CCXAP

CCXAP affirms Huzhou City Investment Development Group Co., Ltd.'s long-term credit rating at A_g, with stable outlook.

Hong Kong, 14 July 2026 – China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") has affirmed Huzhou City Investment Development Group Co., Ltd. ("HIDG" or the "Company")'s long-term credit rating at A_g, with stable outlook.

The A_g long-term credit rating of HIDG reflects Huzhou Municipal Government's very strong capacity to provide support, and the local government's extremely high willingness to provide support, based on our assessment of the Company's characteristics. Our assessment of Huzhou Municipal Government's capacity to provide support reflects Huzhou City's geographic advantage, with ongoing economic growth and good fiscal stability. However, the capacity to provide support is constrained by its relatively weak debt profile.

The rating also reflects the local government's willingness to provide support, which is based on the Company's (1) major role in urban infrastructure construction and public services of Huzhou City; (2) high sustainability of local public activities; (3) good track record of receiving ongoing government supports; and (4) good access to funding and sufficient standby liquidity.

However, the rating is constrained by the Company's (1) medium exposure to commercial activities; (2) high debt leverage with large capital expenditure pressure; and (3) moderate asset quality.

Corporate Profile

Founded in 1993, HIDG is the most important local infrastructure investment and financing companies ("LIIFC") as well as the largest state-owned operation platform in Huzhou City. The Company mainly engages in the urban infrastructure construction, water supply and gas supply services in Huzhou City. It has also participated in other commercial activities such as property development, trading, and property leasing business. As of 31 March 2026, the Company was directly and wholly owned and controlled by the State-owned Assets Supervision and Administration Commission of Huzhou Municipal Government ("Huzhou SASAC").

Rating Rationale

Credit Strengths

Major role in urban infrastructure construction and public services of Huzhou City. As the largest LIIFC by total assets in Huzhou City, HIDG continues to play a significant role in implementing the Huzhou Municipal Government's urban development plans. The Company undertakes a variety of municipal infrastructure projects within the city, making great contributions to the urbanization of the region. Considering its strategic significance to the development of Huzhou City, we believe the Company is unlikely to be replaced by other local state-owned enterprises in the foreseeable future.

High sustainability of local public activities. The Company's agency construction business is sustainable given considerable infrastructure construction projects under construction in the pipeline, which could also exert certain capital expenditure pressure to the Company.

Good track record of receiving ongoing government supports. As a significant state-owned enterprise wholly owned by and under the direct supervision of the Huzhou SASAC, HIDG has a proven track record of receiving government support in the form of capital injection, asset transfers, and financial subsidies. Given its essential position in Huzhou City, we expect the local government will continue to support the Company in the future.

Good access to funding and sufficient standby liquidity. HIDG has good access to funding from banks and capital markets, and has low reliance on non-standard financing. The Company has sufficient standby liquidity. As of 31 March 2026, the Company had obtained total credit facilities of RMB88.5 billion from diversified domestic policy banks and commercial banks, with available amount of RMB38.2 billion.

Credit Challenges

Medium exposure to commercial activities. HIDG's commercial businesses mainly include property development, trading, and property leasing businesses. We consider the Company's exposure to commercial businesses to be medium, accounting for around 20% to 30% of its total assets. While the commercial activities generate supplemental income, they may also pose higher operational and business risks to the Company

High debt leverage with large capital expenditure pressure. The Company's adjusted total debt increased from RMB93.0 billion at end-2024 to RMB101.6 billion as of 31 March 2026, with a high total capitalization ratio of 65.5%. We expect the Company's debt leverage to remain at a high level, given its large capital expenditure needs for its extensive construction projects in the pipeline.

Moderate asset quality. The Company's total assets mainly consist of inventories, investment properties and fixed assets, all with weak liquidity. Nevertheless, it has investment properties with a value of RMB20.3 billion for leasing, accounting for 12.0% of total assets, providing stable supplementary income to the Company. In addition, the Company has water and gas supply assets, which provide stable cash flow to the Company and to a certain extent enhance the profitability of its assets

Rating Outlook

The stable outlook on HIDG's rating reflects our expectation that the local government's capacity to provide support will remain stable, and the Company will maintain its essential position in the development of Huzhou 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; and (2) the Company's characteristics change in a way that strengths the local government's willingness to support, such as improvement in debt leverage or assets 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.

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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http://www.ccxap.com/en/rating_services/category/6/

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