

## Credit Opinion

21 August 2025

### Ratings

Senior Unsecured Debt Rating	BBB <sub>g</sub> <sup>+</sup>
Long-Term Credit Rating	BBB <sub>g</sub> <sup>+</sup>
Outlook	Stable
Category	Corporate
Domicile	China
Rating Type	Solicited Rating

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## Foshan Nanhai Lianda Investment (Holding) Co., Ltd.

### Surveillance credit rating report

**CCXAP affirms Foshan Nanhai Lianda Investment (Holding) Co., Ltd.'s long-term credit rating at BBB<sub>g</sub><sup>+</sup>, with stable outlook.**

### Summary

The BBB<sub>g</sub><sup>+</sup> long-term credit rating of Foshan Nanhai Lianda Investment (Holding) Co., Ltd. (“Nanhai Lianda” or the “Company”) reflects (1) Nanhai District Government has a very strong capacity to provide support, and (2) the local government’s high willingness to provide support, based on our assessment of the Company’s characteristics.

Our assessment of Nanhai District Government’s capacity to provide support reflects its economic importance in Foshan City, with strong comprehensive strength, ongoing economic growth, and good fiscal balance.

The rating also reflects the local government’s willingness to provide support, which is based on the Company’s (1) direct ownership by the local government; (2) key role in infrastructure construction and land development of Nanhai District; and (3) good track record of receiving government support.

However, the rating is constrained by the Company’s (1) high exposure to commercial activities; (2) rapid debt growth with certain short-term repayment pressure; and (3) moderate asset quality.

The stable outlook on Nanhai Lianda’s rating reflects our expectation that the local government’s capacity to support will remain stable, and the Company will maintain its important position in the development of Nanhai District.

## Rating Drivers

- Key role in infrastructure construction and land development of Nanhai District
- High exposure to commercial activities
- Good track record of receiving ongoing government support
- Rapid debt growth with certain short-term repayment pressure
- Good access to funding from banks and bond market
- Moderate asset quality

## 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 decrease in exposure to commercial activities or improvement in access to funding.

### 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 its strategic significance; decrease in government payments; or increase in debt burden.

## Key Indicators

	2022FY	2023FY	2024FY
Total Asset (RMB billion)	18.4	20.7	24.3
Total Equity (RMB billion)	8.6	9.0	9.7
Total Revenue (RMB billion)	0.8	3.0	4.1
Total Debt/Total Capital (%)	45.0	48.8	52.7

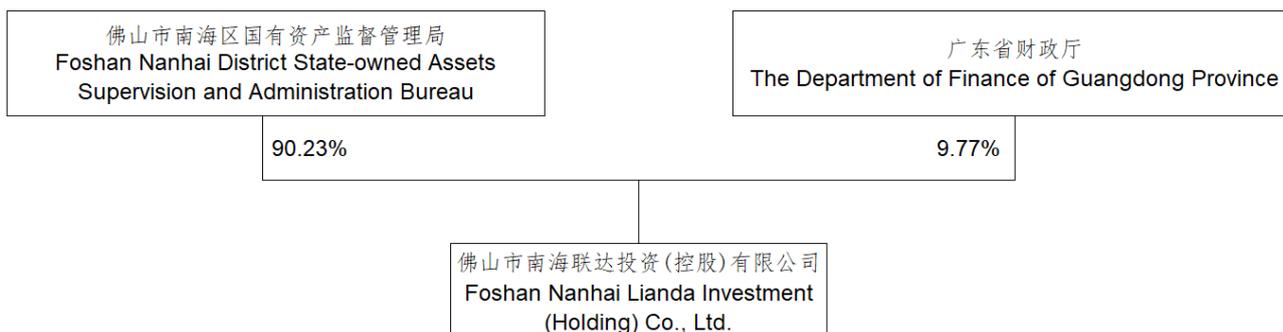
All ratios and figures are calculated using CCXAP's adjustments.

Source: Company data, CCXAP research

## Corporate Profile

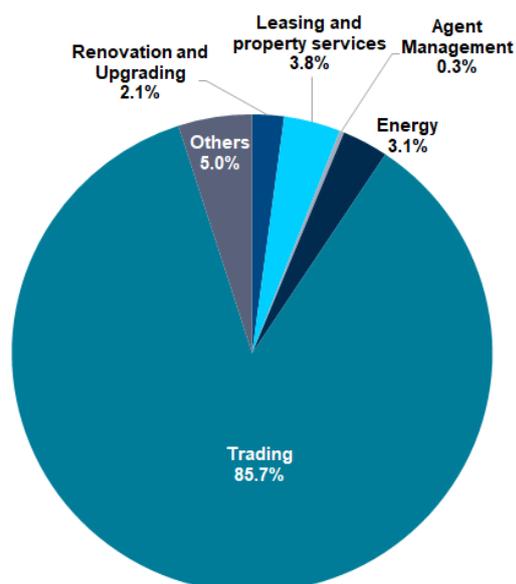
Established in 2004, Nanhai Lianda is an important local infrastructure investment and financing company in Nanhai District. The Company is primary focus on urban development activities including agency construction, and land development and consolidation. It is also involved in other commercial activities such as steel trading and leasing. Nanhai Lianda is ultimately controlled and 90.23% owned by the Foshan Nanhai District State-owned Assets Supervision and Administration Bureau ("Nanhai SASAB"). The Department of Finance of Guangdong Province holds the remaining 9.77% of the Company's shares.

### Exhibit 1. Shareholding chart as of 31 March 2025



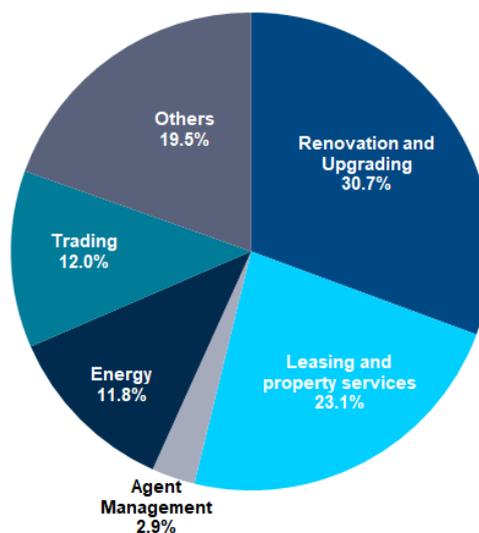
Source: Company information, CCXAP research

### Exhibit 2. Revenue structure in 2024



Source: Company information, CCXAP research

### Exhibit 3. Gross Profit structure in 2024



## Rating Considerations

### Government Capacity to Support

We believe Nanhai District Government has very strong capacity to provide support, given Nanhai District's economic importance in Foshan City, with strong comprehensive strength, ongoing economic growth, and good fiscal balance.

Guangdong Province is one of the most economically developed provinces in China, and its comprehensive economic strength outperforms other provinces. The gross regional product ("GRP") of Guangdong Province achieved RMB14.2 trillion in 2024, ranking first among all provinces in China, with a year-on-year ("YoY") increase of 3.5%. In 2024, its general budgetary revenue reached RMB1.4 trillion, ranking first in China for more than 30 consecutive years.

Foshan City is located in the central part of Guangdong Province and plays a vital role in the economic development of the Guangdong-Hong Kong-Macao Greater Bay Area. Foshan City is economically dominated by manufacturing, including advantageous industries and emerging industries. Benefited from good location of Guangdong-Hong Kong-Macao Greater Bay Area and Guangzhou-Foshan Metropolitan Area, Foshan City's GRP increased by 1.3% YoY to RMB1,336.2 billion in 2024, ranking 3<sup>rd</sup> in terms of GRP among all the cities in Guangdong Province. However, its economic growth has slowed down as compared with previous years. Its general budgetary revenue amounted to RMB76.7 billion, reflecting a YoY decline of 4.2%. However, its fiscal balance is good. Foshan City's budgetary self-sufficient ratio rose from 81.5% in 2023 to 83.4% in 2024. Foshan City's government debt increased from RMB275.1 billion in 2023 to RMB313.7 billion in 2024, accounting for 23.5% of its GRP.

#### Exhibit 4. Key economic and fiscal indicators of Foshan City

	2022FY	2023FY	2024FY
GRP (RMB billion)	1,269.8	1,327.6	1,336.2
GRP Growth (%)	2.1	5.0	1.3
General Budgetary Revenue (RMB billion)	79.7	80.0	76.7
General Budgetary Expenditure (RMB billion)	102.1	98.3	92.0
Local Government Debt (RMB billion)	227.8	275.1	313.7

Source: Statistic Bureau of Foshan City, CCXAP research

Located in the hinterland of the Pearl River Delta, Nanhai District ranked second among the Top 100 Districts in China in terms of comprehensive strength in 2024. The GRP of Nansha District has been continuously growing rapidly in recent years. From 2022 to 2024, Nanhai District's GRP increased from RMB373.1 billion to RMB400.3 billion, ranking the 2<sup>nd</sup> among all counties and districts in Foshan City. Nanhai District's economic growth slowed down in 2024 due to its traditional industries' heavy reliance on real estate, which faced a downturn market. Nanhai District's general budgetary revenue amounted to RMB25.0 billion in 2024. In addition, it has a good fiscal balance ratio (general budgetary revenue/general budgetary expenditure) of around 90% in the past three years. In 2024, Nanhai District had an outstanding direct government debt balance of RMB88.7 billion, accounting for 22.2% of the Nanhai District's GRP.

#### Exhibit 5. Key economic and fiscal indicators of Nanhai District

	2022FY	2023FY	2024FY
GRP (RMB billion)	373.1	393.1	400.3
GRP Growth (%)	2.2	4.3	1.8
General Budgetary Revenue (RMB billion)	25.8	22.7	25.0
General Budgetary Expenditure (RMB billion)	26.9	28.2	28.3
Local Government Debt (RMB billion)	61.8	75.6	88.7

Source: Statistic Bureau of Nanhai District, CCXAP research

### Government Willingness to Support

#### Key role in infrastructure construction and land development of Nanhai District

As a key entity in Nanhai District's infrastructure and state-owned asset operations, Nanhai Lianda has completed numerous construction and development projects, including agency construction projects and land consolidation, significantly advancing the region's urbanization. With upcoming cultural and tourism projects,

the Company will expand into related operations. Given its strategic role, Nanhai Lianda is unlikely to be replaced by other local SOEs in the foreseeable future.

Under the Nanhai district Government's mandate, the Company executes infrastructure projects via an agent construction model, handling planning, design, and construction while relying on the local government or its entrusted parties for funding. Its revenue is derived from project costs plus a predetermined percentage premium. As of 31 December 2024, the Company had completed 33 agency construction projects, with total investment of approximately RMB19.7 billion and area of 2.5 million sqm, covering key infrastructure such as district transportation hubs, grain reserves, and cultural, sports, and arts centers. In 2024, the Company's agency construction management income reached RMB12.8 million, representing a 127.6% YoY increase from RMB5.6 million in 2023.

Some of the Company's agent construction projects also include self-owned property business model, under which the projects are fully supported by government funds, and the ownership of the completed projects will be transferred to the Company for future operations. During the construction period, the Company only assumes the construction and management function of the projects and receives construction management fees. Currently, the projects under this model are Nanhai Cultural Center, Nanhai Art Center, and Nanhai Sports Center, with total planned investment of about RMB6.9 billion and uninvested amount of RMB3.2 billion.

Since 2020, the Company has undertaken the Eastern Industrial Park Area Renovation and Upgrading Project in Lishui Town (the "Lishui Project") through its subsidiary Foshan Nanhai Liansheng Property Co., Ltd. The Lishui Project is the largest renovation project in Foshan City in recent years to accelerate the transformation and upgrading of traditional industries of Lishui Town. The Lishui Project consists of two phases spanning over seven years. As of the end of 2024, the Company had invested RMB8.6 billion into the Lishui Project, funded through owned funds and project loans, with uninvested amount of RMB31.7 billion, indicating significant external financing pressure. With a projected total sales revenue of RMB44.3 billion, the project is expected to generate sufficient returns to cover its investment through either sales or equity transfer upon completion of secondary development. However, the extended project timeline and the current downturn in the real estate market have introduced considerable uncertainty regarding the future profitability of the project.

### **High exposure to commercial activities**

Nanhai Lianda's commercial businesses mainly include leasing, steel trading, and power and fuel supply businesses. We consider the Company's exposure to commercial businesses to be high, accounting for around 30% of its total assets. The power and fuel supply business is susceptible to macro situation and steel trading is subject to high concentration risk. Nonetheless, the leasing business demonstrates manageable business risk, with high occupancy rate.

The Company engages in property leasing, property management and hotel operation businesses. Its rental property mainly includes residential units, office buildings, gas stations, and commercial properties. As of the end of 2024, the Company had leasable property area totaled 208.8 thousand square meters, with 187.9 thousand square meters already leased. However, rental income in 2024 declined by 12.1% YoY to RMB55.0 million, primarily due to reduced rental rates for certain properties. The types of properties managed include residential, commercial, office buildings, comprehensive property management services, and student dormitory accommodation management, with total managed area of 961.6 thousand square meters at end-2024. In 2024, its property management revenue reached RMB102.0 million, reflecting a YoY increase of 32.7%. In addition, the Company recorded RMB71.0 million in property sales revenue in 2024, mainly contributed by its subsidiaries' resettlement housing projects.

The Company has engaged in steel trading business since 2023, which is its largest source of revenue, accounting for 85.7% of its total revenue in 2024. The business has a relatively diversified customer base as the sales from the top five customers accounted for 17.0% of the total sales in 2024. However, there is a high concentration risk regarding to upstream suppliers as the top five suppliers accounted for 86.7% of the total procurement in 2024.

The Company's power and fuel supply business includes gas refueling and power battery charging, and a gas and diesel retail, with a certain regional exclusivity in Nanhai District. As of end-2024, the Company had operated 34 charging stations with 396 charging piles, with 65% market share in Nanhai District. In 2024, revenue from power and fuel supply business decreased by 23.9% YoY to RMB127.6 million, mainly due to the reduced sales of traditional fuels and energy-saving policies in public transportation.

### **Good track record of receiving ongoing government support**

As an important urban development and operation entity in Nanhai District, the Company has a proven history of receiving support from Nanhai District Government through various channels including asset injection, capital injections and subsidies. In 2024, the Company has received a capital injection of RMB146.0 million from Nanhai SASAB, increasing its capital reserve. Besides, the Company had received government subsidy of RMB9.7 million to support its operation. Also, its two subsidiaries received land use rights with value of RMB15.0 million and project capital of RMB200.0 million. The local government also provides special project funds to support the Company's agent construction. In 2024, the Company received fiscal contribution of RMB514.7 million. Given its important position in the development of Nanhai District, we believe that the Nanhai District Government will continue to provide support to the Company.

### **Rapid debt growth with certain short-term repayment pressure, partly alleviated by good access to funding from banks and bond market**

Nanhai Lianda has experienced significant debt growth in recent years, primarily due to substantial capital expenditures for the Lishui Project. The Company's total debt increased from RMB8.6 billion at end-2023 to RMB10.8 billion at end-2024, with total capitalization ratio of 52.7%. In addition, the Company has large short-term debt burden, with short-term debt accounting for about 54.7% of total debt and its cash to short-term debt ratio of 0.4x, indicating certain short-term repayment pressure. With pipeline of projects under construction, the Company will continue to rely on external financing to meet its future capital expenditure needs. As a result, we expect that its debt burden will continue to grow in the next 12 to 18 months.

However, Nanhai Lianda's good access to funding from banks and bond market can partly alleviate its liquidity pressure. It maintains a good relationship with banks. As of end-2024, it had obtained total credit facilities of RMB13.6 billion from diversified policy banks and major domestic commercial banks, with available amount of RMB3.8 billion, indicating moderate standby liquidity given its large future capital needs. The Company also has access to debt capital markets. As of end-2024, the Company's had outstanding onshore bond of RMB1.0 billion at a low coupon rate of 3.1%, and outstanding offshore bond of RMB1,450.0 million, with coupon rate of 3.5%. Besides, it has a relatively low reliance on non-standard financing, accounting for less than 10% of total debt.

### **Moderate asset quality**

Nanhai Lianda's asset quality is moderate, which may undermine its financial flexibility. The Company's assets mainly consist of inventories and investment properties, all with low liquidity. The inventories are development

costs of the construction projects, while the investment properties are properties for leasing, totally accounting for around 66.7% of total asset at end-2024. Nevertheless, the investment properties can provide stable rental income and cash flow to the Company.

## ESG Considerations

Nanhai Lianda assumes environmental risks through its urban infrastructure projects. Such risks could be moderated through environmental studies and detailed planning prior to the start of the projects and close supervision during construction.

In terms of social awareness, Nanhai Lianda has played a crucial role in the social welfare of Nanhai District by involving the construction of public projects and land development projects in Nanhai District.

In terms of corporate governance, Nanhai Lianda's governance considerations are also material as the Company is subject to local government oversight and reporting requirements, reflecting its public-policy role and status as a government-owned entity.

## Structural Consideration

Nanhai Lianda's senior unsecured debt rating is equivalent to its long-term credit rating. We believe that government support will flow through the Company given its key role in infrastructure construction and land development of Nanhai District, thereby mitigating any differences in an expected loss that could result from structural subordination.

## 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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