

Huizhou Huiyang City Construction and Investment Group Co., Ltd.

Summary

Issuer Rating	A-
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	3 February 2026

Lianhe Ratings Global Limited (“Lianhe Global”) has assigned ‘A-’ global scale Long-term Issuer Credit Rating with Stable Outlook to Huizhou Huiyang City Construction and Investment Group Co., Ltd. (“HYCCI” or “the company”)

Summary

The Issuer Credit Rating reflects a high possibility that the People’s Government of Huizhou City (“Huizhou government”) and Huiyang State-owned Assets Affairs Center (“Huiyang SAC”) would provide strong support to HYCCI if needed. This mainly considers Huiyang SAC’s direct full ownership of HYCCI, HYCCI’s strategic importance as an important local investment and development company (“LIDC”) that is responsible for state-owned asset operation and industry development in Huiyang District (“Huiyang”), and the linkage between the local government and HYCCI, including approval of the senior management appointment, strategic alignment, supervision of major investment and financing plan decisions and ongoing operational and financial support. In addition, the local government may face significant negative impact on its reputation and financing activities if HYCCI encounters any operational and financial difficulties.

Huizhou City (“Huizhou”) is located in the eastern part of the Greater Bay Area; it recorded a GDP of RMB613.6 billion with a growth rate of 5.4% and budgetary revenue of RMB47.1 billion. Huiyang, as a sub-center of Huizhou, is a hub of the “Shenzhen-Dongguan-Huizhou 1-hour economic circle”. Huiyang’s GDP grew by 4.4% to RMB86.9 billion in 2024, while the budgetary revenue totaled RMB6.2 billion.

The Stable Outlook reflects our expectation that HYCCI’s strategic importance would remain intact while the local government will continue to ensure HYCCI’s stable operation.

Rating Rationale

Government’s Ownership and Supervision: Huiyang SAC directly holds the full ownership of HYCCI. The local government has the final decision-making authority and strong supervision over the company, including appointment and supervision of the senior management, strategic alignment and decision on its major investment and financing plan decisions. In addition, the local government has assessment mechanism over the company and appoints auditors to review the company’s operating performance and financial position.

Strategic Importance and Strategic Alignment: HYCCI, as an important LIDC in Huiyang, is mainly responsible for urban development, construction and operation within the region, with strong regional franchise advantages. The company has actively undertaken key provincial projects, including the Sanhe Shuangneng Industrial Park project and the Huiyang District Science and Technology Innovation Center, and also has many key municipal and district projects in hand. It plays an important role in promoting the economic and social development of the region. Its business operation and strategic planning have been aligned with the government’s development plans. In addition, HYCCI also engages in merchandise

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Applicable Criteria

China Local Investment and Development Companies Criteria (31 July 2025)

sales, construction waste recycling services, property leasing, and wastewater treatment businesses.

Ongoing Government Support: HYCCI continues to receive asset and capital injections from the local government. In 2022, the company received asset transfers including water treatment plants, industrial parks, and real estate, which collectively increased capital reserves by RMB2.8 billion and significantly strengthened the company's capital position. Huiyang SAC made several additional cash investments between 2022 and June 2025, increasing the paid-in capital from RMB312.0 million in 2022 to RMB566.6 million as of June 2025. We believe the government support to HYCCI to remain intact given the company's strategic importance in Huiyang.

HYCCI's Financial Matrix and Liquidity Position: HYCCI's total assets doubled from RMB5.5 billion at end-2022 to RMB11.6 billion at end-June 2025. Total debt rose even faster, surging to RMB6.3 billion from RMB0.5 billion over the same period. Thus, the company's financial leverage, as measured by the debt to capitalization ratio, increased to 63.2% from 10.3% during this period.

The short-term debt servicing pressure of HYCCI was manageable. At end-June 2025, the company had unrestricted cash balance and unused credit facilities of RMB5,422.9 million and RMB549.5 million, respectively, while its debt due within one year was RMB1,370.7 million. HYCCI mainly relies on external financing and it maintains access to diverse funding sources, including bank loans, bond issuances, and other non-traditional channels to support ongoing operations.

Rating Sensitivities

We would consider downgrading HYCCI's rating if (1) there is perceived weakening in support from the local government, particularly due to its reduced strategic importance, or (2) there is a significant reduction of the local government's ownership of HYCCI, or (3) there is a downgrade in our internal credit assessment on the Huizhou government.

We would consider upgrading HYCCI's rating if (1) there is strengthened support from the local government, or (2) there is an upgrade in our internal credit assessment on the Huizhou government.

Operating Environment

Economic Condition of Huizhou

Huizhou is located in the eastern part of the Greater Bay Area. Huizhou's key industries are petrochemical and electronics manufacturing. Currently, the city is focusing on developing industry clusters in petrochemical energy new materials, electronic information, and life health sectors. Its economy ranks fifth among the prefecture-level cities in Guangdong Province.

Huizhou's GDP amount increased to RMB613.6 billion in 2024, from RMB594.5 billion in 2023, and its economic growth rate increased to 5.3%, from 5.2% in 2023. The GDP per capita was RMB100,320 in 2024. The economy of Huizhou was mainly boosted by the secondary and tertiary industries, which accounted for 52.0% and 42.7% of GDP in 2024, respectively.

Huizhou's Economic Condition		2022	2023	2024
(RMB billion)				
GDP		540.0	594.5	613.6
-Primary industry (%)		5.2	5.2	5.3
-Secondary industry (%)		54.9	54.4	52.0
-Tertiary industry (%)		39.9	40.3	42.7
GDP growth rate (%)		4.2	5.6	4.2
Fixed asset investment growth rate (%)		8.8	5.3	-19.4
Population (million)		6.1	6.1	6.1

Source: *Financial Bureau of Huiyang, Statistical Bureau of Huiyang and Lianhe Global's calculations*

Fiscal Condition of Huizhou

The budgetary revenue of the Huizhou government increased 0.6% to RMB47.6 billion in 2024 from RMB47.3 billion in 2023. The fiscal self-sufficiency rate of the Huizhou government remained weak, although its budget deficit narrowed to 47.7% in 2024 from 53.6% in 2023. In addition, the government fund income declined to RMB11.2 billion in 2024 from RMB18.3 billion in 2023, mainly due to the shrinking land-use right transfer income amid deteriorating property-market conditions.

The outstanding debt of the Huizhou government kept growing in past few years. At end-2024, the Huizhou government's outstanding debt increased to RMB313.7 billion from RMB275.1 billion at end-2023, mainly due to the issuance of special purpose debts to support local public projects. Its government debt ratio, as measured by the total government debt/aggregate revenue, increased to 215.8% at end-2024 from 189.5% at end-2023.

Huizhou's Fiscal Condition		2022	2023	2024
(RMB billion)				
Budgetary revenue		44.2	47.3	47.6
Budgetary revenue growth rate (%)		4.0	7.2	0.6
Tax revenue		26.9	28.3	25.2
Tax revenue (% of budgetary revenue)		60.9	59.7	52.8
Government fund income		25.8	18.3	11.2
Transfer payment		22.5	24.4	27.3
Aggregate revenue		92.8	91.6	87.6
Budgetary expenditure		69.3	72.7	70.3
Budget balance ¹ (%)		-56.9	-53.6	-47.7

¹ Budget balance = (1-budgetary expenditure / budgetary revenue) * 100%

Source: *Financial Bureau of Huiyang, Statistical Bureau of Huiyang and Lianhe Global's calculations*

Company Profile

Ownership Structure

HYCCI was established in June 2015 with an initial registered capital of RMB100.0 million. After an array of capital injections and equity transfers, HYCCI's registered capital and paid-in capital were RMB600.4 million at end-September 2025 and RMB566.6million at end-June 2025, respectively. HYCCI is 100% owned and ultimately controlled by Huiyang SAC.

Revenue Breakdown

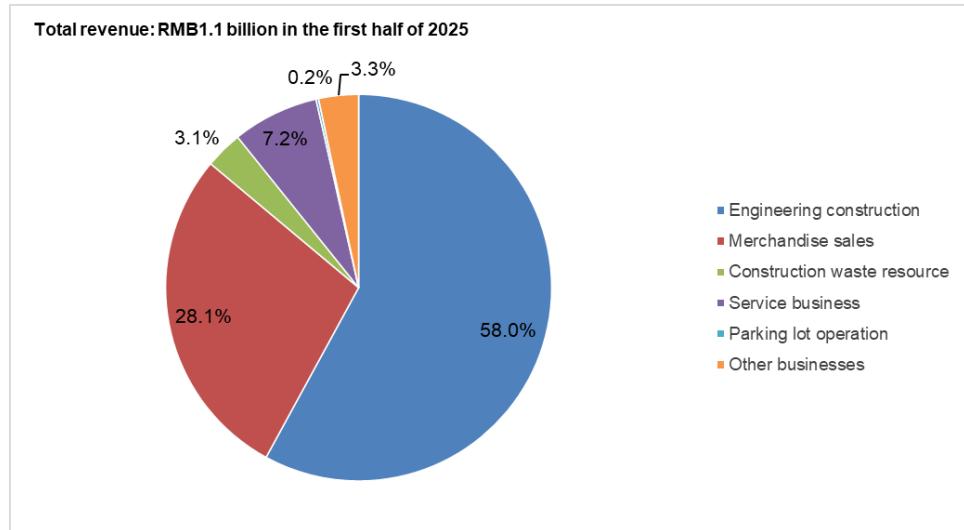
HYCCI, as an important LIDC in Huiyang, is mainly responsible for urban development, construction and operation within the region, with strong regional franchise advantages. In addition, HYCCI also engages in merchandise sales, construction waste recycling services, property leasing, and wastewater treatment businesses. The company's total revenue

reached RMB1,066 million, RMB1,065 million, and RMB2,039 million in 2022, 2023, and 2024, while its gross margin fluctuated between 11% and 15% over the same period.

HYCCI undertakes construction projects through market-based approaches and holds extensive, high-level engineering contracting qualifications. It has actively undertaken key provincial projects, including the Sanhe Shuangneng Industrial Park project and the Huiyang District Science and Technology Innovation Center, and also has many key municipal and district projects in hand. The company has a steady stream of active contracts and orders, which provides solid support for future revenue growth.

The company's merchandise sales mainly cover building materials like concrete and weathered stone slag, as well as bulk commodity trading such as zinc ingots and aluminum profiles. Revenue from product sales fluctuates significantly, and the profit margins are relatively low.

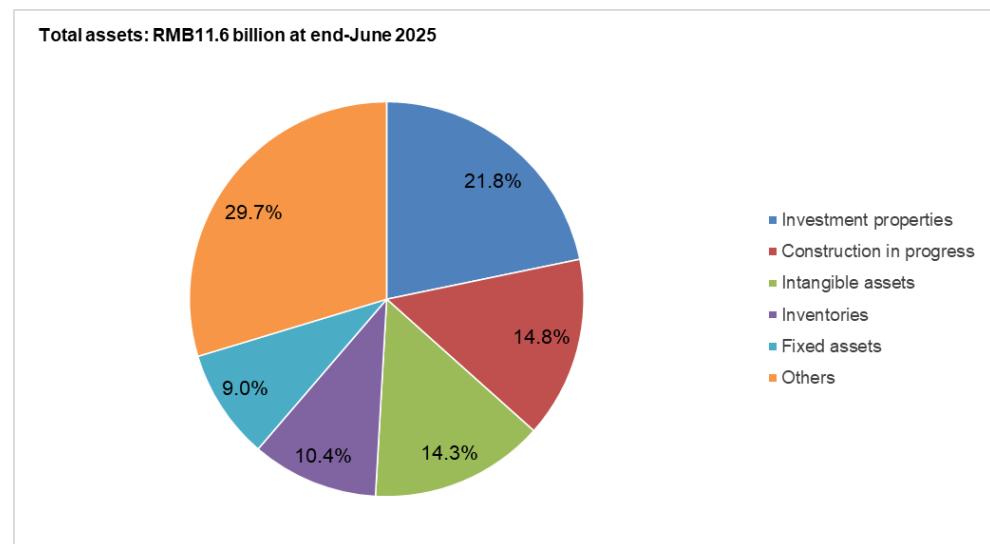
HYCCI is the sole entity responsible for the construction, operation, and management of construction waste collection sites implemented by the local government, and its construction waste resource business holds regional exclusivity.



Source: The company's financial reports and Lianhe Global's calculations

Assets Breakdown

HYCCI's asset-side liquidity was weak, as it has a large part of investment properties, construction-in-progress and intangible assets. The company's property development and infrastructure activities had accumulated sizable investment properties and construction-in-progress, together representing 36.6 % of total assets at end-June 2025. These assets usually take a long time to monetize due to the protracted sales and completion cycle. The company also held a material amount of intangible assets (mainly land-use rights and concession rights), representing 14.3 % of total assets at end-June 2025.



Source: The company's financial reports and Lianhe Global's calculations

Key Financial Data

(RMB million)	2022	2023	2024	2025.6
Total Assets	5,521	7,458	9,686	11,591
Equity	4,055	4,186	3,607	3,682
Debt	468	2,432	4,578	6,324
Debt / (Debt + Equity) (%)	10.3	36.7	55.9	63.2
Unrestricted cash/ST Debts (x)	0.6	0.4	0.2	0.4
Debt/EBITDA (x)	10.4	15.4	17.1	-
Revenue	1,066	1,065	2,039	1,072
Operation Profit	27	72	74	-19
Gross Margin (%)	12.1	14.4	11.6	3.9
Cash from sales or services/Revenue (%)	159.0	148.7	90.3	101.4

Source: HYCCI and Lianhe Global's calculations

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