

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

Lianhe Ratings Global Limited (“Lianhe Global”) has affirmed ‘BBB+’ global scale Long-term Issuer and Issuance Credit Rating of Foshan Nanhai Lianda Investment (Holding) Co., Ltd.; Issuer Rating Outlook Stable

Summary

Issuer Rating	BBB+
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	6 January 2026

Summary

The Issuer Credit Rating reflects a high possibility that the Foshan’s Nanhai District People’s government (“the Nanhai government”) would provide strong support to FNLI if needed, in light of its vast majority ownership of FNLI and FNLI’s strategic importance as an important local investment and development company that is responsible for urban development, infrastructure construction and investment activities in Nanhai District. The linkage between the Nanhai government and FNLI is strong, including management supervision, strategic alignment, and ongoing operational and financial support. In addition, we believe that the Nanhai government has a strong willingness to ensure the issuer’s business and financial viability in order to safeguard its reputation and local financing activities.

Nanhai District is a municipal district of Foshan City, Guangdong Province with a well-developed economy. In 2024, Nanhai District’s GDP grew by 1.8% to RMB400.3 billion. Its budgetary revenue decreased to RMB21.3 billion in 2024 from RMB22.7 billion in 2023.

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

Lianhe Global has also affirmed ‘BBB+’ global scale Long-term Issuance Credit Rating of the senior unsecured Bonds issued by FNLI at the same time. A full list of affirmed issuance rating is included in this rating report.

Rating Rationale

Government’s Ownership and Supervision: Foshan Nanhai Stated-owned Assets Supervision and Administration Bureau (“the Nanhai SASAB”) holds 90.23% shares of FNLI and is the company’s ultimate controller. The remaining 9.77% shares are owned by Guangdong Provincial Department of Finance to subsidize the provincial Social Security Fund. The Nanhai government has a strong control over FNLI, including the appointment of its senior management, supervision of its major operation, investment and financing plans. In addition, Nanhai SASAB has set up an annual assessment mechanism for FNLI and regularly appoints auditors to review its operating performance and financial position.

Strategic Importance and Strategic Alignment: FNLI continues to carry out the development of Lishui industrial park renewal project (“Lishui project”), a large-scale urban renewal project in Nanhai District with total planned development costs of RMB40.3 billion, aiming to transfer the Lishui industrial park to a new urban area. It plays an important role in supporting Nanhai District’s economic and social development by improving the region’s environment and living conditions and upgrading its industries. By end-2024, FNLI had invested RMB8.6 billion in Lishui project. In addition, FNLI develops and operates an array of key culture and sports projects in Nanhai District, including Nanhai Cultural Center, Nanhai Sports Center and Nanhai Art Center. These projects enhanced FNLI’s functions in city development and operations.

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Applicable Criteria

China Local Investment and Development Companies Criteria (31 July 2025)

Strong Government Support: The Nanhai government provided ongoing support in forms of capital injections, asset allocations and operational subsidies to FNLI. In 2024, the company received cash capital of RMB346 million and land use right valued at RMB15 million from the local government. We expect the company to receive ongoing government support in the future given its strategic importance in Nanhai District.

FNLI's Financial and Liquidity Position: FNLI's asset size growth slowed down since 2024 as the large-scale first-phase investment in the Lishui project has largely been completed. The total debt of the company was largely stable. As a result, FNLI's financial leverage level, as measured by total debts/capitalization, stayed at c. 52%-53% level between end-2024 and the first half of 2025.

However, FNLI's asset liquidity was moderately weak. Inventories accounted for c. 40% of the company's total assets at end-June 2025, which mostly comprised the development costs of the Lishui project. Considering the long development period and large investment scale of the project, these assets still take a long time to convert to cash.

FNLI's short-term debt serving pressure was moderately high. At end-June 2025, FNLI had unrestricted cash of RMB1.6 billion, compared with its debts due within one year of RMB4.2 billion. Nevertheless, the company has access to various financing channels, including bank borrowings and bond issuances to support its operation and debt repayment. At end-2024, FNLI had unused bank facilities amounting to RMB3.8 billion.

Rating Sensitivities

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

We would consider upgrading FNLI's rating if (1) there is strengthened support from the Nanhai government, or (2) there is an upgrade in our internal credit assessment on the Nanhai government.

Any rating action on FNLI's rating would result in a similar rating action on the bonds.

Full List of Issuance Rating

- CNY1,450 million, 3.50% senior unsecured Green Bonds due 2027 affirmed at 'BBB+'
- CNY550 million, 2.65% senior unsecured Bonds due 2028 affirmed at 'BBB+'

Operating Environment

Economic Condition of Nanhai

Nanhai is a municipal district of Foshan City, with a well-developed economy. It was ranked 10th among China's Top 100 Districts and 2nd among the five districts in Foshan in 2024. In 2024, Nanhai's GDP increased by 1.8% to RMB400.3 billion in 2024, while its fixed asset investment dropped by 6.2%.

Nanhai's Economic Conditions

(RMB billion)	2022	2023	2024
GDP	376.1	393.1	400.3
-Primary industry (%)	1.8	1.7	1.9
-Secondary industry (%)	54.3	54.4	48.6
-Tertiary industry (%)	44.0	43.8	49.5
GDP growth rate (%)	2.7	4.4	1.8
Fixed asset investment growth rate (%)	-1.0	-14.3	-6.2
Population (million)	3.7	3.7	3.7

Source: Statistical bureau of Nanhai and Lianhe Global's calculations

Fiscal Condition of Nanhai

The budgetary revenue of the Nanhai government declined for two consecutive years to RMB21.3 billion in 2024. The fiscal self-sufficiency rate remained weak, while the budget deficit widened to 33.2% in 2024 from 24.4% in 2023. In addition, the government fund income fell to RMB18.1 billion in 2024 from RMB19.8 billion in 2023, mainly due to the lower land-use-right transfer income amid the prolonged property-market downturn.

The outstanding debt of the Nanhai government kept growing in past few years. At end-2024, the government's outstanding debt increased to about RMB88.7 billion from RMB75.5 billion at end-2023, mainly due to the issuance of special-purpose debts to support local public projects. Its government debt ratio, as measured by total government debt/aggregate revenue, increased to 196.1% at end-2024 from 157.5% at end-2023.

Nanhai's Fiscal Condition

(RMB billion)	2022	2023	2024
Budgetary revenue	25.8	22.7	21.3
Budgetary revenue growth rate (%)	0.6	-12.3	-6.2
Tax revenue	14.4	12.0	11.0
Tax revenue (% of budgetary revenue)	55.9	52.9	52.0
Government fund income	18.4	19.8	18.1
Transfer payment	6.4	5.5	5.9
Aggregate revenue	50.7	48.0	45.3
Budgetary expenditure	26.9	28.2	28.3
Budget balance ¹ (%)	-4.0	-24.4	-33.2
Government debt ratio (%)	122.0	157.5	196.1

¹ Budget balance = (1-budgetary expenditure / budgetary revenue) * 100%

Source: Financial Bureau of Nanhai and Lianhe Global's calculations

Company Profile

FNLI was established in 2004 by Nanhai SASAB, with initial registered capital of RMB10 million, which was enlarged to RMB268.5 million at end-June 2024 after an array of capital injections. FNLI is an important LIDC that is responsible for public facility construction, urban renewal and state-owned properties' leasing and management in Nanhai District.

FNLI mainly engages in project development and operation, leasing, energy as well as trading activities. Its total revenue increased significantly to RMB4,112 million in 2024 from RMB3,005 million in 2023, mainly due to the increase in its trading volume. The company also recorded property development and land consolidation incomes from Lishui Project in 2024. However, the company's gross margin dropped to 6.95% in 2024 from 8.52% in 2023 and 29.73% in 2022, owing to the low gross margin of its trading business.



Key Financial Data				
(RMB million)	2022	2023	2024	2025.6
Total Assets	18,362	20,748	24,287	24,642
Equity	8,608	8,971	9,724	9,893
Debt	6,966	8,504	10,794	10,797
Debt / (Debt + Equity) (%)	44.7	48.7	52.6	52.2
Unrestricted cash/ST Debts (x)	0.7	0.4	0.4	0.4
Debt/EBITDA (x)	26.8	44.8	41.8	-
Revenue	753	3,005	4,112	1,803
Operation Profit	125	10	106	16
Gross Margin (%)	29.7	8.5	7.0	6.0
Cash from sales or services/ Revenue (%)	71.8	105.3	110.6	112.7
Source: FNLI and Lianhe Global's calculations				

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