

Credit Opinion

15 July 2025

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

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Huzhou Nanxun Xunshanghe Construction Development Group Co., Ltd.

Surveillance credit rating report

CCXAP affirms Huzhou Nanxun Xunshanghe Construction 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 Xunshanghe Construction Development Group Co., Ltd. (“NXCD” or the “Company”) reflects Nanxun District Government’s strong capacity to provide support, and 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 reflects its good geographic advantage and improving economic fundamentals, but constrained by its modest fiscal profile.

The rating also reflects the local government’s willingness to provide support, which is based on the Company’s (1) important role in infrastructure construction in Nanxun District, especially the Shanghai Innovation Cooperation Zone (“SICZ”); (2) high sustainability for public policy projects; and (3) track record of receiving government payments.

However, the rating is constrained by the Company’s (1) moderate debt leverage with short-term debt repayment pressure; (2) weak asset liquidity.

The stable outlook on NXCD’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 the infrastructure construction in Nanxun District including SICZ.

Rating Drivers

- Important role in infrastructure construction in Nanxun District including SICZ
- High sustainability for public policy projects
- Track record of receiving government payments
- Maintaining stable exposure to commercial activities
- Moderate debt leverage with short-term debt repayment pressure
- Weak asset liquidity
- Access to funding mainly from commercial banks

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 improvement in debt management and asset 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

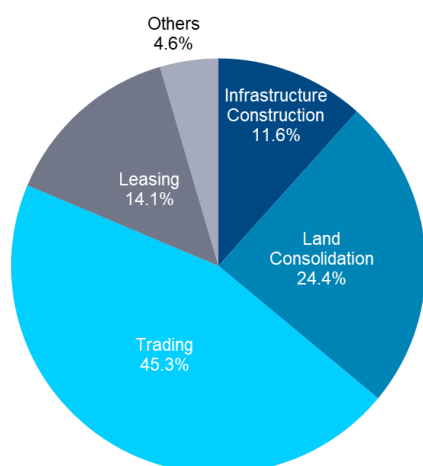
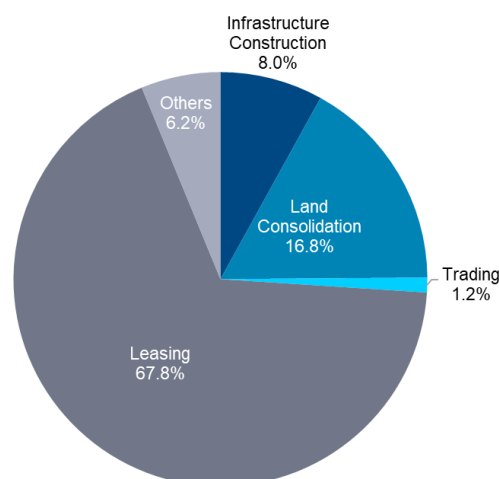
	2022FY	2023FY	2024FY
Total Asset (RMB billion)	15.5	18.0	18.9
Total Equity (RMB billion)	7.1	7.3	7.5
Total Revenue (RMB billion)	0.5	0.9	1.2
Total Debt/Total Capital (%)	47.4	50.8	49.9

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

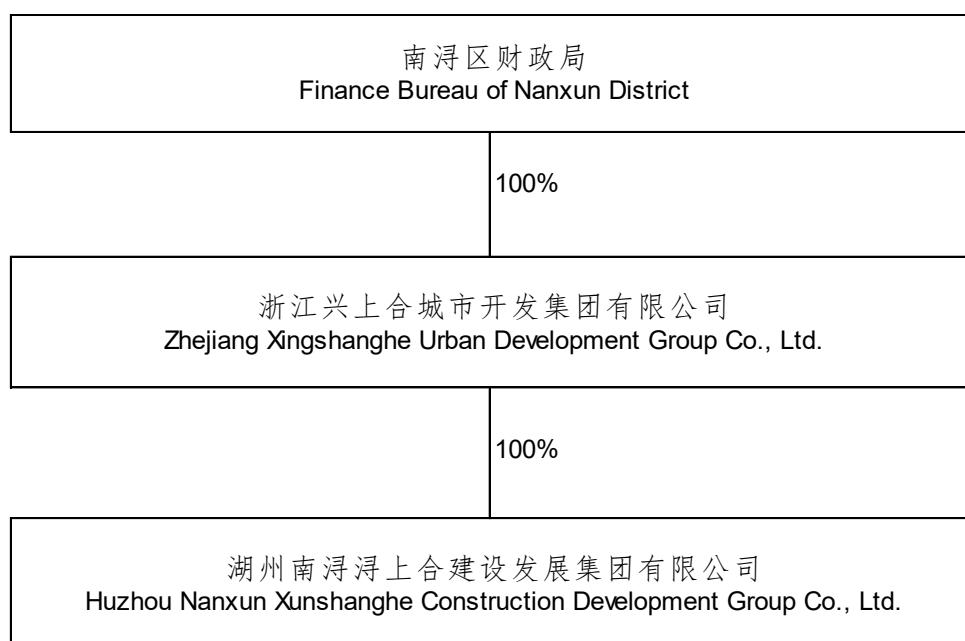
Source: Company data, CCXAP research

Corporate Profile

NXCD, formerly known as Huzhou Nanxun Zhenxun Investment Development Co., Ltd., was founded in 2010 with a registered and paid-in capital of RMB5.0 million. In 2022, the Company changed its name and was consolidated into Zhejiang Xingshanghe Urban Development Group Co., Ltd. ("ZXUD"). As one of the local infrastructure investment and financing companies ("LIIFCs"), the Company is mainly engaged in infrastructure construction and land consolidation in the central urban area and suburbs of Nanxun District including SICZ. In addition, the Company also conducts commercial businesses such as trading, leasing, parking management and funeral services. As of 31 December 2024, it is ultimately controlled by the Finance Bureau of Nanxun District through ZXUD, with a registered and paid-in capital of RMB600.0 million.

Exhibit 1. Revenue structure in 2024**Exhibit 2. Gross profit structure in 2024**

Source: Company information, CCXAP research

Exhibit 3. 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”). 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 4. 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. 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 5. 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

In January 2022, the Shanghai Innovation Cooperation Zone (“SICZ”) was established with the approval of the Huzhou Municipal Government and was planned to be in the southeast of Nanxun District. According to the development plan, it has a total area of 30 kilometers and is mainly divided into three districts, Nanxun ancient towns, Shanghai Bay, and the high-speed railway of the high-tech zone. SICZ will drive regional development by implementing construction projects, enhancing the influence of Nanxun ancient town, improving transport

networking between Shanghai and Huzhou, and optimizing the environment for entrepreneurship. As an important entity of infrastructure construction in SICZ, the development of SICZ will provide huge opportunities for the Company.

Government Willingness to Provide Support

Important role in infrastructure construction in Nanxun District including SICZ

There are four major LIIFCs in Nanxun District to support local economic and industrial development, each with a clear position in the region. Among all the four major LIIFCs, ZXUD is the largest LIIFC by total assets, focusing on land development, agent construction, and sewage treatment in Nanxun District, including SICZ. Huzhou Nanxun Transport Investment Group Co., Ltd undertakes transportation construction in the area; Huzhou Nanxun Cultural Tourism Development Group Co., Ltd. is responsible for the development and operation of Nanxun ancient town. Besides, Huzhou Nanxun Xinkai Construction Group Co., Ltd undertakes industrial park construction and operation in the Nanxun Economic and Technological Development Zone. As the subsidiary of ZXUD, NXCD serves as an important platform undertaking infrastructure construction and land consolidation in the central urban area and suburbs of Nanxun District including SICZ.

The Company operates its infrastructure construction business using an agency model, primarily undertaking projects involving roads, bridges, parks and water conservancy facilities. While the substantial pipeline of construction projects ensures the sustainability of this business segment, it also exerts significant demands on the Company's capital expenditure. As of 31 December 2024, the Company had completed 4 key infrastructure construction projects with a total investment of around RMB581.5 million and payback amount of RMB647.3 million; and there were 7 infrastructure construction projects under construction or planning, with a total planned investment of RMB1.6 billion and an outstanding amount of around RMB1.5 billion.

The Company conducts land consolidation projects through its subsidiaries. NXCD has been undertaking the relocation project of Xunsu expressway, with a total planned investment of RMB175.0 million and a total outstanding investment amount of RMB96.5 million. The sustainability of this business is poor due to the small size of investment needs and the absence of additional land consolidation projects.

Maintaining stable exposure to commercial activities

NXCD has also participated in commercial activities such as trading, leasing, parking management, and funeral services business. We estimate that the Company has maintained stable commercial exposure with the proportion of commercial business assets being around 25% of its total assets.

The Company's trading business products mainly include radiata pine logs, cotton, ethylene glycol, and pure terephthalic acid. The trading business is the largest source of revenue for the Company, accounting for 45.3% of its total revenue in 2024, but recording a low gross profit margin of less than 1%. In addition, the Company's high reliance on its top 3 customers and top 3 suppliers increased uncertainties in this business. Besides, the customers are all private enterprises, which increases certain risks to the trading business.

The Company has also participated in the leasing business, including the rental of properties and parking spaces. While this segment demonstrates high gross margins, its overall revenue contribution remains modest at 14.0% of total revenue. As of 31 December 2024, the Company had 9 self-operated projects under construction, with an invested amount of RMB45.3 million. After the completion, the Company will achieve fund balancing by the lease and sale of the industrial park and the service charges of supporting facilities. The self-operated projects are in the early stage of land acquisition, with a relatively long construction period. We expect

that the projects exert capital expenditure pressure on the Company. Due to the economic downturn, the future revenue generated from this business is also uncertain. In addition, with the development of SICZ and the construction of self-operated projects, the Company may increase its risk exposure to commercial business.

Track record of receiving government payments

NXCD has a proven track record of receiving government support in the form of capital injection, asset transfers, project payments and financial subsidies. In 2023, the Company received a cash injection of RMB78.1 million from its parent company; and according to the government equity transfer plan, the government transferred 2 companies into NXCD, increasing the Company's capital strength and broadening its business scope. In 2024, the Company received a cash injection of RMB49.5 million from ZXUD. During the same period, the Company received RMB150.0 million in government subsidies to support its operation. We expect the local government will continue to support the Company in the future given its important position in the region.

Moderate debt leverage with short-term debt repayment pressure

The Company has maintained moderate debt leverage. From 2023 to 2024, the Company's total debt maintained at RMB7.5 billion, and its total capitalization ratio maintained at a moderate level of around 50.0%. The Company has certain short-term debt repayment pressure since its short-term debt accounted for about 26.2% of total debt as of 31 December 2024, and the liquidity profile is weak with a cash-to-short-term debt ratio of around 0.2x at the same time, indicating that its cash balance was insufficient to cover its short-term debt.

As of 31 December 2024, the Company's external guarantees were RMB197.4 million, accounting for 2.6% of its net assets, most of which were provided to local state-owned enterprises and rural collective economic organizations. The overall risk of contingent liabilities is manageable.

Weak asset liquidity

NXCD's asset liquidity is weak as they are mainly inventories with weak liquidity. As of 31 December 2024, its account receivables, other receivables and inventories accounted for a relatively high proportion, totalling around 74.6% of total assets. The Company's inventories mainly include the cost of construction works, while receivables are mainly receivables from the local government, both of which are considered low liquidity. The Company also has large-scale transfers of assets from the government that has not yet processed the ownership certificates. The weak liquidity asset may undermine the Company's financing flexibility, which is credit negative.

Access to funding mainly from commercial banks

Bank loans are the main source of funding for the Company. As of 31 December 2024, bank loans accounted for around 87.3% of the Company's total debt. The Company maintains a good relationship with several policy and commercial banks, such as the Agricultural Development Bank of China and the Industrial and Commercial Bank of China Nanxun Branch. As of 31 December 2024, the Company's total credit facilities were RMB13.1 billion, of which the unutilized amount was about RMB5.8 billion. In 2024, the Company issued 4 tranches of ABS, raising RMB162.4 million in total. In addition, the Company's reliance on non-standard financing is low, accounting for less than 10% of its total debt.

ESG Considerations

NXCD assumes environmental risks through its infrastructure construction 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, NXCD has played a crucial role in the social welfare of Nanxun District by involving the construction of roads, bridges and water conservancy facilities projects.

In terms of corporate governance, NXCD'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 6. 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 data, CCXAP research

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