

## Credit Opinion

23 June 2026

### Ratings

Senior Unsecured Debt Rating	BBB <sub>g</sub> +
Long-Term Credit Rating	BBB <sub>g</sub> +
Outlook	Stable
Category	Corporate
Domicile	China
Rating Type	Solicited Rating

### Analyst Contacts

Jonathan Kwong +852-2860 7133

Senior Credit Analyst

[jonathan\\_kwong@ccxap.com](mailto:jonathan_kwong@ccxap.com)

Celestyn Nan +852-2860 7126

Credit Analyst

[celestyn\\_nan@ccxap.com](mailto:celestyn_nan@ccxap.com)

Elle Hu +852-2860 7120

Executive Director of Credit Ratings

[elle\\_hu@ccxap.com](mailto: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

## 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<sub>g</sub>+, with stable outlook.**

### Summary

The BBB<sub>g</sub> 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 58th among the Top 100 Economic Counties in China in 2025, with sound 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) good track record of receiving ongoing government payments; and (3) access to diversified funding channels.

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

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 over the next 12-18 months.

## Rating Drivers

- Dominant position of infrastructure development and public services in Changxing County
- Medium exposure to commercial activities
- Good track record of receiving ongoing government payments
- Increasing leverage and weak 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

	2023FY	2024FY	2025FY	2026Q1
Total Asset (RMB billion)	80.3	83.2	75.0	76.9
Total Equity (RMB billion)	32.6	33.5	28.8	28.6
Total Revenue (RMB billion)	3.4	4.7	3.7	0.9
Total Debt/Total Capital (%)	55.6	56.2	57.9	-

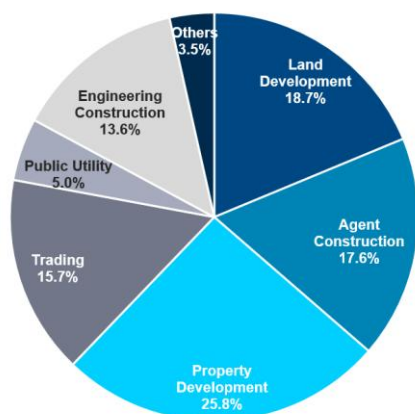
All ratios and figures are calculated using CCXAP's adjustments.

Source: Company data, CCXAP research

## Corporate Profile

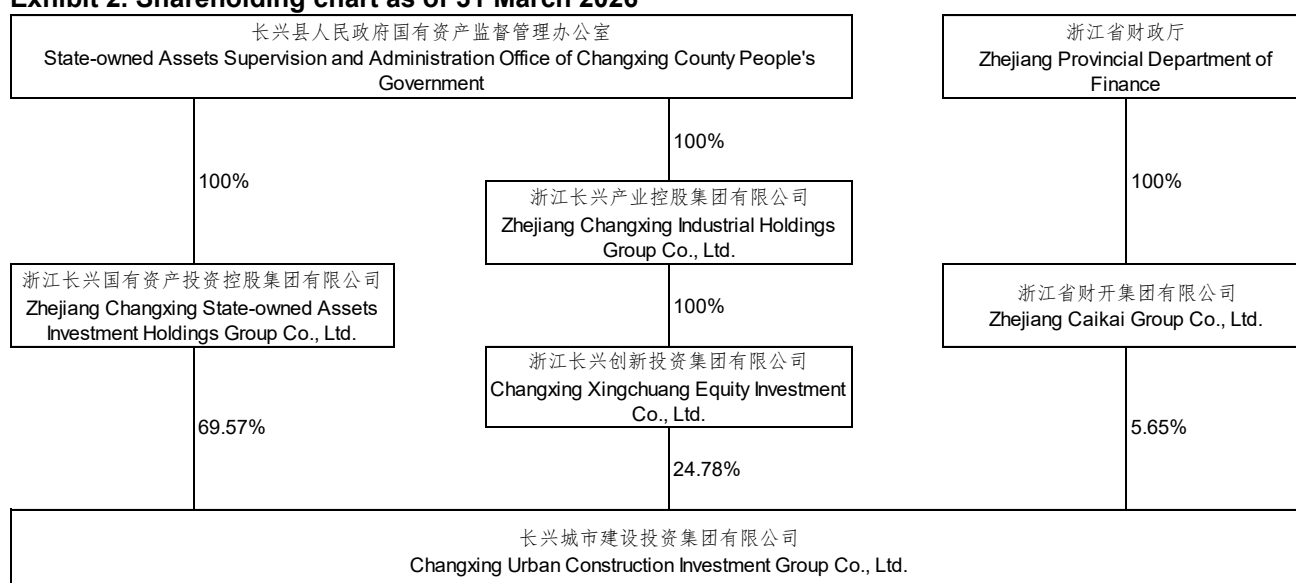
Established in 2007, CUCI is one of the key local infrastructure investment and financing companies ("LIIFCs") in Changxing County, Huzhou City. The Company mainly engages in infrastructure construction, primary land consolidation, property development, trading, as well as city operations such as water supply in Changxing County. In 2025, as part of the state-owned enterprise equity restructuring in Changxing County, the Company gratuitously transferred out its subsidiaries including Changxing Kechuang Industry Development Group Co., Ltd. and Changxing Media Group Co., Ltd. As a result, the Company no longer consolidates businesses such as labor dispatch and media, which had a material impact on its capital structure and profitability. The assets transferred out represented approximately 11.3% of the Company's total assets and 8.9% of its total revenue as of end-2024. As of 31 March 2026, Zhejiang Changxing State-owned Assets Investment Holdings Group Co., Ltd. ("CXSI"), Zhejiang Changxing Innovation Investment Group Co., Ltd., and Zhejiang Caikai Group Co., Ltd. held 69.57%, 24.78%, and 5.65% of the Company's equity, respectively. The actual controller is the State-owned Assets Supervision and Administration Office of Changxing County People's Government ("Changxing SASAO").

## Exhibit 1. Revenue structure in 2025



Source: Company information, CCXAP research

## Exhibit 2. Shareholding chart as of 31 March 2026



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 58<sup>th</sup> Top 100 Economic Counties in China in 2025, with sound 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 2025, the gross regional product (“GRP”) of Zhejiang Province was RMB9.5 trillion, ranking 4<sup>th</sup> among all provinces in China, with a year-on-year (“YoY”) increase of 5.5%. In the first quarter of 2026, Zhejiang Province achieved a GRP of RMB2.4 trillion, with a YoY growth of 6.0%. In 2025, its general budgetary revenue reached RMB886.5 billion, ranking 3<sup>rd</sup> among all provinces in China. Its fiscal position remained stable, with tax income accounting for approximately 81.4% of the general budgetary revenue over the past three years. However, Zhejiang Province faces a relatively heavy debt burden, with its government debt reaching RMB3.2 trillion at end-2025.

Located in the northern part of Zhejiang Province, Huzhou City is the node city connecting the northern and southern areas of the Yangtze River Delta region. During the 15th Five-Year Plan period (2026–2030), Huzhou City has adopted the “1366” modern industrial framework, featuring artificial intelligence as the leading industry, alongside modern textiles, advanced alloy materials, and green home furnishings as its characteristic sectors. The city has achieved steady GRP growth over the past three years. In 2025, Huzhou City recorded a GRP of RMB445.3 billion, increasing by 5.9% YoY. In the first quarter of 2026, Huzhou City’s GRP was RMB109.1 billion, representing a YoY growth of 6.0%. Its general budgetary revenue was RMB39.0 billion. It also maintains good fiscal stability, with tax income accounting for around 82.1% of general budgetary revenue over the past three years. Its fiscal balance remained moderate, with a general budgetary revenue to general budgetary expenditure ratio of 66.4% in 2025. However, Huzhou Municipal Government’s debt burden has increased rapidly from RMB161.1 billion in 2024 to RMB187.3 billion in 2025, representing a large share of 42.1% of its GRP and 162.2% of its total fiscal revenue.

### Exhibit 3. Key economic and fiscal indicators of Huzhou City

	2023FY	2024FY	2025FY
GRP (RMB billion)	401.5	421.3	445.3
GRP Growth (%)	5.8	5.8	5.9
General Budgetary Revenue (RMB billion)	41.1	41.1	39.0
General Budgetary Expenditure (RMB billion)	60.7	59.1	58.6
Local Government Debt (RMB billion)	136.4	161.1	187.3

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 58<sup>th</sup> among the Top 100 Economic Counties in China in 2025. It rose to second place among the Top 100 Tourism Comprehensive Strength Counties in 2025, marking its seventh consecutive year in the top three. Changxing County has accelerated its economic transformation, with leading industries including advanced batteries, new energy vehicles and key components, high-end equipment, and modern textiles, and strategic emerging sectors such as IT, biomedicine, and new materials. In 2025, Changxing County recorded a GRP of RMB100.1 billion, increasing by 5.9% YoY, representing around 22.5% of Huzhou City’s GRP. In the first quarter of 2026, Huzhou City’s GRP was RMB24.3 billion, with a YoY increase of 6.0%. 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 was RMB8.4 billion in 2025. It has good fiscal stability, with tax revenue accounting for around 84.7% of general budgetary revenue over the past three years. However, Changxing County’s debt burden has been rising, as of end-2025, its outstanding direct debt amounted to RMB25.3 billion, equivalent to 25.3% of its GRP and 157.1% of its total fiscal revenue.

### Exhibit 4. Key economic and fiscal indicators of Changxing County

	2023FY	2024FY	2025FY
GRP (RMB billion)	89.4	92.8	100.1
GRP Growth (%)	6.5	5.8	5.9
General Budgetary Revenue (RMB billion)	8.7	8.9	8.4
General Budgetary Expenditure (RMB billion)	12.0	11.7	10.8
Local Government Debt (RMB billion)	20.2	22.1	25.3

Source: Statistics Bureau of Changxing County, CCXAP research

## **Government Willingness to Support**

### **Dominant position in infrastructure development and public services in Changxing County**

Changxing County's development is supported by four key LIIFCs, each with a distinct position under the 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 maintains 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.

The Company plays a leading role in the construction of municipal and public facilities, as well as urban renewal projects in Changxing County. It undertakes infrastructure construction projects through the agency construction model by signing entrusted construction agreements with the local government. As of 31 December 2025, the Company had 12 infrastructure construction projects under construction, with a total estimated investment of RMB800.0 million, and an uninvested amount of RMB271.0 million. It also had 3 infrastructure construction projects under planning, with a total estimated investment of RMB240.0 million. These projects mainly include the construction of hospitals, schools, roads, and environmental improvement works.

CUCI has maintained strong competitiveness in the primary land consolidation of Changxing County. Its business scope covers Longshan New District, Huilongshan New District and the Old Town District. In 2025, the Company recognized and received RMB699.9 million as land development revenue. As of 31 December 2025, the Company completed the consolidation of 301.2 mu land parcels, which remained unsold. It also has 4 land consolidation projects under development with an area of 10.6 thousand mu and an invested amount of RMB1.7 billion. However, the primary land consolidation business is largely susceptible to market conditions and government planning.

The Company provides water supply services through its subsidiaries, with operations covering the construction and operation of water supply and sewage treatment plants, as well as water installation projects. Its service area primarily covers the eastern part of Changxing County and Lincheng Town, with revenue mainly generated from pipeline installation fees and water charges. In 2025, the Company operated 7 water supply stations, covering a service area of 1,154.0 square kilometers and serving 146,000 households. Following the acquisition of 5 water treatment plants in 2024, the Company's water sales volume expanded further from 28.5 million tons in 2024 to 36.3 million tons in 2025. To further enhance its water supply services, the Company had 7 projects under construction or planning as of 31 December 2025, including sewage treatment plant construction and water supply plant renovation, with a total estimated investment of RMB1.4 billion and an uninvested amount of RMB1.3 billion. These projects exert certain capital expenditure pressure on the Company, but the completion of sewage treatment facilities is expected to generate additional revenue streams in the form of sewage treatment fees.

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.

### **Medium exposure to commercial activities**

CUCI is also engaged in commercial activities such as property development, trading, and engineering construction. In 2025, following the transfer of several subsidiaries, the Company exited operations in human resources services, urban public parking management, funeral services, supermarket operations, media, and

tourism. We consider CUCI's commercial business exposure to be medium, as its market-driven businesses account for around 30% of its total assets.

CUCI's property development business initially focused on resettlement housing construction, with a portion of units sold as commercial residential housing to balance construction costs. With all resettlement housing projects completed, the Company is currently expanding its engagement in commercial property development. In 2025, the Company completed 2 property projects. As of 31 December 2025, the Company had 8 completed property projects on sale with a remaining saleable area of 195.6 thousand square meters ("sqm"), indicating sufficient inventory to support future property sales income. Of these, 6 projects were resettlement housing projects, with an average sales rate of over 90%. In addition, the Company had 2 property projects under construction, with a total saleable area of 209.7 thousand sqm and an uninvested amount of RMB847.0 million. Property sales income is the largest contributor to the Company's revenue, accounting for 25.8% of total revenue in 2025. However, the property development business is affected by the downturn of China's property market, which may adversely affect the Company's profitability.

CUCI's trading business leverages its role as the leading infrastructure construction entity in Changxing County, and its main products include building materials and non-ferrous metals. The trading business has a large revenue scale but weak profitability, contributing 15.7% of total revenue in 2025 while recording a low gross profit margin of 1.8%. In addition, the business remains exposed to relatively high concentration risk, as its top 5 suppliers and customers accounted for around 73.1% and 59.2% of its purchasing and sales amount, respectively, in 2025.

CUCI conducts engineering construction through its subsidiary. Its major projects include building construction, interior and exterior decoration, and mechanical and electrical construction in Huzhou and surrounding cities. Revenue from this segment increased steadily from RMB461.1 million in 2024 to RMB508.1 million in 2025. As of 31 December 2025, the Company had 37 active contracts with a total value of RMB4.5 billion, indicating good business sustainability.

### **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-policy business such as infrastructure construction in Changxing County, it has continuously obtained fiscal subsidies from the local government. In 2025, the Company received RMB885.9 million of government subsidies to support its operation. The government also injected 100% equity interests of 2 companies into the Company, increasing its capital reserve by RMB24.2 million. 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 leverage**

The Company's leverage continued to increase due to ongoing investment needs. While the Company's total debt decreased from RMB42.9 billion at end-2024 to RMB39.6 billion at end-2025 due to the equity transfer of several subsidiaries, its total capitalization ratio increased from 56.2% to 57.9% over the same period. In addition, the Company has a relatively high short-term debt servicing pressure, with the short-term debt to total debt ratio increasing to 35.2% and the cash to short-term debt ratio of 0.4x as of end-2025. We expect the Company's 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.

### **Weak asset liquidity**

The Company's asset liquidity is weak as they are mainly inventories and receivables with weak liquidity. As of 31 March 2026, the inventories amounted to RMB30.4 billion, accounting for 39.5% of total assets, and mainly consisted of construction costs from infrastructure construction projects. It also has receivables totaling RMB16.6 billion, accounting for 21.6% of total assets. These primarily consisted of intercompany advances, mainly provided to local state-owned enterprises and government agencies. The Company's restricted assets totaled RMB3.2 billion at end-2025, accounting for 4.3% of its total assets. The weak liquidity asset may undermine the Company's financing flexibility.

### **Access to diversified funding channels**

The Company's large investment needs are supported 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 31 December 2025, the Company had total credit facilities of RMB37.0 billion, of which the unutilized amount was about RMB12.1 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. As of 31 May 2026, its outstanding domestic and offshore bonds amounted to RMB5.9 billion and USD300.0 million, respectively. Besides, the Company has moderate exposure to non-standard financing, with its non-standard financing accounting for about 15.2% of its total debt at end-2025.

### **Medium contingent liability risk from external guarantees provided to other SOEs**

The Company is exposed to a medium contingent liabilities risk. As of 31 December 2025, the Company had outstanding external guarantees of RMB13.7 billion, accounting for 47.7% of its total equity. Those guaranteed entities are 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 Consideration

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

	<b>Changxing Urban Construction Investment Group Co., Ltd.</b>	<b>Zhejiang Changxing Innovation Investment Group Co., Ltd.</b>
Long-Term Credit Rating	BBB <sub>g</sub> +	BBB <sub>g</sub> +
Shareholder	Zhejiang Changxing State-owned Assets Investment Holdings Group Co., Ltd. (69.6%), Zhejiang Changxing Financial Holdings Group Co., Ltd. (24.8%), Zhejiang Province Financial Development Co., Ltd. (5.6%)	Zhejiang Changxing Industrial Holdings Group Co., Ltd. (100%)
Positioning	Infrastructure development and public services in Changxing County	Land development and infrastructure construction of Changxing County
Total Asset (RMB billion)	75.0	84.7
Total Equity (RMB billion)	28.8	28.4
Total Revenue (RMB billion)	3.7	2.1
Total Debt/Total Capital (%)	57.9	60.5

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

Source: Company information, CCXAP research

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**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](http://www.ccxap.com)

Email: [info@ccxap.com](mailto:info@ccxap.com)

Tel: +852-2860 7111

Fax: +852-2868 0656