

Credit Opinion

13 February 2026

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

Analyst Contacts

Amy Chen +852-2860 7127

Credit Analyst

amy_chen@ccxap.com

Eddie Li +852-2860 7130

Credit Analyst

eddie_li@ccxap.com

Elle Hu +852-2860 7120

Executive Director of Credit Ratings

elle_hu@ccxap.com

**The first name above is the lead analyst for this rating and the last name above is the person primarily responsible for approving this rating.*

Client Services

Hong Kong +852-2860 7111

Huai'an Southern City Construction Investment Group Co., Ltd.

Initial credit rating report

CCXAP assigns first-time long-term credit rating of A_g- to Huai'an Southern City Construction Investment Group Co., Ltd., with stable outlook.

Summary

The A_g- long-term credit rating of Huai'an Southern City Construction Investment Group Co., Ltd. ("HSCI" or the "Company") reflects (1) the Huai'an Municipal Government's very strong capacity to provide support; and (2) the local government's very high willingness to provide support, based on our assessment of the Company's characteristics.

Our assessment of the local government's capacity to provide support reflects Huai'an City's relatively strong economic condition and fiscal strengths as well as sustainable industrial development.

The rating also reflects the local government's willingness to provide support, which is based on the Company's (1) strong position in state-owned assets operation and infrastructure construction in Huai'an City, particularly the southern urban area; (2) high importance in public activities with sufficient project pipelines; and (3) good track record of receiving government support.

However, the Company's rating is constrained by its (1) moderate risk exposure to commercial activities; (2) moderate asset liquidity and relatively high short-term debt burden; and (3) contingent liability risks arising from large external guarantees.

The stable outlook on HSCI's rating reflects our expectation that Huai'an Municipal Government's capacity to provide support will be stable, and that the Company will maintain its important role in the economic and social development of Huai'an City over the next 12 to 18 months.

Rating Drivers

- Strong position in state-owned assets operation and infrastructure construction in Huai'an City, particularly the southern urban area
- High importance in public activities with sufficient project pipelines
- Moderate risk exposure to commercial activities
- Moderate asset liquidity and relatively high short-term debt burden
- Bank loans as primary funding sources, providing adequate liquidity buffer
- Good track record of receiving government support
- Contingent liability risks arising from large external guarantees

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) the local government's capacity to support strengthens; or (2) the Company's characteristics change in a way that strengthens the local government's willingness to provide support, such as improved debt management, material decrease in external guarantees or reduced exposure to risky commercial activities.

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 provide support, such as reduced strategic significance, increased exposure to commercial activities or deteriorated refinancing ability.

Key Indicators

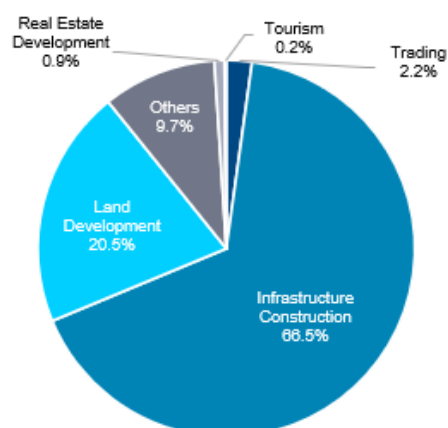
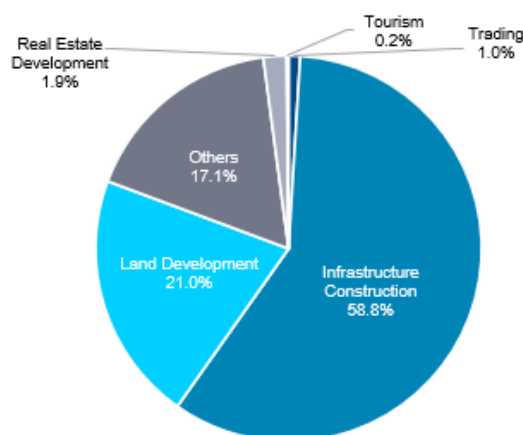
	2022FY	2023FY	2024FY	2025Q3
Total Assets (RMB billion)	42.6	52.6	51.9	54.2
Total Equity (RMB billion)	22.2	29.3	29.3	35.4
Total Revenue (RMB billion)	1.5	1.9	1.9	1.6
Total Debt/Total Capital (%)	40.9	34.0	33.8	31.3

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

Source: Company data, CCXAP research

Corporate Profile

Founded in 2012, HSCI is one of the major local infrastructure investment and financing companies ("LIIFCs") in Huai'an City, Jiangsu Province. In 2023, Huai'an Municipal Government implemented a strategic reorganization, injecting multiple state-owned enterprises, natural resources, and operational rights into the Company. After the reorganization, it was designated as the primary entity responsible for state-owned asset operation and infrastructure construction in the southern urban area of Huai'an City. The Company primarily conducts infrastructure construction, land consolidation, and resettlement housings development in the designated region, supplemented by diversified commercial activities such as property development, cultural tourism resource development, and financial services businesses including finance leasing, guarantee services and small loans. As of 30 September 2025, the Company was directly and wholly owned by the State-owned Assets Supervision and Administration Commission of Huai'an Municipal Government ("Huai'an SASAC"), with the registered capital of RMB2.0 billion and received capital of RMB1.5 billion.

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

Source: Company information, CCXAP research

Rating Considerations

Government's Capacity to Provide Support

We believe the Huai'an Municipal Government has a very strong capacity to provide support given its relatively strong economic condition and good industrial base.

Jiangsu Province is one of the leading and well-developed provinces in China. It is home to many of the world leading enterprises of electronic equipment, chemicals, and textiles. Jiangsu Province is the second largest province in China by gross regional product ("GRP"), after Guangdong Province. In 2024, its total GRP amounted to RMB13.7 trillion, a year-over-year ("YoY") increase of 5.8%. The GRP per capita for the same period was RMB160,694.0, ranking third among all provinces in China. According to preliminary calculations, Jiangsu Province realized a GRP of RMB14.2 trillion in 2025, up 5.3% YoY.

Located in the eastern part of the Jianghuai Plain, Huai'an City is a prefecture-level city administrated under Jiangsu Province and is the central city of the northern region of Jiangsu Province, with a total area of 10,030 square kilometers. Huai'an City has a national economic and technological development zone and a national high-tech industrial development zone. In recent years, it has remained a stable industrial structure, and its industrial production has achieved rapid growth driven by the pillar sectors such as information technology, equipment manufacturing, new materials, and green food. In 2024, Huai'an City's fixed asset investment above designated size increased by 13.3% from 2023 and growth rate ranked first in Jiangsu Province. In 2024, there were 327 enterprises in Huai'an City approved as national high-tech enterprises and the output value of high-tech industries accounted for 36.0% of Huai'an City's industrial output value.

In 2024, Huai'an City recorded a GRP of RMB541.3 billion and achieved a YoY increase of 7.1%, ranking second in Jiangsu Province in terms of growth rate; in 2025, it achieved a GRP of RMB563.0 billion and a YoY growth rate of 5.9%. With the continuous economic growth and industrial development, Huai'an City's general budgetary revenue also maintained a stable growth trend. In 2024, it reported a general budgetary revenue of RMB32.6 billion, increasing by 2.8% from 2023. Tax revenue represented a large proportion of its general budgetary revenue, accounting for 74.0% on average over the past three years, indicating good fiscal quality. However, its fiscal self-balance was relatively weak, with a ratio of 44.5% on average. Governmental fund revenue serves as a critical fiscal supplement, yet it has experienced a decline in recent years influenced by the fluctuations in the land market and real estate sector. Huai'an Municipal Government also relies on transfer

income and government debt issuance to achieve balance. As of the end of 2024, the outstanding direct debt of Huai'an Municipal Government amounted to RMB103.1 billion, accounting for 19.1% of GRP.

Exhibit 3. Key economic and fiscal indicators of Huai'an City

	2022FY	2023FY	2024FY
GRP (RMB billion)	474.2	501.5	541.3
GRP Growth (%)	3.6	7.8	7.1
General Budgetary Revenue (RMB billion)	30.0	31.7	32.6
General Budgetary Expenditure (RMB billion)	65.9	71.7	74.2
Local Government Debt (RMB billion)	75.1	83.3	103.1

Source: Huai'an Municipal Government, CCXAP research

Hongze District is the major administrative district in the southern part of Huai'an City. In recent years, it has experienced robust growth in its industrial economy, focusing on developing the fiber new materials industry while leveraging resources such as Hongze Lake and Baima Lake to foster tourism. Hongze District's traditional industries primarily include agriculture, salt chemical production, and machinery manufacturing. In 2024, Hongze District reported a GRP of RMB46.7 billion, recording an economic growth of 7.3% YoY. Meanwhile, its general budgetary revenue slightly decreased to RMB2.6 billion from RMB2.7 billion in 2023 with a moderate fiscal self-sufficiency ratio averaging 42.1% over the past three years.

Government's Willingness to Provide Support

Strong position in state-owned assets operation and infrastructure construction in Huai'an City, particularly the southern urban area

In 2023, to implement Huai'an City's urban development strategy of southern integration and eastern expansion, and to optimize the allocation of state-owned resources, the local government initiated a restructuring of the Company. On one hand, the Company's shareholder changed to Huai'an SASAC in November 2023, and its registered capital increased to RMB2.0 billion. On the other hand, since 2023, equity shares in multiple SOEs within Hongze District, along with mining rights for sand and gravel resources and land assets, were transferred to the Company at nil consideration according to the arrangement of Huai'an Municipal Government. Benefiting from these asset transfers, the Company has expanded its business scope and significantly enhanced its capital strength. As of 30 September 2025, HSCI's total assets and net assets amounted to RMB54.2 billion and RMB35.4 billion.

As one of the key municipal-level platforms under the Huai'an Municipal Government, HSCI has a clearly defined operational scope different from other LIIFCs. Its activities focus on the southern urban area of Huai'an City, with Hongze District as the core area, while also extending to municipally administered zones such as the Huai'an Industrial Park and Baima Lake area. Within these regions, the Company is primarily responsible for shantytown redevelopment, agency construction of municipal infrastructure, water conservancy projects, and resettlement housing construction, exhibiting strong public welfare and social livelihood attributes. Meanwhile, as a key state-owned asset operating entity in the region, HSCI manages a significant portfolio of strategically allocated state-owned resources, including seedlings, lands, and water conservancy facilities, which further reinforces its public service role. The failure of HSCI, in our view, would adversely affect the regional economy and social welfare, while also posing reputation risks to the local government.

High importance in public activities with sufficient project pipelines

HSCI plays an important role in public activities including undertaking infrastructure construction, water

conservancy construction, resettlement housing construction and rural housing improvement in the southern urban area of Huai'an City. Benefiting from the ongoing economic development of Huai'an City, the Company's public welfare projects on hand are large, which support the stability and sustainability of its public service role.

In terms of infrastructure construction, HSCI's projects are primarily located in Hongze District, while also encompassing certain municipal areas such as Huai'an Industrial Park and Bai Ma Lake Area. The infrastructure construction projects are conducted mainly under the agency construction model through the Company's subsidiaries. Under the agency construction model, HSCI and its subsidiaries are responsible for the financing and investment and recognize a markup on total cost as revenue after examinations of projects. Over the past several years, HSCI has completed a number of key infrastructure construction projects with a total investment of RMB5.8 billion and a total repayment of RMB4.3 billion. As of 30 June 2025, the Company had 23 key infrastructure projects under construction and 10 key projects under planning, with an expected total investment amount and outstanding investment amount of around RMB5.9 billion and RMB2.1 billion, respectively. These projects mainly include the construction of roads, resettlement housing construction and other public facilities. Sufficient projects on hand support the good continuity and stability of HSCI's infrastructure construction business.

HSCI carries out land consolidation business in Hongze District under the planning of the local government. The Company performs the tasks of land acquisition, demolition and land preparation through self-financing, and recognizes a markup on total cost as revenue after the land reaches the standard. As of 30 June 2025, the Company's cumulative total investment in land consolidation had been RMB2.4 billion, with a total repayment of RMB778.4 million. The cash collection from the completed land consolidation projects is relatively lagging behind. Meanwhile, the Company had 7 major land parcels under consolidation and 2 land parcels to be consolidated, with a total investment of RMB368.9 million yet to be incurred. Overall, the sustainability of the Company's land consolidation business is relatively good; however, the revenue recognition and cash collection are susceptible to the influence of local land market conditions and the arrangement for the allocation of fiscal resources.

Moderate risk exposure to commercial activities

The Company also engages in commercial activities that mainly include property development, financial services, and tourism resource development. Based on our assessment, HSCI's exposure to commercial activities was moderate. Although these types of commercial activities expand and diversify the Company's revenue, they are highly subject to market conditions and might bring considerable counterparty and operational risks to the Company.

HSCI's property development business includes both resettlement housings and commercial properties. For targeted resettlement housings, the Company acquires land through tender and auction, funds the development independently, and constructs the properties. Upon completion, the units are sold to designated government entities at pre-agreed prices, with any remaining units marketed to the general public. As of 30 June 2025, the Company had completed 5 major resettlement housing projects with a total investment of RMB2.1 billion, most of which have been sold out. At the same time, the Company engages in commercial property development through self-developed and co-developed models. As of 30 June 2025, the Company had 1 joint venture residential property project under construction, under which it had invested RMB463.0 million and collected amount of RMB683.6 million. Additionally, 2 self-development commercial property projects were under construction, with a total investment amount of RMB1.4 billion, which are expected to achieve funding balance through a combination of rental income and sales revenue. The property development business is highly subject

to the counterparty operation, economic conditions and the local real estate market. The funding balance for the Company's commercial property projects under construction is primarily achieved through leasing, which extends the project recovery cycle and renders it more susceptible to fluctuations in regional investment promotion environments.

HSCI provides financial services primarily in Huai'an City, including financial leasing, guarantee services and small loans. Financial services have diversified the Company's business structure, though the current contribution to overall revenue remains relatively modest. From 2022 to 2024, the revenue from financial services business increased from RMB13.7 million to RMB30.6 million. The Company carries out its financial leasing business mainly through sale-leaseback business model. As of 30 June 2025, the outstanding leasing assets amounted to RMB629.0 million, with a non-performing loan ratio of 0% for the past three years. The Company's guarantee services business is offered to small and medium-sized enterprises, sole traders and individuals within Hongze District, generally requiring counter-guarantee measures to be provided. As of 30 June 2025, the Company's outstanding guaranteed amount was RMB133.4 million with an outstanding compensatory balance of RMB15.1 million to be recovered. Certain projects may face challenges in subsequent recovery efforts due to the complexity and protracted nature of the recourse procedures. As of 30 June 2025, the outstanding amount of the small loans business was RMB290.6 million. With the continuous expansion of financial services, the Company faces increasing challenges in credit risk management and control over contingent liabilities, placing higher demands on its risk management capabilities.

The Company undertakes cultural tourism projects through both self-operated and collaborative development models. Under the self-operated model, the Company raises funds for the development and construction of scenic area projects, with capital recovery primarily dependent on ticket sales and other operational revenues. Its cultural tourism projects include parks, traditional villages, hotels, and one AAAA-rated scenic area named the Hongze Ancient Weir Scenic Area. However, ticket and related revenue from these attractions remain relatively low at present. Under the collaborative development model, the Company established a joint venture with Huai'an Investment Holding Group Co., Ltd., contributing land valued at RMB200.0 million and holding 10% equity stake, to construct and operate two amusement parks. Both parks are in the early operational phase and have not yet reached profitability, the Company has not received any dividend income. As of 30 June 2025, the Company had 7 self-operated cultural tourism projects under construction and 2 projects under planning, with a total estimated investment of RMB1.7 billion and an uninvested amount of approximately RMB1.2 billion. As the total income from the operation of cultural tourism projects is limited due to the early stage of these projects and the outstanding investment is large, it is expected that the Company will continue to require significant capital expenditure to build and operate these projects in the future. Meanwhile, the tourism development projects have relatively long payback periods.

Good track record of receiving government support

HSCI has received ongoing support from the Huai'an Municipal Government, including capital injections, asset transfers, government subsidies and payments for previous construction projects, which could help the Company meet its policy objectives and financial obligations. Since 2023, the Company has continued to receive equity injection in various local SOEs from the local government, which became the important subsidiaries of the Company to carry out its main business. In addition, the Company received the several assets, such as operating rights for sand and gravel resources, municipal water pipes and landscaping assets such as saplings, from the local government. In 2025, a 40% equity stake in Huai'an Hongze Industrial Investment Holding Group Co., Ltd. ("HZII") was transferred to the Company under the local government's planning, increasing the Company's capital reserves by RMB6.0 billion. The Company also continues receiving subsidies and

repayments from the local government in terms of the infrastructure construction businesses, despite a long collection period. For example, HSCI has received government subsidies with a total amount of approximately RMB1.1 billion from 2022 to 2025Q3. Overall, given the Company's key role in the development and operation of land assets and infrastructure construction, we believe that HSCI will receive ongoing government support.

Moderate asset liquidity and relatively high short-term debt burden

HSCI's asset liquidity was moderate as its assets were comprised mainly of receivables and inventories. Receivables mainly arise from project settlement with local SOEs and government units, which formed a drain on the Company's fund. On top of that, the Company's inventories were relatively sizable, accounting for around 46.3% of its total assets as of 30 September 2025. The inventories represent development costs of infrastructure construction, real estate projects, as well as land reserves with moderate liquidity. In addition, the Company's long-term equity investments and intangible assets collectively accounted for around 21.6% of its total assets, the majority of which comprise HZII's equity shares and the operating rights for sand and gravel resources injected from the local government, with low liquidity and limited profitability. As of 30 September 2025, the Company's total restricted assets amounted to RMB4.5 billion, accounting for 8.3% of total assets, mostly due to borrowings.

Benefiting from sustained government funding support in line with regional government debt control policies, coupled with the deconsolidation of multiple subsidiaries in 2024, HSCI's total debt level has continued to decline from RMB15.4 billion at the end of 2022 to RMB14.9 billion at the end of 2024. In the first three quarters of 2025, the Company's debt increased by 7.7% from end-2024 to RMB16.1 billion. The debt leverage, measured by the total capitalization ratio (total debt/total capital), dropped from 40.9% at end-2022 to 31.3% as of 30 September 2025. HSCI faces certain short-term refinancing pressures with the short-term debt accounting for 33.9% of its total debt, and the cash to short-term debt ratio was moderate at 0.4x as of 30 September 2025. The Company's ongoing and planned projects will continue to rely on external financing, consequently, we expect that its debt level is expected to increase in the next 12 to 18 months.

Bank loans as primary funding sources, providing adequate liquidity buffer

HSCI's funding channels primarily consist of bank loans and non-standard financing products. Bank loans accounted for around 89.9% of its total debts as of 30 September 2025. The Company maintains good relationships with major policy banks and joint-stock commercial banks, including the Agricultural Development Bank of China and China Minsheng Bank, which support its access to credit facilities. As of 30 September 2025, the Company had total bank facilities of RMB24.2 billion and the available portion amounted to RMB11.3 billion, providing good liquidity buffer. HSCI had moderate non-standard financing exposure, which accounted for around 8.2% of its total debts as of 30 September 2025. With the maturity of legacy bond issuances, the Company currently has no access to direct bond financing. Against ongoing regulatory tightening on new bond issuance by LIIFCs, the Company has faced difficulty in raising funds through the onshore bond market in recent years. Overall, we expect the Company's refinancing risk to be relatively manageable over the next 12-18 months, supported by its established bank relationships and available non-standard financing channels.

Contingent liability risks arising from large external guarantees

HSCI bears moderate contingent risk resulting from the relatively large external guarantees. As of 30 June 2025, the Company had outstanding external guarantees of RMB12.8 billion (excluding the exposure associated with its guarantee business), representing 36.3% of its net assets, the majority of which are provided to SOEs within Hongze District, including a PPP project company. Large exposure to guarantees will increase the Company's

contingent liability risk. The Company's contingent liabilities are subject to regional risks due to the mutual guarantee situation. In case a credit event occurs in the region, the Company may face certain contingent liability risks, which could negatively impact its credit quality. In addition, the Company's guarantee services primarily target small and medium-sized enterprises, sole traders and individuals. The poor operating performance of the guaranteed enterprises or individuals could increase the contingent liability risks for HSCI.

ESG Considerations

HSCI assumes environmental risks through its major infrastructure construction projects. Such risks could be moderated by conducting environmental studies and planning prior to the start of the projects, and close supervision during the construction phase.

HSCI bears social risks as it implements public policy initiatives by conducting infrastructure construction, land consolidation, and resettlement housings development projects in Huai'an City. Demographic changes, public awareness and social priorities shape the Company's development targets and ultimately affect the local government's propensity to support the Company.

HSCI's governance considerations are also material as the Company is subject to oversight by Huai'an Municipal Government and has to meet several 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 \(July 2022\)](#).

Appendix

Exhibit 4. Peer comparison

	Huai'an Investment Holding Group Co., Ltd.	Huai'an Traffic Holding Group Co., Ltd.	Huai'an Southern City Construction Investment Group Co., Ltd.
Long-Term Credit Rating	A _g -	A _g -	A _g -
Shareholder	Huai'an Urban Development Investment Holdings Group., Ltd. (100%)	Huai'an Traffic Industry Investment Development Group Co., Ltd. (70%) and Huai'an State Joint Investment Development Group Co., Ltd. (30%)	Huai'an SASAC (100%)
Positioning	Key entity in infrastructure construction, land consolidation, regional hydro-environmental governance and resettlement housing in Huai'an City	Important entity in infrastructure construction, state-owned assets management, and capital operation in Huai'an ETDZ	Key entity in in state-owned assets operation and infrastructure construction in Huai'an City, particularly the southern urban area
Total Asset (RMB billion)	286.9	57.8	51.9
Total Equity (RMB billion)	119.9	24.4	29.3
Total Revenue (RMB billion)	17.9	3.2	1.9
Total Debt/Total Capital (%)	49.8	58.6*	33.8

All ratios and figures are calculated using CCXAP's adjustments based on financial data in 2024. The ratios marked with *, the total debt/total capital ratios for Huai'an Traffic Holding Group Co., Ltd., is calculated based on financial data as of 2024Q3.

Source: Company information, CCXAP research

Copyright © 2026 China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP"). All rights reserved.

No part of this publication may be reproduced, resold, or redistributed in any form or by any means, without prior written permission of CCXAP.

A credit rating is the analytical result of current credit worthiness and forward-looking opinion on the credit risk of a rated entity or a debt issue. Credit ratings issued by CCXAP are opinions on the current and relative future credit risk of the rated entities or debt issues, but do not address any other risks, including but not limited to liquidity risk, market price risk, and interest rate risk.

Credit ratings, non-credit assessments, and other opinions included in CCXAP's publications are not recommendations for investors to buy, sell, or hold particular securities, nor measurements of market value of the rated entities or debt issues. While obtaining information from sources it believes to be reliable, CCXAP does not perform audit and undertakes no duty of independent verification or validation of the information it receives from the rated entities or third-party sources.

All information contained herein belongs to CCXAP and is subject to change without prior notice by CCXAP. CCXAP considers the information contained herein to be accurate and reliable. However, all information is provided on an "as is" and "as available" basis and CCXAP does not guarantee accuracy, adequacy, completeness, or timeliness of the information included in CCXAP's publications.

To the extent where legally permissible, CCXAP and its directors, officers, employees, agents and representatives disclaim liability to any person or entity (i) for any direct or compensatory losses or damages, including but not limited to by any negligence on the part of, and any contingency within or beyond the control of CCXAP or any of its directors, officers, employees, agents or representatives, arising from or in connection with the information contained herein or the use of or inability to use any such information; and (ii) for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if CCXAP or any of its directors, officers, employees, agents or representatives is advised in advance of the possibility of such losses or damages.

China Chengxin (Asia Pacific) Credit Ratings Company Limited

Address: Suites 1904-1909, 19/F, Jardine House,
1 Connaught Place, Central, Hong Kong

Website: www.ccxap.com

Email: info@ccxap.com

Tel: +852-2860 7111

Fax: +852-2868 0656