

Credit Opinion

31 October 2025

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

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Guocheng (Zhejiang) Industrial Development Co., Ltd.

Surveillance credit rating report

CCXAP affirms Guocheng (Zhejiang) Industrial Development Co., Ltd.'s long-term credit rating at BBB_g-, with stable outlook.

Summary

The BBB_g- long-term credit rating of Guocheng (Zhejiang) Industrial Development Co., Ltd. ("GZID" or the "Company") is underpinned by the Company's (1) status as the important industrial investment entity in Anji Economic and Development Zone ("Anji EDZ"); and (2) good market position in property leasing and equity investment in Anji EDZ.

However, the rating is also constrained by the Company's (1) small revenue scale and moderate profitability, with uncertainty in equity investment return; and (2) increasing debt burden and modest credit metrics.

The rating also reflects GZID's high likelihood of receiving support from the local government and its shareholders, given its (1) ultimate ownership and control by Anji County Government; (2) status as important industrial investment entity in Anji EDZ; and (3) track record of receiving government support.

The stable outlook on GZID's rating reflects our expectation that the Company will maintain regional competitiveness in industrial investment and property leasing business in Anji EDZ, and as a local state-owned enterprise, the Company will receive ongoing support from the local government and its shareholders over the next 12 to 18 months.

Rating Drivers

- Important industrial investment entity in Anji EDZ
- Good market position in property leasing and equity investment in Anji EDZ
- Moderate diversification into other businesses
- Small revenue scale and moderate profitability, with uncertainty in equity investment return
- Increasing debt burden and modest credit metrics
- Proven record of receiving government support

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) the likelihood of shareholder and government support for the Company increases; and (2) the Company's stand-alone credit profile improves significantly, such as improvement in debt structure and leverage.

What could downgrade the rating?

The rating could be downgraded if (1) the likelihood of shareholder and government support for the Company decreases; or (2) the Company's stand-alone credit profile weakens significantly, such as deterioration in debt leverage or liquidity.

Key Indicators

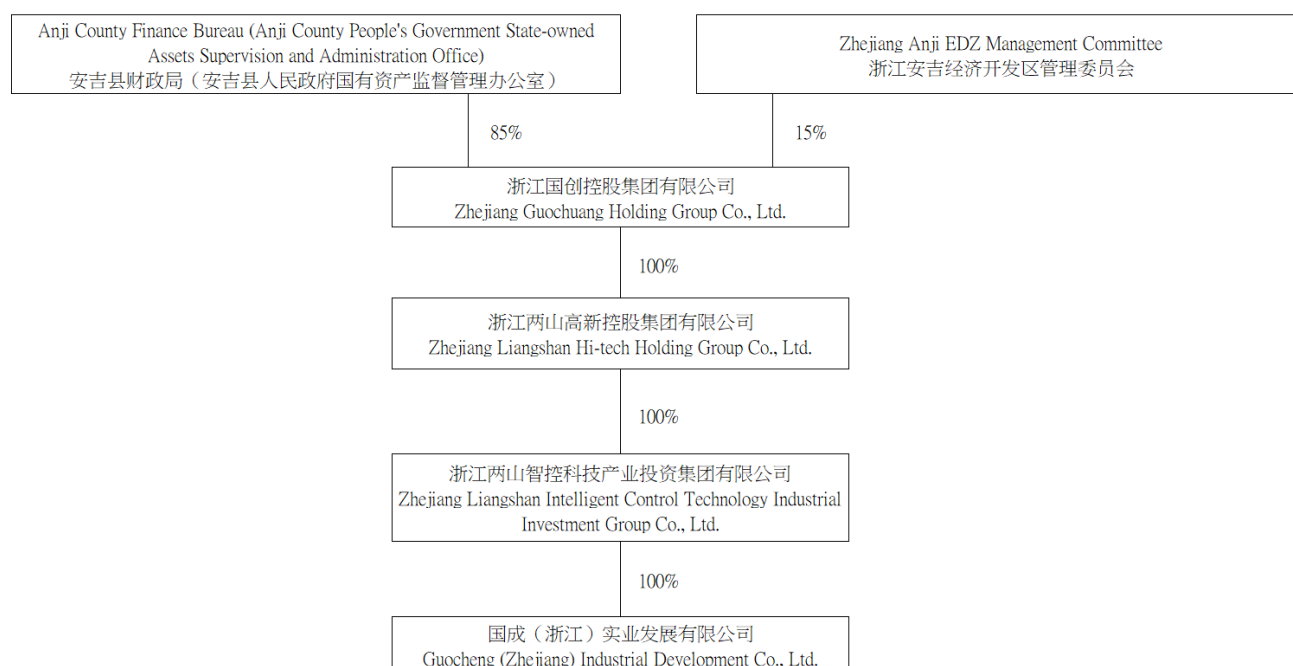
	2022FY	2023FY	2024FY	2025H1
Total Assets (RMB million)	5,175.4	8,660.7	10,007.5	11,344.4
Total Equity (RMB million)	4,726.7	5,978.5	6,157.1	6,558.7
Total Revenue (RMB million)	123.9	111.4	147.6	88.3
Net Profits (RMB million)	25.9	3.4	26.8	1.7
EBIT Margin (%)	32.8	81.8	125.6	-
Return on Assets (%)	0.8	1.3	2.0	-
Total Debt/Total Capital (%)	8.0	25.3	30.4	34.2
Total Debt/EBITDA (x)	3.8	14.5	8.6	-
EBITDA/Interest (x)	6.8	1.7	1.9	-
FFO/Total debt (%)	28.1	5.7	5.3	-

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

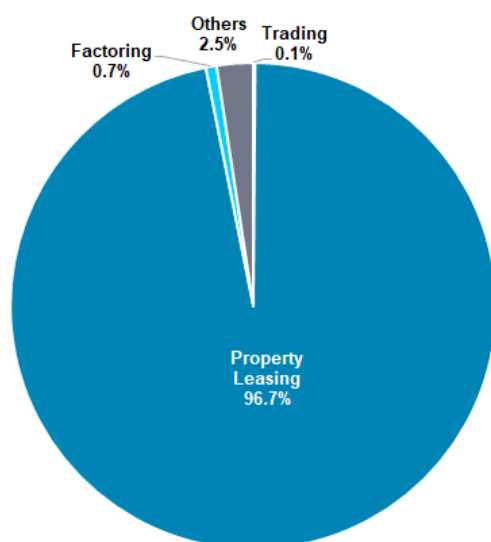
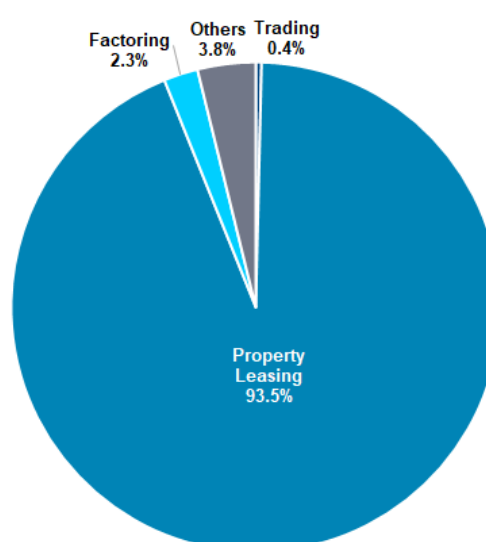
Source: Company data, CCXAP research

Corporate Profile

Founded in 2009, GZID is an important state-owned industrial investment entity in Anji EDZ, which carries out equity investment and property leasing. Besides, the Company also conducts trading and provides factoring services in the region. In November 2024, Anji EDZ Management Committee transferred all shares of Zhejiang Liangshan Hi-tech Holding Group Co., Ltd. ("LHHG") to Zhejiang Guochuang Holding Group Co., Ltd.. As of 30 June 2025, the Company was wholly owned by Zhejiang Liangshan Intelligent Control Technology Industrial Investment Group Co., Ltd. ("LIIG"), with Anji County Finance Bureau being its ultimate controller.

Exhibit 1. Shareholding chart as of 30 June 2025

Source: Company information, CCXAP research

Exhibit 2. Revenue structure in 2024**Exhibit 3. Gross profit structure in 2024**

Source: Company information, CCXAP research

Rating Considerations**Business Profile****Important industrial investment entity in Anji EDZ**

The Company serves as a crucial state-owned industrial investment and asset management platform in Anji EDZ. Its core businesses encompass investment attraction, equity investment, and the operation and management of assets within the zone. In line with the regional industrial development strategy, the Company

primarily engages in fund investments and property leasing, playing a significant role in local industrial guidance, cultivation, and transformation.

Anji EDZ was established in 1992 and upgraded to a provincial-level Economic Development Zone in 1994. It has formed an industrial system centered on several key sectors, including green homeware, health industry, electronic information, and high-end equipment manufacturing.

Good market position in property leasing and equity investment in Anji EDZ

GZID's equity investment business mainly involves establishing equity funds. The Company's equity investment focuses on four emerging industries in Anji EDZ, including healthcare, electronics information, high-end equipment and new materials. As of 30 June 2025, GZID had participated in 29 funds, with total committed capital of RMB15.9 billion and total paid-in capital of RMB6.3 billion, indicating large capital pressure. The Company generates investment profits from its equity investments primarily through repurchase by the invested companies' shareholders or actual controllers or sale in the stock market after initial public offering. In 2024, the Company realized investment income of RMB65.6 million, mainly dividend income. Although these types of investments expose the Company to certain investment risks, they are policy-driven to promote regional industrial development.

Besides, GZID also conducts property leasing business in Anji EDZ, involving the leasing of self-owned properties, industrial plants, and offices. As of 30 June 2025, GZID had two self-owned properties with total leasable area of 141.3 thousand square meters, both with 100% occupancy. The Company's total revenue from leasing business increased from RMB109.4 million in 2023 to RMB142.8 million in 2024, mainly due to the increase in rental rates and the addition of new managed properties. The Company also conducts construction of industrial plants, which are later repurchased by the enterprises entering the industrial park at a pre-agreed markup (typically 6%–8%). As of 30 June 2025, the Company had 3 major plant construction projects with a total estimated investment of RMB1.1 billion, and uninvested amount of about RMB0.6 billion, exerting certain capital pressure.

Moderate diversification into other businesses

In addition to its core operations in equity investment and property leasing and construction, the Company engages in several other businesses, including trading, and factoring services. However, the scale of these activities is small, contributing little to the Company's revenue and profit.

The trading business, operated by the Company's subsidiaries since 2022, involves the procurement and sale of commodities such as beef, corn, white sugar, and rice. This business operates upon confirmed purchase and sales orders without the Company bearing inventory or capital risks. Since 2024, the Company has strategically scaled down this segment, resulting in a significant decrease in trading revenue and increase in concentration risks.

The Company also conducts factoring business and provides property management services. In 2024, revenue from factoring reached RMB1.1 million, and revenue from property management amounted to RMB3.6 million.

Financial Profile

Small revenue scale and moderate profitability, with uncertainty in equity investment return

The Company maintains a relatively small revenue scale, with total revenue reaching RMB147.6 million, a year-on-year ("YoY") increase of 32.5%. The property leasing business continues to dominate its revenue structure,

accounting for 96.7% of total revenue in 2024. In addition, the total profits of the Company increased by 139.4% YoY to RMB19.7 million in 2024, driven by the significant increase in investment income. The Company gained investment income of RMB65.6 million, accounting for 332.6% of total profits in 2024.

The Company's profitability remains moderate, characterized by high EBIT margins but low returns on assets. Supported by the leasing business, the EBIT margin reached 125.6% in 2024. However, due to the low returns generated from its large-scale equity investments, the return on total assets has remained low at 2.0% in 2024. Given the inherent uncertainty in realizing returns from its equity investment portfolio, the Company's overall profitability is expected to remain modest over the next 12 to 18 months.

Increasing debt burden and modest credit metrics

Driven by large capital expenditures in equity investments and industrial plant construction, the Company's debt burden has continued to rise. Its adjusted total debt increased from RMB2.0 billion at end-2023 to RMB3.4 billion at mid-2025, with a manageable total capitalization ratio of 34.2%.

The Company's stand-alone credit profile is moderate. As investment income increased, its total debt/EBITDA ratio improved to 8.6x in 2024 from 14.5x in 2023, while EBITDA-to-total interest coverage improved to 1.9x in 2024 from 1.7x in 2023. In addition, the Company's cash flow to debt coverage remains weak. At the end of 2024, funds from operations increased to RMB143.8 million in 2024, representing 5.3% of its total debt.

Besides, the Company has certain short term repayment pressure. As of 30 June 2025, the Company's short-term debt accounted for 40.6% of total debt, with cash to short-term debt ratio of 0.4x. The Company's refinancing pressure could be partially mitigated by its access to bank financing. As of 31 March 2025, it had obtained total bank credit facilities of RMB5.8 billion, with available undrawn credit lines of RMB3.5 billion, providing adequate standby liquidity. However, the Company has certain amount of non-standard financing, accounting for less than 20% of its total debt at mid-2025. Due to the high funding demand from equity investments and construction projects, the Company plans to broaden its financing channels to debt capital markets in the next 12-18 months.

External Support

GZID has high likelihood of receiving support from the local government and its shareholders, given its (1) ultimate ownership and control by Anji County Finance Bureau; (2) status as important industrial investment entity in Anji EDZ; and (3) track record of receiving government support.

The Company is ultimately controlled by Anji County Finance Bureau. Under the administration of Huzhou City, Anji County shows ongoing economic growth. In 2024, its gross regional product increased by 6.5% YoY to RMB67.6 billion. Found in 1992, Anji EDZ is a provincial Economic Development Zone, with rapid industrial development. In 2024, its operating revenue from industrial and service enterprises above designated size amounted to RMB99.1 billion, a YoY increase of 9.0%. LIIG and LHHG are two important industrial investment entities in Anji EDZ, mainly responsible for industrial investment and tourism development in the zone. Their shareholder, Zhejiang Guochuang Holding Group Co., Ltd., is an important state-owned enterprise in Anji County, participating in urban construction and industrial investment in the county through the equity holding of Zhejiang Anji Construction Holding Group Co., Ltd. and LHHG.

As an important industrial investment entity in Anji EDZ, GZID is responsible for industrial attraction and equity investment in the zone, with high regional competence and status. As the major industrial investment subsidiary,

GZID holds the majority of LIIG's and LHHG's equity investment assets, demonstrating strong parent-subsidary linkage.

Besides, the Company has received consistent support from the local government in terms of capital injection and equity transfers. From 2022 to 2024, the Company received capital injections of about RMB1.3 billion from the local government, greatly enhancing its paid-in capital, which further increased to RMB1.6 billion at mid-2025. In 2023, the Anji EDZ Management Committee injected capital of RMB960.0 million into the Company, strengthening its capital reserve to RMB4.4 billion.

ESG Considerations

The Company is subject to environmental laws and regulations governing air emissions, water discharge, waste management, and other ecological matters issued by national and regional authorities. GZID assumes environmental risks for its construction projects. Such risks could be mitigated by conducting environmental studies and detailed planning prior to the commencement of projects and close supervision during construction.

GZID also faces social risks as a major entity responsible for industrial cultivation and regional development. Demographic changes, public awareness and social priorities shape the government's development strategy, and it will affect the government's propensity to support the Company. In recent years, the Company has not experienced any major negative social events or major safety accidents, and it has a relatively sound employee incentive mechanism.

Governance considerations are central to GZID's operations due to its status as a government-linked entity. It is under the oversight of Anji County Finance Bureau and must adhere to strict reporting requirements to government stakeholders. The Company has established internal systems covering fund management, external guarantees, and connected transactions, supporting robust governance and alignment with regional and national policies. We believe that the Company is in material compliance with relevant regulations in all jurisdictions where it operates.

Rating Methodology

The methodology used in this rating is the [Rating Methodology for General Corporate \(April 2019\)](#).

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