

CCXAP upgrades Huzhou Moganshan High-tech Group Co., Ltd.'s long-term credit rating to A_g-, with stable outlook.

Hong Kong, 16 July 2026 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has upgraded the long-term credit rating of Huzhou Moganshan High-tech Group Co., Ltd. (“HMHG” or the “Company”) to A_g- from BBB_g+, with stable outlook. The rating upgrade reflects the Company’s enhancing regional strength in the Mogan Mountain of Huzhou High-tech Industry Development Zone (“MHTZ”) due to stronger support from its shareholder and the local government.

The A_g- long-term credit rating of HMHG reflects Deqing County Government’s (1) strong capacity to provide support; and (2) extremely high willingness to provide support, based on our assessment of the Company’s characteristics. Our assessment of Deqing County Government’s capacity to provide support reflects its geographic competitive advantage, with good economic development and fiscal strength.

The rating also reflects the local government’s willingness to provide support, which is based on the Company’s (1) leading position in infrastructure construction and industrial park development within MHTZ; (2) high sustainability of public policy projects backed by sufficient land reserves; and (3) strong support from its shareholder and the local government. However, the rating is constrained by the Company’s (1) moderate exposure to commercial activities with large capital expenditure; (2) relatively high debt leverage driven by construction pipelines; and (3) weak asset liquidity.

Corporate Profile

Established in 2018, HMHG is the important infrastructure construction and state-owned capital operation platform in the MHTZ and primarily undertakes land development and infrastructure construction projects. The Company has played an important role in furthering the social and economic development of MHTZ. It is also engaged in commercial activities including materials trading and industrial park development businesses. As of 31 March 2026, HMHG was wholly owned by Huzhou Moganshan State-owned Capital Holding Group Co., Ltd. (“HMSC”), and the MHTZ Management Committee remains the ultimate shareholder, which is a government organ of the Huzhou Municipal People’s Government and shares the same administrative structure with the Deqing County Government.

Rating Rationale

Credit Strengths

Leading position in infrastructure construction and industrial park development within the MHTZ. As the primary infrastructure construction and industrial park development operation platform in the MHTZ, the Company has undertaken a number of infrastructure construction and industrial park development projects within MHTZ, making great contributions to the local social and economic development, benefiting investment attraction and improving related industrial chains in the MHTZ. 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.

High sustainability of public policy projects backed by sufficient land reserves. We believe the Company's large pipeline of public policy projects assigned by the local government has demonstrated its leading position in the development of MHTZ, ensuring its sustainability of public policy businesses but exerting certain capital expenditure pressure.

Strong support from its shareholder and the local government. HMGH has a proven track record of receiving government support in the form of capital injection, asset transfers, and financial subsidies. Its shareholder, HMSC, transferred advertising space franchise rights of RMB2.0 billion into the Company in 2025, greatly enhancing its capital reserves. Given its important position in MHTZ, we expect the local government will continue to support the Company in the future.

Credit Challenges

Moderate exposure to commercial activities with large capital expenditure. HMGH has also participated in commercial activities such as industrial park development and materials trading businesses. We estimate that the Company had moderate commercial exposure with the proportion of commercial business assets being around 25-30% of its total assets. These activities have been a good supplement to the Company's revenue but could exert certain funding and business risks.

Relatively high debt leverage driven by construction pipelines. Due to the continuous investment in construction projects, HMGH's total debt continued to increase as its total debt increased from RMB58.7 billion at end-2024 to RMB61.8 billion as of 31 March 2026, and its total capitalization ratio remained at a relatively high level of around 59.2%. With large number of construction projects under construction, we expect that the Company will continue to rely on external financing to meet its future capital expenditure needs, and its debt leverage will remain at high level in the next 12 to 18 months.

Weak asset liquidity. As of 31 March 2026, the Company's assets mainly consist of inventories, receivables, and non-current assets, which accounted for 94.6% of its total assets. The inventories are development costs from land development projects, infrastructure construction projects and resettlement housing projects, the receivables mainly consist of uncollected payments from the local government and other state-owned enterprises, and the non-current assets mainly include investment properties and intangible assets.

Rating Outlook

The stable outlook on HMGH's rating reflects our expectation that, for the next 12 to 18 months, the local government's capacity to support the Company will remain stable, and that the Company will maintain its important market position in the infrastructure construction and industrial park development in the MHTZ.

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 decreased in its strategic significance or increasing 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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