide Support**

### **Important role in urban construction of Changge City**

CUCI is one of the major LIIFCs in Changge City and is mainly responsible for urban construction in Changge City. As the second large LIIFC by total assets, the Company plays an important role in social and economic development of Changge City, which is close to the development blueprint of local government. The Company undertakes urban construction projects through agency construction model and engineering construction model.

Under agency construction model, CUCI will sign construction agreements with the entrusting parties and is responsible for overall arrangement of project fund utilization and engineering construction management. The entrusting parties would pay project payment to the construction companies through CUCI. As of 31 December 2024, the Company completed 8 infrastructure projects, mainly including resettlement housing, roads, landscaping, and clean heating improvement projects, with a total investment of RMB1.4 billion. The Company had received RMB1.5 billion of government paybacks as of the same date. Meanwhile, CUCI had 2 projects under construction, with an uninvested amount of RMB397.0 million. The Company also had 5 projects under planning, with total planned investment of RMB928.0 million. Although the relatively sufficient project reserve could ensure CUCI's business sustainability, it will exert some capital expenditure pressure on the Company.

The Company also cooperates with some construction companies to conduct engineering construction business, mainly including local municipal infrastructure projects. CUCI would be the leader of the consortium to participate in the bidding process. As of 31 December 2024, the Company had 90 contracts in hand with a total contract amount of around RMB825.7 million, which ensure its future earning sustainability.

### **Track record of receiving government support**

CUCI has track record of receiving support from the local government in the form of project payments and equity transfer to support its investments and the operation of its businesses. In 2022, the local government transferred shares of Changge Jinxiang Town Construction and Development Co., Ltd. ("CGJX") to the Company, increasing its capital reserve by RMB4.5 billion that strengthened its capital base. Most of CGJX's assets are land resources. As of 31 December 2024, CUCI has received project repayments around RMB1.5 billion in total from the local government for its urban construction, alleviating the Company's financial burden. Considering the Company's important role in the development of Changge City, we expect CUCI will continue receiving support from the local government.

### **Moderate exposure to commercial activities**

CUCI participates in different commercial activities, mainly including self-operated project and property development. CUCI's exposure to commercial activities is relatively low, accounting for around 10% of total assets. However, the Company has relatively large-scale of self-operated projects under construction, which may bring more capital expenditure pressure to the Company in the future, thereby increasing the Company's exposure to commercial activities.

As of 31 December 2024, the Company had 2 self-operated projects under construction, which are an electric charging pile construction project and a municipal road upgrading construction project. These projects' uninvested amount was around RMB191.0 million. The Company expects to achieve fund balance for the charging pile project through future sales of electricity. Moreover, the Company had one self-operated industrial park under planning, with a total investment of RMB360.0 million. However, as the investment recovery cycle of self-operated projects is long, the Company is more difficult to achieve fund balancing in short period of time. Therefore, given the relatively large uninvested amount, the Company is expected to face certain capital expenditure pressure in the near term. Meanwhile, the Company had one commodity housing project under construction, with a total investment of RMB400.0 million, and uninvested amount of RMB360.0 million. The project has not yet reached the pre-sale phase and faces significant risks stemming from current market headwinds and destocking pressure amid the ongoing downturn in China's property sector.

### **Increasing debt burden and moderate asset liquidity**

CUCI's total debt continuously increased over the past three years due to the ongoing investment for construction projects. As of 31 December 2024, its total debt increased to RMB1.8 billion from RMB1.7 billion as of end-2023. Meanwhile, its total capitalization ratio, as measured by total debt to total capital, remained at 22.1%, driven by equity transfer from local government in 2024. Despite relatively low debt leverage, the Company is facing certain short-term debt pressure. Its short-term debt accounted for around 44.3% of its total debt as of the same date, and the cash to short-term debt ratio was around 0.4x. Considering the ongoing investment for construction projects, we expect the Company would continue to rely on external financings such as bank loans, and the total debt would further increase over the next 12-18 months.

CUCI had weak asset liquidity. As of 31 December 2024, inventories and other receivables accounted for 83.3% of total assets. The inventories mainly include the construction costs of infrastructure and self-operated projects, and land resources transferred by local government. The other receivables were mainly receivables from the local government and other State-owned Enterprises ("SOEs"), which are considered to have low liquidity. Therefore, the weak liquidity profile may undermine the Company's financial flexibility in the near term. Moreover, there's a certain recovery risk from private-owned enterprises. To support the development of local private-owned enterprises, the Company provided loans to some private-owned enterprises, such as Henan Huanghe Shiye Group Co., Ltd. ("Huanghe Shiye"). As of 31 December 2024, the Company had loan receivables from Huanghe Shiye of around RMB210.0 million. Huanghe Shiye has been listed as a dishonest judgment debtor for multiple times. Moreover, as of 31 August 2025, Huanghe Shiye had outstanding overdue payment for its commercial bills of around RMB134.8 million. The Company has obtained properties, land, and some shares of Huanghe Shiye's unlisted subsidiary as collateral.

### **Fair access to funding**

The Company mainly finances its construction projects through bank loans, accounting for around 80% of its total debts. As of 31 December 2024, the Company had obtained total bank facilities of RMB1.9 billion, the available bank facilities were only RMB259.7 million, indicating limited standby bank facilities. Meanwhile, the Company also has tapped into the offshore debt capital market. From January 2024 to June 2025, it had issued 3 tranches of offshore bonds, raising RMB1.0 billion, broadened its financing channel. Moreover, the Company had certain exposure to non-standard financing, mainly including entrusted loans from Xuchang Investment Group Co., Ltd., which then loaned to private-owned enterprises such as Huanghe Shiye. The non-standard financing accounted for 10%-15% of the total debts as of 31 December 2024. These types of financing generally have high financing cost and short-term borrowing period, which may enlarge CUCI's refinancing pressure.

### **Medium exposure to contingent liability risk**

CUCI has moderate exposure to contingent risk resulting from relatively large external guarantees. As of 31 December 2024, the Company had external guarantees of around RMB2.1 billion, accounting for 32.4% of its net assets, all of which were provided to local SOEs. Majority of its external guarantees was provided to Changge Jincai Public Asset Management Co., Ltd ("CGJC"), which has been listed as judgement debtor. CGJC is the largest LIIFC by total assets in Changge City which undertakes urban construction and investment, as well as state-owned assets operation in Changge City. The practice of mutual guarantees among local SOEs is common in Changge City. However, in case a credit event occurs, the Company may face certain contingent liability risks and cross-default risks.

## ESG Considerations

CUCI bears environmental risks through its urban construction projects. Such risks could be mitigated by conducting environmental studies and detailed planning before the commencement of the projects and close supervision during construction.

CUCI bears social risks as it implements public policy initiatives by building public infrastructure in Changge City. Demographic changes, public awareness and social priorities shape the Company's development targets and ultimately affect the local government's propensity to support the Company.

CUCI's governance considerations are also material as the Company is subject to oversight by local government and has to meet several reporting requirements, reflecting its public-policy role and status as a government-owned entity.

## Credit Enhancements

CUCI's senior unsecured debt rating (guaranteed) is based on the A<sub>9</sub>+ long-term credit rating of Henan Zhongyu Credit Promotion Co., Ltd. ("HZCP"), as the bonds (ISIN: XS3073641071, HK0001110987, HK0001064549) are unconditionally and irrevocably guaranteed by HZCP. HZCP is the first provincial credit enhancement company in Henan Province founded under the guidance of the State-owned Assets Supervision and Administration Commission of Henan Provincial Government in February 2022. Any change to the long-term credit rating of HZCP could lead to a corresponding change in the rating of the bonds.

## Rating Methodology

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

The methodology used in HZCP's rating is the Rating Methodology for [Financial Guarantors \(January 2022\)](#).

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