

Credit Opinion

3 September 2025

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

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Anhui Helu Industrial New City Construction Investment Co., Ltd.

Surveillance credit rating report

CCXAP affirms Anhui Helu Industrial New City Construction Investment Co., Ltd.'s long-term credit rating at BBB_g-, with stable outlook.

Summary

The BBB_g- long-term credit rating of Anhui Helu Industrial New City Construction Investment Co., Ltd. ("HLIC" or the "Company") reflects the Lujiang County Government's (1) strong capacity to provide support; and (2) very high willingness to provide support, based on our assessment of the Company's characteristics.

Our assessment of the Lujiang County Government's capacity to provide support reflects its sustained economic growth and stable fiscal strength, but is constrained by its relatively weak fiscal balance.

The rating also reflects the local government's willingness to provide support, which is based on the Company's (1) significant position as one of the important infrastructure construction platforms in Lujiang County and the sole developer responsible for Helu Industrial New City; (2) high sustainability of public policy projects; and (3) good track record of receiving government support.

However, the rating is constrained by the Company's (1) moderate access to funding channels mainly from banks; (2) increasing debt level driven by large investment needs; and (3) relatively weak asset quality.

The stable outlook on HLIC's rating reflects our expectation that the local government's capacity to support the Company will remain stable, and the Company will maintain its essential position in the development of Helu Industrial New City as the important infrastructure construction entity in Lujiang County over the next 12 to 18 months.

Rating Drivers

- Significant position as one of the important infrastructure construction platforms in Lujiang County and the sole developer responsible for Helu Industrial New City
- High sustainability of public policy projects
- Good track record of receiving government support
- Low but rising exposure to commercial activities
- Increasing debt level driven by large investment needs
- Relatively weak asset quality
- Moderate access to funding channels mainly from banks

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) the local government's capacity to provide support strengthens; and (2) changes in the Company's characteristics enhance the local government's willingness to provide support, such as improved financing channels.

What could downgrade the rating?

The rating could be downgraded if (1) the local government's capacity to provide support weakens; or (2) changes in Company characteristics decrease the local government's willingness to provide support, such as reduced regional significance and increased exposure to commercial activities.

Key Indicators

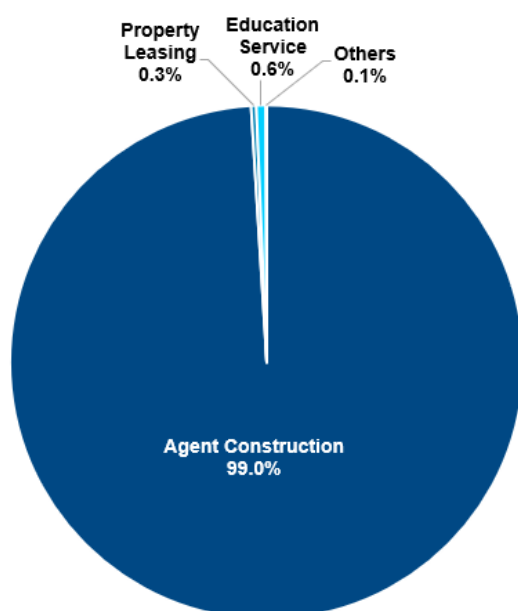
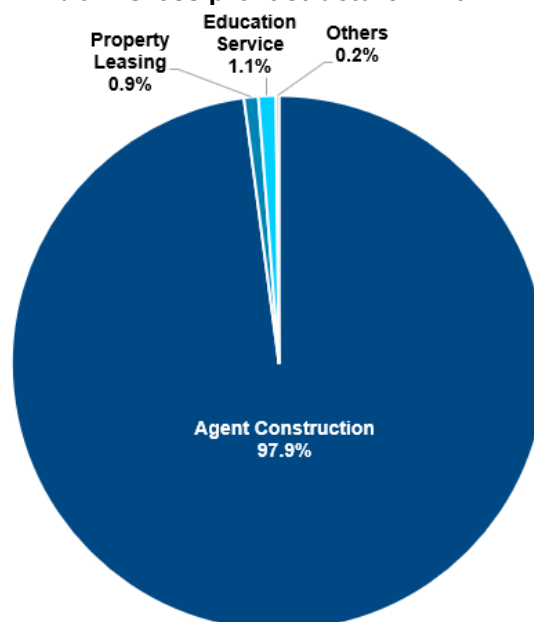
	2022FY	2023FY	2024FY	2025Q1
Total Asset (RMB billion)	6.7	8.8	14.0	15.2
Total Equity (RMB billion)	3.7	4.6	5.6	5.5
Total Revenue (RMB million)	534.4	724.2	802.9	0.9
Total Debt/Total Capital (%)	38.0	48.2	60.2	63.3

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

Source: Company data, CCXAP research

Corporate Profile

Established in 2021, HLIC is one of the most important local infrastructure investment and financing companies ("LIIFCs") in Lujiang County. The Company primarily undertakes infrastructure construction in Helu Industrial New Town, while also engaging in commercial activities including fund investment, self-operated project construction, property leasing, park operation, and education services. As of 31 March 2025, the Finance Bureau of Lujiang County remains the ultimate controller, holding 78.6% shares of the Company, with Agricultural Development Infrastructure Fund Co., Ltd. ("Agricultural Development Fund") owning the remaining shares.

Exhibit 1. Revenue structure in 2024**Exhibit 2. Gross profit structure in 2024**

Source: Company information, CCXAP research

Exhibit 3. Shareholding Chart as of 31 March 2025

Source: Company information, CCXAP research

Rating Considerations

Government's Capacity to Provide Support

We believe the Lujiang County Government has a strong capacity to provide support to the Company, given its sustained economic growth and stable fiscal strength, but is constrained by its relatively weak fiscal balance.

Anhui Province, located in the central-eastern part of China, is one of the core members of the Yangtze River Delta Urban Agglomeration and a key national comprehensive transportation hub. It is led by strategic emerging industries such as new energy vehicles, new display and integrated circuits, supported by traditional manufacturing bases in home appliances, steel, and building materials, with coordinated development of modern agriculture and cultural and tourism industries. Anhui Province's economy grew steadily in 2024, with its gross regional product ("GRP") increasing from RMB4,705.1 billion in 2023 to RMB5,062.5 billion, ranking 11th among all provinces in China with a year-on-year ("YoY") growth of 5.8%. Meanwhile, its general budget revenue reached RMB404.2 billion, maintaining a three-year average tax revenue ratio of 64.3%, demonstrating

good fiscal stability. In addition, Anhui Province has a relatively heavy debt burden, which reached RMB1,852.7 billion in 2024, accounting for 36.6% of its GRP.

Hefei City, the capital of Anhui Province, is located in the hinterland of the Yangtze River Delta. It serves as the political, economic, cultural, information, transportation, financial, and commercial hub of Anhui Province and exhibits diversified pillar industries, including new energy vehicles, integrated circuits & advanced displays, photovoltaics & advanced energy storage, and quantum information industries. In recent years, Hefei City has demonstrated robust economic expansion, with its GRP reaching RMB1,350.8 billion in 2024, representing a YoY increase of 6.1% and ranking 19th among all municipalities and prefecture-level cities in China. In addition, Hefei Municipal Government maintains stable fiscal strength, with the general budgetary revenue growing from RMB93.0 billion in 2023 to RMB95.5 billion in 2024. The tax revenue ratio has exceeded 70.0% over the past three years, indicating relatively high fiscal stability. As of end-2024, the municipal government's direct debt balance stood at RMB275.0 billion, representing 20.4% of its GDP.

Exhibit 4. Key economic and fiscal indicators of Hefei City

	2022FY	2023FY	2024FY
GRP (RMB billion)	1,201.3	1,267.4	1,350.8
GRP Growth (%)	3.5	5.8	6.1
General Budgetary Revenue (RMB billion)	90.9	93.0	95.5
General Budgetary Expenditure (RMB billion)	138.0	141.1	158.1
Local Government Debt (RMB billion)	190.3	225.9	275.0

Source: Statistic Bureau of Hefei City, CCXAP research

Lujiang County, situated in central Anhui Province and southern Hefei City, governs one provincial-level economic development zone (Lujiang High-tech Industrial Development Zone) and boasts ecological resources such as the golden coastline of Chaohu Lake and Huangpi Lake Wetland. As the southern sub-center in Hefei City, "1331" strategy, Lujiang County focuses on building a dual-city coordinated development pattern between the central urban area and Helu Industrial New Town. According to China Top 100 Counties with Development Potential Ranking released by Yicheng Economic Consulting Center, Lujiang County ranked 47th in 2024, maintaining its standing among China's top 100 counties for 7 consecutive years. It demonstrates exceptional expansion in emerging industries like new-energy battery materials, magnetic materials, specialty chemicals, and robotics manufacturing, driving fast economic growth. In 2024, Lujiang County's GRP surged from RMB63.4 billion in 2023 to RMB73.1 billion, with a YoY growth of 6.0%, ranking 5th among all county-level divisions in Anhui Province. Its general budgetary revenue increased from RMB3.3 billion to RMB3.5 billion over the same period, with an annual growth rate of 8.8%. Over the past three years, tax revenue has accounted for more than 75% of general budget revenue, indicating good fiscal stability. However, its fiscal balance ratio (general public budget revenue/general public budget expenditure) was at 39.5% in 2024, remaining at a relatively low level. During the same period, the balance of direct government debt in Lujiang County was RMB15.8 billion, accounting for 21.6% of its GDP.

Exhibit 5. Key economic and fiscal indicators of Lujiang County

	2022FY	2023FY	2024FY
GRP (RMB billion)	60.1	63.4	73.1
GRP Growth (%)	7.8	5.9	6.0
General Budgetary Revenue (RMB billion)	2.6	3.3	3.5
General Budgetary Expenditure (RMB billion)	8.1	9.0	9.0
Local Government Debt (RMB billion)	12.5	13.9	15.8

Source: Statistic Bureau of Lujiang County, CCXAP research

Strategically positioned in northern Lujiang County, Helu Industrial New City is a priority modern industrial hub developed by the Lujiang County Government. Serving as a pivotal node for the southern expansion of the Hefei City Metropolitan Circle, it offers 40-minute expressway access to Hefei City downtown. Helu Industrial New City concentrates on three core industries: new energy vehicle components, robotics, and biomedicine, having established 4 dedicated industrial parks that attract 28 small and medium-sized enterprises. In 2024, these parks achieved a combined output exceeding RMB1.3 billion while signing 25 new projects with RMB30.0 billion in committed investment. We believe that the continuous enhancement of industrial chains will foster a robust industrial agglomeration effect, thereby driving further development of Helu Industrial New City.

Government's Willingness to Provide Support**Significant position as one of the important infrastructure construction platforms in Lujiang County and the sole developer responsible for Helu Industrial New City**

There are 5 key LIIFCs in Lujiang County, each with a clear positioning in regional development. Among them, HLIC is one of the key infrastructure construction entities in Lujiang County and the sole developer of Helu Industrial New Town, playing an important role in public policy-related operations in the region. It undertakes infrastructure construction, including municipal roads, resettlement housing, and other self-operated projects like technology parks and cultural and tourism projects in Helu Industrial New Town, which boasts strong regional franchise advantages. It holds significant strategic importance in Helu Industrial New Town and brings benefits to national welfare and people's livelihood. Given its strategic significance in Lujiang County and Helu Industrial New Town, we believe that the Company is unlikely to be replaced by other local state-owned enterprises in the foreseeable future.

High sustainability of public policy projects

As the sole construction entity for Helu Industrial New Town, HLIC's most important public policy business is infrastructure construction, which lays a solid foundation for local social and economic development, particularly the growth of local industries. The Company has a large number of ongoing and planned projects, ensuring the stability and sustainability of its public policy operations. However, the scale of uninvested funds for agent-construction projects is relatively large, resulting in capital expenditure pressure.

The Company mainly executes its infrastructure construction business through the agent construction model. As of 31 March 2025, it had 9 infrastructure projects under construction, with a total planned investment of RMB8.5 billion and an uninvested amount of RMB2.7 billion. Meanwhile, the Company had 7 infrastructure projects under planning with a total estimated investment of RMB5.0 billion. The primary funding sources for these projects are bank project loans and government special bonds. Given the Company's substantial project pipeline, we believe HLIC's infrastructure construction business exhibits high sustainability. However, the significant funding requirements of these projects also impose capital expenditure pressure on the Company.

Low but rising exposure to commercial activities

In addition to its public utilities, HLIC also engages in commercial businesses such as fund investment, property leasing, and the construction and operation of self-operated projects. These activities serve as a good supplement to the Company's revenue but may also bring certain capital and operational risks. We consider HLIC's commercial business exposure to be low, as its market-driven businesses account for less than 10% of its total assets. As the Company increases its investments in funds and self-operated projects in the future, we expect its exposure to commercial activities will continue to rise.

HLIC mainly engages in industrial investment business as a limited partner ("LP"), with the primary source of capital being its own funds. As of 31 March 2025, the Company had invested in 5 industrial funds, with the total planned capital contribution of RMB1.6 billion and a contributed amount of RMB758.9 million. The industrial funds primarily focus on the biomedicine and new materials industries, and it added emerging industries such as lithium batteries and high-end manufacturing into portfolio in 2024. However, the Company has not yet realized investment returns since the investments remain in the initial phase. Given the extended investment horizon and revenue sensitivity to policy adjustments and market dynamics, investment performance remains uncertain.

Moreover, the Company undertakes self-operated construction of technology parks and cultural tourism projects, with funding sourced from loans, and aims to achieve capital balance through property leasing and operational income in the future. As of 31 March 2025, the Company had 10 projects under construction or planned, with a total planned investment of RMB1.8 billion and an uninvested amount of RMB1.3 billion, indicating large capital expenditure pressure. Furthermore, as these self-operated construction projects are highly dependent on the progress of local industrial development and investment promotion, they may introduce greater operational uncertainties and financial risks.

In addition, the Company is also involved in the property leasing business covering resettlement housing, industrial parks, and other properties, and provides technology park operation services within Helu Industrial New Town. However, these commercial businesses are small in scale, making limited contribution to total revenue.

Good track record of receiving government support

As the major state-owned enterprise in Helu Industrial New Town, HLIC has been receiving sustained financial support from the Lujiang County Government, including financial subsidies, capital injections, and payment collections for government construction projects. From 2022 to 2025Q1, the Company received a total of RMB151.8 million in financial subsidies to fulfill its public functions. Additionally, in 2024, the Company received a capital injection of RMB180.0 million from Lujiang County Finance Bureau for the construction and development of Lujiang County. Moreover, in 2024, the Lujiang County Government gratuitously transferred assets such as real estate, public rental housing, commercial shops, and corresponding land related to the Taiwan Innovation Park Management Committee, Tongda Town, and Guohe Town to the Company, totaling RMB720.9 million. These capital injections have significantly enhanced HLIC's capital strength. From 2022 to 2025Q1, the Company received a total of RMB623.9 million in payment collections for government construction projects. Given HLIC's important strategic role in the region, we expect the Company to continue receiving government support in the future.

Increasing debt level driven by large investment needs

As investments in infrastructure construction and self-operated projects continue to expand, HLIC's debt leverage has experienced significant growth. The Company's total debt had grown rapidly from RMB4.2 billion as of 31 December 2023 to RMB9.6 billion as of 31 March 2025, with the total capitalization ratio rising to a relatively high level of 63.3% from 48.2% during the same period. In addition, the Company's pressure to repay short-term debt is relatively manageable. As of 31 March 2025, its short-term debt accounted for 10.3% of total debt, with a cash to short-term debt ratio of 0.7x. However, the Company continues to face substantial investment requirements for infrastructure construction and self-operated projects, while the relatively slow project repayment is insufficient to fully meet subsequent funding needs. Consequently, we expect the debt leverage to remain at a relatively high level in the next 12 to 18 months.

Furthermore, the Company has a low contingent liability risk. As of 31 March 2025, the Company had an outstanding external guarantee of RMB152.0 million, accounting for 2.7% of its net assets, which are provided to a local state-owned enterprise with manageable default risk.

Relatively weak asset quality

HLIC's asset quality is weak, characterized by poor liquidity and low profitability. The Company's total assets are primarily composed of inventories and accounts receivable, which accounted for 79.1% of its total assets as of 31 March 2025. Inventories mainly consist of investment costs for infrastructure construction projects and land use rights, while accounts receivable primarily represent outstanding payments from government agencies or other state-owned enterprises. The weak asset liquidity will limit its financial flexibility.

Moderate access to funding channels mainly from banks

HLIC's access to financing channels is moderate, as it primarily relies on bank loans. As of 31 March 2025, more than 95% of its debt financing was provided by domestic banks, with total credit facilities of RMB12.4 billion and available credit facilities of RMB4.0 billion, which may partially mitigate the liquidity risk. Meanwhile, the Company has low exposure to non-standard financing, which accounted for below 5% of total debt as of the end of March 2025. Given the Company's limited available credit facilities and the large uninvested scale of its infrastructure construction and self-operated projects, we believe the Company would diversify its funding sources through accessing both onshore and offshore debt capital markets and expanding its existing credit facilities to adequately support its significant capital expenditure requirements.

ESG Considerations

The Company is subject to environmental laws and regulations governing air pollution, noise emissions, hazardous substances, water and waste discharge and other environmental matters issued by the national governmental authorities. HLIC assumes environmental risks for its infrastructure projects. Such risks could be mitigated by conducting environmental studies and detailed planning prior to the commencement of projects and close supervision during construction.

HLIC is also exposed to social risks as it implements public-policy initiatives by building public infrastructure in Lujiang County. Demographic changes, public awareness and social priorities shape the government's development strategy, and it will affect the government's propensity to support the Company.

The Company's governance considerations are also material as it is subject to oversight and reporting requirements to the local government, reflecting its public-policy role and status as a government-owned entity. HLIC believes that it is in compliance in all material respects with the applicable governmental regulations, rules and executive orders in each jurisdiction in which it operates. The Company maintains regular communication

with local governments and regulatory authorities through its management team or representatives, ensuring compliance with the requirements and conditions for obtaining and maintaining the licenses, concessions, permits, or certificates.

Rating Methodology

The methodology used in this rating is the Rating Methodology for [China's Local Infrastructure Investment and Financing Companies \(July 2022\)](#).

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