Credit Opinion

12 November 2025

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

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Lai'an County New Industrial Technology Investment Co., Ltd.

Surveillance credit rating report

CCXAP affirms Lai'an County New Industrial Technology Investment Co., Ltd.'s long-term credit rating at BBB_g-, with stable outlook.

Summary

The BBB_g- long-term credit rating of Lai'an County New Industrial Technology Investment Co., Ltd. ("LAII" or the "Company") reflects the local 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 local government's capacity to provide support reflects Lai'an County's economic importance in Chuzhou City, but constrained by its modest fiscal profile.

The rating also reflects the local government's willingness to provide support, based on the Company's (1) important position in public projects and industrial park development of Lai'an Economic Development Zone ("Lai'an EDZ"); and (2) good track record of receiving government payments.

However, the rating is constrained by the Company's (1) moderate exposure to commercial activities; (2) fast debt growth driven by ongoing investments in construction projects; and (3) moderate asset quality.

The stable outlook on LAII's rating reflects our expectation that the local government's capacity to provide support will remain stable, and the Company will maintain its important role in the development of Lai'an County and Lai'an EDZ for the next 12 to 18 months.

Rating Drivers

- Important position in public projects and industrial park development of Lai'an EDZ
- Good track record of receiving government payments
- Moderate exposure to commercial activities
- Fast debt growth driven by ongoing investments in construction projects
- Moderate asset quality
- Relatively low reliance on non-standard financing

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) the local government's capacity to support strengthens; and (2) the Company's characteristics change in a way that strengthens the local government's willingness to support, such as improved debt management.

What could downgrade the rating?

The rating could be downgraded if (1) the local government's capacity to support weakens; or (2) the Company's characteristics change in a way that weakens the local government's willingness to support, such as decrease in government payments or increase in exposure to commercial activities.

Key Indicators

	2022FY	2023FY	2024FY	2025H1
Total Asset (RMB billion)	5.4	11.4	19.0	23.5
Total Equity (RMB billion)	2.7	7.5	12.2	12.3
Total Revenue (RMB billion)	0.6	0.7	0.8	0.1
Total Debt/Total Capital (%)	31.5	28.5	28.0	38.6

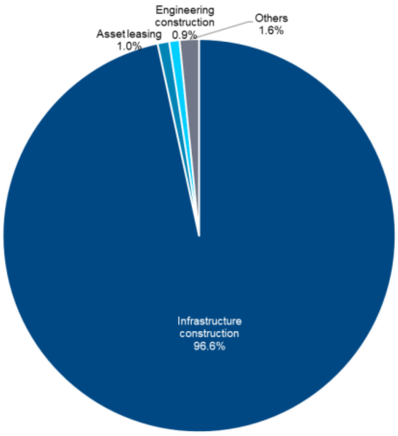
All ratios and figures are calculated using CCXAP's adjustments.

Source: Company data, CCXAP research

Corporate Profile

Founded in 2021, the Company has developed into an important investment and construction platform in Lai'an County, especially in Lai'an County Economic Development Zone ("Lai'an EDZ"), and serves as the core operating entity responsible for infrastructure construction. It is also engaged in commercial activities such as product sales, liquefied petroleum gas sales and property sales. As of 30 June 2025, LAII was wholly owned and ultimately controlled by the Lai'an County Finance Bureau.

Exhibit 1. Revenue structure in 2024



Source: Company information, CCXAP research

Rating Considerations

Government's Capacity to Provide Support

We believe that the local government has a strong capacity to provide support given its economic importance in Chuzhou City, but constrained by its modest fiscal profile.

Located in the eastern part of Anhui Province, Chuzhou City serves as a central city in both the Nanjing Metropolitan Circle and the Hefei Economic Circle. It possesses robust economic and fiscal strength, having developed an industrial system centered on smart home appliances, advanced equipment manufacturing, photovoltaic new energy, and green food, while taking semiconductors and new energy vehicles as emerging growth drivers. Furthermore, as one of the regions with the richest mineral resources in Anhui Province, Chuzhou City has 39 proven mineral types and 134 mineral deposits/sites, whose reserves hold a significant position in East China and even across China. In 2024, Chuzhou City's GRP increased from RMB378.2 billion in 2023 to RMB403.4 billion, representing a YoY growth rate of 5.5%, ranking third among all prefecture-level cities in Anhui Province, with its growth rate outpacing the national and provincial average levels. In the first half of 2025, its GRP amounted to RMB212.5 billion, up 5.3% YoY. Chuzhou City also boasts strong fiscal strength. In 2024, its general budgetary revenue rose from RMB29.8 billion in 2023 to RMB30.7 billion, with tax revenue accounting for 54.4%. The fiscal balance of the Chuzhou Municipal Government is generally moderate, with the ratio of general budgetary revenue to general budgetary expenditure standing at 53.0% in 2024. However, the debt profile of the Chuzhou Municipal Government is relatively weak. As of 31 December 2024, its government debt balance reached RMB148.7 billion, accounting for 36.9% of its GRP and 186.5% of its total fiscal revenue.

Exhibit 2. Key economic and fiscal indicators of Chuzhou City

	2022FY	2023FY	2024FY
GRP (RMB billion)	361.0	378.2	403.4
GRP Growth (%)	5.5	6.4	5.5
General Budgetary Revenue (RMB billion)	27.7	29.8	30.7
General Budgetary Expenditure (RMB billion)	50.6	53.4	57.9
Local Government Debt (RMB billion)	105.9	129.0	148.7

Source: Chuzhou Municipal Government, CCXAP research

Lai'an County is located in the eastern part of Anhui Province and adjacent to Nanjing City. With location advantages, it has accommodated part of transferred industries from Nanjing City and formed leading industries including fine chemicals, deep processing of agricultural and sideline products, new energy, rail transportation and stationery. In 2024, Lai'an County's GRP decreased from RMB41.2 billion in 2023 to RMB40.0 billion, ranking 4th among 8 districts and counties in Chuzhou City. This is mainly due to the profound adjustment of the traditional chemical industry. Its general budgetary revenue increased to RMB2.9 billion from RMB2.8 billion in 2023, with tax revenue accounting for 53.2% on average for the past three years, indicating moderate fiscal stability. In addition, Lai'an County has modest financial profile, its average ratio of general budgetary revenue to general budgetary expenditure was 58.0% over the past three years, indicating a relatively weak self-sufficiency. As of end-2024, Lai'an County's government debt balance was RMB12.8 billion, accounting for 32.1% of GRP.

Exhibit 3. Key Economic and Fiscal Indicators of Lai'an County

	2022FY	2023FY	2024FY
GRP (RMB billion)	39.2	41.2	40.0
GRP Growth (%)	6.6	7.4	0.1
General Budgetary Revenue (RMB billion)	2.5	2.8	2.9
General Budgetary Expenditure (RMB billion)	4.3	5.0	5.0
Local Government Debt (RMB billion)	9.7	11.2	12.8

Source: Lai'an County Government, Company information, CCXAP research

Lai'an EDZ was established in 2003 and approved as a provincial economic development zone in 2006, with a planned construction land area of about 16.9 square kilometers. According to Chinese professional consulting agency "Yicheng Think Tank", the development potential of Lai'an EDZ ranked 16th among Provincial Development Zones in China in 2025. Lai'an County has forged a robust industrial framework, structured around a "3+5" modern industrial system that integrates three established cornerstone sectors—new chemical industry (new materials), stationery & gifts, and health food—with five emerging growth drivers: new energy (photovoltaics), new materials, intelligent equipment manufacturing, biopharmaceuticals, and electronic information.

Government's Willingness to Provide Support

Important position in public projects and industrial park development of Lai'an EDZ

LAII is one of the most important industrial investment, industrial park development and infrastructure construction platforms in Lai'an County and Lai'an EDZ, through largely contributing to the local infrastructures and capital attraction. With the continuous industry park development and industry attraction, the Company also undertakes the responsibility of industrial park operations, including self-operating projects and talent attraction, which can contribute more revenue for LAII and secure its leading position. Given the Company's important role in the local economic development, we expect LAII is unlikely to be replaced by other local SOEs in the foreseeable future.

LAII conducts its infrastructure construction and land development business in Lai'an EDZ under agency construction model. As of 30 June 2025, the Company had mainly completed 28 infrastructure construction projects, with an invested amount of RMB1.4 billion and received payments of RMB1.6 billion. Moreover, the Company had completed 6 land development projects, with an invested amount and received payments of RMB612.0 million. However, as the Company shifts its focus to self-operated construction projects, there is no proposed infrastructure construction or land development projects, indicating uncertain sustainability of the agency construction business.

Moderate exposure to commercial activities

LAII's commercial businesses mainly include industrial park development, industrial investment, and product sales. The Company's exposure to commercial businesses is moderate but rising as LAII is increasing its investment in self-operated projects, accounting for around 20-25% of its total assets. These activities have been a good supplement to the Company's operating revenue but would pose the Company to higher business risks that require prudent risk control.

The Company participates in the industrial park development business in Lai'an EDZ under the self-operated model, engaging in the development, construction, operation and management of industrial parks. The Company plans to achieve fund balance through sales and leasing of the completed projects. However, income from this business is subject to uncertainty due to relatively long construction period and uncertain future sales, and future investment in industrial park projects will further increase the Company's capital pressure. As of 30 June 2025, the Company had 6 self-operated projects under construction with a total investment of RMB1.9 billion and an invested amount of RMB1.8 billion. Meanwhile, the Company had 7 self-operated projects under planning, with a total estimated investment of RMB2.4 billion, indicating large capital expenditure pressure.

Moreover, the Company is also responsible for operating other businesses such as liquefied petroleum gas sales, industrial investment, and leasing. The Company conducts liquefied petroleum gas sales business based on a demand-driven business model. In accordance with the development plans of the local government to attract enterprises and investments in Lai'an EDZ, the Company also engages in the industrial investment business. As of 30 June 2025, the Company had invested in 6 industrial funds, with a total paid investment of about RMB55.5 million, focusing on equipment manufacturing and new energy industries. However, most of investments are at the initial investment stage which requires a long holding period, which may expose the Company to larger investment and execution risks. The Company also has 17 leasable properties, including industrial plants and office buildings. However, the leasing business contributes less to the Company's overall revenue, which accounted for less than 1% of total revenue in 2024.

Good track record of receiving government payments

The Company has a good track record of receiving support from the local government in terms of subsidies, asset transfers, and capital injections. Across 2023 and 2024, the local government transferred assets to the Company without compensation, with RMB4.1 billion in engineering projects and affordable housing injected in 2023, followed by a further transfer of RMB4.9 billion in 2024, comprising additional projects, equity interests, properties, and operating rights. In 2024, the Company received capital injection of RMB92.0 million in cash, enhancing its capital strength. From 2024 to 2025H1, the Company also received government subsidies with a total amount of around RMB22.8 million, to support its operations. Given the Company's important position and its close relationship with the local government, we expect that the Company will continue to receive support from the local government.

Fast debt growth driven by ongoing investments in construction projects

Due to the ongoing financing for construction projects, the Company's total debt has been growing for the past years. The Company's total debt increased to RMB7.7 billion as of 30 June 2025 from RMB4.8 billion as of 30 June 2024, with total capitalization ratio of 38.6%. In addition, the Company's debt maturing structure is reasonable. As of 30 June 2025, its short-term debt accounted for around 19.4% of total debt. Meanwhile, after excluding restricted cash, the cash to short-term debt ratio was 0.8x. Considering the Company's ongoing investment needs, we expect that the Company will rely on external financings to meet its capital expenditures and its total debt level will continue to increase.

Moderate asset quality

LAII’s asset quality is moderate. As of 30 June 2025, the account receivables, inventories and other receivables totally accounted for 67.0% of total assets. The total receivables mainly consist of government-related receivables, while inventories mainly consist of land assets and costs for agency construction projects, all with low liquidity. On top of that, the Company’s long term equity investment, investment properties, and other equity instruments, accounted for around 6.3% of its total assets, generating supplementary income and cash flow.

Relatively low reliance on non-standard financing

LAII shows moderate access to funding, as it mainly relies on bank loans and non-standard financing. As of 30 June 2025, about 87.1% of the Company’s debt financing was provided by domestic banks, with total bank credit facility of RMB6.9 billion and available credit facility of RMB2.8 billion, indicating sufficient standby liquidity. Furthermore, the Company’s exposure to non-standard financing, mainly including financial leasing and debt financing, is manageable, accounting for around 12.9% of total debts. Given the Company’s large outstanding investment amount on its self-operated projects, we consider additional funding channel is needed to fulfil its large capital expenditure, such as onshore and offshore debt capital market.

ESG Considerations

The Company is exposed to environmental risks due to undertaking infrastructure construction and relocation housing projects. Such risks could be mitigated by conducting environmental studies and planning prior to the start of the projects, and close monitoring during the construction phase. It is subject to environmental laws and regulations governing air pollution, noise emissions, hazardous substances, water and waste discharge and other environmental matters issued by governmental authorities in the PRC.

In terms of social awareness, the Company has played a crucial role in the social welfare of LAII by undertaking relocation housing and municipal road construction projects.

In terms of corporate governance, the Company has established an effective internal control system, and regularly organizes annual trainings for its employees to ensure that the internal control system for its infrastructure construction business, supply chain, leasing businesses and other operational activities is effective. The Company is subject to monitoring and reporting requirements of the Lai’an County Management Committee, which has overall control and oversight of the Company’s operations. It implements the general manager responsibility system and does not have a board of directors or a board of supervisors. The general manager is responsible for the operation and management of the Company.

Rating Methodology

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

A credit rating is the analytical result of current credit worthiness and forward-looking opinion on the credit risk of a rated entity or a debt issue. Credit ratings issued by CCXAP are opinions on the current and relative future credit risk of the rated entities or debt issues, but do not address any other risks, including but not limited to liquidity risk, market price risk, and interest rate risk.

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