

CCXAP assigns first-time long-term credit rating of A_g- to Huai'an Southern City Construction Investment Group Co., Ltd., with stable outlook.

Hong Kong, 13 February 2026 -- China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") has assigned first-time long-term credit rating of A_g- to Huai'an Southern City Construction Investment Group Co., Ltd. ("HSCI" or the "Company"), with stable outlook.

The A_g- long-term credit rating of HSCI reflects (1) the Huai'an Municipal Government's very strong capacity to provide support; and (2) the local government's very high willingness to provide support, based on our assessment of the Company's characteristics. Our assessment of the local government's capacity to provide support reflects Huai'an City's relatively strong economic condition and fiscal strengths as well as sustainable industrial development.

The rating also reflects the local government's willingness to provide support, which is based on the Company's (1) strong position in state-owned assets operation and infrastructure construction in Huai'an City, particularly the southern urban area; (2) high importance in public activities with sufficient project pipelines; and (3) good track record of receiving government support. However, the Company's rating is constrained by its (1) moderate risk exposure to commercial activities; (2) moderate asset liquidity and relatively high short-term debt burden; and (3) contingent liability risks arising from large external guarantees.

Corporate Profile

Founded in 2012, HSCI is one of the major local infrastructure investment and financing companies ("LIIFCs") in Huai'an City, Jiangsu Province. In 2023, Huai'an Municipal Government implemented a strategic reorganization, injecting multiple state-owned enterprises, natural resources, and operational rights into the Company. After the reorganization, it was designated as the primary entity responsible for state-owned asset operation and infrastructure construction in the southern urban area of Huai'an City. The Company primarily conducts infrastructure construction, land consolidation, and resettlement housing development in the designated region, supplemented by diversified commercial activities such as property development, cultural tourism resource development, and financial services businesses including finance leasing, guarantee services and small loans. As of 30 September 2025, the Company was directly and wholly owned by the State-owned Assets Supervision and Administration Commission of Huai'an Municipal Government ("Huai'an SASAC"), with the registered capital of RMB2.0 billion and received capital of RMB1.5 billion.

Rating Rationale

Credit Strengths

Strong position in state-owned assets operation and infrastructure construction in Huai'an City, particularly the southern urban area. As one of the key municipal-level platforms under the Huai'an Municipal Government, HSCI has a clearly defined operational scope different from other LIIFCs. Its activities focus on the southern urban area of Huai'an City,



with Hongze District as the core area, while also extending to municipally administered zones such as the Huai'an Industrial Park and Baima Lake area. The Company is primarily responsible for shantytown redevelopment, agency construction of municipal infrastructure, water conservancy projects, and resettlement housing construction, exhibiting strong public welfare and social livelihood attributes. Meanwhile, as a key state-owned asset operating entity in the region, HSCI manages a significant portfolio of strategically allocated state-owned resources, including seedlings, lands, and water conservancy facilities, which further reinforces its public service role.

High importance in public activities with sufficient project pipelines. HSCI plays an important role in public activities including undertaking infrastructure construction, water conservancy construction, resettlement housing construction and rural housing improvement in the southern urban area of Huai'an City. Benefiting from the ongoing economic development of Huai'an City, the Company's public welfare projects on hand are large, which support the stability and sustainability of its public service role.

Good track record of receiving government support. HSCI has received ongoing support from the Huai'an Municipal Government, including capital injections, asset transfers, government subsidies and payments for previous construction projects, which could help the Company meet its policy objectives and financial obligations. Given the Company's key role in the development and operation of land assets and infrastructure construction, we believe that HSCI will receive ongoing government support.

Credit Challenges

Moderate risk exposure to commercial activities. The Company also engages in commercial activities that mainly include property development, financial services, and tourism resource development. Based on our assessment, HSCI's exposure to commercial activities was moderate. Although these types of commercial activities expand and diversify the Company's revenue, they are highly subject to market conditions and might bring considerable counterparty and operational risks to the Company.

Moderate asset liquidity and relatively high short-term debt burden. HSCI's asset liquidity was moderate as its assets were comprised mainly of receivables and inventories. Receivables mainly arise from project settlement with local SOEs and government units, which formed a drain on the Company's fund. Besides, HSCI faces certain short-term refinancing pressures with the short-term debt accounting for 33.9% of its total debt, and the cash to short-term debt ratio was moderate at 0.4x as of 30 September 2025. The Company's ongoing and planned projects will continue to rely on external financing, consequently, we expect that its debt level is expected to increase in the next 12 to 18 months.

Contingent liability risks arising from large external guarantees. HSCI bears moderate continent risk resulting from the relatively large external guarantees. Large exposure to guarantees will increase the Company's contingent liability risk. The Company's contingent liabilities are subject to regional risks due to the mutual guarantee situation. In addition, the Company's guarantee services primarily target small and medium-sized enterprises, sole



traders and individuals. The poor operating performance of the guaranteed enterprises or individuals could increase the contingent liability risks for HSCI.

Rating Outlook

The stable outlook on HSCI's rating reflects our expectation that Huai'an Municipal Government's capacity to provide support will be stable, and that the Company will maintain its important role in the economic and social development of Huai'an City over the next 12 to 18 months.

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 provide support, such as improved debt management, material decrease in external guarantees or reduced exposure to risky commercial activities.

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 provide support, such as reduced strategic significance, increased exposure to commercial activities or deteriorated refinancing ability.

Rating Methodology

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

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