

Hengyang City Construction Investment Development Group Co., Ltd.

Lianhe Ratings Global Limited (“Lianhe Global”) has affirmed ‘A-’ global scale Long-term Issuer Credit Rating of Hengyang City Construction Investment Development Group Co., Ltd. (“HCIDG”); Issuer Rating Outlook is Stable

Summary

The Issuer Credit Rating reflects a high possibility that the People’s Government of Hengyang City (“Hengyang government”) would provide very strong support to HCIDG if needed, in light of its full ownership of HCIDG through the State-owned Asset Supervision and Administration Committee of Hengyang (“Hengyang SASAC”), HCIDG’s strategic importance as the most important local investment and development company (“LIDC”) that is responsible for urban infrastructure construction in Hengyang, and the linkage between the Hengyang government and HCIDG, including appointment of the senior management, strategic alignment, supervision of major investment and financing plan decisions and ongoing operational and financial support. In addition, we believe that the Hengyang government has a very strong willingness to ensure HCIDG’s business and financial viability in order to safeguard its reputation and local financing activities.

Hengyang is a prefecture-level city under the jurisdiction of Hunan Province. Its GDP grew steadily by 5.2% year-over-year to RMB469.0 billion in 2025, while its budgetary revenue decreased by 5.5% to RMB18.5 billion over the same period.

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

Rating Rationale

Government’s Ownership and Supervision: The Hengyang SASAC, the sole shareholder and the actual controller of the company, directly holds the full ownership of HCIDG. The local government has the final decision-making authority and supervision over the company, including appointment and supervision of the senior management, strategy alignment and major investment and financing plan decisions, etc. In addition, the local government has formulated a performance assessment mechanism for the company and regularly appoints auditors to review the company’s operating performance and financial position.

Strategic Importance and Strategic Alignment: HCIDG, as the most important LIDC in Hengyang, is mainly responsible for the urban infrastructure construction in the region. The company’s strong regional advantage enables it to undertake important infrastructure construction projects under the instruction of the Hengyang government. It focusses on construction projects such as roads, bridges, affordable housing, land consolidation and development, while it also engaged in commercial concrete product sales, housing sales and property services, etc. The company’s business operation and strategic planning have been aligned with the government’s development plans, playing a significant role in promoting the economic and social development of the region.

Strong Government Support: HCIDG continued to receive financial subsidies and asset/capital injections from the Hengyang government. In 2024 and the first nine months of 2025, HCIDG received government subsidies of RMB570 million and RMB395 million,

Summary

Issuer Rating	A-
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	18 March 2026

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Applicable Criteria

[China Local Investment and Development Companies Criteria \(31 July 2025\)](#)

respectively. We believe the government support to HCIDG to remain intact given the company's strategic importance in Hengyang.

HCIDG's Financial Matrix and Liquidity Position: HCIDG's total assets remained relatively stable in the past two years and reached RMB168.8 billion at end-September 2025. Its total debt increased from RMB87.9 billion at end-2023 to RMB92.8 billion at end-2024, but dropped to RMB89.1 billion at end-September 2025. The company's financial leverage, as measured by debt/capitalization, stabilized around 58%-60% in the past two years.

HCIDG's assets liquidity was weak, as the company's infrastructure construction activities accumulated sizable inventories and construction in progress, accounting for about 79.8% of the total assets at end-September 2025. These assets usually take a long time to monetize due to the protracted construction and payment collection period.

HCIDG's short-term debt servicing pressure was tight. At end-September 2025, HCIDG had a cash balance of RMB8.1 billion, compared with its debt due within one year of RMB34.9 billion. However, HCIDG has access to various financing channels to support its debt repayments and operational needs, including bank loans, bond issuances, and non-traditional financing methods. It had unused credit facilities of RMB33.1 billion at end-September 2025.

Rating Sensitivities

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

We would consider upgrading HCIDG's rating if there is an upgrade in our internal credit assessment on the Hengyang government.

Operating Environment

Economic Condition of Hengyang

Hengyang maintained stable economic growth in recent years and its GDP reached RMB469.0 billion in 2025, representing a year-over-year growth rate of 5.2%, slightly lower than 5.4% recorded in 2024. Hengyang's economic growth was mainly fueled by the tertiary and secondary industries in the past few years, which accounted for 58.4% and 31.1% in 2025, respectively. Its fixed-asset investment growth rate decreased sharply to -9.8% in 2025 from 8.1% in 2024, mainly due to the weak property market.

Hengyang's Economic Conditions			
(RMB billion)	2023	2024	2025
GDP	425.1	449.2	469.0
-Primary industry (%)	10.8	10.9	10.5
-Secondary industry (%)	31.5	31.7	31.1
-Tertiary industry (%)	57.6	57.5	58.4
GDP growth rate (%)	5.4	5.4	5.2
Fixed asset investment growth rate (%)	6.4	8.1	-9.8
Population (million)	6.5	6.4	6.4*

* Estimated data
 Source: Statistical Bureau of Hengyang and Lianhe Global's calculations

Fiscal Condition of Hengyang

The Hengyang government's budgetary revenue decreased to RMB18.5 billion in 2025 from RMB19.6 billion in 2024, with the contribution of tax revenue lowered to 64.5% from 66.1% over the same period. The fiscal self-sufficiency rate of the Hengyang government remained low and it recorded a budget deficit of 278.6% in 2025. Meanwhile, Hengyang's government fund income, mainly generated by land sales, surged by 46.8% year-over-year to RMB20.9 billion in 2025.

The outstanding debt of the Hengyang government continued to grow. At end-2025, the Hengyang government's outstanding debt was RMB168.7 billion, including RMB50.3 billion of general obligations and RMB118.4 billion of special debt. Given the Hengyang government borrowed heavily in special debts to support its public projects, its fiscal debt ratio, as measured by total government debt outstanding/aggregate revenue, was further elevated to 210.3% at end-2025 from 192.6% at end-2024.

Hengyang's Fiscal Condition			
(RMB billion)	2023	2024	2025
Budgetary revenue	19.6	19.6	18.5
Budgetary revenue growth rate (%)	2.4	0.2	-5.5
Tax revenue	13.5	12.9	11.9
Tax revenue (% of budgetary revenue)	68.8	66.1	64.5
Government fund income	22.6	14.2	20.9
Transfer payment	40.9	39.6	36.9
Aggregate revenue	83.9	75.0	80.2
Budgetary expenditure	66.3	69.4	70.1
Budget balance ¹ (%)	-238.9	-254.2	-278.6
Government debt ratio (%)	158.7	192.6	210.3

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

Source: Financial Bureau of Hengyang and Lianhe Global's calculations

Company Profile

HCIDG was established in August 2015 with an initial registered capital of RMB100 million. After an array of capital injections, HCIDG's registered capital and paid-in capital were RMB3.0 billion and RMB1.0 billion at end-September 2025, respectively. The Hengyang SASAC is the sole shareholder and actual controller of the company.

HCIDG, as the most important LIDC in Hengyang SASAC, is primarily responsible for urban infrastructure construction and operation within the region, with strong regional franchise advantages. The primary sources of revenue for HCIDG are agent construction, land consolidation and development, while it also engaged in commercial concrete product sales, housing sales and property services, etc. In the first nine month of 2025, HCIDG achieved a total revenue of RMB1.7 billion, with a gross margin of 18.1%.

Key Financial Data				
(RMB million)	2022	2023	2024	2025.9
Total Assets	146,537	168,622	169,469	168,817
Equity	60,947	62,384	62,406	62,696
Debt	80,928	87,853	92,849	89,091
Debt / (Debt + Equity) (%)	57.0	58.5	59.8	58.7
Unrestricted cash/ST Debts (x)	0.4	0.7	0.3	0.2
Debt/EBITDA (x)	96.3	99.0	116.9	-
Revenue	3,048	2,877	2,746	1,690
Operation Profit	606	521	430	69
Gross Margin (%)	21.8	17.0	18.6	18.1



Cash from sales or services/ Revenue (%)	102.3	101.6	104.3	44.4
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Source: The company and Lianhe Global's calculations

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