

## Credit Opinion

15 August 2025

Ratings	
Category	Corporate
Domicile	China
Rating Type	Solicited Rating
Long-Term Credit Rating	A <sub>g</sub> -
Outlook	Stable

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## Guangdong Shunde Holding Group Co., Ltd.

### Surveillance credit rating report

**CCXAP affirms Guangdong Shunde Holding Group Co., Ltd.'s A<sub>g</sub>- long-term credit rating, with stable outlook.**

### Summary

The A<sub>g</sub>- long-term credit rating of Guangdong Shunde Holding Group Co., Ltd. ("Shunde Holding" or the "Company") 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.

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.

## Rating Drivers

- Important role in utility services and urban development in Shunde District
- Large exposure to commercial activities with high capital pressure
- Good track record of receiving government support
- Increasing debt burden and relatively high debt leverage
- Good access to funding
- Medium exposure to contingent liabilities risk

## Rating Sensitivities

### 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.

## Key Indicators

	2022FY	2023FY	2024FY	2025Q1
Total Asset (RMB billion)	37.9	45.4	66.4	67.7
Total Equity (RMB billion)	14.4	15.4	23.5	23.5
Total Revenue (RMB billion)	2.6	4.3	5.2	2.2
Total Debt/Total Capital (%)	47.2	60.1	57.8	59.2

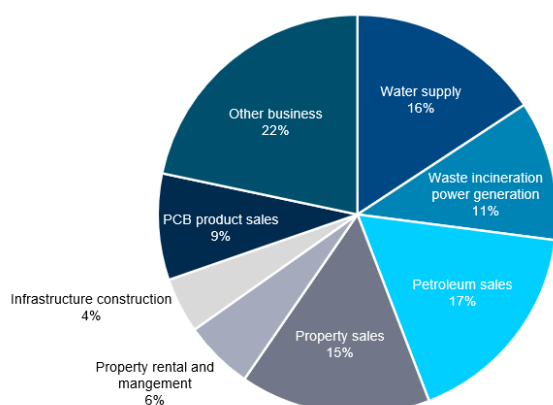
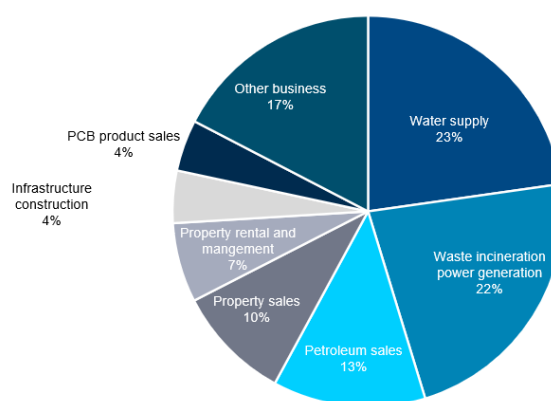
All ratios and figures are calculated using CCXAP's adjustments.

Source: Company data, CCXAP research

## 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.

**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 Shunde District Government has very strong capacity to provide support given its vital role in Foshan City and Guangdong Province, with strong economic conditions, good fiscal metrics and debt profile.

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. In 2025Q1, Guangdong Province achieved a GRP of RMB3.4 trillion, with a YoY growth rate of 4.1%.

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 dominated by manufacturing, including advantageous industries and emerging industries. In 2024, Foshan City's total Gross Regional Product ("GRP") increased by 1.3% year-over-year ("YoY") to RMB1336.2 billion, ranking 3<sup>rd</sup> in terms of GRP among prefecture-level cities in Guangdong Province. Foshan City's general budgetary revenue slightly decreased from RMB80.0 billion in 2023 to RMB76.7 billion in 2024, mainly attributable to the real estate market downturn, with tax revenue accounting for 57.2% of the general budgetary revenue. Foshan City had a good budgetary self-sufficient ratio of 83.4% in 2024, rising from 81.5% in 2023. 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. In 2025Q1, Foshan City achieved a GRP of RMB304.2 billion, with a YoY growth rate of 2.3%.

#### Exhibit 4. Key Economic and Fiscal Indicators of Foshan City

	2022FY	2023FY	2024FY
GRP (RMB billion)	1269.8	1,327.6	1336.2
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

Shunde District is located in the southern part of Guangdong Province and is an important economic center of Foshan City. It represented around 32.1% of Foshan's GRP in 2024, ranking 1<sup>st</sup> among the five administrative districts of Foshan City. As a large private economic area focusing on manufacturing, Shunde District is one of the largest production bases for air conditioners, refrigerators, water heaters and disinfection cupboards in China, as well as the largest supply base for rice cookers and microwave ovens in the world. Due to the drop in tax revenue during economic fluctuations, Shunde District Government's general budgetary revenue slightly decreased to RMB21.7 billion in 2024. Shunde District had moderate fiscal stability, with the tax revenue accounting for 55.1% of the general budgetary revenue in 2024. Nevertheless, Shunde District maintained a high level of fiscal self-sufficiency, recording the fiscal balance ratio of 88.3% in 2024. As of 31 December 2024, Shunde District's outstanding government debt increased to RMB88.4 billion, with government debt/GRP ratio of 20.6%.

#### Exhibit 5. Key Economic and Fiscal Indicators of Shunde District

	2022FY	2023FY	2024FY
GRP (RMB billion)	416.6	431.7	429.4
GRP Growth (%)	0.8	4.5	0.2
General Budgetary Revenue (RMB billion)	26.6	22.9	21.7
General Budgetary Expenditure (RMB billion)	26.9	26.6	24.6
Local Government Debt (RMB billion)	63.1	75.9	88.4

Source: Statistic Bureau of Shunde District, CCXAP research

### Government's Willingness to Provide Support

#### 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.

The Company participates in utility services business via its listed subsidiary Guangdong Shunkong Development Co., Ltd. ("Shunkong Development", Stock Code: 003039.SZ). As of 31 March 2025, the Company held 79.1% of Shunkong Development's shares. Shunkong Development is the sole water supplier in Shunde District, with nearly full market coverage of the district. It has a long concession for water supply business until

2045, demonstrating strong sustainability. As of 31 December 2024, the Company had 8 water supply plants with a total water supply capacity of 1.6 million cubic meters per day, serving 10 sub-districts in Shunde District. As of 31 March 2025, the Company had one major water plant project under construction with an estimated total investment of RMB116.0 million. In 2024, the local water tariff and volume of water sold were stable compared with previous years, which is in line with our estimate based on the industry nature. The revenue of this segment remained stable at RMB817.5 million in 2024.

Besides, the Company launched sewage treatment business in 2023. In February 2024, Shunkong Development acquired 100% equity of Foshan Shunhe Environmental Protection Co., Ltd. ("Shunhe Environmental"). Shunhe Environmental is mainly engaged in sewage treatment and waste incineration power generation business. The acquisition enhanced the status of Shunkong Development in the public environmental protection sector in Shunde District. As of 31 March 2025, the Company had 4 sewage treatment plants with sewage treatment capacity of 330,000 tons per day, which are mainly responsible for the sewage treatment of the four towns and streets under Shunde District, with a total service population of about 1.2 million. In 2024 and 2025Q1, Shunkong Development's revenue from sewage treatment business was RMB138.0 million and RMB35.0 million, respectively.

Shunkong Development's waste-to-energy business involves incineration power generation, waste treatment, and sludge drying in Shunde District, as well as some regions in Anhui and Hebei Province. Benefitting from the acquisition of Cangzhou Jingtou Environmental Protection Technology Co., Ltd. and Funan Green Oriental Environmental Protection Energy Co., Ltd., this segment recorded a revenue of RMB586.6 million in 2024, representing a YoY increase of 33.1%. We expect the revenue from the waste-to-energy business to increase in the future.

### **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.

As a major urban comprehensive developer in Shunde District, Shunde Holding is engaged in investment, construction, and operation of leasing properties. It also undertakes the operation of policy-driven properties such as public rental housing and low-rent housing. As of 31 March 2025, the Company had leased out properties with a total area of around 375.2 thousand square meters, providing stable rental income (2024: RMB292.5 million). In addition, the Company has a large amount of urban comprehensive development projects (mainly industrial property and industrial park) under construction, and it is expected to generate income through leasing or self-operation upon completion to achieve breakeven. As of 31 December 2024, it had 11 operating projects under construction or planning, with a total estimated investment of RMB16.8 billion and an uninvested amount of RMB12.2 billion, exerting high capital pressure on the Company in the future.

Shunde Holding is also engaged in property development within Shunde District. Despite the Company having slowed down its land acquisition pace, it has built up a large inventory of land reserves for property development business. As of 31 March 2025, the Company had 5 reserved land parcels with an acquisition cost of RMB6.0 billion and an uninvested amount of RMB10.0 billion. The Company also owned 7 property development projects, with a total planned investment of RMB12.2 billion and an uninvested amount of RMB5.2 billion. Affected by the

slowdown of the property market in China, it faces certain destocking pressure. The Company also participates in property development via joint ventures. As of 31 March 2025, it had 6 joint venture property projects under construction, with shareholding ranging between 20% and 35%. The corresponding total investment and uninvested amount are RMB24.1 billion and 5.4 billion, respectively. However, although some of the joint venture's partners are state-owned property developers, part of them are privately-owned property developers, and these joint venture properties are still in the construction period, posing uncertainties to investment income of the Company. In addition, the slowdown of the destocking pace also exerts pressure on the selling rate or occupancy ratio of these properties.

In addition, the Company provides security services to government offices, schools, hospitals and private-owned companies within Shunde District. As the only state-owned security company in the district, the Company is highly competitive and has dispatched more than 1,600 security guards as of 31 March 2025. Besides, the Company holds strategic investments including Kaiyuan Securities Co., Ltd., Guangdong Shunde Overseas Chinese Town Industrial Development Co., Ltd., and Guangdong Shunde Rural Commercial Bank Co., Ltd., which are considered to be high-quality and can provide considerable investment income to Shunde Holding.

Moreover, the Company acquired 23.67% of Olympic Circuit and became its controller in December 2024. Olympic Circuit is a major printed circuit board ("PCB") manufacturer with an annual production capacity of more than 5 million square meters. Olympic Circuit produces double-sided boards, multi-layer boards, HDI, flexible boards, rigid-flex boards, metal core boards, and other types of circuit boards. In 2024, Olympic Circuit recorded revenue and net profit of RMB5.0 billion and RMB638.0 million, respectively. Given Olympic Circuit's strong cashflow generating ability, we believe the acquisition can generate a significant increase in revenue and operating cash flow to the Company. However, the newly acquired business sectors differ significantly from the Company's original core operations, posing certain management and control challenges.

### **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. In 2024, Shunde SASAC injected shares and properties of RMB14.3 million into the Company. The Company also received subsidies and tax refunds of approximately RMB65.6 million from the local government. Given Shunde Holding's important strategic role, we expect the Company will continue to receive support from the Shunde District Government 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. The Company's total debt increased from RMB23.3 billion at the end-2023 to RMB34.0 billion as of 31 March 2025, but its total capitalization ratio decreased from 60.1% to 59.2% over the same period, mainly due to the RMB7.6 billion increase in the non-controlling interest as more subsidiaries integrated into the Company, in which Olympic Circuit contributed RMB5.1 billion. In addition, the Company's short-term debt servicing pressure remains moderate. As of 31 March 2025, the Company's cash to short-term debt ratio was about 0.7x, and short-term debt accounted for 31.8% of its total debt.



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.

### **Good access to funding**

Shunde Holding has good access to funding, including bank loans, bond issuance, and non-standard financing. As of 31 December 2024, bank loans accounted for about 57.4% of its total debt. The Company has sufficient standby liquidity, granted by diversified domestic policy and commercial banks. As of 31 December 2024, it obtained total credit facilities of RMB52.5 billion, with an unutilized amount of RMB28.5 billion. From January 2024 to July 2025, the Company raised RMB2.7 billion in the onshore bond market, including exchangeable bond and corporate bond. 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.

### **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.

## **ESG Considerations**

Shunde Holding 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.

Shunde Holding bears social risks as it plays a crucial role in the social welfare of the residents in Shunde District by providing public services such as water supply, waste treatment, and leasing of public buildings. As the largest state-owned entity in Shunde District, the Company has also taken several measures to ensure the uninterrupted supply of utility and daily needs of residents during the pandemic control period. For example, due to the impact of the pandemic in 2020, the Company responded to local government policy to provide rent relief for some properties.

In terms of corporate governance, Shunde Holding has established a sound and effective internal control framework and a corporate governance structure in which shareholders, directors, supervisors, senior management team, and internal departments collectively and efficiently perform their duties. The Company is subject to supervision and reporting requirements of the Shunde District Government, which has full control and supervision of the Company's operations.

## **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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