

Credit Opinion

11 September 2025

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

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Huainan High-tech Investment Holding Group Co., Ltd.

Initial credit rating report

CCXAP assigns first-time long-term credit rating of BBB_g to Huainan High-tech Investment Holding Group Co., Ltd., with stable outlook

Summary

The BBB_g long-term credit rating of Huainan High-tech Investment Holding Group Co., Ltd. ("HHTI" or the "Company") reflects Huainan Municipal Government's (1) strong capacity to provide support, and (2) very high willingness to provide support, based on our assessment of the Company's characteristics.

Our assessment of Huainan Municipal Government's capacity to provide support reflects Huainan City's regional advantages, with ongoing economic growth, but is constrained by its moderate fiscal profile. In addition, Huainan High-tech Industrial Development Zone ("Huainan HIDZ"), as a national-level HIDZ, is in a stage of rapid development.

The rating also reflects the local government's willingness to provide support, which is based on the Company's (1) ownership by the Huainan Municipal Government; (2) essential role as an important infrastructure investment and financing entity in Huainan City, especially in Huainan HIDZ; and (3) good track record of receiving government support.

However, the rating is constrained by the Company's (1) increasing debt burden with relatively high debt leverage; (2) medium exposure to contingent risk; and (3) weak asset quality.

The stable outlook on HHTI's rating reflects our expectation that the local government's capacity to provide support will remain stable, and the Company will maintain its important role in the provision of urban development in Huainan City over the next 12 to 18 months.

Rating Drivers

- Essential role as an important infrastructure investment and financing entity in Huainan City
- High sustainability of infrastructure construction projects in Huainan HIDZ
- Good track record of receiving government support
- Increasing debt burden with relatively high debt leverage
- Medium exposure to contingent risk
- Weak asset quality
- Moderate access to funding

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) the Huainan Municipal 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 an increase in its strategic significance.

What could downgrade the rating?

The rating could be downgraded if (1) the Huainan Municipal 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 a decrease in its strategic significance; a decrease in government payments; or an increase in exposure to commercial activities.

Key Indicators

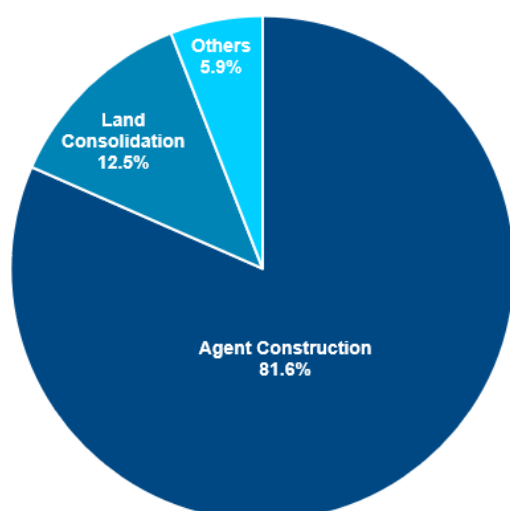
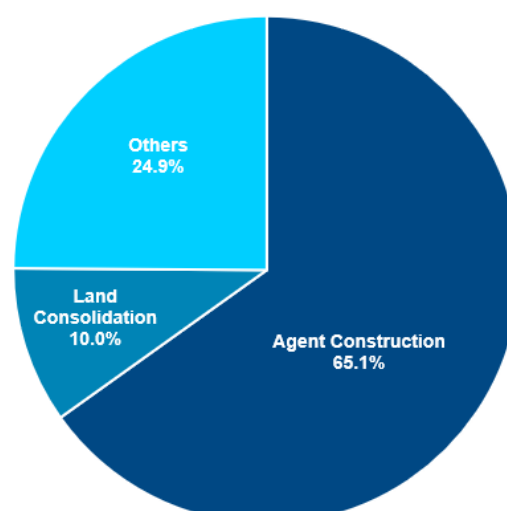
	2022FY	2023FY	2024FY	2025Q1
Total Asset (RMB billion)	23.3	27.1	29.4	30.4
Total Equity (RMB billion)	13.8	13.9	14.0	14.1
Total Revenue (RMB billion)	1.6	1.9	2.1	0.5
Total Debt/Total Capital (%)	36.9	45.6	49.9	51.5

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

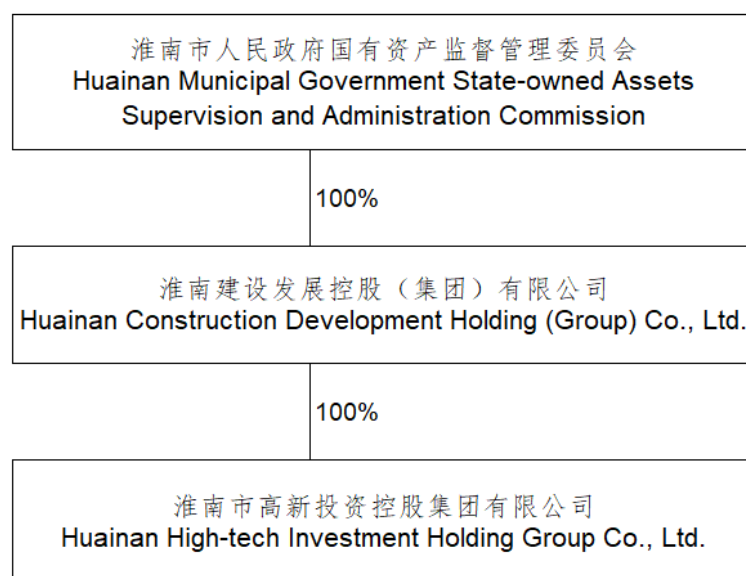
Source: Company data, CCXAP research

Corporate Profile

HHTI was established in 2020, functioning as an important infrastructure investment and financing entity in Huainan City and a core subsidiary of Huainan Construction Development Holding (Group) Co., Ltd. ("HCDH"). The Company primarily engages in public utilities within Huainan HIDZ, including infrastructure construction and land development. In addition, it conducts commercial activities including property leasing and equity investments. In July 2023, all the Company's equity interests were transferred to HCDH. As of 30 June 2025, the Company was wholly owned by HCDH, with the ultimate controller being Huainan Municipal Government State-owned Assets Supervision and Administration Commission ("Huainan SASAC").

Exhibit 1. Revenue structure in 2024**Exhibit 2. Gross profit structure in 2024**

Source: Company information, CCXAP research

Exhibit 3. Shareholding chart as of 30 June 2025

Source: Company information, CCXAP research

Rating Considerations

Government's Capacity to Provide Support

We believe that Huainan Municipal Government has strong capacity to provide support as reflected by Huainan City's regional advantages, with ongoing economic growth, but is constrained by its moderate fiscal profile. In addition, Huainan HIDZ, as a national-level HIDZ, is in a stage of rapid development.

Anhui Province, located in the central-eastern part of China, is one of the core members of the Yangtze River Delta Urban Agglomeration and a key national comprehensive transportation hub. It is led by strategic emerging industries such as new energy vehicles, new display and integrated circuits, supported by traditional manufacturing bases in home appliances, steel, and building materials, with coordinated development of modern agriculture and cultural and tourism industries. Anhui Province's economy grew steadily in 2024, with

its gross regional product ("GRP") increasing from RMB4,705.1 billion in 2023 to RMB5,062.5 billion, ranking 11th among all provinces in China with a year-on-year ("YoY") growth of 5.8%. Meanwhile, its general budget revenue reached RMB404.2 billion, maintaining a three-year average tax revenue ratio of 64.3%, demonstrating good fiscal stability. In addition, Anhui Province has a relatively heavy debt burden, which reached RMB1,852.7 billion in 2024, accounting for 36.6% of its GRP.

Located in north-central Anhui Province within the Yangtze River Delta Economic Zone, Huainan City is a crucial node in the Huaihe River urban belt and a core member of the Hefei Metropolitan Area. It is rich in coal resources and serves as a national base for new energy initiatives, a key industrial hub in East China, and a significant manufacturing center in Anhui. Its economy is anchored by two traditional pillar industries, coal mining and electric power, while it is also expanding five strategic emerging sectors: new-generation information technology, new energy vehicles and components, high-end equipment manufacturing, biopharmaceuticals, and new materials. Huainan City's economy demonstrated sustained growth, with a GRP of RMB171.6 billion in 2024, ranking 12th among Anhui's prefecture-level cities and a 5.0% YoY increase. In addition, the fiscal strength of Huainan Municipal Government has gradually improved. Its general public budget revenue amounted to RMB13.6 billion in 2024, with the tax revenue ratio averaging around 60% over the past three years. However, Huainan City's fiscal self-sufficiency remains relatively weak, with an average fiscal balance ratio (general public budget revenue/general public budget expenditure) of 40.5% during 2022–2024. However, the outstanding government debt of Huainan City has increased year by year, reaching RMB68.1 billion as of the end of 2024, accounting for 39.7% of its GRP.

Exhibit 4. Key economic and fiscal indicators of Huainan City

	2022FY	2023FY	2024FY
GRP (RMB billion)	154.1	160.2	171.6
GRP Growth (%)	2.0	5.1	5.0
General Budgetary Revenue (RMB billion)	12.0	13.1	13.6
General Budgetary Expenditure (RMB billion)	29.9	31.6	34.0
Local Government Debt (RMB billion)	42.1	59.1	68.1

Source: Statistics Bureau of Huainan City, CCXAP research

Government's Willingness to Provide Support

Essential role as an important infrastructure investment and financing entity in Huainan City

There are 5 major state-owned entities in Huainan City with clearly defined roles, including HHTI, HCDH, Huainan Industrial Development (Group) Co., Ltd. ("HIDG"), Huainan Communications Holding (Group) Co., Ltd. ("HCHG") and Huainan High-tech Investment (Group) Co., Ltd. ("HHIG"). HCDH serves as the primary entity for urban infrastructure construction and state-owned asset operations in Huainan City. HIDG functions as a key player in industrial investment within Huainan City, undertaking tasks such as state-owned asset disposal, investment and financing for industrial projects, and other operational businesses. HCHG is responsible for road management and the construction of municipal infrastructure projects in Huainan City. HHTI, a core subsidiary of HCDH, is an important state-owned enterprise in Huainan City, primarily engaging in the investment and construction of urban infrastructure and industrial parks within Huainan HIDZ, while also conducting equity investment activities. HHIG, a core subsidiary of HHTI, focuses on urban infrastructure development and land consolidation projects in Huainan HIDZ. Considering the Company's strategic significance to the development of Huainan City and Huainan HIDZ, we believe the Company is unlikely to be replaced by other local state-owned enterprises in the foreseeable future.

High sustainability of infrastructure construction projects in Huainan HIDZ

HHTI undertakes the infrastructure investment function within the scope of Huainan HIDZ, mainly responsible for the construction of infrastructure, industrial parks, indemnificatory housing and other projects in the region, and also in charge of the land consolidation business of Huainan HIDZ. We believe that the large project reserves can ensure the sustainability of the Company's public-policy projects, but exert considerable capital expenditure pressure.

HHTI is a key infrastructure development entity in Huainan City, primarily responsible for the construction of infrastructure, industrial parks, and public housing projects within Huainan HIDZ, operated under an agency construction model with funding sources that include self-raised capital and government fiscal allocations. The Company maintains a substantial pipeline of ongoing and planned infrastructure projects, ensuring strong operational stability and sustainability. As of 31 March 2025, HHTI had 15 projects under construction with an uninvested amount of RMB3.1 billion, along with 6 planned projects involving a total planned investment of RMB1.6 billion, indicating large capital expenditure pressure.

Additionally, HHTI is responsible for land consolidation activities within Huainan HIDZ, including land acquisition, relocation, resettlement, and site preparation works (such as access roads, water, power supply, and land leveling), with the project funds self-raised by the Company. As of 31 March 2025, all receivables from land consolidation business have been collected. The Company's land consolidation projects have been basically completed and there are no ongoing or planned land consolidation projects, indicating relatively weak business sustainability.

Low exposure to commercial activities with certain investment risks

In addition to public utilities, HHTI is involved in property leasing and equity investment businesses. We consider HHTI's exposure to commercial businesses to be low, as its market-driven businesses account for less than 5% of its total assets. However, the Company faces certain capital expenditure pressure and investment risks from its equity investment business.

HHTI participates in property leasing business. Its leasing assets include industrial, educational, and social assets, as well as public resettlement housing, primarily sourced from self-operation projects and government allocations. The leasing business is conducted through direct leasing, with an occupancy rate of 66.2%. From 2022 to the first quarter of 2025, the Company generated total rental revenue of RMB150.0 million, which provides a supplementary income to the Company. In addition, the local government provides subsidies for vacant industrial plants. From 2022 to 2024, the Company received vacancy subsidies totaling RMB99.0 million. Furthermore, the Company has 2 ongoing self-operation projects with a total planned investment of RMB440.0 million and an uninvested amount of RMB431.0 million, and they are expected to achieve financial balance through leasing and sales. The construction progress of the projects and the rental and sales performance after completion will have an impact on the property leasing business.

HHTI also conducts equity investment business, primarily through fund investments (mainly as a Limited Partner). As of 31 March 2025, the Company had participated in 6 fund investment projects, with a total planned contribution amount of RMB2.0 billion, and an uncontributed amount of RMB1.1 billion. These projects were primarily funded with the Company's own capital and are focused on emerging industries such as new energy, new materials, high-end manufacturing, and semiconductors. However, all fund investment projects are in the investment period and have not generated investment returns. Furthermore, two of the invested new-energy automobile enterprises have been listed under enforcement actions by judicial authorities. As of 31 March 2025,

the Company's cumulative investment in these two entities amounted to RMB343.0 million, indicating certain investment risks.

Good track record of receiving government support

HHTI, as a key infrastructure investment, financing and construction entity in Huainan City, has continuously received financial support from the Huainan Municipal Government, primarily in the form of financial subsidies and payments from agent construction projects. From 2022 to 2025Q1, the Company received government subsidies and tax refunds totaling RMB750.4 million, including factory building vacancy subsidies. In addition, during the same period, the Company obtained a total of RMB4.3 billion in payment collection from agent construction projects. Overall, given its important role and contribution to regional economic development, we believe that HHTI will continue to receive support from the Huainan Municipal Government to underpin its business operations.

Increasing debt burden with relatively high debt leverage

As the progress of project construction, the Company's debt burden has increased, with its total debt expanding from RMB8.1 billion in 2022 to RMB14.9 billion as of 31 March 2025, while its total capitalization ratio increased from 36.9% to a relatively high level of 51.5%. Furthermore, the Company faces certain short-term debt repayment pressure. As of 31 March 2025, its short-term debt accounted for 18.4% of total debt, and the cash-to-short-term-debt ratio stood at 0.2x, indicating that its cash and cash equivalents are insufficient to cover short-term debt. With the increase in investments in agent construction projects and equity investments, we expect that the Company will continue to rely on external financing to meet its future capital expenditure needs, and its debt burden will continue to grow over the next 12 to 18 months.

Medium exposure to contingent risk

HHTI faces a medium contingent liability risk. As of 31 March 2025, the Company's external guarantee amount was RMB762.4 million, accounting for 5.4% of its net assets. The guaranteed enterprises include state-owned enterprises and private enterprises in Huainan City, and the private-owned enterprises are investment-attracting enterprises in Huainan HIDZ, all of which have established counter-guarantee measures. However, two of the private-owned enterprises have been included in the list as an entity subject to enforcement with total external guarantee amount of RMB56.3 million, exposing the Company to certain contingent liability risks.

Weak asset quality

HHTI's asset quality is weak, as reflected by its poor asset liquidity and limited profitability. As of 31 March 2025, the Company's total assets mainly consisted of inventory and receivables, accounting for 89.4% of its total assets. The inventory is primarily composed of project development costs and land assets, while the receivables are mainly intercompany receivables from the Huainan Municipal Government and other state-owned enterprises, primarily consisting of funds related to agent construction projects. All these assets are considered to have weak liquidity. In addition, the profitability of these assets remains limited.

Moderate access to funding

HHTI has a moderate financing channel from bank borrowings, which accounted for 74.5% of its total debt as of 31 March 2025. The Company maintains solid cooperation with multiple commercial banks. As of 31 March 2025, the Company had obtained a total credit facilities of RMB22.7 billion, of which RMB4.4 billion had been unused, indicating a certain level of standby liquidity. Moreover, the Company has access to onshore bond

market through its subsidiary. As of 30 June 2025, the Company had one outstanding corporate bond, with a total amount of RMB140.0 million. However, it has medium exposure to non-standard financing, which accounted for 23.6% of its total debt as of 31 March 2025. We expect that the Company will continue to diversify its funding channels, such as expanding its credit facilities.

ESG Considerations

HHTI assumes environmental risks through its infrastructure projects. Such risks can be mitigated by conducting environmental studies and detailed planning before the start of projects, as well as close supervision during the construction period.

As a public service provider in Huainan HIDZ, HHTI also faces social risks. Population changes, public awareness and social priorities shape the government's goals for HHTI or affect the government's inclination to support the company.

Since HHTI is a government-owned entity that undertakes a public policy role, it is required to be subject to supervision by local governments and fulfill reporting requirements, which also reflects the importance of its governance.

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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