

Credit Opinion

17 November 2025

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

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Huizhou Transportation Investment Group Co., Ltd.

Surveillance credit rating report

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

Summary

The A_g long-term credit rating of Huizhou Transportation Investment Group Co., Ltd. ("HTIG" or the "Company") reflects Huizhou Municipal Government's (1) very 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 Huizhou Municipal Government's capacity to provide support reflects Huizhou City's good geographic advantage and strong industrial development, with ongoing economic growth.

The rating also reflects the local government's willingness to support, which is based on the Company's (1) dominant role in transportation construction and operation of Huizhou City; (2) high sustainability in local public activities; and (3) track record of receiving government payments.

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

The stable outlook on HTIG's rating reflects our expectation that the local government's capacity to support will remain stable, and the Company will maintain its dominant role in transportation infrastructure construction and operation in Huizhou City over the next 12-18 months.

Rating Drivers

- Dominant role in the transportation construction and operation of Huizhou City
- High sustainability in local public activities
- Medium exposure to commercial activities
- Track record of receiving government payments
- High debt growth and leverage
- Moderate asset quality
- Moderate contingent risks arising from external guarantees

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) the local government's capacity to provide support strengthens; and (2) the Company's characteristics change in a way that strengthens the local government's willingness to provide 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 provide support weakens; or (2) the Company's characteristics change in a way that weakens the local government's willingness to provide support, such as decrease in its strategic significance, decrease in government payments, or increase in exposure to commercial activities.

Key Indicators

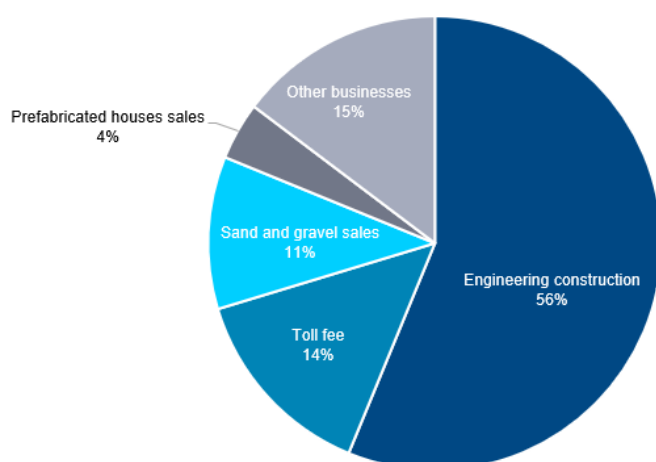
	2022FY	2023FY	2024FY	2025Q1
Total Asset (RMB billion)	73.0	85.3	93.2	94.6
Total Equity (RMB billion)	23.4	25.1	26.3	25.9
Total Revenue (RMB billion)	3.1	6.8	7.5	0.9
Total Debt/Total Capital (%)	60.6	64.2	66.3	68.1

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

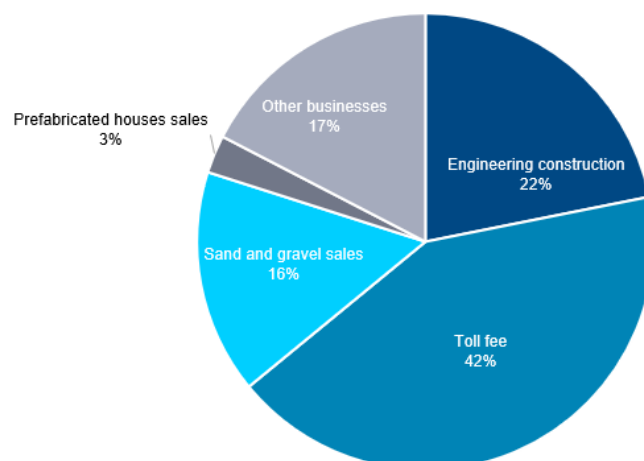
Source: Company information, CCXAP research

Corporate Profile

Established in 2012, HTIG is the most important local infrastructure investment and financing company ("LIIFC") for transportation infrastructure construction and operation in Huizhou City. The Company is mainly engaged in toll road construction and operation, engineering construction, and public transportation operation. In addition, the Company is also engaged in commercial businesses, including freightage transportation and sandstone sales. As of 31 March 2025, the State-owned Assets Supervision and Administration Commission of Huizhou Municipal Government ("Huizhou SASAC") held 90% equity interests of HTIG, while the Guangdong Provincial Department of Finance held the remaining 10%. Huizhou SASAC is the ultimate shareholder of the Company.

Exhibit 1. Revenue structure in 2024

Source: Company information, CCXAP research

Exhibit 2. Gross profit structure in 2024**Exhibit 3. Shareholding chart as of 31 March 2025**

Source: Company information, CCXAP research

Rating Considerations

Government Capacity to Provide Support

We believe that the Huizhou Municipal Government has a very strong capacity to provide support, as reflected by its good geographic advantage and strong industrial development, with ongoing economic growth.

Guangdong Province is one of the most economically developed provinces in China, and its comprehensive economic strength outperforms other provinces. The gross regional product ("GRP") of Guangdong Province achieved RMB14.2 trillion in 2024, ranking first among all provinces in China, with a year-on-year ("YoY") increase of 3.5%. In 2024, its general budgetary revenue reached RMB1.4 trillion, ranking first in China for more than 30 consecutive years. In the first nine months of 2025, Guangdong Province achieved a GRP of RMB10.5 trillion, with a YoY growth rate of 4.1%.

Huizhou City is a key transportation hub on the east coast of China's Guangdong-Hong Kong-Macao Greater Bay Area. It boasts a robust transportation infrastructure, including an airport handling more than 2 million passengers annually and several major rail lines. Additionally, the city's extensive expressway network has a total length of more than 900 kilometers, further enhancing its connectivity and accessibility within the province. Huizhou City has built a "2+1" modern industrial cluster, with petrochemical energy, new materials, and electronic information as pillar industries.

In 2024, the GRP of Huizhou City grew to RMB613.6 billion from RMB564.0 billion in 2023. In 2025H1, Huizhou City achieved a GRP of RMB291.0 billion, with a YoY growth rate of 5.1%. The general budgetary revenue increased slightly from RMB47.3 billion in 2023 to RMB47.6 billion in 2024. In 2024, the GRP and general

budgetary revenue of Huizhou City ranked 5th and 6th among 21 prefecture-level cities in Guangdong Province, respectively. Its fiscal stability is moderate, with tax income accounting for around 52.8% of general budgetary revenue in 2024. It also has a moderate fiscal balance, with a general budgetary revenue to general budgetary expenditure ratio of 67.7% in 2024. In addition, Huizhou City's government fund revenue decreased by 38.9% YoY to RMB11.2 billion in 2024 due to the real estate market headwinds. Its outstanding government debt also increased rapidly to RMB150.8 billion in 2024 from RMB123.1 billion in 2023, which accounted for 24.6% of its GRP.

Exhibit 4. Key Economic and Fiscal Indicators of Huizhou City

	2022FY	2023FY	2024FY
GRP (RMB billion)	540.1	564.0	613.6
GRP Growth (%)	4.2	5.6	4.2
General Budgetary Revenue (RMB billion)	44.2	47.3	47.6
General Budgetary Expenditure (RMB billion)	69.3	72.7	70.3
Local Government Debt (RMB billion)	105.0	123.1	150.8

Source: Statistics Bureau of Huizhou City, CCXAP research

Government Willingness to Provide Support

Dominant role as the most important transportation construction and operation entity in Huizhou City

There are six functional LIIFCs in Huizhou City, with business covering transportation construction and operation, urban construction, water affairs, industrial investment, port construction and investment, and financial services. The Company is the largest municipal state-owned enterprise in Huizhou City in terms of total assets and the most important entity in investment, construction, operation and management of transportation infrastructure. Benefiting from Huizhou City's status as a regional transportation hub, the Company has been able to invest in various important public projects such as Huida Expressway and Huiyan Expressway. Considering its high strategic significance to the development of Huizhou City, we believe the Company is unlikely to be replaced by other local state-owned enterprises in the foreseeable future.

High sustainability in local public activities

The Company's transportation business has high sustainability given the considerable amount of transportation construction projects in the pipeline and the strong traffic volume in the Huizhou Area. However, the large outstanding investment amount has also exerted large capital expenditure pressure on the Company.

As the most important transportation construction and operation entity in Huizhou City, the Company is responsible for the operation and management of expressways within Huizhou City. As of 31 March 2025, the Company had operated 3 expressways with a total toll mileage of 150.5 kilometers. The toll fee income amounted to RMB1.1 billion in 2024, representing a YoY growth of 13.5%, which is mainly due to the opening of Huilong Expressway. However, Huiyan Expressway is scheduled to undergo full-route maintenance with an expected expense of RMB72.0 million, which may negatively affect the toll fee revenue in 2025. As of 31 March 2025, there are 2 controlled expressways under construction, with a total investment of RMB35.6 billion and an outstanding amount of RMB14.1 billion, bringing certain capital expenditure pressure to the Company. In addition, the Company has also invested in expressways through equity participation, such as the Guanghui Expressway and Guanghe Expressway. As of 31 March 2025, the Company invested in 6 expressways through equity participation, with a total mileage of 459.6 kilometers. Equity investment in expressways provides a stable

dividend income for the Company, contributing an investment income of RMB153.0 million for the Company in 2024.

HTIG has also participated in 3 national and provincial highways construction under the PPP model, where the Company is responsible for the capital funds based on its proportion of shareholding. After completion of the projects, the breakeven will be achieved by government payments, which are included in Huizhou City's medium and long-term fiscal expenditure. As of 31 March 2025, the project companies had invested RMB3.6 billion in the highway construction projects. The Company had recorded revenue of RMB554.0 million from the PPP projects, but only received repayment of RMB22.6 million.

Moreover, the Company is responsible for the public bus transportation in Huizhou City, with 652 buses and 53 bus routes with a total mileage of 1,075.1 kilometers as of 31 March 2025. This segment relies on government subsidies to achieve breakeven, but the public bus transportation subsidy has declined in the past few years due to changes in the settlement mechanism.

Medium exposure to commercial activities

HTIG also engages in commercial businesses, including freightage transportation, engineering construction, property development, parking lot operation, and sandstone sales. We consider the Company's exposure to commercial businesses to be medium, accounting for 25% to 30% of its total assets.

The freightage transportation business is mainly operated via Huida Railway, with a total length of 51 kilometers, connecting Huizhou West Railway Station and Huizhou Daya Bay Economic and Technological Development Zone ("Huizhou Daya Bay ETDZ"). The majority of goods are chemical products. In 2024, the volume of goods delivered via Huida Railway decreased slightly to 9.1 million tons from 10.3 million tons in 2023, resulting in revenue of around RMB211.4 million. As of 31 March 2025, the Company had 1 railway project under construction, with planned total investment of RMB2.5 billion and an outstanding amount of RMB670.0 million.

HTIG is also engaged in the engineering construction business. The projects are mainly road and parking lots. In 2024, the revenue from the engineering construction business increased by 13.2% YoY. As of 31 March 2025, the Company had 18 major contracts with a total contract value of around RMB29.2 billion, of which the Company has completed a contract value of RMB13.2 billion and recognized revenue of RMB8.0 billion. The large number of contracts on hand is expected to provide sustainable income for the Company.

The sand and gravel sales business is the third-largest contributor to the Company's revenue. Due to the tepid demand and fierce market competition, the sand and gravel sales revenue decreased by 30.9% YoY to RMB810.5 million in 2024. As of 31 March 2024, the Company had obtained the mining rights of 8 green quarries in Huizhou City, with a total sandstone reserve of approximately 1.6 billion tons and an annual mining volume of approximately 74.8 million tons. Meanwhile, the Company had 9 quarries in operation or under construction, with a total planned investment of RMB23.0 billion and an uninvested amount of RMB6.6 billion, which brings certain capital expenditure pressure to the Company. With the completion of quarries, the sales revenue is expected to rise.

The Company also participates in the property development business. As of 31 March 2025, there were 2 property development projects under construction, with a total planned investment of RMB3.0 billion and an uninvested amount of RMB294.0 million, and the Company had no property development project planned. However, the slowdown of the property market in China may pose pressure on the Company's property sales and revenue recognition. As of 31 March 2025, the Company's property projects' selling rates were relatively

low, and the Company has received pre-sale payment of RMB7.3 million.

The parking lot operation business has started to generate profit since 2023. In 2024, the Company's parking lot operation revenue increased by 16.0% YoY to RMB103.1 million, with the gross profit margin slightly increasing to 27.5%. As of 31 March 2025, the Company had a total of 83 parking lots in operation, and 3 parking lots under construction with a total planned investment of RMB780.0 million and an uninvested amount of RMB220.0 million. The Company's revenue from the parking lot business is expected to further increase after the completion of those construction projects.

Track record of receiving government payments

As the most important transportation infrastructure construction and operation entity in Huizhou City, HTIG has a track record of receiving government support in the form of capital injection, asset transfer, and financial subsidies. From 2024 to 2025Q1, the local government has provided financial subsidies of RMB178.0 million to the Company. The Company also received a special project fund of RMB1.0 billion from the government for its project construction. Considering the Company's strategic importance in Huizhou City, we expect the local government will give ongoing support to the Company in the future.

High debt growth and leverage

HTIG's total debt has continued to increase due to external financing needs from the construction projects. As of 31 March 2025, the Company's total debt (including perpetual bonds) increased from RMB45.0 billion at end-2023 to RMB55.3 billion, with the capitalization ratio maintained at a high level of 68.1%. Nevertheless, the short-term repayment pressure has been alleviated. The short-term debt accounted for 15.2% of its total debt (2023: 22.6%), and the cash to short-term debt ratio was 0.8x at end-2025Q1 (2023: 0.4x). Given its continuous investment in expressways and other transportation infrastructure projects, we expect the Company will maintain a high debt growth and high debt leverage in the foreseeable future.

Moderate asset quality

The Company's asset liquidity is moderate, which may undermine its financing flexibility. As of 31 March 2025, the Company's total assets mainly consisted of inventories, construction in progress, and intangible assets, accounting for around 61.2% of total assets. The inventories are mainly construction costs and property development projects; the construction in progress is mainly self-owned road assets such as expressways; and intangible assets are mainly expressway toll rights and mining rights, all with weak liquidity. Nevertheless, the toll road assets and sandstone mines can provide stable income and cash flow to the Company.

Meanwhile, its restricted asset was RMB14.5 billion as of end-2024, representing 15.6% of the total asset. The restricted asset was mainly the charge rights of its expressways, which were used as collateral for bank borrowings.

Good access to funding

As the most important transportation construction and operation entity in Huizhou City, HTIG has good access to funding from banks and the bond market. As of 31 March 2025, bank loans accounted for 76.5% of the total debt, with an average financing cost of 3.3%. The Company has sufficient standby liquidity. As of 31 March 2025, it had obtained total credit facilities of RMB112.5 billion, with an available amount of RMB72.6 billion. The Company also has good recognition in the onshore debt capital markets. From January 2024 to July 2025, the Company issued private corporate bonds and medium-term notes with a total issuance amount of RMB6.3

billion and coupon rates ranging from 1.95% to 2.60%. The Company has low reliance on non-standard financing, which accounted for 8.4% of its total debt with a reasonable average financing cost of around 4.2% as of 31 March 2025. Considering its important status in Huizhou City, we expect the Company to maintain access to stable funding and retain good refinancing capabilities.

Moderate contingent risks arising from external guarantees

The Company has a medium contingent liability risk, which may increase its repayment obligations given its magnitude of external guarantees. As of 31 December 2024, the Company had outstanding external guarantees of RMB3.2 billion, accounting for 11.8% of its net assets. However, most of the external guarantees were provided to privately owned expressway construction enterprises in which the Company has equity participation. Given the importance of the Company and the social impact of the relevant expressways in Huizhou City, we believe the government will likely provide necessary support if certain credit events occur.

ESG Considerations

HTIG assumes environmental risks through its infrastructure construction projects, such as high-speed railway and expressway construction. 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, HTIG has played a crucial role in the social welfare of Huizhou City by being involved in transportation construction and operations in Huizhou City.

In terms of corporate governance, HTIG'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. In 2024, several key personnel of the Company were investigated and removed by the regulatory authority. According to our assessment, such matter has no material impact on the Company's credit quality. Meanwhile, the corporate governance of the Company is yet to be improved.

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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