

CCXAP affirms Weihai Huantong Industrial Investment Group Co., Ltd.'s long-term credit rating at BBB_g, with stable outlook.

Hong Kong, 14 November 2025 -- China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") has affirmed the long-term credit rating of Weihai Huantong Industrial Investment Group Co., Ltd. ("HTII" or the "Company") at BBB_g, with stable outlook.

The BBB_g long-term credit rating of HTII reflects Huancui District Government's strong capacity to provide support and the local government's extremely high willingness to provide support to the Company, based on our assessment of the Company's characteristics. Our assessment of Huancui District Government's capacity to support reflects its status as the development center of Weihai City and the seat of Weihai Municipal Government. It has relatively strong economic conditions and good fiscal metrics.

The rating also reflects the local government's willingness to support, which is based on the Company's (1) full ownership and ultimate control by the Huancui District Government; (2) essential role in infrastructure construction and regional development in Huancui District; and (3) solid track record of receiving government support. However, the rating is constrained by the Company's (1) moderate exposure to commercial activities; (2) increasing debt level and moderate asset liquidity; and (3) medium exposure to contingent liabilities.

Corporate Profile

Founded in November 2021, HTII is the most important local infrastructure investment and financing company ("LIIFC") in Huancui District, Weihai City, Shandong Province. After consolidation of the local state-owned enterprises, HTII has become the largest state-owned enterprise by asset size and the dominant platform engaged in infrastructure construction, land consolidation, and operation of state-owned assets in Huancui District. The Company also undertakes diversified commercial businesses such as leasing of sea area use rights, property leasing, as well as commodity trading business. As of 30 September 2025, the Company was directly and wholly owned by the State-owned Assets Service Center of Huancui District ("Huancui SASC") and the Huancui District Government was the ultimate controller.

Rating Rationale

Credit Strengths

Essential role in infrastructure construction and regional development in Huancui District. HTII is the most important LIIFC delegated by Huancui District Government to undertake local infrastructure construction, state-owned asset operations, and land consolidation. HTII carries out key public policy projects through different construction models consisting of agency construction, government purchase as well as self-operation. The Company plays a clear strategic role in regional and social development and engages in large amounts of projects such as town constructions, road renovations, shantytown renovations, industrial parks, hospitals, as well as innovation centers. HTII's public-policy role helps Weihai

City and Huancui District attract enterprises and investments to strengthen regional economic growth, which has high importance to the local government.

Solid track record of receiving government supports. HTII and its subsidiaries have a solid track record of receiving recurring support from the Huancui District Government, including operating subsidies, and capital and asset injections, in order to help the Company to meet its policy objectives and financial obligations. Considering the strategic role of HTII, we expect the Company will continue to receive support from the local government in the future, which will enhance its operating and capital strength accordingly, in our view.

Credit Challenges

Moderate exposure to commercial activities. In addition to public activities, HTII is involved in other commercial businesses such as leasing of sea area use rights, property leasing, as well as commodity trading business. Although the commercial assets accounted for a relatively large proportion of total assets as of end-2023, we estimate the Company's risk exposure to commercial business is moderate as the majority of these assets are the sea area use rights transferred from the local government with low operational risk.

Increasing debt level and moderate asset liquidity. HTII's total debts demonstrated continuous growth due to the ongoing financing for its infrastructure construction and property development projects in recent years. The Company has been facing certain liquidity pressure as its short-term debt accounted for 41.5% of total debt, and its cash to short-term debt ratio was 0.5x, indicating that its cash reserves could not fully cover its short-term debt. Considering the large capital expenditure needs of its construction projects, we expect the Company's debt level will continue to grow in the next 12 to 18 months. In addition, HTII has moderate asset liquidity, which may undermine its financial flexibility.

Medium exposure to contingent liabilities. HTII's credit profile is constrained by its external guarantees, which could potentially increase its repayment obligations. The contingent liabilities of the Company are subject to regional risks, as the majority of the guarantees have been provided to local state-owned enterprises in Huancui District. In case a credit event occurs, the Company may face certain contingent liability risks, which could negatively impact its credit quality.

Rating Outlook

The stable outlook on HTII's rating reflects our expectation that the local government's capacity to support will remain stable, and the Company's characteristics, such as its essential role in the economic and social development in Huancui District, will remain largely unchanged over the next 12-18 months.

What could upgrade the rating?

The rating could be upgraded if (1) Huancui District Government's capacity to support the Company strengthens; and (2) the Company's characteristics change in a way that strengthens

the local government's willingness to support, such as lower exposure to risky commercial activities.

What could downgrade the rating?

The rating could be downgraded if (1) Huancui District 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 reduced strategic significance or deteriorated debt management.

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

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