

Credit Opinion

29 August 2025

Foshan Sanshui Investment Development Group Co., Ltd.

Surveillance credit rating report

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

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CCXAP affirms Foshan Sanshui Investment Development Group Co., Ltd.'s long-term credit rating at BBB_g+, with stable outlook

Summary

The BBB_g long-term credit rating of Foshan Sanshui Investment Development Group Co., Ltd. ("FSID" or the "Company") reflects Sanshui District Government's (1) strong capacity to provide support; and (2) extremely high willingness to provide support, based on our assessment of the Company's characteristics.

Our assessment of Sanshui District Government's capacity to provide support reflects its comprehensive strength and geographic advantage, with 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) essential role as a local infrastructure construction entity in Sanshui District; (2) good track record of receiving government support; and (3) diversified access to funding from banks and capital markets.

However, the rating is constrained by the Company's (1) medium exposure to commercial activities; (2) fast debt growth driven by large capital expenditure; and (3) weak asset liquidity.

The stable outlook on FSID's rating reflects our expectation that the local government's capacity to provide support will remain stable, and the Company will continue to serve as the most important infrastructure construction and utility operation entity in Sanshui District.

Rating Drivers

- Essential role as local infrastructure construction entity in Sanshui District
- Good sustainability for public policy businesses with stable cash flow
- Medium exposure to commercial activities
- Good track record of receiving government support
- Fast debt growth driven by large capital expenditure
- Weak asset liquidity
- Diversified access to funding from banks and capital markets

Rating Sensitivities

What could upgrade the rating?

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

What could downgrade the rating?

The rating could be downgraded if (1) the local government's ability to provide support weakens; or (2) the Company's characteristics change in a way that decreases the local government's willingness to provide support, such as reduced regional significance or weakened access to funding.

Key Indicators

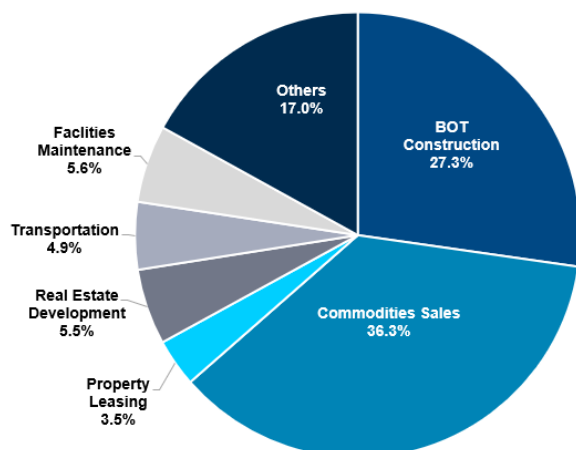
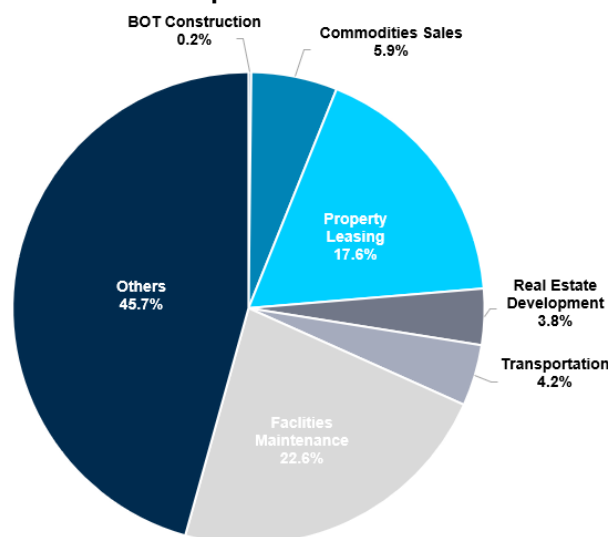
	2022FY	2023FY	2024FY
Total Asset (RMB billion)	13.6	15.1	17.1
Total Equity (RMB billion)	6.0	6.4	5.8
Total Revenue (RMB billion)	1.4	1.4	1.7
Total Debt/Total Capital (%)	32.0	43.0	54.7

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

Source: Company data, CCXAP research

Corporate Profile

Established in 2012, FSID is the largest local infrastructure investment and financing company ("LIIFC") in Sanshui District, with significant regional importance. It takes charge of public policy-related projects in Sanshui District, including infrastructure construction, sewage treatment and public drainage facilities maintenance, as well as garbage disposal business. Additionally, the Company engages in various commercial operations, such as self-operated construction, commodities sales, property leasing, real estate development and transportation services. As of 30 June 2025, it was fully owned and ultimately controlled by the State-owned Assets Supervision and Administration Commission of Sanshui District ("Sanshui SASAC").

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

Source: Company information, CCXAP research

Rating Considerations

Government's Capacity to Provide Support

We believe Sanshui District Government has a strong capacity to provide support, given Sanshui District's comprehensive strength and geographic advantage, with ongoing economic growth and good fiscal balance.

Guangdong Province is located in the southern coastal area of China and is the largest economic province in the country. Dominated by manufacturing, trade, finance, and technology industries, it is an important export-oriented economic region in China. In 2024, the province's gross regional product ("GRP") reached RMB14.2 trillion, with an increase of 3.5% year-on-year ("YoY"), ranking first among all provinces in the country. The general budgetary revenue is RMB1.4 trillion, of which tax revenue accounts for 72.5%. At the same time, the debt burden is moderate. In 2024, the debt balance was RMB3.5 trillion, accounting for 24.9% of the GRP.

Foshan City is located in the central part of Guangdong Province adjacent to Guangzhou, and is a key node city in the Guangdong-Hong Kong-Macau Greater Bay Area ("GBA"). Its pillar industries include home appliance manufacturing, mechanical equipment, new energy and new materials, and electronic information. In 2024, its GRP achieved RMB1.3 trillion, ranking 3rd in Guangdong Province, with a 1.3% YoY growth. Foshan Municipal Government's general budgetary revenue was RMB76.7 billion, with a slight YoY decrease of 4.2%. It had a moderate financial stability, with tax income accounting for 57.2% of general budgetary revenue on average for the past three years. In addition, its fiscal balance remains good, with a general budgetary revenue to general budgetary expenditure ratio of 83.4% in 2024. However, Foshan Municipal Government's debt burden has increased rapidly from RMB275.1 billion in 2023 to RMB313.7 billion in 2024, and the scale was large, accounting for 23.5% of its GRP and 228.4% of its total fiscal revenue.

Exhibit 3. 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

Sanshui District is situated at the northwestern end of the Pearl River Delta, serving as the core undertaking area of Foshan's northward strategy, supporting the transformation and upgrading of Foshan's manufacturing industry, and also a hub for the agglomeration of strategic emerging industries in the GBA. Additionally, it borders Huadu District of Guangzhou City to the east, positioning it as a pivotal node in the Guangzhou-Foshan Urban Integration Hub. It ranked 31st by comprehensive strength among the Top 100 Districts nationwide in the 2024 Research Results of China's High-quality Development Index for Small and Medium-sized Cities. According to Sanshui District Government's data, Sanshui District attracted over 50 Hong Kong-Macao cooperation projects in 2024, with total investments exceeding RMB200.0 billion. Sanshui District's traditional advantageous industries include food and beverage as well as new materials, while its emerging strategic industries encompass pharmaceutical and healthcare, and new energy vehicles. In 2024, its GRP reached RMB153.7 billion, slightly increasing by 0.4% YoY, ranking 4th among the five administrative districts of Foshan City. Its general budgetary revenue is RMB5.7 billion, with a decrease of 4.5% YoY. Meanwhile, its fiscal balance is good, with an average fiscal balance ratio of 81.1% for the past three years. As of 31 December 2024, Sanshui District's outstanding government debt increased to RMB24.4 billion, with a government debt/GRP ratio of 15.9%.

Exhibit 4. Key economic and fiscal indicators of Sanshui District

	2022FY	2023FY	2024FY
GRP (RMB billion)	147.2	154.1	153.7
GRP Growth (%)	2.1	5.6	0.4
General Budgetary Revenue (RMB billion)	6.9	6.1	5.7
General Budgetary Expenditure (RMB billion)	7.9	8.4	6.8
Local Government Debt (RMB billion)	19.6	22.3	24.4

Source: Statistic Bureau of Sanshui District, CCXAP research

Government's Willingness to Provide Support**Essential role as a local infrastructure construction entity in Sanshui District**

FSID is the largest LIIFC by total assets and serves as the core entity for key infrastructure construction and resource development operations within Sanshui District, with critical regional significance. It undertakes a range of public undertakings such as infrastructure construction, sewage treatment and public drainage facilities maintenance, as well as garbage disposal business, making substantial contributions to the region's socioeconomic advancement. Given its essential role in Sanshui District's development, we believe the Company is unlikely to be replaced by other local state-owned enterprises in the foreseeable future.

Good sustainability for public policy businesses with stable cash flow

As the primary operator for construction and resource development in Sanshui District, FSID undertakes infrastructure construction, sewage treatment and public drainage facilities maintenance, as well as garbage disposal business. With a large number of projects under construction, the Company demonstrates high business sustainability, but with considerable capital expenditure pressures and revenue uncertainty.

FSID employs an agency construction model to undertake infrastructure projects, mainly focusing on water conservancy and transportation infrastructure construction, with a large scale of projects under construction. As of 31 December 2024, the Company had 10 projects under construction, with a total planned investment of RMB2.5 billion and remaining investment needs of RMB0.6 billion. Nevertheless, there are currently no planned projects, suggesting the uncertain sustainability of the Company's agency construction business.

FSID is also entrusted by the local government to undertake the construction, operation, and maintenance of drainage facilities in Sanshui District. In 2024, the business demonstrated sustained revenue growth driven by business expansion. As of 31 December 2024, it had 2 projects under construction with a total planned investment of RMB1.8 billion and an uninvested amount of RMB1.2 billion. The funding sources for these projects comprise policy-based financial instruments, government fiscal allocations, and bank loans. Upon project completion, its revenue from sewage pipeline maintenance fees will continue to grow, strengthening its operational cash flow profile.

FSID operates garbage disposal business under authorization by the Sanshui District Government, serving as the exclusive investor, constructor, operator, and maintainer of the district's sole integrated garbage disposal plant. The Company implemented the project under a Build-Operate-Transfer ("BOT") model, transitioning from landfill disposal to waste-to-energy incineration with a total investment of RMB1.5 billion. The facility began operations at the end of October 2024, featuring a garbage disposal capacity of 1.8 thousand tons per day and an installed power generation capacity of 50.0 MW. During 2024, the facility processed 85.0 thousand tons of garbage, generating revenue from garbage disposal fees of RMB15.0 million, while producing 337.0 million kWh of electricity from waste incineration, resulting in electricity sales revenue of RMB13.5 million. The garbage disposal business demonstrates strong sustainability and provides the Company with stable revenue streams.

Medium exposure to commercial activities

In addition to public policy business, FSID is also engaged in commercial businesses, mainly including self-operated construction, commodities sales, property leasing, real estate development and transportation. We consider the Company's exposure to commercial businesses to be medium, accounting for around 20% of its total assets. Furthermore, the self-operated construction projects exert relatively high capital expenditure pressure on the Company.

FSID undertakes multiple major projects within Sanshui District through a self-operated model, covering diverse business types including warehousing, logistics and supply chain, environmental protection and new energy, industrial park, and healthcare sectors. As of 31 December 2024, the Company had 14 projects under construction requiring a total planned investment of RMB6.0 billion, with RMB4.3 billion remaining uninvested, reflecting relatively high capital expenditure pressure. Future revenues include warehousing services, logistics facility and industrial park rentals, hazardous waste landfill disposal, elderly care services, concrete sales revenue, charging infrastructure operation income, as well as electricity, heating, and gas supply, with operational performance and revenue generation exhibiting uncertainty.

FSID also conducts 8 kinds of commodity sales including aerated bricks, steel products, sand and gravel, metal materials, hogs, medical devices, beverages, and alcohol, with segment revenue surging by 46.2% YoY from

RMB394.1 million in 2023 to RMB627.2 million in 2024. In 2024, revenue from sale and processing of pork business experienced a significant decline due to the adoption of net basis revenue recognition. Furthermore, the Company manages construction materials trading through a sales-driven procurement model, where it is required to pay a large proportion of advance payment to suppliers, while sales proceeds are mainly collected on a monthly basis, resulting in capital occupation and collection risks. Meanwhile, the concentration of suppliers and customers in the commodities sales business remained high in 2024, with the top five customers representing 85.1% of total sales revenue. Moreover, owing to the low gross profit margin of building materials sales, the gross profit margin for the Company's commodities sales business decreased to 1.5% in 2024, reflecting weak profitability.

Meanwhile, FSID is also engaged in real estate development business. As of the end of 2024, the planned total investment for projects under construction was RMB979.0 million, with an uninvested amount of RMB473.0 million and a total salable area of 51.4 thousand square meters ("sqm"). However, affected by the downturn in the real estate market, the sales progress is relatively slow. As of the end of 2024, the sold area reached 35.4 thousand sqm, accounting for 68.9% of the total salable area, and sales revenue amounted to RMB85.0 million in 2024. Additionally, the Company has a planned project with a total planned investment of RMB1.9 billion and a total construction area of 262.8 thousand sqm, presenting significant capital expenditure pressure.

In addition, FSID is involved in other commercial businesses, including property leasing and transportation, which have relatively lower contributions to the overall revenue, accounting for 8.4% of total revenue. The Company generates rental income by leasing assets such as shops, office buildings, land, and industrial plants. In 2024, due to the increased leasing and subleasing of properties owned by state-owned enterprises in Sanshui District, its revenue grew to RMB60.0 million. Regarding the transportation business, the Company is mainly responsible for operating 182 public buses on 36 routes within Sanshui District and collects public transportation operation service fees, with business expansion to school bus transportation services in 2024.

Good track record of receiving government support

As the major state-owned asset construction entity in Sanshui District, FSID is directly controlled by the Sanshui SASAC and has a good track record of receiving payments from government. These payments take various forms, including capital injections and government subsidies. In 2024, the Company obtained a capital injection of RMB54.4 million from Sanshui SASAC, which strengthened its capital strength. In addition, the local government provided regular government subsidies to the Company. From 2022 to 2024, the Company received a total of RMB9.7 million in government subsidies. Given FSID's role as the primary regional infrastructure constructor and public utility provider, we believe that the local government will continue to provide support to the Company.

Fast debt growth is driven by large capital expenditure

Given that the Company has undertaken numerous construction projects in Sanshui District, driving the continuous expansion of its external financing scale, FSID's debt has grown rapidly. Its total debt increased from RMB4.8 billion at the end of 2023 to RMB7.1 billion at the end of 2024, while its total capitalization ratio rose from 43.0% to 54.7% over the same period. However, the Company demonstrates improving short-term debt pressure. As of 31 December 2024, the short-term debt to total debt ratio dropped from 14.9% at the end of 2023 to 11.9%. Moreover, with substantial cash reserves, the cash to short-term debt ratio was 1.9x, indicating good debt-servicing capacity. We expect that, given its significant capital expenditure needs, the Company's debt burden will continue to grow over the next 12 to 18 months.

Furthermore, as of 31 December 2024, the Company's total external guarantee amount amounted to RMB945.0 million, accounting for 16.2% of its net assets. Most of the external guarantees are FSID's affiliated companies and other district-level state-owned enterprises in Sanshui District, none of which were secured by counter-guarantees.

Weak asset liquidity

FSID's asset liquidity is weak, which may affect its financial flexibility. The Company's assets consist primarily of inventories, other receivables, construction in progress, and intangible assets, all of which are less liquid, accounting for 52.3% of total assets. Among these, inventories and construction in progress are the development costs of construction projects and properties; other receivables mainly comprise outstanding payments from the local government; and intangible assets are primarily land use rights and concession rights, which grew significantly in 2024, mainly driven by the acquisition of new project land of RMB1.1 billion through public auctions.

Diversified access to funding from banks and capital markets

FSID has diversified sources of funding mainly including bank loans and bond issuances, accounting for 53.4% and 45.2% of its total debt as of 31 December 2024, respectively. The Company maintains solid cooperation with multiple commercial banks and has sufficient standby liquid funds. As of 31 December 2024, the Company had obtained a total credit facilities of RMB10.5 billion, of which the unutilized facilities amounted to RMB6.5 billion, accounting for 61.7% of the total credit facilities. The Company and its subsidiaries have a track record of fundraising activities in both onshore and offshore debt capital markets. In 2024, the Company issued RMB1,060 million of green bonds with a coupon rate of 3.08% in the offshore market. Moreover, as of 31 December 2024, the Company had no access to non-standard financing.

ESG Considerations

FSID faces environmental risks because it has undertaken infrastructure construction projects and public services. Such risks could be moderated by conducting environmental studies and planning prior to the start of the projects, and close monitoring during the construction phase.

FSID bears social risks as it plays a crucial role in the social welfare of the residents in Sanshui District by providing public services. Demographic changes, public awareness and social priorities shape the Company's development targets and ultimately affect the local government's propensity to support the Company.

FSID's governance considerations are also material as the Company is subject to oversight by the Sanshui District Government and has to meet several reporting requirements, reflecting its public-policy role and status as a government-owned entity.

Structural Consideration

FSID'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 important role as the most important local infrastructure construction entity and utility services provider in Sanshui 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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