Credit Opinion

30 December 2025

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

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Nanyang Transportation Holding Group Co., Ltd.

Surveillance credit rating report

CCXAP affirms Nanyang Transportation Holding Group Co., Ltd.'s long-term credit rating at BBB_g+, with stable outlook.

Summary

The BBB_g+ long-term credit rating of Nanyang Transportation Holding Group Co., Ltd. ("NTHG" or the "Company") reflects (1) Nanyang Municipal Government's 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 Nanyang Municipal Government's capacity to provide support reflects Nanyang City's gross regional product ("GRP") ranking 3rd among the prefecture-level cities in Henan Province over the years, underpinned by its geographic advantage with rich agricultural, mineral and water resources.

The rating also reflects the local government's willingness to support, which is based on the Company's (1) important role in transportation infrastructure construction and operation of Nanyang City; (2) track record of receiving government support; and (3) access to diversified funding channels.

However, the rating is constrained by the Company's (1) increasing debt burden; (2) moderate asset liquidity; and (3) moderate level of contingent liability risk.

The stable outlook on NTHG's rating reflects our expectation that the Nanyang Municipal Government's capacity to support will remain stable, and the Company will maintain its important role in transportation infrastructure construction and operation of Nanyang City over the next 12-18 months.

Rating Drivers

- Important role in transportation infrastructure construction and operation of Nanyang City
- Low exposure to commercial activities
- Track record of receiving government support
- Increasing debt burden and moderate asset liquidity
- Access to diversified funding channels
- Moderate level of contingent liability risk

Rating Sensitivities

What could upgrade the rating?

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

What could downgrade the rating?

The rating could be downgraded if (1) the local government's capacity to provide support weakens; 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 or weakened refinancing capacity.

Key Indicators

	2022FY	2023FY	2024FY	2025Q3
Total Asset (RMB billion)	38.5	43.2	56.5	58.0
Total Equity (RMB billion)	18.1	18.2	25.5	26.6
Total Revenue (RMB billion)	8.2	5.6	4.2	3.3
Total Debt/Total Capital (%)	43.5	51.5	48.0	46.7

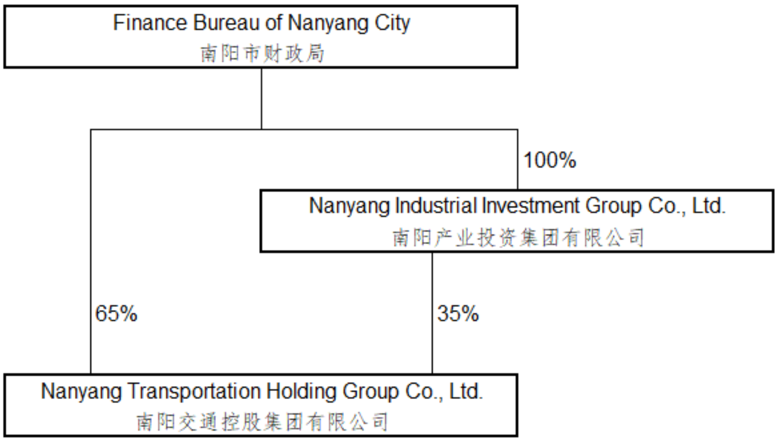
All ratios and figures are calculated using CCXAP's adjustments.

Source: Company data, CCXAP research

Corporate Profile

Established in 2019, NTHG is an important infrastructure construction and operation entity in Nanyang City. It is primarily responsible for infrastructure construction in Nanyang City, mainly transportation-related infrastructure such as the construction of municipal roads, highways and bridges. In addition, the Company also engages in commercial activities including highway operations, trading and logistics. As of 30 September 2025, the Finance Bureau of Nanyang City is the ultimate controller of the Company, directly holding 65% shares of the Company and indirectly holding the remaining 35% through Nanyang Industrial Investment Group Co., Ltd. ("NYII").

Exhibit 1. Shareholding chart as of 30 September 2025



Source: Company information, CCXAP research

Exhibit 2. Revenue structure in 2024

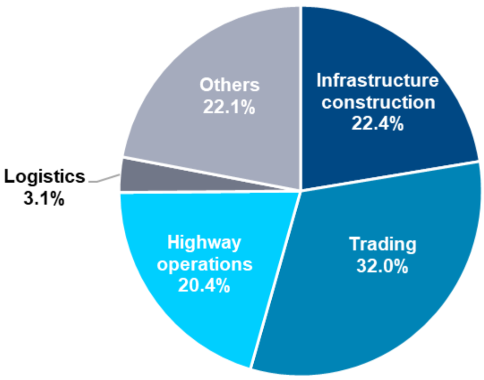
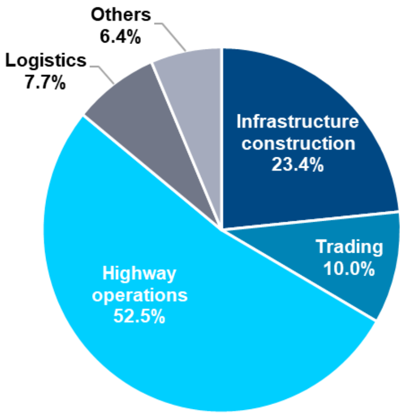


Exhibit 3. Gross profit structure in 2024



Source: Company information, CCXAP research

Rating Considerations

Government Capacity to Provide Support

We believe that the Nanyang Municipal Government has very strong capacity to provide support given Nanyang City's gross regional product ("GRP") has been ranking 3rd among all the municipal-level cities in Henan Province over the years. It also has rich agricultural, mineral and water resources. However, Nanyang Municipal Government's fiscal metrics are moderate.

Henan Province is a leading economic province and is recognized as one of the most developed provinces in China. It is located at the junction of the three major regions in China, including eastern, central and western regions. It has a strategic position as an important transportation and communication hub, and a material distribution center in China. With the good transportation and location advantages, Henan Province's GRP ranked 6th among all provinces in China in 2024 with a GRP of RMB6.4 trillion and growth rate of 5.1% year-on-year ("YoY"). However, its general budgetary revenue slightly decreased to RMB439.9 billion in 2024 due to tax refund policies and lower tax income from the real estate sector. In the first three quarters of 2025, Henan Province recorded a GRP of RMB4.9 trillion, representing a 5.6% YoY growth rate.

Located in the southwestern part of Henan Province, Nanyang City is the largest municipal-level city in Henan Province in terms of total area. It has 2 administrative districts, 4 development zones and 11 counties under its jurisdiction, covering a total area of around 26,600 square kilometers. Nanyang City is an important transportation hub in the central region of China and a regional central city in the border area of Henan, Hubei and Shaanxi Provinces. With rich agricultural, mineral and water resources, it has several national commodity grain bases as well as the national high-quality cotton bases. Nanyang City focuses on the transformation and upgrading of traditional and supporting industries such as textile and oil alkali chemical, equipment manufacturing, green food, metallurgy and building materials, as well as the development of new industries including digital optoelectronics, biomedicine, new materials, new energy industries.

From 2022 to 2024, Nanyang City's economic strength improved steadily with GRP increasing from RMB455.5 billion to RMB487.9 billion, ranking 3rd among 18 prefecture-level cities in Henan Province over the past few years. In the first three quarters of 2025, Nanyang City recorded a GRP of RMB374.8 billion, representing a 6.5% YoY growth rate. Nanyang City's fiscal revenue declined significantly in 2024, with its general public budgetary revenue falling to RMB22.2 billion from RMB28.9 billion in 2023. Nonetheless, the city maintained a relatively good fiscal quality, as tax revenue accounted for 69.9% of the total income in 2024.

The fiscal sufficiency of Nanyang Municipal Government was relatively weak. The fiscal balance ratio (general budgetary revenue/general budgetary expenditure) was only around 32% on average over the past three years, indicating high reliance on fiscal support from high-tier governments. The governmental fund revenue is an important supplement to the financial resources of the Nanyang Municipal Government. However, this revenue is highly reliant on land sales within the city, making it susceptible to fluctuations in the real estate market. Furthermore, Nanyang City's government carries a relatively heavy debt burden, with its outstanding debt amounting to RMB145.2 billion as of the end of 2024, which represents approximately 29.8% of its GDP.

Exhibit 4. Key economic and fiscal indicators of Nanyang City

	2022FY	2023FY	2024FY
GRP (RMB billion)	455.5	457.2	487.9
GRP Growth (%)	4.8	4.8	5.5
General Budgetary Revenue (RMB billion)	25.7	28.9	22.2
General Budgetary Expenditure (RMB billion)	77.1	81.7	82.0
Local Government Debt (RMB billion)	107.8	124.2	145.2

Source: Statistics Bureau of Nanyang City, CCXAP research

Government Willingness to Provide Support

Important role in transportation infrastructure construction and operation of Nanyang City

There are three main local infrastructure investment and financing companies ("LIIFCs") in Nanyang City under the control of the Nanyang Municipal Government, which are NYII, Nanyang Investment Group Co., Ltd. ("NYIG"), and NTHG, respectively. Their responsibilities are well-defined with clear functional positioning. NYII is positioned as an industrial investment platform in Nanyang City, mainly focusing on industrial transformation and industrial upgrading, while NYIG is positioned as an urban infrastructure investment and construction entity, focusing on shantytown renovation and urban infrastructure construction. NTHG is positioned as the transportation infrastructure construction and operation entity in Nanyang City. Meanwhile, the Company also carries out infrastructure projects in certain county-level regions under the jurisdiction of Nanyang City through its subsidiaries. Considering the Company's important role in transportation infrastructure construction and operation of Nanyang City, we believe that the Company will not be easily replaced by other local state-owned enterprises ("SOEs") in the foreseeable future.

NTHG is entrusted by the local government to undertake major infrastructure construction projects in Nanyang City, mainly in Wolong District, Xixia County and Fangcheng County. Since its establishment, the Company has successfully delivered a series of large-scale infrastructure and public welfare projects, including roads, highways, and rural upgrading projects, which are crucial to local economic and urban development. The Company conducts infrastructure construction projects through agency construction model and public-private partnership ("PPP") model. Under the agency construction model, the Company receives repayment from the local government. This repayment covers the actual costs and includes a markup, which serves as the Company's return. As of 30 June 2025, the Company had 6 agency construction projects under construction, with a total investment amount of RMB1.0 billion, and an uninvested amount of RMB479.0 million. Meanwhile, the Company had 3 PPP projects under construction, with a total investment amount of RMB4.5 billion and an outstanding amount of RMB1.6 billion, and there were no infrastructure projects under planning at the same time. Furthermore, the Company had completed several infrastructure projects over the past years, with total costs amounting to RMB5.5 billion. As of 30 June 2025, it had received approximately RMB3.3 billion in government repayments for these projects. The relatively large scale of uncollected project payments may occupy Company's funds and weaken its liquidity.

Moreover, NTHG has several infrastructure construction projects adopting self-operated model. The Company carries out projects through self-raised funds, government special bonds and bank loans. The Company is expected to achieve funding balance through future operating income, such as toll income and rental income. As of 30 June 2025, the Company mainly had 3 self-operated projects under construction, with an outstanding investment amount of around RMB3.7 billion, including highway, shipping project and health care project. For instance, the construction of a highway connecting the Fangcheng to Tanghe section of the Jiaozuo to Tanghe ("Fangzao Expressway"). The Fangzao Expressway has been completed and entered trial operation, and it has already begun generating operational revenue for the Company in 2025. The total investment for the Fangzao Expressway is RMB10.2 billion, with an uninvested balance of RMB2.9 billion as of 30 June 2025. Therefore, the remaining investment required for the Company's self-operated projects continues to exert pressure on its capital expenditure.

In addition, NTHG participates in highway operations business and is responsible for operating and managing three highways with franchise rights and toll collection rights, namely the Nanyang to Dengzhou Expressway ("Nandeng Expressway"), the Neixiang to Dengzhou Expressway ("Neideng Expressway"), and the Fangzao Expressway. The three expressways, with a combined length of 282.1 kilometers, serve as a stable source of revenue for the Company. In 2024, the income from toll collection was RMB845.0 million, accounting for over 20% of the Company's total revenue. Upon the completion of the Fangzao Expressway, we expect that this business segment may generate more operating revenue to the Company.

Low exposure to commercial activities

In addition to public activities, NTHG also engages in other commercial activities such as trading, logistics, leasing, and construction of self-operated projects. We consider the Company's exposure to commercial activities to be low, as its market-driven businesses account for less than 15% of its total assets.

NTHG participates in trading business through its subsidiaries, which is the most significant contributor to its total revenue. In 2024, the revenue from trading business declined significantly to RMB1.3 billion from RMB2.5 billion in 2023. The primary reason for the revenue decline is a reduction in sales to a major customer, due to the relocation of its production capacity. The trading products mainly include fuels, coals, alloys and auxiliary materials. The Company adopts demand-on-purchase mode, which means orders to upstream suppliers would be placed only when the sale contracts are signed with downstream customers. Although this segment can provide the Company with additional income, the Company is exposed to relatively high concentration risk as the Company has a high reliance on its top 5 customers, which may reduce its bargaining power. The top 5 customers accounted for more than 95% of the total sales in 2024.

Track record of receiving government support

NTHG has a proven track record of receiving ongoing support from the Nanyang Municipal Government, including capital injection, equity transfers and government subsidies. From 2023 to 2025H1, the Company and its subsidiary received capital injections and equity transfer from the Finance Bureau of Nanyang City, increasing its capital reserve by around RMB3.1 billion. In 2024, the Company's shareholders, the Finance Bureau of Nanyang City and NYII, capitalized the Company's capital reserve into paid-in capital, increasing its paid-in capital from RMB10.1 million at the end of 2023 to RMB5.0 billion. From 2024 through the first three quarters of 2025, the Company received a total of RMB187.1 million in operating subsidies from local governments. These funds supported its day-to-day operations and project construction.

Apart from capital injections and subsidies, NTHG also received special funding from the local government to support its transportation infrastructure construction projects. For instance, the Company received RMB4.0 billion in government special bonds for the Fangzao Expressway. In addition, in the first half of 2025, the Company received RMB230.0 million in proceeds from special bonds for land reserve issued by the Finance Bureau of Nanyang City. Given the Company’s public policy role in transportation infrastructure construction and operation of Nanyang City, we expect NTHG will continue to receive support from the local government in the future.

Increasing debt burden and moderate asset liquidity

NTHG’s total debt continued to increase in the past two years due to its ongoing investment needs in infrastructure construction projects and self-operated projects. As of 30 September 2025, the Company’s total debt increased to RMB23.3 billion from RMB19.3 billion as of end-2023, while its capitalization ratio (total debt/total capital) decreased to 46.7% from 51.5% over the same period. The primary reason for the decline in the Company’s leverage ratio was the increase in shareholders’ equity, resulting from capital injections (including equity transfers) by its shareholder in 2024. Meanwhile, the Company short-term debt burden has been reducing over the past two years. As of 30 September 2025, the Company's short-term debt amounted to RMB5.2 billion, a significant decrease from RMB8.4 billion at the end of 2023, thereby alleviating its near-term refinancing pressure. However, the Company’s unrestricted cash to short-term debt ratio was only 0.3x. Nonetheless, given the Company’s large capital expenditure pressure in infrastructure construction, we expect the Company may rely on external financing and its debt level will gradually increase over the next 12-18 months.

Furthermore, the Company’s liquidity profile was moderate. As of 30 September 2025, the Company’s total assets mainly consisted of inventories, receivables, long-term equity investment, fixed assets and construction in progress, totally accounting for around 60.5% of its total assets. The Company’s inventories primarily comprise land use rights and infrastructure project construction costs, while its receivables are mainly amounts due from the government or other SOEs. Both asset categories are considered illiquid. Additionally, the Company has pledged some assets for loans, including land, cash and cash equivalent, as well as investment properties. As of 30 June 2025, the Company’s restricted assets amounted to RMB2.2 billion, accounting for 3.8% of its total assets. As a result, this may undermine the Company’s financial flexibility in the near term.

Access to diversified funding channels

As an important LIIFC in Nanyang City, NTHG has access to different sources of funding, including bank loans, bond issuances and non-standard financing products, which may partially release its capital expenditure pressure. Bank loans are the main source of funding for NTHG, accounting for around 60% of its total debt. The Company maintains good relationships with large domestic banks, policy banks as well as large joint-stock commercial banks. As of 30 June 2025, NTHG's key subsidiary Nanyang Transportation Construction Investment Group Co., Ltd. had obtained total banking facilities of RMB16.9 billion with an available portion of RMB2.0 billion. In addition, NTHG has a track record of fund-raising activities in the onshore and offshore debt capital markets. From January 2024 to November 2025, the Company's subsidiaries have issued 6 tranches of corporate bonds, raising RMB2.0 billion through the domestic bond market. In addition, the Company itself has issued 2 tranches of offshore bonds in 2024, raising about RMB2.0 billion. The Company has moderate exposure to non-standard financing, such as financial lease and trust, accounting for around 10% of the total debt.

Moderate level of contingent liability risk

NTHG's credit profile is constrained by a relatively large number of external guarantees, which could potentially increase its repayment obligations. As of 30 June 2025, the total amount of external guarantees of the Company was approximately RMB2.9 billion, representing around 10.1% of its net assets. All external guarantees were provided to local SOEs within Nanyang City, including county-level SOEs and public institutions under its jurisdiction. The Company may face contingent liabilities from regional credit events. Risks associated with guarantees to SOEs are considered moderately controllable due to expected government support.

ESG Considerations

NTHG faces environmental risks through its infrastructure construction projects in Nanyang City. 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.

NTHG bears social risks as it implements public policy initiatives by undertaking infrastructure construction in Nanyang City. 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. Such risks could be moderated by active communication with stakeholders throughout the project lifecycle.

In terms of corporate governance, NTHG's governance considerations are also material as the Company is subject to local government oversight and reporting requirements, reflecting its public-policy role and status as a government-owned entity.

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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