Credit Opinion

30 October 2025

Ratings	
Category	Corporate
Domicile	China
Rating Type	Solicited Rating
Long-Term Credit Rating	A_g-
Outlook	Stable

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Guangxi Modern Logistics Group Co., Ltd.

Initial credit rating report

CCXAP assigns first-time long-term credit rating of A_g- to Guangxi Modern Logistics Group Co., Ltd., with stable outlook.

Summary

The A_g- long-term credit rating of Guangxi Modern Logistics Group Co., Ltd. ("GMLG" or the "Company") is underpinned by the Company's (1) strong market position in the commodity trading and warehouse logistics sectors of Guangxi Zhuang Autonomous Region; (2) relatively diversified business portfolio to mitigate business risks and revenue volatility; and (3) good access to external funding channels.

However, the rating is constrained by the Company's (1) large capital expenditure pressure from self-operated projects; (2) high debt leverage and high short-term repayment pressure; and (3) moderate credit metrics.

The rating also reflects moderate support from the Guangxi Zhuang Autonomous Region Government, when necessary, which is based on the Company's (1) ultimate control by the local government; (2) strategic importance in economic and social development in Guangxi Zhuang Autonomous Region; and (3) good track record of receiving ongoing government support.

The stable outlook on GMLG's rating reflects our expectation that the Company will maintain strong competitiveness in the commodity trading and warehouse logistics sectors, and it will receive ongoing support from the local government for the next 12 to 18 months.

Rating Drivers

- Strong market position in the commodity trading and warehouse logistics sectors of Guangxi Zhuang Autonomous Region
- Relatively diversified business portfolio to mitigate business risks and revenue volatility
- Large capital expenditure pressure from self-operated projects
- High debt leverage and short-term repayment pressure
- Moderate credit metrics
- Good access to external funding channels
- High likelihood of support from the local government

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) the likelihood of government support for the Company strengthens; and (2) the Company's stand-alone credit profile improves significantly, such as an improvement in debt structure and leverage.

What could downgrade the rating?

The rating could be downgraded if (1) the likelihood of government support for the Company decreases; or (2) the Company's stand-alone credit profile weakens significantly, such as deterioration in debt leverage or liquidity.

Key Indicators

	2022FY	2023FY	2024FY	2025H1
Total Assets (RMB billion)	28.0	30.1	33.5	34.5
Total Equity (RMB billion)	7.7	8.3	8.6	8.8
Total Revenue (RMB billion)	33.6	45.1	47.6	25.3
Net Profits (RMB million)	40.7	69.3	101.3	-69.5
EBIT Margin (%)	2.4	1.7	1.6	-
Return on Assets (%)	3.0	2.6	2.4	-
Total Debt/Total Capital (%)	67.9	66.8	68.5	69.0
Total Debt/EBITDA (x)	17.3	18.4	20.8	-
EBITDA/Interest (x)	1.2	1.3	1.4	-
FFO/Total debt (%)	3.9	5.2	6.2	-

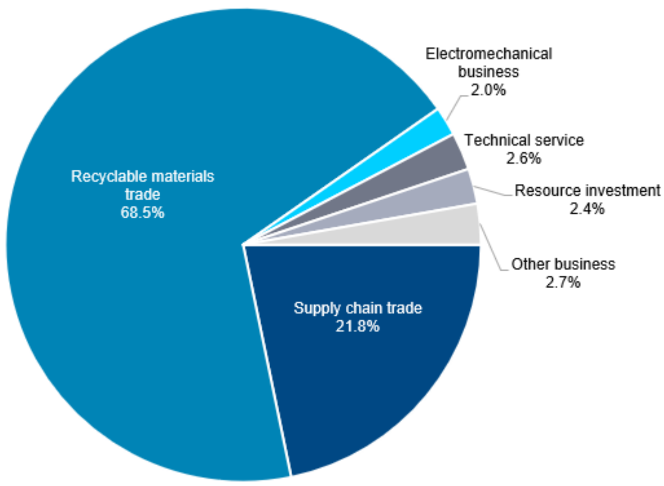
All ratios and figures are calculated using CCXAP's adjustments.

Source: Company data, CCXAP research

Corporate Profile

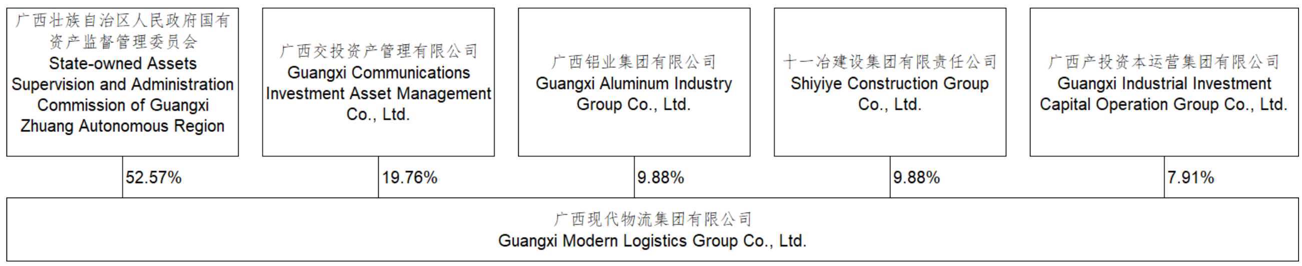
Founded in 2021 and formerly known as Guangxi Materials Group Co., Ltd., GMLG is an important state-owned enterprise in the Guangxi Zhuang Autonomous Region. Consolidating the regional logistics resources, the Company mainly engages in supply chain and recyclable materials trading business, electromechanical business, technical service business, and resource investment business. As of 30 June 2025, the State-owned Assets Supervision and Administration Commission of Guangxi Zhuang Autonomous Region ("Guangxi SASAC"), the ultimate controller of GMLG, directly held 52.6% of the Company's shares. The remaining shares were held by 4 state-owned enterprises, namely Guangxi Communications Investment Asset Management Co., Ltd., Guangxi Aluminum Industry Group Co., Ltd., Shiyiye Construction Group Co., Ltd., and Guangxi Industrial Investment Capital Operation Group Co., Ltd.

Exhibit 1. Revenue structure in 2024



Source: Company information, CCXAP research

Exhibit 2. Shareholding chart as of 30 June 2025



Source: Company information, CCXAP research

Rating Considerations

Business Profile

Strong market position in the commodity trading and warehouse logistics sectors of Guangxi Zhuang Autonomous Region

Supported by its solid industrial base and scale advantage, GMLG has a strong market position in the commodity trading and warehouse logistics sectors of Guangxi Zhuang Autonomous Region, which is rich in a variety of essential minerals. The Company ranked 38th in 2025 on the Top 50 Chinese Logistics Enterprises list in terms of sales revenue and was the only enterprise in Guangxi Zhuang Autonomous Region on the list. GMLG is also the largest commodity trading company in the Guangxi Zhuang Autonomous Region, and its scrap steel trading business scale ranks 2nd in China.

The commodity trading business is the largest revenue contributor for the Company. GMLG's main trading commodities include scrap steel, iron ore, coal, agricultural products, and copper concentrate. The Company adopts the sales-based procurement model to alleviate risks associated with demand and price fluctuation. The Company's commodity trading business has manageable concentration risks for suppliers and customers. As of 30 June 2025, the top 5 suppliers and customers accounted for 18.7% and 32.5% of total purchases and sales, respectively. However, the recent economic slowdown and real estate headwind have weighed on the Company's commodity trading business. The Company plans to integrate the trade categories and transition to a supply chain service provider to enhance the efficiency and profitability of the business.

The scrap steel trading accounted for the largest portion of sales volume and value. The Company has a mature integrated supply chain system for the recycling, processing, storage, distribution, and sales trading of recycled metals. As of 30 June 2025, GMLG had 17 scrap steel bases and 15 service outlets, serving 220 steel companies and has more than 20,000 suppliers. The Company also engages in import and export trade in ferrous metals, non-ferrous metals, energy minerals, and agricultural products, but the scale is relatively small.

Exhibit 3. GMLG's major types of trading commodities as of 30 June 2025

	Sales volume (thousand tons)	Sales value (RMB billion)
Scrap steel	6,144.1	14.4
Iron ore	5,382.7	2.4
Coal	1,409.3	0.7
Agricultural products	1,234.1	0.5
Copper concentrate	313.8	1.9

Source: Company information, CCXAP research

GMLG is also competitive in the warehouse logistics business. The Company focuses on logistics parks, multimodal transport, cold chain logistics, and industrial logistics. Leasing and ancillary services are the main revenue source of the Company's warehouse logistics business. As of 30 June 2025, the Company operated 6 integrated storage and transportation markets, with occupancy rates ranging from 64.0% to 99.0%. Although the leasing contract will be renewed annually, the rental income and occupancy rate are stable. GMLG has actively taken several measures to maintain and improve its competitiveness, including collaborating with other market-leading enterprises to expand into other provinces and building e-commerce cloud warehouses for logistic park modernization. We believe that GMLG can maintain its leading market position in the commodity trading and warehouse logistics sectors.

Relatively diversified business portfolio to mitigate business risks and revenue volatility

In addition to core commodity trading and warehouse logistics businesses, the Company also engages in electromechanical business, technical service business, and resource investment business. We believe that the Company can diversify its business risks and mitigate revenue volatility through the synergistic operation of its multiple business segments, which is credit positive.

The electro-mechanical business covers vehicle sales and ancillary services. The technical service business includes construction engineering quality inspection, civil explosives, energy-efficient street lighting retrofits, as well as the sale, installation, and maintenance of central air-conditioning systems. The resource investment business includes water treatment, mine restoration, household appliance recycling, etc.

Rapid expansion of the electromechanical business with margin pressure

The Company engages in electromechanical business through vehicle sales, vehicle leasing, used car trading platform development, and vehicle ancillary service provision. GMLG's electromechanical business has expanded rapidly in the past three years, with the revenue increasing from RMB387.0 million in 2022 to RMB947.1 million in 2024. However, the gross profit margin narrowed from 13.9% to 6.2% during the same period due to macroeconomic slowdown and fierce market competition. The business is currently under transition, with the focus shifting from vehicle sales to ancillary vehicle services and the development of an automotive lifestyle service ecosystem. The transition process will be closely monitored. We expect the segment to continue to expand and generate supplementary revenue for the Company.

Large capital expenditure pressure from self-operated projects

GMLG faces large capital expenditure pressure from self-operated projects, which cover the logistics, electromechanical, and resource investment business. As of 30 June 2025, the Company had more than 8 major self-operated projects under construction or planning, with an estimated total investment amount of RMB10.8 billion and an outstanding amount of RMB10.7 billion. The projects are funded by self-raised funds, which exert large future capital pressure to the Company. However, the capital expenditure pressure will be partially alleviated by the Company's strong financing capability.

Financial Profile

Increasing revenue driven by business expansion, but with weak profitability

Benefited from the growth of the trading business, GMLG's total revenue increased from RMB33.6 billion in 2022 to RMB47.6 billion in 2024. In 2024, the recyclable materials trading business was the largest income contributor, accounting for 68.5% of total revenue, followed by the supply chain trading business (21.8%), the technical service business (2.6%), the resource investment business (2.4%), the electromechanical business (2.0%), and others (2.8%). Overall, considering GMLG's diversified business portfolio and continuous expansion in the recyclable materials trading business, its revenue would continue to increase over the next 12 to 18 months.

GMLG's profitability is weak. The gross profit is mainly contributed from the supply chain trading business and technical service business, with the overall gross profit margin maintained at a low level of 0.6% in 2024, mainly driven by the negative gross profit margin of the recyclable materials trading business, which relies on the business subsidy to achieve breakeven. Nevertheless, the Company has recorded increasing gross profit margins of its supply chain trading business, technical service business, and resource investment business. The Company's period expense ratio (including management fee, marketing fee, research and development cost, and finance cost) also declined from 3.9% in 2022 to 3.0% in 2024, indicating more efficient cost management. The Company's EBIT margin declined from 2.4% in 2022 to 1.6% in 2024, and return on assets dropped from 3.0% to 2.4% during the same period. The Company's profitability is expected to remain relatively weak due to the nature of the commodity trading business and the fierce competition in the electromechanical business and technical service business.

High debt leverage and short-term repayment pressure

With continuous investment in self-operated projects covering various industries, GMLG has maintained a high debt leverage in recent years. The Company's total debt increased from RMB16.3 billion at end-2022 to RMB19.6 billion at mid-2025. Coupled with increasing non-controlling interest and equity transfer from the government, its total capitalization ratio rose slightly from 67.9% to 69.0% during the same period.

GMLG has a moderate liquidity position. The Company's cash reserve was insufficient to cover its short-term debt in the past three years, and the cash/short-term debt ratio dropped from 0.4x at end-2022 to 0.2x at mid-2025. The Company also has high short-term debt repayment pressure, with its short-term debt ratio increasing from 61.3% to 65.9% during the same period. The large amount of short-term debt has exerted high short-term repayment pressure on the Company.

Moderate credit metrics

GMLG’s debt servicing capability is relatively weak; its total debt/EBITDA ratio deteriorated from 17.3x at end-2022 to 20.8x at end-2025H1, although the EBITDA/total interest ratio slightly increased from 1.2x to 1.4x over the same period. Its cash flow-to-debt coverage capability is also weak, with funds from operations (“FFO”) of RMB1.2 billion in 2024, accounting for 6.2% of total debt at end-2024. Given the Company’s large expenditure pressure from the construction projects in the pipeline, we expect that its debt leverage will remain at a relatively high level in the next 12 to 18 months.

Good access to external funding channels

GMLG’s high refinancing pressure could be partially mitigated by its good access to multiple financing channels. The Company has maintained good relationships with large financial institutions. As of 30 June 2025, it had obtained total bank credit facilities of RMB31.3 billion with an available amount of RMB10.1 billion. Moreover, the Company also has good access to onshore debt capital markets. As of end of June 2025, the Company raised RMB2.8 billion from the onshore market, with coupon rates ranging from 2.95% to 6.1%. Given the Company's state-owned provincial enterprise background, it is expected that its financing channels will remain smooth in the future.

External Support

High likelihood of support from the local Government

We expect GMLG to have a high likelihood of receiving support from the local government, when necessary, which is based on the Company’s (1) ultimate control by the local government; (2) strategic importance in economic and social development in Guangxi Zhuang Autonomous Region; and (3) good track record of receiving ongoing government support.

In the past three years, the gross regional production of Guangxi Zhuang Autonomous Region increased steadily, but its general budgetary revenue and government fund revenue decreased due to macroeconomic headwinds. As the largest warehouse and logistics enterprise in the Guangxi Zhuang Autonomous Region directly controlled by Guangxi SASAC, GMLG has made great social and economic contributions to the region. Although Guangxi SASAC directly holds a 52.6% stake of GMLG, most of the Company’s other shareholders are wholly controlled by the SASAC.

The Company was commissioned by the local government to play an important role in local logistics resource integration and eco-environmental investment and operation, such as building a logistics information service platform and operating sewage treatment plants and water supply plants in Guangxi Zhuang Autonomous Region.

The local government has provided ongoing support to GMLG in the form of capital injection and financial subsidy. The local government provided government subsidies of RMB4.5 billion, and injected funds of totally RMB118.6 billion into the Company from 2022 to 2024. It also has unique advantages in obtaining policy support, and undertaking large-scale state-owned projects. Some of its subsidiaries enjoy preferential tax policies for income tax, and enjoy a 50% reduction in land use tax for bulk commodities.

Overall, given GMLG's strategic importance to the Guangxi Zhuang Autonomous Region Government, we believe its shareholders will continue to support the Company in the form of government subsidies, capital injections, and asset injections.

ESG Considerations

The Company is subject to environmental laws and regulations governing air pollution, noise emissions, hazardous substances, water and waste discharge, and other environmental matters issued by the national governmental authorities. GMLG assumes environmental risks for its construction projects and civil explosives business. Such risks could be mitigated by conducting environmental studies and detailed planning prior to the commencement of projects and close supervision.

GMLG is also exposed to social risks. As a leading enterprise in Guangxi Zhuang Autonomous Region, GMLG's electromechanical business and technical service business entail strong social responsibilities—including product safety, data privacy, and community well-being. Its social license to operate depends on fair labor practices, employee welfare, service quality, and local economic contributions. Shifting consumer preferences, demographic changes, and public health trends directly affect both demand and public perception.

The Company's governance considerations are also material as it is subject to oversight and reporting requirements to the local government, reflecting its status as a government-owned entity.

Rating Methodology

The methodology used in this rating is the Rating Methodology for General Corporate (April 2019).

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