Credit Opinion

14 July 2026

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

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Huzhou City Investment Development Group Co., Ltd.

Surveillance credit rating report

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

Summary

The A_g long-term credit rating of Huzhou City Investment Development Group Co., Ltd. ("HIDG" or the "Company") reflects Huzhou Municipal Government's very strong capacity to provide support, and the local government's extremely high willingness to provide support, based on our assessment of the Company's characteristics.

Our assessment of Huzhou Municipal Government's capacity to provide support reflects Huzhou City's geographic advantage, with ongoing economic growth and good fiscal stability. However, the capacity to provide support is constrained by its relatively weak debt profile.

The rating also reflects the local government's willingness to provide support, which is based on the Company's (1) major role in urban infrastructure construction and public services of Huzhou City; (2) high sustainability of local public activities; (3) good track record of receiving ongoing government supports; and (4) good access to funding and sufficient standby liquidity.

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

The stable outlook on HIDG's rating reflects our expectation that the local government's capacity to provide support will remain stable, and the Company will maintain its essential position in the development of Huzhou City over the next 12 to 18 months.

Rating Drivers

- Major role in urban infrastructure construction and public services of Huzhou City
- High sustainability of local public activities
- Medium exposure to commercial activities
- Good track record of receiving ongoing government supports
- High debt leverage with large capital expenditure pressure
- Moderate asset quality
- Good access to funding and sufficient standby liquidity

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 lowering of debt leverage or improvement in assets 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 decrease in its strategic significance; decrease in government payments; or increase in exposure to commercial activities.

Key Indicators

	2023FY	2024FY	2025FY	2026Q1
Total Asset (RMB billion)	144.6	158.0	166.5	169.6
Total Equity (RMB billion)	48.8	50.0	53.6	53.6
Total Revenue (RMB billion)	17.4	18.2	13.2	2.4
Total Debt/Total Capital (%)	62.2	65.1	64.6	65.5

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

Source: Company data, CCXAP research

Corporate Profile

Founded in 1993, HIDG is the most important local infrastructure investment and financing companies ("LIIFC") as well as the largest state-owned operation platform in Huzhou City. The Company mainly engages in the urban infrastructure construction, water supply and gas supply services in Huzhou City. It has also participated in other commercial activities such as property development, trading, and property leasing business. As of 31 March 2026, the Company was directly and wholly owned and controlled by the State-owned Assets Supervision and Administration Commission of Huzhou Municipal Government ("Huzhou SASAC").

Exhibit 1. Revenue structure in 2025

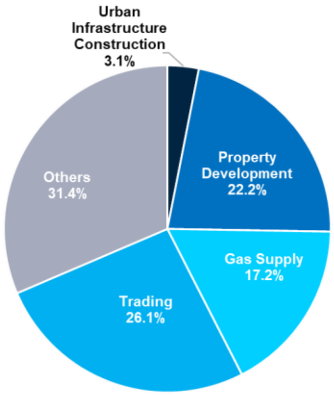
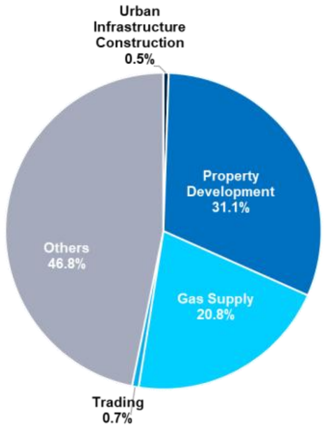


Exhibit 2. Gross profit structure in 2025



Source: Company information, CCXAP research

Rating Considerations

Government Capacity to Provide Support

We believe that Huzhou Municipal Government has a very strong capacity to provide support as reflected by its good geographic advantage, with ongoing economic growth and good fiscal stability.

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. The integrated development of the Yangtze River Delta region is a national-level strategy for coordinated regional development, which gives a strong impetus to the growth of cities within the region. Huzhou City has four leading industries including information technology, high-end equipment, health and tourism. It has achieved a significant increase in gross regional product ("GRP") over the past three years. It also has good fiscal stability, with relatively stable general budgetary revenue, and of which tax income accounting for around 82.07% for the past three years. Its fiscal balance remained at a moderate level, with general budgetary revenue to general budgetary expenditure ratio of 66.55% in 2025. However, Huzhou Municipal Government's debt burden was high with an outstanding direct government debt of RMB187.3 billion at end-2025, accounting for 42.1% of its GRP and 162.2% of its total fiscal revenue.

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

Government Willingness to Provide Support

Major role in urban infrastructure construction and public services of Huzhou City

As the largest LIIFC by total assets in Huzhou City, HIDG continues to play a significant role in implementing the Huzhou Municipal Government's urban development plans. The Company undertakes a variety of municipal infrastructure projects within the city, making great contributions to the urbanization of the region. The Company is also the core platform for development and construction of Changdong Area in South Taihu New Area, the core area for elevating the status and capacity of Huzhou, which aligns with Huzhou Municipal Government's blueprint. It is also the most primary public utility services provider in Huzhou City, responsible for water supply in the central urban area and certain towns of the city, and is the major gas supply entity in the city. Considering its strategic significance to the development of Huzhou City, we believe the Company is unlikely to be replaced by other local state-owned enterprises in the foreseeable future.

High sustainability of local public activities

The Company continues to undertake urban infrastructure construction projects including roads, bridges, buildings, parks, hospitals and medical institutions, drainage systems and other public facilities under agency construction mode. As of 31 March 2026, the Company had completed infrastructure construction projects with a total investment of RMB22.4 billion and a total receivable amount of RMB29.3 billion, and had received payments of RMB17.8 billion, indicating moderate payment collection progress. Besides, the Company had 20 infrastructure construction projects under construction, with total estimated investment of RMB30.3 billion and an uninvested amount of around RMB5.1 billion. The Company's agency construction business is sustainable given considerable infrastructure construction projects under construction in the pipeline, which could also exert certain capital expenditure pressure to the Company.

The Company continues to participate in water business, involving tap water supply and wastewater treatment. As a major water supplier in Huzhou City, the Company provides tap water to over one million residents in an area of approximately 1,570 square kilometers in Huzhou City via 5[1] water supply plants. The Company's total water supply capacity remained 1.02 million tons/day (excluding the emergency backup plant), while the annual water supply increased due to the growth in the number of water supply customers. Besides, the Company is also a major wastewater treatment provider in Huzhou City, carrying out the wastewater treatment of the entire central urban area and Taihu Lake Resort Area via 4 wastewater treatment plants. Due to its monopoly status, water supply business provides stable income and cash flow to the Company.

The Company is one of the prominent piped natural gas distributors in Huzhou City, offering the most extensive package of gas supply services in most of Wuxing District and the whole Nanxun District. The gas supply business is conducted through its subsidiaries including Huzhou Gas Co., Ltd. ("Huzhou Gas", stock code: 6661.HK). Although the profit margin of this business is highly susceptible to the fluctuation of natural gas prices, the Company's gas supply income was relatively stable in recent years. This business has provided a good supplement to the Company's revenue, which achieved a revenue of RMB2.3 billion in 2025, accounting for 17.2% of its total revenue. We expect the gas supply services business will continue to provide stable income to the Company.

As a key force for implementing housing policies and improving the housing conditions for low-income households in Huzhou City, HIDG engages in the construction and development of affordable housing in the region. Upon completion of construction, the Company will sell the affordable houses to targeted residents based on government-guided prices. As of 31 March 2026, the Company had completed 20 affordable housing projects, with a total investment of RMB16.9 billion, and had received project payments of RMB13.5 billion, indicating good payment collection progress. However, as of 31 March 2026, it had no affordable housing development projects under construction or planning, which indicates an uncertainty in sustainability of this business.

Medium exposure to commercial activities

[1] One of the water supply plants serves as an emergency backup plant.

HIDG's commercial businesses mainly include property development, trading, and property leasing businesses. We consider the Company’s exposure to commercial businesses to be medium, accounting for around 20% to 30% of its total assets. While the commercial activities generate supplemental income, they may also pose higher operational and business risks to the Company.

The Company continues to develop commercial housing, targeting the mid to high-end retail market in Huzhou City. As of 31 March 2026, it had 25 commercial housing completed projects, with total sales of RMB10.5 billion and received payments of 10.1 billion, indicating good payment collection progress. Besides, it had 8 commercial housing development projects under construction with total investment amount of RMB16.2 billion and uninvested amount of around RMB7.3 billion, exerting high capital expenditure pressure to the Company. In addition, under the sluggish real estate market circumstance, the revenue from the Company's commercial housing projects decreased by 39.3% YoY in 2025.

HIDG also continues to engage in property leasing and management business, including office buildings and commercial plazas, providing supplementary income to the Company and achieved revenue of RMB563.0 million in 2025. As of 31 March 2026, the Company had 5 leasable properties with total leasable area of 364.6 thousand square meters and average occupancy rate of over 80%. Besides, the Company is responsible for the construction of CBD projects in the Changdong Area of South Taihu New Area, using self-operation mode. As of 31 March 2026, it had 6 CBD projects under construction with total estimated investment of RMB14.5 billion and uninvested amount of around RMB7.4 billion, exerting large capital expenditure pressure to the Company as the Company needs to finance by itself. Self-operation projects generally have relatively long-term operation period, so the return on investment from self-operation projects bears more uncertainties.

The Company engages in trade business, with products including steel and bulk commodities, and Yangtze River Delta region as the main sales area. The trade business accounts for 26.1% of the Company's total revenue but contributes less than 1% to the gross profit. The business has a relatively concentrated customer base as the sales from the top five customers accounted for 94.1% of the total sales in 2025, among which, the sales proportion of the top ranked customer reached 65.3%. Besides, the Company runs concrete sale business, but the revenue of this business declined significantly in 2025 due to the downturn of infrastructure and real estate markets.

Good track record of receiving ongoing government supports

As a significant state-owned enterprise wholly owned by and under the direct supervision of the Huzhou SASAC, HIDG has a proven track record of receiving government support in the form of capital injection, asset transfers, and financial subsidies. In 2023, the Company received the equity of Huzhou City Culture and Tourism Operation Group Co., Ltd. and Huzhou Leibo Human Resources Service Co., Ltd. from the local government, increasing capital reserve by approximately RMB3.0 billion and also broadening its business scope. In 2024, the government also provided special funds, equity assets and supporting project capital of totally RMB1.3 billion to the Company to support its operation and project construction. In 2025, the Company and subsidiaries received government funding and asset injections, increasing capital reserves by approximately RMB1.0 billion. Besides, the Company received government subsidies including interest subsidies, totally of RMB354.1 million in 2025. Given its essential position in Huzhou City, we expect the local government will continue to support the Company in the future.

High debt leverage with large capital expenditure pressure

HIDG has an increasing debt burden and a high debt leverage along with the expansion in business scale and continuous investment in construction projects. The Company's adjusted total debt increased from RMB93.0 billion at end-2024 to RMB101.6 billion as of 31 March 2026, with a high total capitalization ratio of 65.5%. Nevertheless, the Company has reasonable debt structure, as reflected by its the short-term debt to total debt ratio of 25.5% as of 31 March 2026. We expect the Company's debt leverage to remain at a high level, given its large capital expenditure needs for its extensive construction projects in the pipeline.

Moderate asset quality

The Company's asset liquidity is weak, which may undermine its financing flexibility. The Company's total assets mainly consist of inventories, investment properties and fixed assets, all with weak liquidity. As of 31 March 2026, the Company's inventories amounted to RMB97.5 billion, accounting for 57.5% of total assets, and mainly consisting of construction costs caused by infrastructure construction and property development projects. The sluggish real estate market environment may have a greater negative impact on the Company's inventory depletion and may cause inventory impairment. Nevertheless, it has investment properties with a value of RMB20.3 billion for leasing, accounting for 12.0% of total assets, providing stable supplementary income to the Company. In addition, the Company has water and gas supply assets, which provide stable cash flow to the Company and to a certain extent enhance the profitability of its assets.

Good access to funding and sufficient standby liquidity

HIDG has good access to funding from banks and capital markets, and has low reliance on non-standard financing. The Company has sufficient standby liquidity. As of 31 March 2026, the Company had obtained total credit facilities of RMB88.5 billion from diversified domestic policy banks and commercial banks, with available amount of RMB38.2 billion. The Company also has strong market recognition in debt capital markets. As of 30 June 2026, the Company had an outstanding onshore debt amount of RMB45.2 billion, including various bond types such as corporate bonds, MTNs, SCPs, and PPNs, and outstanding offshore debt amount of USD795.0 million. The listing of Huzhou Gas on the Hong Kong Exchange has also broadened the Company's equity financing channels. Given the important position of the Company in Huzhou City, its funding access is expected to remain unobstructed.

ESG Considerations

HIDG assumes environmental risks through its infrastructure construction projects as well as water and gas provision. 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, HIDG has played a crucial role in the social welfare of Huzhou City by involving the construction of ecological restoration and greening system project in Huzhou City.

In terms of corporate governance, HIDG'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).

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.

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