Credit Opinion

16 July 2026

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

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Huzhou Moganshan High-tech Group Co., Ltd.

Surveillance credit rating report

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

Summary

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.

The stable outlook on HMHG'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.

Rating Drivers

- Leading position in infrastructure construction and industrial park development within the MHTZ
- High sustainability of public policy projects backed by sufficient land reserves
- Moderate exposure to commercial activities with large capital expenditure
- Strong support from its shareholder and the local government
- Relatively high debt leverage driven by construction pipelines
- Weak asset liquidity
- Good access to funding from banks and bond markets

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 decreased in its strategic significance or increasing exposure to commercial activities.

Key Indicators

	2023FY	**2024FY**	**2025FY**	**2026Q1**
Total Asset (RMB billion)	102.2	107.5	112.2	116.6
Total Equity (RMB billion)	39.7	40.2	42.5	42.6
Total Revenue (RMB billion)	2.7	2.4	2.1	0.2
Total Debt/Total Capital (%)	59.3	59.4	58.0	59.2

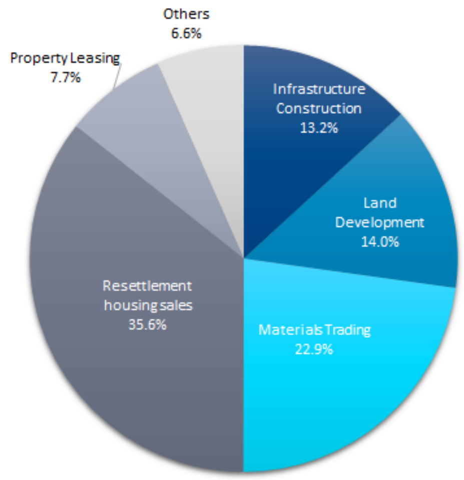
All ratios and figures are calculated using CCXAP's adjustments.

Source: Company data, CCXAP research

Corporate Profile

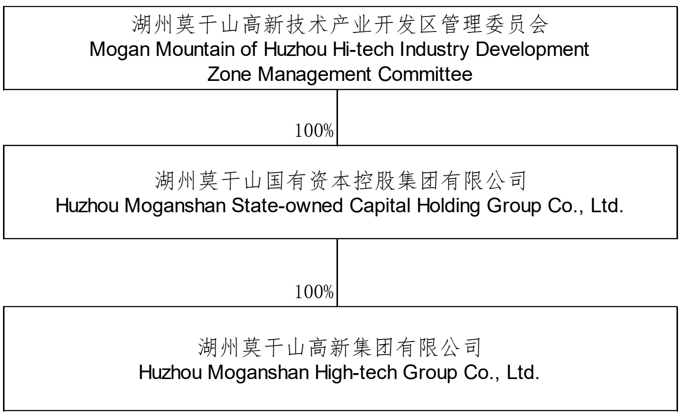
Established in 2018, HMHG is the important infrastructure construction and state-owned capital operation platform in the MHTZ and primarily undertakes land development and infrastructure construction projects. The Company has played an important role in furthering the social and economic development 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.

Exhibit 1. Revenue structure in 2025



Source: Company information, CCXAP research

Exhibit 2. Shareholding Chart as of 31 March 2026



Source: Company information, CCXAP research

Rating Considerations

Government Capacity to Provide Support

We believe that Deqing County Government has a strong capacity to provide support as reflected by its geographic competitive advantage, with good economic development and fiscal strength.

Zhejiang Province is one of the most economically developed provinces in China, and its comprehensive economic strength and private economy leads in China. In 2025, the gross regional product ("GRP") of Zhejiang Province was RMB9.5 trillion, ranking 4th among all provinces in China, with a year-on-year ("YoY") increase of 5.5%. In 2025, its general budgetary revenue reached RMB0.9 trillion, ranking 3rd among all provinces in China.

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 GRP over the past three years. In 2025, Huzhou City recorded a GRP of RMB445.3 billion, increasing by 5.9% YoY. In the first quarter of 2026, Huzhou City's GRP was RMB109.1 billion, representing a YoY growth of 6.0%. Its general budgetary revenue was RMB39.0 billion in 2025. While it has good fiscal stability, with tax income accounting for around 80% of general budgetary revenue for the past three years. Its fiscal balance remained at a moderate level, with general budgetary revenue to general budgetary expenditure ratio of 66.4% in 2025. However, Huzhou Municipal Government's debt burden was relatively heavy with an outstanding government debt of RMB187.3 billion at end-2025, accounting for 42.1% of its GRP.

Exhibit 3. Key economic and fiscal indicators of Huzhou City

	2023FY	2024FY	2025FY
GRP (RMB billion)	401.5	421.3	445.3
GRP Growth (%)	5.8	5.8	5.9
General Budgetary Revenue (RMB billion)	41.1	41.1	39.0
General Budgetary Expenditure (RMB billion)	60.7	59.1	58.6
Local Government Debt (RMB billion)	136.4	161.1	187.3

Source: Statistics Bureau of Huzhou City, CCXAP research

Located in the south part of Huzhou City, Deqing County is an important node county in the Hangzhou metropolitan area. According to research results of China's small and medium-sized cities' high-quality development index in 2025, it ranked 34th by comprehensive strength, 27th by green development, 26th by new urbanization quality in China's top 100 counties. Deqing County has a balanced development in its primary, secondary and tertiary industries. It has generated a large number of modern industries, including advanced equipment manufacturing, biopharmaceutical, geographic information, general aviation, artificial intelligence and big data. Benefiting from the superior natural geographical environment, Deqing County has a national tourist resort Moganshan International Tourism Resort. In 2025, Deqing County recorded a GRP of RMB74.7 billion, increasing by 6.0% YoY, ranking third among 7 districts and counties in Huzhou City. Due to the decrease in non-tax income, its general budgetary revenue decreased from RMB8.5 billion in 2024 to RMB6.7 billion in 2025, with tax incomes accounting for nearly 93.8% of its general budgetary revenue. Deqing County has a moderate fiscal balance, with a general budgetary revenue to general budgetary expenditure ratio of 62.8% in 2025. It has outstanding government debt of RMB25.5 billion at end-2025, representing 34.2% of GRP.

Exhibit 4. Key economic and fiscal indicators of Deqing County

	2023FY	2024FY	2025FY
GRP (RMB billion)	68.1	72.3	74.7
GRP Growth (%)	5.3	5.8	6.0
General Budgetary Revenue (RMB billion)	8.5	8.5	6.7
General Budgetary Expenditure (RMB billion)	10.8	10.3	10.7
Local Government Debt (RMB billion)	19.6	22.3	25.5

Source: Statistics Bureau of Deqing County, CCXAP research

Formerly known as Deqing Economic Development Zone, MHTZ has been approved as a national-level high-tech industry development zone in Deqing County by the State Council in September 2015. According to the list of China's top 100 high-tech zones released by Shangqi Research Institute, MHTZ ranked 36th by specialization, refinement, distinctiveness, and novelty among 178 national high-tech zones in 2023. MHTZ focuses on the cultivation of high-tech enterprises and new industries, and aims to build a leading innovative development zone in the country. The leading industries of MHTZ include geographic information, general aviation, artificial intelligence, and high-end equipment manufacturing. With a friendly environment for technology and innovation businesses, MHTZ has attracted a large number of enterprises to set up facilities, branches or offices, gathering 389 enterprises above designated size, 6 main board listed companies, and 293 high-tech enterprises at the end of 2023. From January to November 2025, MHTZ achieved tax revenue of RMB5.1 billion, a YoY increase of 6.1%; and industrial output value of enterprises above designated size reached RMB72.1 billion, a YoY increase of 5.3%. Deqing County and MHTZ have achieved rapid economic and societal growth in recent years, which has provided opportunities and needs for the development of infrastructure and supporting facilities in MHTZ, in turn driving the growth of HMSC's business.

Government Willingness to Provide Support

Leading position in infrastructure construction and industrial park development within the MHTZ

HMHG's parent company, HMSC, is the largest and most important state-owned capital investment platform entity in Deqing County, and plays a vital role in conducting infrastructure construction projects, such as conducting land consolidation and infrastructure construction projects in the MHTZ, with strong regional franchise advantages. 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.

The Company adopts an agency construction model to conduct infrastructure construction projects. The Company bears manageable capital expenditure pressure as project payment mainly relies on funds from special government bonds. As of 31 March 2026, the Company had 52 infrastructure construction projects under construction, with a total planned investment of around RMB11.1 billion and an outstanding amount of around RMB6.3 billion. Besides, the Company also had 7 projects under planning with a total planned investment of RMB2.4 billion. Given the sufficient infrastructure projects in the pipeline, we believe the Company's infrastructure construction business has good sustainability.

HMHG is entrusted by the local government to undertake land development projects in MHTZ with regional monopoly advantages. The Company's land development projects are also conducted under an agency construction model. The Company is mainly responsible for land leveling and construction of supporting facilities and other necessary services after the expropriation of the land, and receives the development costs incurred plus a certain markup after the completion of land development projects. As of 31 March 2026, the Company has transferable land reserves of about 13,682 mu, with a total invested amount of RMB3.9 billion, indicating certain fund recovery pressure. At the same period, the Company had 5 land development projects under consolidating with a total planned investment of RMB44.4 billion and an uninvested amount of RMB11.0 billion. Overall, the Company owns a large amount of land reserves ensuring the sustainability of this business, but there is uncertainty subject to the local government's planning and the regional land market conditions.

Entrusted by government agencies, the Company undertakes resettlement housing construction projects through outsourcing and self-operated models, and achieves fund balancing through sales after the projects are completed. The resettlement housing will be first sold to qualified applicants at guidance prices set by the government and the remaining housing and supporting shops will be sold at market prices. The resettlement housing projects generally have a long selling cycle and moderate destocking pace, with a total of 400.5 thousand square meters remained unsold at end-2026Q1, accounting for 33.9% of the projects. As of 31 March 2026, the Company had 2 resettlement housing projects under construction with a total planned investment of RM3.0 billion and an outstanding amount of RMB0.8 billion.

Moderate exposure to commercial activities with large capital expenditure

HMHG 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.

The Company participates in the industrial park development business in MHTZ under the self-operated model with strong competitiveness in the region. The Company conducts sales and leasing of factories and commercial properties in accordance with the development plans of the local governments, attracting enterprises and investments for the development of MHTZ. As of 31 March 2026, the Company had 17 completed industrial park development projects, with a total invested amount of around RMB6.1 billion and a total construction area of 1,075.1 thousand square meters, which are mainly used for leasing. In 2025, the Company recorded property leasing income of RMB165.1 million. Meanwhile, the Company had 20 projects under construction with a total planned investment of RMB14.6 billion and an uninvested amount of RMB6.6 billion and 7 projects under planning with an estimated investment of RMB5.4 billion, exerting high capital expenditure pressure. Aligned with industrial investment priorities in MHTZ, the Company's industrial park development projects would generate stable leasing income, with project financing primarily secured through long-term bank credit facilities. However, considering the relatively large scale of capital expenditure as well as the slow progress of project construction, there are uncertainties with regard to the subsequent fund balancing of these projects as it is highly subject to local industrial development and investment promotion policies.

The Company is also engaged in materials trading business based on a demand-driven business model, with trading products mainly consisting of steel, air conditioners, elevators, tiles, and non-ferrous aluminum ingots. This business is the second largest income contributor of the Company, accounting for 22.9% of its total revenue in 2025, but recording a low gross profit margin of around 0.8%. However, this business has a high concentration risk as the top five suppliers accounted for 92.4% of the total procurement and the sales from the top five customers accounted for 80.6% of the total sales in 2025.

Strong support from its shareholder and the local government

HMHG has a proven track record of receiving government support in the form of capital injection, asset transfers, and financial subsidies. From 2020 to 2024, the Company has received greening projects, pipe network, advertising space rights, sand mining rights, and properties from the government, greatly increasing the Company’s capital reserves. In 2025, the local government further injected photovoltaic operation rights to the Company, increasing its capital reserves by RMB872.2 million. From 2023 to 2026Q1, the Company also received stable government subsidies of RMB2.4 billion to support its operation. 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.

Relatively high debt leverage driven by construction pipelines

Due to the continuous investment in construction projects, HMHG'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%. Also, the Company is exposed to high short-term debt repayment pressure as the short-term debt accounted for about 41.7% of total debt and the cash to short-term debt ratio was 0.2x. 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.

HMHG bears manageable exposure to contingent liabilities. As of 31 March 2026, The Company's external guarantees amounted to RMB1.5 billion, accounting for 3.6% of its net assets, all of which were provided to local state-owned enterprises.

Weak asset liquidity

HMHG's asset liquidity is weak, which may undermine its financial flexibility. 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. In addition, the intangible assets, mainly mining operation rights, advertising space franchise rights, and parking space fee collection rights, have not yet generated revenue for the Company.

Good access to funding from banks and bond markets

HMHG has multiple access to various sources of funding, including bank loans, onshore and offshore debt financing. As of 31 March 2026, the Company had total bank credit facilities of RMB51.9 billion and an unutilized portion of RMB13.2 billion, indicating sufficient standby liquidity. The Company is also an active issuer in the onshore and offshore bond market. The Company raised USD420.0 million in the offshore market in 2024 and raised RMB1.3 billion in the onshore market in 2025. In addition, the Company's exposure to non-standard financing is low, accounting for about 10.0% of total debt as of 31 March 2026. We consider the Company's diversified funding channels can largely fulfill its future refinancing needs and capital expenditure.

ESG Considerations

HMHG 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, HMHG has played a crucial role in the social welfare of MHTZ by involving the construction of environmental improvement, resettlement housing and road reconstruction projects in the MHTZ of Deqing County.

In terms of corporate governance, HMHG'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).

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