

---

## **CCXAP upgrades Zhejiang Changxing Financial Holdings Group Co., Ltd.'s long-term credit rating to BBB<sub>g</sub>, with stable outlook.**

Hong Kong, 4 December 2023 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has upgraded the long-term credit rating of Zhejiang Changxing Financial Holdings Group Co. Ltd. (“ZCFH” or the “Company”) to BBB<sub>g</sub> from BBB<sub>g</sub>-, with stable outlook. At the same time, CCXAP has upgraded its senior unsecured rating to BBB<sub>g</sub> from BBB<sub>g</sub>-.

The rating upgrade is based on the promising development trend of the Company’s industrial fund investments with the good industrial environment in Changxing County. It also reflects the local government’s willingness to provide support to the Company has increased.

The long-term credit rating of ZCFH reflects Changxing County Government’s strong capacity and extremely high willingness to provide support to the Company. Our assessment of Changxing County Government’s capacity to provide support reflects its status ranking as the 55<sup>th</sup> among the Top 100 Economic Counties in China in 2023, with good economic strength and moderate fiscal metrics.

The rating also reflects the local government’s willingness to provide support, which is based on the Company’s (1) status as the primary platform fully owned and controlled by the Changxing County Government; (2) important position in land development and infrastructure construction in Changxing County; and (3) good track record of receiving government payments. However, the Company’s rating is constrained by its (1) medium commercial business risk; (2) moderate debt management and asset liquidity; and (3) medium contingent liability risks in external guarantees.

### **Corporate Profile**

Founded in 2011, ZCFH is one of the predominant state-owned capital management and industrial investment enterprises in Changxing County. The Company is mainly engaged in land development and infrastructure construction in Changxing County. In addition, the Company also conducts commercial business such as commercial trading, financial investment, and tourism. As of 30 June 2023, the Company was wholly owned and controlled by the Changxing Finance Bureau.

### **Rating Rationale**

#### **Credit Strengths**

**Status as the primary platform fully owned and controlled by the Changxing County Government.** There are four major local infrastructure investment and financing companies (“LIIFCs”) supporting the development of Changxing County. Each has a clear positioning under the planning of the local government. As of 30 June 2023, ZCFH was the largest LIIFC by total assets in Changxing County. The Company is firmly committed to serving regional industrial development and actively participated in comprehensive land demolition and infrastructure construction projects in the region.

**Important position in land development and infrastructure construction in Changxing County.** ZCFH has a strong regional position in the land development business in Changxing County. The Company was authorized by the local government and the management committee to conduct land leveling, demolition, residents' relocation, land consolidation, and infrastructure construction of 36.3 square kilometers in Taihu New District and Zhejiang Taihu Tuying Tourism. ZCFH is also one of the key investment platforms responsible for infrastructure construction in Changxing County. The business scope mainly covers the Taihu New District, Taihu Tuying Tourism Resort, and Si'an Town Area.

**Good track record of receiving government payments.** The local government provides strong support to the Company through various forms including project repayments, cash injections, equity transfers, asset injections and financial subsidies. Given its important role in the development of Changxing County, we expect the local government will continue to support the Company in the foreseeable future.

#### Credit Challenges

**Medium commercial business risk.** In addition to its primary business, ZCFH also participated in commercial activities such as commercial trading, financial investment, tourism and property leasing businesses. By the end of 2022, ZCFH had moderate exposure to commercial risk, with commercial business assets accounting for around 20% of its total assets. ZCFH's financial investment business mainly consists of equity investment and debt investment. The Company generates revenue from its equity investments primarily through capital gains when it exits through an initial public offering or share sale by its portfolio company.

**Moderate debt management and asset liquidity.** ZCFH's total debt maintains an increasing trend due to its continued investment in public-related businesses and the long payback period of such businesses. ZCFH's asset liquidity is moderate, as its assets are mainly illiquid inventories and other accounts receivables. As of mid-2023, the inventories and other accounts receivables amounted to RMB53.8 billion, accounting for 59.3% of total assets.

**Medium contingent liability risks in external guarantees.** Mutual guarantees between local state-owned enterprises ("SOEs") in Changxing County continue to exist. As a result, the Company is exposed to moderate contingent liabilities risks. As of mid-2023, the Company's external guarantee amounted to RMB9.3 billion, accounting for 24.5% of its net assets. Among them, the Company provided around RMB201.7 million for private enterprises to support the development of local industries, which are considered to have higher contingent liabilities risks.

#### Rating Outlook

The stable outlook on ZCFH'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 land development and infrastructure construction in Changxing County.

**What could upgrade the rating?**

The rating could be upgraded if (1) the local 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 support, such as reduced exposure to commercial activities or improved debt management.

#### **What could downgrade the rating?**

The rating could be downgraded if (1) the local 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 support, such as decreased strategic significance or reduced government payments.

#### **Rating Methodology**

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

#### **Regulatory Disclosures**

CCXAP's Rating Symbols and Definitions are available on its website at:

[http://www.ccxap.com/en/rating\\_services/category/6/](http://www.ccxap.com/en/rating_services/category/6/)

This rating is solicited. Please refer to CCXAP's Policy for designating and assigning Solicited and Unsolicited Credit Ratings available on its website at:

[http://www.ccxap.com/en/rating\\_services/category/9/](http://www.ccxap.com/en/rating_services/category/9/)

The rating has been disclosed to the rated entity or its related party prior to publication, and issued with no amendment resulting from that disclosure.

CCXAP considers a rated entity or its related party to be participating when it maintains an overall relationship with CCXAP. Unless specifically noted in the Regulatory Disclosures as a non-participating entity, the rated entity or its related party is participating and the rated entity or its related party generally provides CCXAP with information for the purposes of its rating process.

Regulatory disclosures contained here apply to press release, rating report, and if applicable, the related rating outlook or rating review.

CCXAP's public ratings are available at [www.ccxap.com](http://www.ccxap.com) (Rating Results) and may be distributed through media and other means.

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

Olivia Feng

*Senior Credit Analyst*

+852-2860 7133

[olivia\\_feng@ccxap.com](mailto:olivia_feng@ccxap.com)



Elle Hu

*Executive Director of Credit Ratings*

+852-2860 7120

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

Client Services: +852-2860 7111



Copyright © 2023 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](http://www.ccxap.com)

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

Tel: +852-2860 7111

Fax: +852-2868 0656