

Credit Opinion

30 December 2025

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

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Huzhou Nanxun New Town Investment Development Group Co., Ltd.

Surveillance credit rating report

CCXAP affirms Huzhou Nanxun New Town Investment Development Group Co., Ltd.'s long-term credit rating at BBB_g-, with stable outlook.

Summary

The BBB_g- long-term credit rating of Huzhou Nanxun New Town Investment Development Group Co., Ltd. ("NNTI" or the "Company") reflects Nanxun District Government's (1) strong capacity to provide support, and (2) very high willingness to provide support to the Company, based on our assessment of the Company's characteristics.

Our assessment of Nanxun District Government's capacity to provide support as reflected by Nanxun District's good geographic advantage and improving economic fundamentals, as well as increasing economic strength of Nanxun Economic Development Zone ("Nanxun EDZ").

The rating also reflects the local government's willingness to provide support, which is based on the Company's (1) important role as the primary infrastructure construction and land consolidation entity in Nanxun EDZ; (2) good access to diversified funding channels; and (3) good track record of receiving ongoing government payments.

However, the Company's rating is constrained by its (1) moderate exposure to commercial activities with relatively large capital expenditure; (2) increasing debt burden with certain short-term pressure; and (3) moderate asset liquidity.

The stable outlook on NNTI's rating reflects our expectation that the local government's capacity to support the Company will remain stable, and that the Company will maintain its important roles in development in Nanxun EDZ over the next 12 to 18 months.

Rating Drivers

- Important role as the primary infrastructure construction and land consolidation entity in Nanxun EDZ
- Moderate exposure to commercial activities with relatively large capital expenditure
- Good track record of receiving ongoing government payments
- Increasing debt burden with certain short-term pressure
- Moderate asset liquidity
- Good access to diversified funding channels
- Medium contingent risks resulting from external guarantees

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 improvement in debt management.

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 |
|------------------------------|--------|--------|--------|
| Total Asset (RMB billion) | 22.3 | 29.3 | 34.6 |
| Total Equity (RMB billion) | 9.4 | 11.4 | 11.9 |
| Total Revenue (RMB billion) | 2.2 | 2.4 | 2.2 |
| Total Debt/Total Capital (%) | 53.1 | 55.4 | 56.5 |

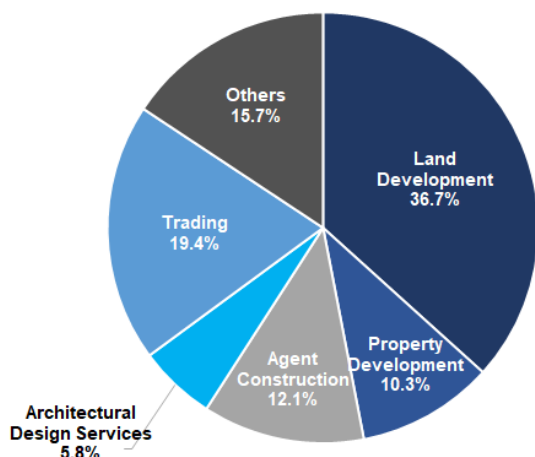
All ratios and figures are calculated using CCXAP's adjustments.

Source: Company information, CCXAP research

Corporate Profile

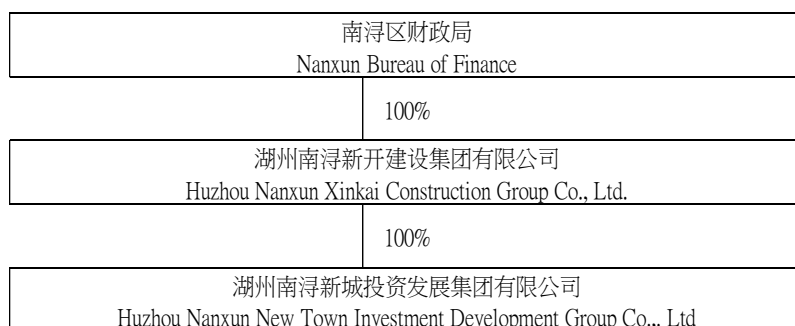
Established in 2018, NNTI is an important primary land consolidation and infrastructure construction entity in Nanxun Economic Development Zone ("Nanxun EDZ"). The Company has undertaken and completed a large number of urban development projects and played an important role in the development of Nanxun EDZ. It is mainly engaged in agent construction business, land consolidation and development business. In addition, the Company also conducts commercial businesses such as trading and property development. As of 31 December 2024, NNTI was wholly owned by Huzhou Nanxun Xinkai Construction Group Co., Ltd. ("Nanxun Xinkai") and is ultimately controlled by the Finance Bureau of Nanxun District.

Exhibit 1. Revenue structure in 2024



Source: Company information, CCXAP research

Exhibit 2. Shareholding Chart as of 31 December 2024



Source: Company information, CCXAP research

Rating Considerations

Government Capacity to Provide Support

We believe that Nanxun District Government has a strong capacity to provide support as reflected by its good geographic advantage and improving economic fundamentals, but constrained by its modest fiscal 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"). In the first half of 2025, Huzhou City's GRP amounted to RMB208.0 billion, up 6.3% YoY. Due to 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 has good fiscal stability, with tax income accounting for around 80% of general budgetary revenue for the past three years. Its fiscal balance remains at a moderate level, with general budgetary revenue to general budgetary expenditure ratio of 70.0% in 2024. However, Huzhou Municipal Government's debt burden is relatively heavy with an

outstanding direct government debt of RMB161.1 billion at end-2024, accounting for 38.2% of its GRP and 142.8% of its total fiscal revenue.

Exhibit 3. 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

Located in the east part of Huzhou City, Nanxun District is at the junction of Jiangsu and Zhejiang Province and is 100 kilometers away from Shanghai and Hangzhou City. It benefits from the industrial transfer and overflow of technical funds in Hangzhou Bay Industrial Belt and Yangtze River Delta Economic Circle, and develops its industrial system forming by two key industries, which are high-end equipment and information economy, and three traditional industries, including new metal material, green home, and modern textile, respectively. It is also rich in cultural and natural resources including one national “5A” scenic area, one national “4A” scenic area and several “3A” scenic areas. In 2024, Nanxun District recorded a GRP of RMB59.9 billion, increasing by 5.7% YoY. Nanxun recorded a GRP of RMB29.7 billion in 2025H1, with a YoY growth of 6.4%. Benefiting from economic recovery and sound connection with Shanghai, its general budgetary revenue increased from RMB4.2 billion in 2023 to RMB4.4 billion in 2024. Largely affected by the land market conditions, the government funds in 2024 decreased by 24.5% YoY to RMB4.0 billion. The fiscal balance of Nanxun District is moderate, with a general budgetary revenue/general budgetary expenditure ratio of 64.2% in 2024. In addition, Nanxun District's debt profile is weak. Nanxun District's governmental debt amounted to RMB19.3 billion at end-2024, representing 32.2% of GRP and 219.6% of total fiscal revenue.

Exhibit 4. Key Economic and Fiscal Indicators of Nanxun District

| | 2022FY | 2023FY | 2024FY |
|---|--------|--------|--------|
| GRP (RMB billion) | 55.9 | 58.5 | 59.9 |
| GRP Growth (%) | 3.5 | 6.0 | 5.7 |
| General Budgetary Revenue (RMB billion) | 4.0 | 4.2 | 4.4 |
| General Budgetary Expenditure (RMB billion) | 6.9 | 6.8 | 6.9 |
| Local Government Debt (RMB billion) | 12.4 | 14.6 | 19.3 |

Source: Statistics Bureau of Nanxun District, CCXAP research

Established in August 1992 and approved by the Zhejiang Government in December 1993, Nanxun EDZ is one of the first provincial-level development zones in Zhejiang province. Relying on its excellent location, the surrounding Shanghai Port, Zhapu Port, Ningbo Beilun Port and Zhangjiagang, it can facilitate the import and export trade. Nanxun EDZ has formed four characteristic leading industries including photoelectric communication, elevator, motor, and wood processing. Nanxun EDZ also receives continuous support from the Zhejiang Provincial Government and the Huzhou Municipal Government, such as the development of high-tech industries, providing support for the long-term sustainable development of NNTI.

Government Willingness to Provide Support

Important role as the primary infrastructure construction and land consolidation entity in Nanxun EDZ

The Company plays an important role in public policy businesses, such as conducting land consolidation and infrastructure construction projects in Nanxun EDZ, with strong regional franchise advantages. As the primary infrastructure construction and land consolidation platform in Nanxun EDZ, the Company has undertaken a number of infrastructure construction and land consolidation projects within Nanxun EDZ, making great contributions to the local social and economic development, benefiting investment attraction and improving related industrial chains in Nanxun EDZ. Considering its strategic importance in undertaking public policy projects in the region, we believe the Company will not be easily replaced by other local state-owned enterprises in the foreseeable future.

Entrusted by the local government, the Company conducts infrastructure construction business and land development business under agency construction model. The Company is entrusted with the development and construction of projects such as old city renovations, hospitals, and schools. As of 31 December 2024, the Company's had completed agency construction projects with a total investment of RMB2.0 billion, with cumulative repayments of RMB1.3 billion, indicating a relatively slow repayment progress. Moreover, the Company's infrastructure construction projects have moderate sustainability with a small number of construction projects in the pipeline. As of 31 December 2024, it had 2 projects under construction with a total planned investment of RMB28.0 million and an uninvested amount of RMB5.0 million. Meanwhile, there are 2 projects under planning, with a total planned investment of RMB1.1 billion. For land development projects, as of 31 December 2024, the Company's developed land was about 4,390.2 mu, with a total invested amount of RMB4.5 billion and received repayments of RMB466.0 million. As of 31 December 2024, the Company had 3 land projects under development, with a total planned investment of RMB2.5 billion and an outstanding amount of RMB888.0 million. However, the Company has no land development projects under planning.

Overall, the sustainability of this business is moderate, and there is uncertainty exists in the repayment as it is subject to the local government's policy planning and the regional land market conditions. Moreover, the slow progress in the settlement of repayments for the previous land development projects requires continuous monitoring of the payment collections of upcoming projects.

Moderate exposure to commercial activities with relatively large capital expenditure

NNTI also participates in commercial activities such as industrial park development, trading and property development. We estimate that the Company has moderate commercial exposure with the proportion of commercial business assets being around 20% of its total assets. These activities have been a good supplement to the Company's revenue but could exert certain funding pressure and business risks.

The Company participates in the industrial park development business in Nanxun EDZ under the self-operated model. The Company conducts sales and leasing of factories and commercial properties in accordance with the development plans of the local governments, attracting enterprises and investments for the development of Nanxun EDZ. As of 31 December 2024, the Company had completed several self-operated industrial and commercial projects, while projects under construction and planning mainly comprised industrial parks, photovoltaic projects, and commercial and residential developments. As of 31 December 2024, the Company had 9 self-operated projects under construction and planning with a total planned investment of RMB8.8 billion, with an outstanding investment of RMB5.6 billion, exerting high capital expenditure pressure. Considering the relatively large scale of capital expenditure as well as the long construction and investment recovery cycle of self-operated projects, there are uncertainties regarding the subsequent fund balancing of these projects, as their progress and cash inflows are highly subject to local industrial development conditions, investment promotion efforts, and market demand.

NNTI also undertakes the commercial real estate development business in Nanxun EDZ. The Company would achieve fund balancing through selling and leasing. As of 31 December 2024, the Company had 4 commercial real estate projects under construction and planning with a total planned investment of RMB4.8 billion and an uninvested amount of RMB2.4 billion, exerting certain capital expenditure pressure. This may expose the Company to certain business risks amid the downturn in the real estate market, and the continued increase in investment in property and industrial park development may bring greater operating uncertainty and financial risk to the Company.

The Company is also engaged in trading business based on a demand-driven business model. In 2024, the Company's trading products were adjusted from being mainly agricultural and sideline products to primarily radiata pine logs, reflecting a strategic change in product mix. The trading business is one of the income contributors of the Company, accounting for 19.4% of its total revenue in 2024, but with low gross profit margin of less than 1%. In addition, the Company has high exposure to concentration risk as the top five suppliers and consumers accounted for around 100% of its purchasing and sales amount.

Moreover, the Company is also responsible for operating other businesses such as leasing and the disposal of investment properties. In 2024, the Company continued to record income from the disposal of investment properties, with disposal-related revenue amounting to RMB246.0 million. However, this represented a significant YoY decline of 78.5% compared with 2023, indicating the high volatility and weak sustainability of this income source. Given the limited remaining reserve of investment properties, revenue from other businesses remains uncertain and lacks long-term stability.

Good track record of receiving ongoing government payments

NNTI has a proven track record of receiving government support in the form of asset transfer, capital injection and financial subsidies. In 2023, the management Committee of Nanxun EDZ has transferred agricultural land transfer operation rights of RMB1.5 billion and parking space operation rights of RMB213.0 million to the Company without compensation. In 2024, the Company's shareholders injected capital of RMB1.6 billion into the Company, and the Company also received government subsidies of RMB196.0 million. Given its role as important infrastructure construction and land development entity in Nanxun EDZ, we expect the local government will continue to support the Company in the future.

Increasing debt burden with certain short-term pressure

Due to continued financing for construction projects, NNTI has demonstrated high debt growth. Its total debt increased from RMB10.6 billion at end-2022 to RMB15.4 billion as of end-2024, with a total capitalization ratio of 56.5%. In terms of debt structure, the short-term debt to total debt ratio remained high at 32.7% as of end-2024, indicating certain short-term repayment pressure. Meanwhile, after excluding restricted cash, the cash to short-term debt ratio declined to 0.2x, indicating that its cash reserve could not fully cover the short-term debt. Given its large capital expenditure pressure, we expect the Company's debt burden will continue to grow in the next 12 to 18 months.

Moderate asset liquidity

NNTI's asset liquidity is moderate, which may undermine the Company's financing flexibility. As of end-2024, inventories, accounts receivable and other receivables accounted for around 71.0% of total assets. The inventories mainly consisted of land reserves and construction costs arising from development and construction projects, while the receivables were primarily outstanding payments due from other local state-owned

enterprises. Nevertheless, as of end-2024, the Company's long-term equity investments, investment properties and intangible assets accounted for around 12.0% of total assets, which could provide supplementary income to the Company.

Good access to diversified funding channels

NNTI has diversified sources of funding including bank loans, bond issuances and non-standard financing. As of 31 December 2024, around 63.4% of the Company's debt financing was provided by bank loans. It had obtained total credit facilities of RMB16.0 billion, with available amount of RMB6.2 billion. The Company also has access to debt capital markets. As of 30 June 2025, the Company had 2 onshore and 2 offshore outstanding bonds, with total outstanding amount of RMB1.5 billion and USD690.0 million, respectively. Besides, the Company's non-standard financing accounting for around 21.8% of the total debt.

Medium contingent risks resulting from external guarantees

NNTI has medium exposure to contingent liabilities. As of 31 December 2024, the Company's external guarantee balance amounted to RMB5.6 billion, accounting for 46.8% of net assets. Although the scale of external guarantees is relatively large, the guaranteed entities are mainly local state-owned enterprises with generally controllable business risk. Nevertheless, in the event of a credit event within Nanxun District, the Company may face potential contagion risks, which could exert negative pressure on its credit profile.

ESG Considerations

NNTI assumes environmental risks through its infrastructure construction and primary land development 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, NNTI has played a crucial role in the social welfare of Nanxun EDZ by involving the construction of environment improvement, renovation, and other government projects.

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

Appendix

Exhibit 5. Peer Comparison

| | Zhejiang Xingshanghe Urban Development Group Co., Ltd. | Huzhou Nanxun Xunshanghe Construction Development Group Co., Ltd. | Huzhou Nanxun New Town Investment Development Group Co., Ltd. |
|------------------------------|--|---|---|
| Long-Term Credit Rating | BBB _g | BBB _g - | BBB _g - |
| Shareholder | Finance Bureau of Nanxun District | Zhejiang Xingshanghe Urban Development Group Co., Ltd | Huzhou Nanxun Xinkai Construction Group Co., Ltd. |
| Positioning | The most important infrastructure construction and state-owned assets operation entity in Nanxun District | An important role in infrastructure construction in Nanxun District including SICZ | The primary infrastructure construction and land consolidation platform in Nanxun Economic Development Zone |
| Total Asset (RMB billion) | 108.7 | 18.9 | 34.6 |
| Total Equity (RMB billion) | 41.6 | 7.5 | 11.9 |
| Total Revenue (RMB billion) | 5.6 | 1.2 | 2.2 |
| Total Debt/Total Capital (%) | 58.1 | 49.9 | 56.5 |

All ratios and figures are calculated using CCXAP's adjustments based on financial statements in 2024FY.

Source: Company information, CCXAP research

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