

CCXAP affirms Guangdong Shunde Holding Group Co., Ltd.'s A_g- long-term credit rating, with stable outlook

Hong Kong, 15 August 2025 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has affirmed the long-term credit rating of Guangdong Shunde Holding Group Co., Ltd. (“Shunde Holding” or the “Company”) at A_g-, with stable outlook.

The A_g- long-term credit rating of Shunde Holding reflects Shunde District Government's (1) very 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 Shunde District Government's capacity to provide support reflects its vital role in Foshan City and Guangdong Province, with strong economic conditions, good fiscal metrics and debt profile.

The rating also reflects the local government's very high willingness to provide support, which is based on the Company's (1) important role in utility services and urban development in Shunde District; (2) good track record of receiving government support; and (3) good access to funding. However, the rating is constrained by the Company's (1) large exposure to commercial activities with high capital expenditure pressure; (2) increasing debt burden and relatively high debt leverage; and (3) medium exposure to contingent liabilities risk.

Corporate Profile

Founded in 2010, Shunde Holding is a major state-owned capital investment platform with the largest total assets in Shunde District. Shunde Holding is responsible for major public infrastructure and welfare projects in the district, including the provision of public utility services such as water supply and waste-to-energy, pipeline network construction, and undertaking local environmental protection projects. It also has commercial operations, including property development and operations, equity investments, and security services. In December 2024, the Company acquired 23.67% shares of Olympic Circuit Technology Co., Ltd. (“Olympic Circuit”, Stock Code: 603920.SH) and became its controlling shareholder.

As of 31 March 2025, the State-owned Assets Supervision and Administration Commission of Shunde District (“Shunde SASAC”) owned 91.08% and was the ultimate controller of the Company. Guangdong Provincial Department of Finance held the remaining 8.92% shares of the Company.

Rating Rationale

Credit Strengths

Important role in utility services and urban development in Shunde District. Shunde Holding is the most important state-owned capital investment platform in Shunde District, with a clear strategic role in regional development. The Company is mainly responsible for the provision of public utility services such as water supply and waste-to-energy, pipeline network construction in Shunde District. In addition, the Company is engaged in urban development projects within Shunde District, with a substantial project pipeline, underscoring its high

significance to the region. We believe that the replacement cost for the Company's role is high, as these public services are essential for residents and regional development.

Good track record of receiving government support. Government payments for Shunde Holding's public infrastructure construction projects are timely and adequate, as most of its projects are fully supported by the district's fiscal budget. This could largely reduce the capital pressure on Shunde Holding. In addition, the Company continued to receive government support from the Shunde District Government, including capital injections, and subsidies. Given Shunde Holding's important strategic role, we expect the Company will continue to receive support from the Shunde District Government in the future.

Good access to funding. Shunde Holding has good access to funding, including bank loans, bond issuance, and non-standard financing. Through holding a listed subsidiary, the Company also has access to equity financing channels. Considering the Company's important status as the sole platform to provide utility services in Shunde District, we expect the Company to maintain access to stable funding and retain good refinancing capabilities.

Credit Challenges

Large exposure to commercial activities with high capital pressure. Shunde Holding's major commercial activities include property development, property leasing, security service, and strategic investments. We estimate the Company's risk exposure to commercial business is high, accounting for more than 30% of total assets as of end-2024. The acquisition of Olympic Circuit has further increased the Company's exposure to commercial activities. Most of its commercial businesses are funded through external debt issuance, exerting high capital pressure on the Company. Given the large number of construction projects, we expect the Company's commercial exposure will continue to increase in the future.

Increasing debt burden and relatively high debt leverage. With ongoing financing for its construction projects and the acquisitions of land and enterprises, Shunde Holding has demonstrated fast debt growth and increasing debt leverage. Given the large investment scale and the prolonged collection period of urban comprehensive development projects and property development projects, as well as the property market downturn which led to a longer sales cycle, the Company's capital expenditure has increased. We expect that, given its large future capital needs, the Company will maintain a relatively high debt leverage in the next 12 to 18 months.

Medium exposure to contingent liabilities risks. Shunde Holding is subject to medium contingent liabilities risks, driven by its large external guarantees with no counter-guarantee measures. As of 31 December 2024, the Company provided guarantees of around RMB7.2 billion to third parties, accounting for 30.8% of its net assets. Among them, private-owned enterprises accounted for 7.6% of the total guarantees, including Foshan Shunde Xunde Real Estate Co., Ltd., Foshan Shunde Lianhao Development Technology Co., Ltd., and Guangdong Jilong Industrial Park Co., Ltd, the current operating performance of which is stable.

Rating Outlook

The stable outlook on Shunde Holding's rating reflects our expectation that the local government's capacity to provide support will remain stable, and the Company will continue to play an important role in local public policy services.

What could upgrade the rating?

The rating could be upgraded if (1) Shunde District's economic prospects and fiscal performance improve and its ability to support the Company increases; and (2) the Company's characteristics change in a way that strengthens the local government's willingness to provide support, such as material reduction of the exposure to risky commercial activities or external guarantee.

What could downgrade the rating?

The rating could be downgraded if (1) Shunde District's economic prospects and fiscal performance deteriorate, reducing its capacity to support the Company; or (2) the Company's characteristics change in a way that weakens the local government's willingness to provide support, such as reduced strategic significance, weakened funding ability, or decreased government payments.

Rating Methodology

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

Regulatory Disclosures

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