Credit Opinion

11 December 2025

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

Analyst Contacts

Peter Chong +852-2860 7124
Associate Director of Credit Ratings
peter_chong@ccxap.com

Iris Chen +852-2860 7132
Credit Analyst
iris_chen@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

Huaiyuan Investment Group Co., Ltd.

Surveillance credit rating report

CCXAP affirms Huaiyuan Investment Group Co., Ltd.'s long-term credit rating at BBB_g-, with stable outlook.

Summary

The BBB_g- long-term credit rating of Huaiyuan Investment Group Co., Ltd. ("HYIG" or the "Company") reflects (1) Huaiyuan County Government's relatively strong capacity to provide support; and (2) the local government's extremely high willingness to provide support, based on our assessment of the Company's characteristics.

Our assessment of Huaiyuan County Government's capacity to provide support reflects Huaiyuan County's economic importance in Bengbu City, but constrained by its relatively weak fiscal metrics.

The rating also reflects the local government's willingness to provide support, which is based on the Company's (1) strong policy role in the development of Huaiyuan County; and (2) good track record of receiving government support.

However, the rating is constrained by the Company's (1) medium exposure to commercial activities; (2) increasing debt level to support investment in construction projects.

The stable outlook on HYIG's rating reflects our expectation that Huaiyuan County Government's capacity to provide support will remain stable, and that the Company will maintain its important position in the development of Huaiyuan County over the next 12 to 18 months.

Rating Drivers

- Strong policy role in the development of Huaiyuan County
- Medium exposure to commercial activities
- Good track record of receiving government support
- Increasing debt level to support investment in construction projects
- Moderate asset liquidity
- Diversified source of funding

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) Huaiyuan County Government's ability 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 improved debt management and reduced exposure to commercial activities.

What could downgrade the rating?

The rating could be downgraded if (1) Huaiyuan County Government's ability to provide support weakens; or (2) the Company's characteristics change in a way that decreases the local government's willingness to provide support, such as reduced regional significance or deteriorated debt management.

Key Indicators

	2022FY	2023FY	2024FY	2025Q3
Total Asset (RMB billion)	79.2	84.9	84.5	82.2
Total Equity (RMB billion)	36.4	36.8	33.8	32.6
Total Revenue (RMB billion)	3.7	5.4	4.9	3.1
Total Debt/Total Capital (%)	41.2	42.5	46.0	46.7

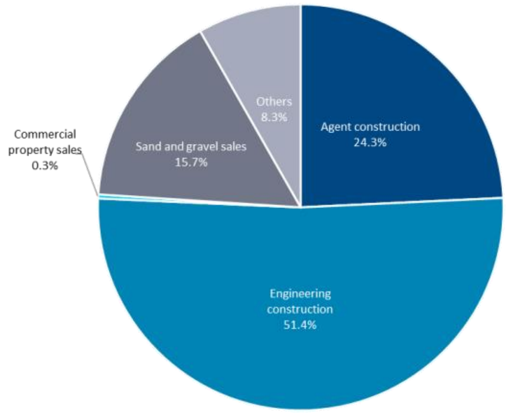
All ratios and figures are calculated using CCXAP's adjustments.

Source: Company data, CCXAP research

Corporate Profile

Founded in 2018, HYIG is the largest local infrastructure investment and financing company ("LIIFC") in Huaiyuan County. The Company is primarily engaging in diversified businesses, such as infrastructure construction, affordable housing and shantytown construction, industrial park construction, land consolidation, bridge toll operations, and commercial property. As of 30 September 2025, State-owned Assets Supervision and Administration Commission of Huaiyuan County People's Government was the ultimate controller of HYIG, directly holding 100% shares of the Company.

Exhibit 1. Revenue structure in 2024



Source: Company information, CCXAP research

Rating Considerations

Government's Capacity to Provide Support

We believe the Huaiyuan County Government has a relatively strong capacity to provide support to the Company, given its economic importance in Bengbu City, but is constrained by its relatively weak fiscal metrics.

Located in the northern part of Anhui Province, Bengbu City is an important comprehensive transport hub in East China. The city has a solid industrial foundation and has been actively developing emerging industries in recent years, including silicon-based new materials and new-generation information technology. Bengbu City demonstrates relatively strong economic strength, though its fiscal condition remains moderate. In 2024, Bengbu City's Gross Regional Product ("GRP") reached approximately RMB231.3 billion, ranking 9th among all 16 cities in Anhui Province. The city's general budgetary revenue continued to grow, rising to around RMB18.5 billion in 2024. The fiscal balance ratio—measured as general budgetary revenue to general budgetary expenditure—remained moderate, standing at approximately 46.6% in 2024. Bengbu City's debt profile remains relatively weak, with the government debt balance increased to approximately RMB90.3 billion by the end of 2024, representing about 39.0% of GRP and around 187.3% of its total fiscal revenue.

Exhibit 2. Key economic and fiscal indicators of Bengbu City

	2022FY	2023FY	2024FY
GRP (RMB billion)	201.2	211.6	231.3
GRP Growth (%)	2.0	5.6	5.2
General Budgetary Revenue (RMB billion)	17.4	18.0	18.5
General Budgetary Expenditure (RMB billion)	36.0	36.9	39.7
Local Government Debt (RMB billion)	62.2	73.9	90.3

Source: Statistic Bureau of Bengbu City, CCXAP research

Huaiyuan County, situated in northern Anhui in the mid-reaches of the Huai River, is the most populous county under Bengbu's administration. Key industries in Huaiyuan County include machinery and auto parts manufacturing, electronics, deep processing of agricultural products, and comprehensive resource recycling such as straw reuse. Huaiyuan County has consistently led all districts and counties in Bengbu in terms of GRP in recent years. In 2024, the county's GRP grew to approximately RMB40.6 billion, supported by a continued recovery in local industrial activity. In 2025Q3, its GRP grew by 5.4% to RMB31.7 billion. General budgetary revenue of Huaiyuan County Government also increased, reaching around RMB2.9 billion in 2024. Nevertheless, Huaiyuan continues to exhibit a relatively weak fiscal profile. In 2024, its fiscal balance ratio stood at approximately 36.2%, while its fiscal stability ratio (tax revenue as a share of general budgetary revenue) was around 56.5%, reflecting a continued high dependence on fiscal transfers from upper-level governments. As of the end of 2024, Huaiyuan's outstanding government debt totaled approximately RMB12.4 billion, accounting for about 30.5% of its GRP.

Exhibit 3. Key economic and fiscal indicators of Huaiyuan County

	2022FY	2023FY	2024FY
GRP (RMB billion)	35.7	37.9	40.6
GRP Growth (%)	1.7	7.8	5.7
General Budgetary Revenue (RMB billion)	2.6	2.8	2.9
General Budgetary Expenditure (RMB billion)	7.8	7.7	8.0
Local Government Debt (RMB billion)	8.9	9.9	12.4

Source: Statistic Bureau of Huaiyuan County, CCXAP research

Government's Willingness to Provide Support

Strong policy role in the development of Huaiyuan County

HYIG is the largest LIIFC in Huaiyuan County in terms of total assets and plays an essential role in infrastructure construction. The Company is the major entity delegated by Huaiyuan County Government to carry out such businesses. HYIG assumes the functions of construction of affordable housing, shantytowns, industrial parks and roads in Huaiyuan County. The Company plays an important role in the economic development of Huaiyuan County by its contribution to the local infrastructures and capital attraction.

HYIG is engaged in infrastructure construction within Huaiyuan County mainly through agent construction model. In 2024, the Company recognized RMB1.2 billion from agent construction projects. As of 31 December 2024, the Company had a total of 14 projects under construction, including urban renewal, shantytown upgrading and road construction projects with a total planned investment of RMB15.1 billion and an outstanding amount of RMB3.5 billion. There is no agent construction project under planning.

HYIG is also responsible for land consolidation in Huaiyuan County. As of end-2024, the Company had invested about RMB3.1 billion into land consolidation projects. However, because of the untimely settlement of projects and fluctuation of land market, there is uncertainty in the sustainability of land consolidation business in the future. The Company has not recognized any revenue from this business since 2017.

HYIG is also responsible for bridge operation business. The income from this business is mainly generated from the toll rights of Jingtu Huaihe River Bridge in Huaiyuan County. The operation period is as long as 26 years, starting from 1 January 2005 to 31 December 2030. As the Company does not charge the local vehicles, the revenue of bridge operation business is still small and under deficit. In 2024, the toll income amounted to RMB14.0 million. In light of its public welfare nature and the importance to local social and economic development, the bridge operation business receives operating subsidies from the local government every year.

Medium exposure to commercial activities

Apart from public activities, HYIG is also involved in a diversified range of commercial activities that contribute part of its revenue, including industrial park constructions, and commercial property sales. Nonetheless, HYIG is no longer engaging material sales business since its subsidiary, namely Anhui Huiliang Group Co., Ltd., which was mainly responsible for material sales business, was transferred out in 2024. Due to the assets transfer out of the Company, its exposure to commercial activities has decreased to 15-20% of its total assets, but remains at a medium level. These commercial activities may also entail higher operational and business risks than public policy activities.

HYIG’s industrial parks operation business is mostly through self-construction, which aims to support local industries and supplement its income. The Company has a large investment in the construction of industrial parks, and plans to use the rent collection to recover the pre-invested funds. These self-construction projects are highly related to local industrial development and the progress of investment attraction, which may bring greater operating uncertainties to this business. At end-2024, the Company had 2 key projects under construction, with a total planned investment of RMB3.2 billion and an outstanding amount of RMB1.0 billion. Although the future investment amount is relatively large, funds from policy banks and special government bonds can alleviate part of the capital pressure.

The Company's commercial property sales mainly include the remaining marketable portion of affordable housing and the supporting commercial component. As 55% equity interests in the operating subsidiary of this business were transferred out in 2024, revenue has decreased from RMB297.9 million in 2023 to RMB15.7 million. As of the end of 2024, the Company had completed 1 commercial real estate project with an invested amount of RMB720.0 million and the selling rate reached 78.8%, indicating relatively good selling progress. However, the uncertainty exists in the commercial property development business as it is highly susceptible to the real estate market, which is under a downturn period.

The Company broadened its business scope to sand mining business in 2022. In 2021, the local government transferred sand mining rights of the river segment between Zhanglou Village and Zhouwang Village to the Company without compensation, with book value of RMB11.1 billion. In 2024, sand mining rights valued at RMB736.0 million were transferred out. The Company adopts a cooperative mining model for its sand mining business and it has entered into sand mining cooperation agreements (from 31 December 2021 to 31 December 2026) with the Land Comprehensive Improvement Project Command Centers of Longkang Town, Feinan Town, Shuangqiaoji Town, and Chu Town. Under these agreements, the Company collects an annual transfer fee without conducting actual mining operations. The sand mining business generated stable income, which amounted to RMB794.0 million in 2023 and RMB774.0 million in 2024. However, the gross profit margin of the business was as low as around 7.0% both in 2023 and 2024.

In addition, the Company engages in the leasing of water area use rights business, which accounted for 6.8% of total revenue in 2024, contributing a supplement to the Company's revenue.

Good track record of receiving government support

As the largest LIIFC of Huaiyuan County, HYIG serves an important public policy function and is strategically important to local social and economic development. The Company has a solid track record of receiving support from the local government including capital injections, asset injections and operating subsidies. The Company received government subsidies of over RMB332.7 million from 2024 to 2025Q3. In 2023, the local government injected equity assets of RMB26.4 million into the Company without compensation, broadening its business scope. In 2024, the local government injected assets of plants into the Company, enhancing its capital by RMB951.3 million. Given the Company’s important position and its close relationship with the local government, we expect that the Company will continue to receive support from the local government.

Increasing debt level to support investment in construction projects

Due to the ongoing financing for construction projects, the Company's total debt increased to RMB28.5 billion as of 30 September 2025 from RMB27.2 billion at end-2023 while its capitalization ratio increased from 42.5% to 46.7% during the same period. As of 30 September 2025, the Company had a reasonable debt structure with short-term debt accounting for 15.9% of total debt. However, the cash to short-term debt ratio was around 0.4x as of 30 September 2025, indicating certain refinancing needs. We expect the Company to rely on external financing to meet its capital expenditure plan and the debt burden will keep increasing in the next 12 to 18 months.

HYIG has controllable exposure to external guarantees, which could potentially increase its repayment obligations. As of 30 September 2025, the Company had external guarantees of RMB2.3 billion, accounting for 7.0% of its net assets. All of the guarantees were provided to state-owned enterprises within Huaiyuan County.

Moderate asset quality

HYIG's asset liquidity is weak. As of 30 September 2025, its account receivables, other receivables and inventories accounted for a relatively high proportion, totaling around 79.6% of total assets. The Company's inventories mainly include the cost of construction works, while the receivables and other receivables are mainly from the local government, all of which are considered low liquidity. At the same time, its intangible assets, mainly sand mining rights and other toll operation rights, accounted for 12.1% of total assets, which can provide supplementary income to the Company. In 2024, the Company's capital reserve decreased, primarily due to the divestiture of subsidiaries, resulting in a combined reduction of RMB3.2 billion, as well as the revaluation of certain assets, including parking spaces, sand and gravel operation rights, and the Huaiyuan Financial Center, resulting in a combined reduction of RMB1.2 billion, which impaired the profitability of the assets.

In addition, the Company had pledged some assets for loans, including cash, inventories, and receivables, with a total restricted amount of RMB11.2 billion, accounting for 13.3% of total assets at end-2024, which decreases the Company's financial flexibility.

Diversified source of funding

HYIG's large investment needs could be partially supported by its diversified source of funding. It maintains good relationships with large state-owned banks and commercial banks. As of 30 September 2025, the Company has obtained total bank credit facilities of RMB42.0 billion, with an unutilized amount of RMB5.8 billion. The Company also has good access to both onshore and offshore capital markets. The Company and its subsidiary had outstanding offshore bonds of USD100.0 million and RMB914.5 million and a series of onshore bonds of totaling RMB3.0 billion as of 30 September 2025. The Company has relatively manageable exposure to non-standard financing, which has relatively high funding costs, with a proportion of less than 10.0% of total debt as of 30 September 2025.

ESG Considerations

HYIG faces environmental risks because it has undertaken infrastructure construction projects. Such risks could be mitigated by conducting environmental studies and planning prior to the start of the projects, and close monitoring during the construction phase.

HYIG bears social risks in implementing public policy initiatives through the building of public infrastructure in Huaiyuan County. 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.

HYIG's governance considerations are also material as the Company is subject to oversight by the Huaiyuan County Government and must 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).

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