

Lianhe Global has assigned ‘A+’ global scale Long-term Issuer Credit Rating with Stable Outlook to Shenzhen Longhua Construction Development Co., Ltd.

HONG KONG, 3 September 2025 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has assigned ‘A+’ global scale Long-term Issuer Credit Rating to Shenzhen Longhua Construction Development Co., Ltd. (“SLCD” or “the company”). The Outlook is Stable.

The Issuer Credit Rating reflects a high possibility that the People’s Government of Longhua District, Shenzhen City (“Longhua government”) would provide very strong support to SLCD if needed. This mainly considers the Longhua government’s direct fully ownership of SLCD, SLCD’s strategic position as an important local investment and development company (“LIDC”) responsible for urban construction and operation in Longhua District (“Longhua”). The linkage between the local government and SLCD is strong, including management supervision, strategic alignment, and ongoing operational and financial support. In addition, the local government may face significant negative impact on its reputation and financing activities should SLCD encounter any operational or financial difficulties.

Longhua, positioned in north-central Shenzhen, serves as an important growth engine within China’s Greater Bay Area. In 2024, Longhua’s GDP grew steadily by 5.6% to RMB315.4 billion, while its budgetary revenue decreased by 1.9% to RMB16.5 billion.

The Stable Outlook reflects our expectation that SLCD’s strategic importance would remain intact while the Longhua government will continue to ensure SLCD’s stable operation.

Key Rating Rationales

Government’s Ownership and Supervision: The Finance Bureau of Longhua District, Shenzhen directly holds 100% stake in SLCD, and it is the ultimate controlling shareholder of the company. The Longhua government has the final decision-making authority and supervises the company, including management appointment, decision on its strategic development and investment plan and supervision of its major funding decisions. In addition, the Longhua government has assessment mechanism over the company and appoints auditors to supervise the operating performance and financial position on a periodic basis.

Strategic Importance and Strategic Alignment: SLCD is the key LIDC in Longhua. It is primarily responsible for urban development and operations, focusing on public welfare and social service enhancement. Its integrated solutions cover critical urban infrastructure domains, including affordable housing development, land consolidation/renewal, market management, environmental sanitation and greenery systems, security services, municipal property operations, and strategic financial investments. This multi-sector approach synergizes urban modernization with community needs, balancing revenue-generating projects with essential public services. SLCD adjusts its strategic direction according to

Longhua's economic strategy and market demand. It plays an important role in promoting the economic and social development of the region. Its business operation and strategic planning have been aligned with the government's development plans.

Strong Government Support: SLCD receives ongoing support from the Longhua government in the form of operational subsidies and asset/equity injections. This mainly includes capital injections valued at RMB1.4 billion from 2022 to end-June 2025. In the meantime, the company received operating subsidies totaled approximately RMB460 million. We expect SLCD to receive timely support from the local government over the coming years, given its strategic importance to Longhua.

SLCD's Financial and Liquidity Position: SLCD's asset base expanded over the past three years as it actively participated in Longhua's project development. Its asset size reached RMB24.8 billion at end-June 2025, ranking 1st among all LIDCs in the region. The company mainly relied on borrowings to finance its land consolidation projects. As a result, SLCD's financial leverage, measured by debt-to-capitalization, rose to 42.1% at end-June 2025 from 31.4% at end-2023.

SLCD's short-term debt servicing pressure is moderately high. At end-June 2025, the company's short-term debt totaled about RMB1.6 billion, compared with RMB821.7 million of unrestricted cash on hand. Yet SLCD retains access to a range of funding channels, including bank borrowings and bond issuance. Its undrawn bank facilities totaled around RMB7.9 billion at end-June 2025, providing additional liquidity headroom for its debt repayments and business operations.

Rating Sensitivities

We would consider downgrading SLCD's rating if (1) there is perceived weakening in support from the local government, particularly due to its reduced strategic importance with diminished government functions, or (2) there is a significant reduction of the local government's ownership of SLCD, or (3) there is a downgrade in our internal credit assessment on the Longhua government.

We would consider upgrading SLCD's rating if there is an upgrade in our internal credit assessment on the Longhua government.

About Lianhe Global

Lianhe Global is an international credit rating company that provides credit ratings to corporations, banks, non-bank financial institutions, local investment and development companies, and other asset classes around the globe. Lianhe Global also provides credit risk research and other services related to credit ratings.

Principal Methodology Applied

China Local Investment and Development Companies Criteria (published on 31 July 2025)
The methodology can be found at the website www.lhratingsglobal.com.

Note: The above Issuer/Issuance Credit Ratings are solicited at the request of the rated entity or a related third party. None of the aforementioned entities nor its related parties participate in the rating process aside from providing information requested by Lianhe Global.

Contact Information

Primary Analyst, Hong Kong
Jack Li, CESGA
Analyst
(852) 3462 9585
jack.li@lhratingsglobal.com

Secondary Analyst, Hong Kong
Joyce Huang, CFA
Managing Director
(852) 3462 9586
joyce.huang@lhratingsglobal.com

Committee Chairperson and Ratings Approver, Hong Kong
Toni Ho, CFA, FRM
Senior Director
(852) 3462 9578
toni.ho@lhratingsglobal.com

Investor and Media Relations Contact, Hong Kong
Alice Wang
Associate Director
(852) 3462 9568; (86) 185 1686 2143
alice.wang@lhratingsglobal.com

Disclaimer

Ratings (including credit ratings and other rating products) and research reports published by Lianhe Ratings Global Limited (“Lianhe Global” or “the Company” or “us”) are subject to certain terms and conditions. Please read these terms and conditions at the Company’s website: www.lhratingsglobal.com

A rating is an opinion which addresses the creditworthiness of an entity or security or the assessment of an instrument. Ratings are not a recommendation or suggestion to buy, sell, or hold any security or instrument. Ratings do not address market price, marketability, and/or suitability of any security nor its tax implications or consequences. Ratings may be subject to upgrades or downgrades or withdrawal at any time for any reason at the sole discretion of Lianhe Global.

All ratings are the products of a collective effort by accredited analysts through rigorous rating processes. No individual is solely responsible for a rating. All ratings are derived by a rating committee vesting process. The individuals identified in the reports are solely for contact purpose only.

Lianhe Global conducts its rating services based on third-party information which we reasonably believe to be true. Lianhe Global relies on information generally including audited financial statements, interviews, management discussion and analysis, relevant third-party reports, and publicly available data sources to conduct our analysis and uses reasonable measures so that the information it uses in assigning a rating is of sufficient quality to support a credible rating. However, Lianhe Global has not conducted any audit, investigation, verification or due diligence. Lianhe Global does not guarantee the accuracy, correctness, timeliness, and/or completeness of the information. Ratings may contain forward-looking opinions of Lianhe Global which may include forecasts about future events which by definition are subject to change and cannot be considered as facts. Please see Lianhe Global’s website for the last rating action and the rating history. Please see Lianhe Global’s website for the methodologies used in determining ratings, further information on the meaning of each rating category, and the definition of default.

Under no circumstances shall Lianhe Global, its directors, shareholders, employees, officers and/or representatives or any member of the group of which Lianhe Global forms part be held liable to any party for any damage, loss, liability, cost, expense or fees in connection with any use of the information published by the Company.

Lianhe Global receives compensation from issuers, underwriters, obligors, investors or principals for conducting rating services for solicited ratings. An unsolicited rating is a rating that is initiated by the Company and not requested by the issuer, underwriters, obligors, investors or principals.

Ratings included in any rating reports are disclosed to the rated entity (and/or its agents) prior to publishing. Rating reports and research reports published by Lianhe Global are not intended for distribution to, or use by, any person in any jurisdiction where such use would infringe local laws and regulations. Any user relying on information available through rating reports and research reports is responsible for consulting the relevant agencies or professionals accordingly to comply with the applicable local laws and regulations.

All published rating reports and research reports are the intellectual property of Lianhe Global. Any reproduction, redistribution, or modification, in whole or part, in any form by any means is prohibited unless such user has obtained prior written consent from Lianhe Global.

Lianhe Global is a subsidiary of China Lianhe Credit Rating Co., Ltd. The rating committee of Lianhe Global has the ultimate power of interpretation of any methodology or process used in the Company’s independent ratings and research.

Copyright © Lianhe Ratings Global Limited 2025.