Heshan Public Asset Management Co., Ltd.

Summary	
Issuer Rating	BBB
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
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Analysts

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

Lianhe Ratings Global Limited ("Lianhe Global") has affirmed 'BBB' global scale Long-term Issuer Credit Rating of Heshan Public Asset Management Co., Ltd. ("HPAM"); Issuer Rating Outlook is Stable

Summary

The Issuer Credit Rating reflects a high possibility that the People's Government of Heshan City ("Heshan government") would provide very strong support to HPAM if needed. This mainly considers its indirect full ownership of HPAM, and HPAM's strategic importance as the key local investment and development company ("LIDC") that is responsible for infrastructure construction and industrial operations in Heshan City ("Heshan"). In addition, the linkage between the Heshan government and HPAM is very strong, including management supervision, strategic alignment, and ongoing operational and financial support. In addition, we believe that the local government has a very strong willingness to ensure the issuer's business and financial viability in order to safeguard its reputation and local financing activities.

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. In 2025, the Heshan government's budgetary revenue increased to RMB5.0 billion with a comparable increase of 4.0%, while its GDP grew by 2.8% to RMB53.8 billion.

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"). HHAM is the sole shareholder of the company, and HAMCO is the actual controller of the company. The Heshan government 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.

Strategic Importance and 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, 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 RMB57.1 million and RMB40.3 million from the Heshan government and the HAMCO in

2025 and the first three months of 2026, in order to support its business operations continuously. Additionally, HAMCO also injected RMB30.0 million of cash capital to HPAM via HHAM. 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: HPAM's total assets increased steadily to RMB27.6 billion at end-2025 from RMB27.2 billion at end-2023, and further expanded to RMB28.1 billion at end-March 2026. Its total debt peaked in 2024 and has since edged down to RMB11.7 billion at end-March 2026, with its financial leverage, as measured by the debt to capitalization ratio, remaining stable at c.45%.

The short-term debt servicing pressure of HPAM was manageable. At end-2025, the company had cash balance of RMB493.6 million and total credit facilities of RMB7.6 billion, while its debt due within one year was RMB4.1 billion. Additionally, the company 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, 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.

Operating Environment

Economic Condition of Heshan

Heshan is emerging as a front-runner in Guangdong's high-quality county-level development. In 2025, its GDP reached RMB 53.8 billion, representing a 2.8% YoY increase from RMB 53.1 billion in 2024. The secondary and tertiary sectors accounted for 55.1% and 37.8% of GDP, respectively. However, fixed asset investment contracted by 27.3% in 2025, pointing to weakened investment activity.

Heshan's Economic Condition (RMB billion)	**2023**	**2024**	**2025**
GDP	50.3	53.1	53.8
-Primary industry (%)	8.1	7.0	7.1
-Secondary industry (%)	54.5	54.8	55.1
-Tertiary industry (%)	37.4	38.2	37.8
GDP growth rate (%)	6.2	5.1	2.8
Fixed asset investment growth rate (%)	4.6	-3.3	-27.3
Population (million)	0.5	0.5	0.5

Source: Statistical Bureau of Heshan and Lianhe Global's calculations

Fiscal Condition of Heshan

Heshan's budgetary revenue grew by 4.0% to RMB5.0 billion in 2025, accelerating from 3.4% in 2024. The tax revenue ratio (of budgetary revenue) stood at 61.3% in 2025, indicating stable revenue quality. Government fund income recovered to RMB1.2 billion in 2025, from RMB0.8 billion in 2024.

The outstanding debt of the Heshan government increased to RMB16.1 billion at end-2025, from RMB13.9 billion at end-2024, mainly due to the new issuance of special-purpose debts. As a result, its government debt ratio, as measured by total government debt to aggregate revenue, decreased to 182.7%, from 217.8% over the same period, but still at a high level.

Heshan's Fiscal Condition (RMB billion)	**2023**	**2024**	**2025**
Budgetary revenue	3.8	3.9	5.0
Budgetary revenue growth rate (%)	5.5	3.4	4.0
Tax revenue	2.1	2.1	3.1
Tax revenue (% of budgetary revenue)	56.2	54.4	61.3
Government fund income	1.2	0.8	1.2
Transfer payment	1.6	1.7	2.6
Aggregate revenue	6.5	6.4	8.8
Budgetary expenditure	4.8	5.0	5.6
Budget balance[1] (%)	-27.6	-27.7	-11.4

*[1] Budget balance = (1-budgetary expenditure / budgetary revenue) * 100%*
Source: Financial Bureau of Heshan and Lianhe Global's calculations

Company Profile

HPAM was established in November 2002. HHAM is the sole shareholder of the company, and HAMCO is the actual controller of the company. HPAM, as one of the most important LIDCs in Heshan, is responsible for infrastructure construction and industrial operations in the region, with a strong regional competitive advantage. The company recorded total revenue of RMB926 million, RMB835 million, RMB887 million and RMB227 million in 2023, 2024, 2025, and the first quarter of 2026, respectively. Its gross margin increased steadily from 18.6% in 2023 to 25.6% in 2025.

Key Financial Data (RMB million)	**2023**	**2024**	**2025**	**2026.3**
Total Assets	27,244	27,553	27,621	28,138
Equity	14,418	14,322	14,257	14,286
Debt	11,489	11,888	11,744	11,691
Debt / (Debt + Equity) (%)	44.3	45.4	45.2	45.0
Unrestricted cash/ST Debts (x)	0.5	0.1	0.1	0.2
Debt/EBITDA (x)	39.2	38.1	39.9	-
Revenue	926	835	887	227
Operation Profit	135	145	139	29
Gross Margin (%)	18.6	19.7	25.6	28.5
Cash from sales or services/ Revenue (%)	78.2	80.6	123.3	33.6

Source: HPAM and Lianhe Global's calculations

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