

Heshan Public Asset Management Co., Ltd.

Summary

Issuer Rating	BBB
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	7 August 2025

Lianhe Ratings Global Limited (“Lianhe Global”) has upgraded the global scale Long-term Issuer Rating of Heshan Public Asset Management Co., Ltd. (“HPAM” or “the company”) to ‘BBB’ from ‘BBB-’; Issuer Rating Outlook Stable

Summary

The Issuer Credit Rating upgrade reflects HPAM’s enhanced strategic importance, driven by its higher contributions in industrial operations in Heshan City, Jiangmen City (“Heshan”). The company has further expanded its mandate to encompass the construction and development of industrial parks, while broadening the scope of other businesses—photovoltaic power generation, EV charger stations, plant leasing, affordable housing construction and property management, etc. These initiatives are fully aligned with the local government’s plan for industrial transformation and upgrading, which helps to attract investment and accelerate industrial growth.

We believe this continues to reflect a high possibility that the People’s Government of Heshan City, Jiangmen City (“Heshan government”) would provide very strong support to HPAM if needed, in light of its indirect full ownership of HPAM, HPAM’s strategic importance as the key local investment and development company (“LIDC”) that is responsible for infrastructure construction and industrial operations in Heshan, and the linkage between the Heshan government and HPAM, including appointment and supervision of the senior management, strategic alignment, major investment and financing plan decisions and ongoing operational and financial support. In addition, the Heshan government may face significant negative impact on its reputation and financing activities if HPAM encounters any operational and financial difficulties.

Heshan City is a county-level city under the jurisdiction of Guangdong Province (“Guangdong”), and is currently administered by Jiangmen City. It is located in the hinterland of the Pearl River Delta in southern Guangdong. Heshan’s GDP grew by 5.1% in 2024 to RMB53.1 billion, while budgetary revenue was RMB3.9 billion in 2024, representing a year-over-year growth rate of 3.4%.

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

Rating Rationale

Government’s Ownership and Supervision: The Heshan government indirectly holds the full ownership of HPAM through the Heshan Asset Management Committee Office (“HAMCO”), via Heshan Heying Asset Management Co., Ltd. (“HHAM”). The Heshan government is the actual controller of the company. It has the final decision-making authority and supervises the company, including management appointment, decision on its strategic development and investment plan and supervision of its major funding decisions. In addition, the Heshan government has the assessment mechanism over the company and appoints auditors to supervise the operating performance and financial position on a periodic basis.

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Applicable Criteria

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

Strategic Importance and Strategic Alignment: HPAM, as one of the most important LIDC in Heshan, is mainly responsible for infrastructure construction and industrial operations in Heshan. The company has further expanded its mandate to encompass the construction and development of industrial parks, while broadening the scope of its other businesses, including photovoltaic power generation, EV charger stations, plant leasing, affordable housing construction, and property management. These initiatives are fully aligned with the local government's plan for industrial transformation and upgrading, which helps to attract investment and accelerate industrial growth.

Ongoing Government Support: HPAM continues to receive financial subsidies amounting to RMB133.3 million and capital injections of RMB20 million from the Heshan government and the HAMCO in 2024, in order to support its business operations continuously. Given that it is the key entity for infrastructure construction and land development in Heshan, HPAM has an advantage in acquiring land resources and major projects. We believe the government support for HPAM will remain intact, given the company's strategic importance in Heshan.

HPAM's Financial Matrix and Liquidity Position: HPAM's total assets increased steadily to RMB27.6 billion at end-2024, up from RMB27.2 billion at end-2023. The company funded this asset expansion through a combination of borrowings and capital injections from the local government. HPAM's total debt expanded slightly to RMB11.9 billion at end-2024 from RMB11.5 billion at end-2023. Hence, the company's financial leverage, as measured by the debt to capitalization ratio, climbed to 45.4% from 44.3% during this period.

The short-term debt servicing pressure of HPAM was high. At end-2024, the company had a cash balance of RMB431.3 million (including restricted cash of RMB26.1 million), while its debt due within one year was RMB2.6 billion. However, the company maintains unused credit facilities of RMB2.2 billion at end-2024 and has access to various financing channels, including bank borrowings, bond issuances, and non-traditional financing, to support its debt repayments and business operations.

Rating Sensitivities

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

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

Economic Condition of Heshan

Heshan's GDP growth rate slowed down to 5.1% in 2024 from 6.2% in 2023. Its total GDP reached RMB53.1 billion in 2024. Its economy was primarily driven by the secondary and tertiary sectors, which contributed 54.8% and 38.2% to the GDP, respectively, in 2024. In addition, Heshan's fixed asset investment growth rate also declined to -3.3% from 4.6% over the same period.

Heshan's Economic Condition			
(RMB billion)	2022	2023	2024
GDP	45.9	50.3	53.1

-Primary industry (%)	7.3	6.7	7.0
-Secondary industry (%)	54.2	53.7	54.8
-Tertiary industry (%)	38.5	39.6	38.2
GDP growth rate (%)	2.8	6.2	5.1
Fixed asset investment growth rate (%)	5.0	4.6	-3.3
Population (million)	0.5	0.5	0.5

Source: Financial Bureau of Heshan, statistical bureau of Heshan and Lianhe Global's calculations

Fiscal Condition of Heshan

The aggregate fiscal revenue of the Heshan government primarily comes from budgetary revenue and transfer payments. The budgetary revenue of the Heshan government increased to RMB3.9 billion in 2024 from RMB3.8 billion in 2023, with the contribution of tax revenue decreasing to 54.4% from 56.2% over the same period. The fiscal deficit of the Heshan government remained roughly unchanged at 26.8% in 2024. The Heshan government relies on transfer payments to support its aggregate revenue.

The outstanding debt of the Heshan government debt increased to RMB13.9 billion at end-2024 from RMB11.6 billion at end-2023, which was mainly due to the increase in special purpose debts to support its public projects. Its government debt ratio, measured by the total government debt/aggregate revenue, surged to 218.0% from 178.0% over the same period.

Heshan's Fiscal Condition			
(RMB billion)	2022	2023	2024
Budgetary revenue	3.6	3.8	3.9
Budgetary revenue growth rate (%)	-2.1	5.5	3.4
Tax revenue	1.9	2.1	2.1
Tax revenue (% of budgetary revenue)	53.8	56.2	54.4
Government fund income	1.7	1.2	0.8
Transfer payment	1.5	1.6	1.7
Aggregate revenue	6.7	6.5	6.4
Budgetary expenditure	4.9	4.8	4.9
Budget balance ¹ (%)	-37.0	-26.7	-26.8

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

Source: Financial Bureau of Heshan, statistical bureau of Heshan and Lianhe Global's calculations

Company Profile

HPAM was established in November 2002. HHAM, as the sole controlling shareholder, held 100% of the company's equity. The actual controller of the company is the Heshan government. HPAM, as one of the most important LIDCs in Heshan, is responsible for infrastructure construction and industrial operations in Heshan. In 2024, HPAM's total revenue reached RMB835 million, with a gross margin of 19.7%.

Key Financial Data			
(RMB million)	2022	2023	2024
Total Assets	20,431	27,244	27,553
Equity	10,535	14,418	14,322
Debt	8,329	11,489	11,888
Debt / (Debt + Equity) (%)	44.2	44.3	45.4
Unrestricted cash/ST Debts (x)	0.2	0.5	0.1
Debt/EBITDA (x)	28.0	39.2	38.1
Revenue	933	926	835
Operation Profit	142	135	145
Gross Margin (%)	19.2	18.6	19.7



Cash from sales or services/ Revenue (%)	130.2	78.2	80.9
<i>Source: HPAM and Lianhe Global's calculations</i>			

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