CCXAP affirms Huainan High-tech Investment Holding Group Co., Ltd.'s long-term credit rating at BBB$_g$, with stable outlook.

Hong Kong, 14 September 2026 – China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") has affirmed the long-term credit rating of Huainan High-tech Investment Holding Group Co., Ltd. ("HHTI" or the "Company") at BBB$_g$, with stable outlook.

The BBB$_g$ long-term credit rating of HHTI 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) full 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.

Corporate Profile

Established in 2020, HHTI is 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. As of 30 June 2026, the Company was wholly owned by HCDH, with the ultimate controller being Huainan Municipal Government State-owned Assets Supervision and Administration Commission ("Huainan SASAC").

Rating Rationale

Credit Strengths

Essential role as an important infrastructure investment and financing entity 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. 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. As of 31 March 2026, 10 ongoing projects had RMB4.4 billion of remaining investment, while 5 planned projects totaled RMB1.5 billion. We believe that the large project reserves can ensure the sustainability of the Company's public-policy projects, but exert considerable capital expenditure pressure.

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. Agent construction collections totaled RMB3.1 billion in 2023-2025 and RMB36 million in 2026 Q1, while factory vacancy subsidies totaled RMB121 million in 2023-2025. 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.

Credit Challenges

Increasing exposure to commercial activities with certain investment risks. HHTI engages in property development and leasing business, managing a portfolio that includes residential, industrial, and educational assets, as well as resettlement housing. As of end-March 2026, the Company had several self-operated projects under construction and planning, with a total investment amount of RMB2.4 billion and RMB1.2 billion respectively. HHTI also participates in fund investments to support industrial growth in Huainan HIDZ. However, these investments remain in the deployment phase and have yet to generate returns. In addition, weak operational performance across certain underlying portfolio assets exposes the Company to elevated external investment risks.

Increasing debt burden and weak asset quality. As project construction progressed, the Company's debt burden increased, with total debt expanding from RMB11.7 billion in 2023 to RMB19.3 billion as of 31 March 2026, while its total capitalization ratio increased from 45.6% to a relatively high level of 57.9%. 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. HHTI's asset quality is weak, as reflected by its poor asset liquidity and limited profitability. As of 31 March 2026, the Company's total assets mainly consisted of inventory and receivables, accounting for 87.6% of its total assets.

Medium exposure to contingent risk. HHTI faces medium contingent liability risk, primarily stemming from its outstanding guarantees provided to private enterprises and the weak operational performance of certain guaranteed entities. As of 31 March 2026, the Company's external guarantee balance was RMB1.3 billion, accounting for 9.6% of its net assets. An outstanding guarantee of RMB 7.9 million was provided to a private company, while the remainder comprised guarantees for state-owned enterprises within the region. HHTI's guarantees for private enterprises resulted in cumulative claim payouts of RMB51.4 million as of end-March 2026, and the Company is currently seeking recovery through legal channels.

Rating Outlook

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.

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 support, such as an increase in its strategic significance or improved debt management.

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 a decrease in its strategic significance, a decrease in government payments; or an increase in 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).

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