

Credit Opinion

23 July 2025

Nan'an Development Investment Group Co., Ltd.

Surveillance credit rating report

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

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CCXAP affirms Nan'an Development Investment Group Co., Ltd.'s long-term credit rating at BBB_g, with stable outlook.

Summary

The BBB_g long-term credit rating of Nan'an Development Investment Group Co., Ltd. ("NDIG" or the "Company") reflects Nan'an City Government's (1) 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 Nan'an City Government's capacity to support reflects its good comprehensive strength, ranking 40th among the Top 100 counties in China in terms of comprehensive strength in 2024, with ongoing economic and fiscal growth.

The rating also reflects the local government's willingness to support, which is based on the Company's (1) critical role as the state-owned asset investment and operation entity in Nan'an City; (2) high sustainability of urban development and operation business; and (3) good track record of receiving government support.

However, the rating is constrained by the Company's (1) medium exposure to commercial business activities; (2) high debt leverage and weak asset liquidity; and (3) medium exposure to contingent risks.

The stable outlook on NDIG's rating reflects our expectation that Nan'an City Government's capacity to provide support will remain stable, and the Company will maintain its important public role in urban development and service operation in urban and rural areas of Nan'an City over the next 12 to 18 months.

Rating Drivers

- Critical role as the state-owned asset investment and operation entity in Nan'an City
- High sustainability of urban development and operation business, with large capital expenditure pressure
- Medium exposure to commercial activities
- Good track record of receiving government support
- High debt leverage and weak asset liquidity
- Diversified financing channels from banks and the capital market
- Medium exposure to contingent risks

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) Nan'an City Government's capacity to support strengthens; and (2) the Company's characteristics change in a way that strengthens the local government's willingness to support, such as a material decrease in external guarantees, or improved debt management.

What could downgrade the rating?

The rating could be downgraded if (1) Nan'an City Government's capacity to support weakens; or (2) the Company's characteristics change in a way that weakens the local government's willingness to support, such as a decrease in importance of its policy role, material decrease in government payments, or deteriorated debt management.

Key Indicators

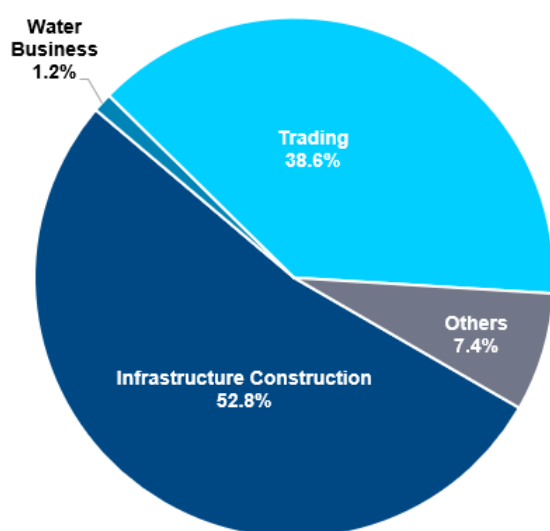
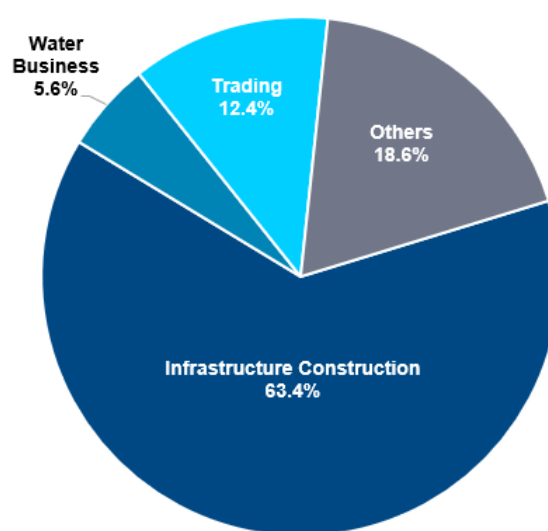
	2022FY	2023FY	2024FY
Total Asset (RMB billion)	27.6	33.1	40.7
Total Equity (RMB billion)	12.5	13.2	13.8
Total Revenue (RMB billion)	4.5	4.4	4.4
Total Debt/Total Capital (%)	48.1	52.1	59.2

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

Source: Company data; CCXAP research

Corporate Profile

NDIG was established in 2009 and is the largest local infrastructure investment and financing company ("LIIFC") in terms of total assets in Nan'an City, playing a critical public role in infrastructure construction, resettlement housing construction, water supply, hydropower generation, grain reserves & rotation and security service. The Company also engages in commercial activities, including trading, pharmaceutical sales, property leasing, and financing guarantees. As of 31 March 2025, the Company is wholly owned and ultimately controlled by the State-owned Assets Supervision and Administration Commission of Nan'an City Government ("Nan'an SASAC").

Exhibit 1. Revenue structure in 2024**Exhibit 2. Gross Profit structure in 2024**

Source: Company information, CCXAP research

Rating Considerations

Government's Capacity to Provide Support

We believe the Nan'an City Government has a strong capacity to provide support given its good comprehensive strength, with ongoing economic and fiscal growth. Nan'an City ranked 40th among the Top 100 counties in China in terms of comprehensive strength in 2024.

Fujian Province, located on the southeastern coast of China, is recognized as one of the country's fastest-growing regions. In 2024, Fujian Province recorded a gross regional product ("GRP") of RMB5.8 trillion, with a GRP growth rate of 5.5% year-on-year ("YoY"), ranking 8th in terms of GRP among all provinces in China. Additionally, the province's general budgetary revenue reached RMB361.5 billion. In 2025Q1, Fujian Province recorded a GRP of RMB1.3 trillion, with a growth rate of 5.7% YoY, and general budgetary revenue of RMB123.8 billion.

Quanzhou is situated in the southeast of Fujian Province and is one of the "reforms and opening-up" areas in China. Its pillar industries include textile and footwear manufacturing, building materials and home furnishings, machinery and equipment, tea production, clean energy, and modern logistics. With the ongoing industrial development, the economic strength of Quanzhou City has continuously grown. The GRP of Quanzhou City increased from RMB1,217.2 billion in 2023 to RMB1,309.5 billion in 2024, ranking 2nd among 9 prefecture-level cities in Fujian Province. Quanzhou Municipal Government recorded a public budgetary revenue of RMB57.3 billion, of which tax revenue accounted for 64.9%. However, its fiscal balance is moderate with a general budgetary revenue/general budgetary expenditure ratio of 67.9%. Its debt burden is also moderate. In 2024, the local government's outstanding debt grew to RMB266.1 billion, accounting for 20.3% of GRP.

Exhibit 3. Key economic and fiscal indicators of Quanzhou City

	2022FY	2023FY	2024FY
GRP (RMB billion)	1,210.3	1,217.2	1,309.5
GRP Growth (%)	3.5	4.8	6.5
General Budgetary Revenue (RMB billion)	52.7	58.1	57.3
General Budgetary Expenditure (RMB billion)	80.7	85.0	843.4
Local Government Debt (RMB billion)	211.3	234.3	266.1

Source: Statistic Bureau of Quanzhou City, CCXAP research

Nan'an City lies in the middle reaches of the Jinjiang River and acts as a strategic gateway to the Minxi South Coordinated Development Zone. It is surrounded by 5 airports (e.g., Xiamen Xiang'an International Airport) and 5 ports (e.g., Shijing Port), positioning it as a critical logistics hub. Its leading industries include stone and ceramic manufacturing, water-heating and kitchen-bathroom equipment, machinery and equipment, daily-use light industry, and electronic information. Nan'an City's stone manufacturing industry dominates as China's and the world's premier industry hub, crowned the "World Stone Capital". Relying on its pillar industries of plumbing equipment and stone production, Nan'an City has sustained economic growth in recent years, with its GRP growing from RMB170.7 billion in 2023 to RMB184.4 billion in 2024, with a rapid YoY increase of 7.1%. Its GRP ranked 40th among the Top 100 Counties/cities in 2024 in terms of comprehensive strength in China. The general budgetary revenue of Nan'an City also increased from RMB7.4 billion to RMB7.8 billion during the same period, with tax contribution of 53.3%, showing moderate fiscal stability. Nan'an City has a good fiscal self-sufficiency, with a fiscal balance ratio of 89.8% in 2024. In addition, Nan'an City has a manageable debt burden. In 2024, Nan'an City recorded an outstanding debt of RMB27.0 billion, accounting for 14.6% of its GRP.

Exhibit 4. Key economic and fiscal indicators of Nan'an City

	2022FY	2023FY	2024FY
GRP (RMB billion)	164.6	170.7	184.4
GRP Growth (%)	3.7	6.2	7.1
General Budgetary Revenue (RMB billion)	6.8	7.4	7.8
General Budgetary Expenditure (RMB billion)	9.7	10.6	8.7
Local Government Debt (RMB billion)	21.3	23.9	27.0

Source: Statistic Bureau of Nan'an City, CCXAP research

Government's Willingness to Provide Support**Critical role as the state-owned asset investment and operation entity in Nan'an City**

NDIG is the major state-owned asset investment and operation entity, as well as the largest LIIFC by total assets in Nan'an City, mainly responsible for urban development and state-owned assets operation in Nan'an City. The Company is mandated by the local government to conduct local public activities, such as infrastructure construction, resettlement housing construction, water supply, hydropower generation, and grain reserves & rotation. Considering its strategic significance to the development of Nan'an City, we believe the Company is unlikely to be replaced by other local state-owned enterprises in the foreseeable future.

High sustainability of urban development and operation business, with large capital expenditure pressure

As a major state-owned asset investment and operation entity in Nan'an City, NDIG undertakes the development

of various infrastructure projects such as road transportation and resettlement housing. It is also responsible for urban-rural services operations, managing tap water supply in Nan'an's urban area and surrounding townships, operating hydropower stations for electricity generation and sales, and serving as the region's exclusive entity for grain reserves & rotation, and security services, all of which critical functions supporting Nan'an urban-rural development and key areas concerning national welfare and people's livelihood. We expect that the considerable projects in the pipelines can ensure the sustainability of the infrastructure construction business, but will exert large capital expenditure pressure on the Company.

NDIG continues to conduct the infrastructure construction under the agency construction model, with numerous infrastructure projects under construction or in the pipeline, indicating strong business sustainability. However, the slow project repayment collection progress may undermine the Company's efficiency of capital usage. As of 31 December 2024, the Company had completed 11 municipal development projects of a total investment of RMB5.4 billion, with unreceived payment of RMB3.5 billion. Meanwhile, it had 14 municipal development projects under construction or planning, with a total planned investment of RMB15.9 billion and an uninvested amount of RMB12.2 billion. In addition, as of end-2024, the Company had completed 5 resettlement housing projects, with a total investment of RMB6.4 billion. However, constrained by the pace of demolition and resettlement, the Company faces limited and slow payment collection in resettlement housing projects, with outstanding receivables of RMB5.7 billion. Furthermore, the sustainability of resettlement housing business is low due to the decline of regional demand, and the Company has no resettlement housing projects under construction or planning.

NDIG provides water supply services to Nan'an City and surrounding townships through its 3 Meilin water plants (Phase I, II, and III) and a 760-kilometer pipeline network. The Company currently assumes the function to integrate the water supply companies in urban and rural areas, and has undertaken several construction projects with costs partly funded by government subsidies and special funds. As of 31 March 2025, the Company had 3 water supply projects under construction, with a total planned investment of RMB3.8 billion, of which RMB2.7 billion remains uninvested.

Additionally, NDIG participates in hydropower generation in Nan'an City. As of 31 March 2025, the Company operated 5 hydropower stations, with a stable electricity price. In 2024, the revenue of hydropower generation slightly increased driven by higher electricity generation from increased water inflow.

Furthermore, NDIG serves as Nan'an City's exclusive operator for grain reserves & rotation and security services. As of end-2024, the Company maintained three warehouses with a total storage capacity of 121.0 thousand tons, holding 80.2 thousand tons of grains including rice, wheat, and emergency reserves. Given the public welfare nature of grain reserves, the local government has provided subsidies to support its operation. Moreover, its security services benefit from strong regional monopoly positioning, ensuring stable operations.

Medium exposure to commercial activities

Beyond its public utility operations, NDIG engages in diverse commercial activities including self-operated projects, trading, pharmaceutical sales, property leasing and financing guarantees. We consider NDIG's commercial business exposure to be medium, as its market-driven businesses account for around 20% of its total assets.

NDIG undertakes self-operated projects, such as industrial parks and berths, generating operational revenue from stevedoring fees, advertising fees, and parking charges etc. However, the Company primarily relies on self-funding for these projects, with future financial equilibrium expected through market-based operations,

which exerts significant capital expenditure pressure on the Company. As of 31 March 2025, NDIG had 2 major self-operated projects under construction, representing a total planned investment of RMB4.6 billion, with RMB3.6 billion remaining uninvested.

NDIG also conducts trading business under a demand-driven model, dealing in chemical products including PTA, polyester staple fiber, and polyester draw textured yarn oils, with primary sales regions concentrated in Xiamen. Due to the Company's optimized cost management, the profitability of trading business has improved, with its gross profit margin increasing from 1.7% in 2023 to 2.4% in 2024. However, its overall profit contribution remains limited. In addition, the proportions of the top five suppliers and customers of the Company were 91.3% and 85.1% as of end-2024, indicating relatively high concentration risk.

In addition, the Company also participates in diversified businesses such as pharmaceutical sales, property leasing, and financing guarantees. Although their business scale is relatively small, they provide supplemental income to the Company.

Good track record of receiving government support

As the major state-owned asset investment and operation entity in Nan'an City, NDIG is directly controlled by the Nan'an SASAC and has a good track record of receiving payments from Nan'an government. These payments take various forms, including government subsidies, fiscal capital injections, government payments and special bonds. In 2024, the Company received RMB524.9 million in government subsidies and RMB500.0 million in fiscal capital injections. In addition, as of end-2024, the Company had also received government payments totaling RMB3.4 billion for infrastructure construction and resettlement housing projects. Overall, given NDIG's pivotal role and contributions to regional development, we believe that NDIG will receive ongoing government support to support its business operations.

High debt leverage and weak asset liquidity

NDIG's debt burden has expanded rapidly due to sustained financing for construction projects. The Company's total debt increased from RMB14.3 billion at end-2023 to RMB20.1 billion at end-2024, while its total capitalization ratio climbed from 52.1% to 59.2% over the same period, and remained at a relatively high level. In addition, the Company is also facing high short-term debt repayment pressure. As of 31 December 2024, short-term debt accounted for 38.3% of total debt, with the cash-to-short-term debt ratio standing at 0.3x. We expect that, given its substantial future funding needs, the Company will maintain relatively rapid debt growth over the next 12 to 18 months, with ongoing growth of debt leverage.

Furthermore, NDIG has weak asset liquidity, which may undermine its financial flexibility. As of 31 March 2025, the Company's total assets mainly consisted of inventories and receivables, which accounted for around 55.7% of its total assets. The inventories are mainly investment costs for infrastructure construction and resettlement housing projects, while the receivables are mainly unreceived payments from the local government or counterparties from trading business, all of which are considered low liquidity. Moreover, the Company acquired reservoirs for aquaculture operations valued at RMB2.0 billion in 2024, which is not earning revenue yet and requires future monitoring of its operational performance. In addition, as of 31 December 2024, the Company has a total restricted asset of RMB2.0 billion, representing 5.0% of total assets.

Diversified financing channels from banks and the capital market

NDIG has a diversified range of financing channels as reflected by its good banking relationships and access to the onshore debt capital market. The Company has maintained a solid cooperation with multiple banks and

enjoyed smooth channels for indirect financing. As of 31 December 2024, bank financing accounted for approximately 54.1% of the Company's total debt, and it had obtained a total of credit facilities of RMB23.6 billion from various banks, and available credit facilities of RMB13.3 billion, indicating sufficient standby liquidity.

NDIG has issued debts in both onshore and offshore debt capital markets, including issuance of MTNs, SCPs, PPNs, and private corporate bonds, which account for 44.8% of its debt. From 1 January 2024 to 30 June 2025, the Company and its subsidiary had issued 5 domestic bonds with a total of RMB2.5 billion and 3 offshore bonds with a total of RMB2.9 billion. However, NDIG's substantial reliance on bond financing exposes the Company to notable capital market volatility risks. Additionally, the Company has a low reliance on non-standard financing, which accounted for 1.0% of the total debt.

Medium exposure to contingent risks

NDIG has medium exposure to contingent risks due to its relatively large scale of external guarantees. As of 31 December 2024, its external guarantee amounted to RMB5.0 billion, accounting for 36.1% of its net assets. Most of the external guarantees are provided to state-owned enterprises in Nan'an City, which have low default risk. However, should a credit event occur, the Company may face certain contingent risks, which could inversely impact its credit quality.

ESG Considerations

NDIG bears environmental risks through its infrastructure projects. Such risks could be moderated by conducting environmental studies and detailed planning before the commencement of projects and close supervision during the construction.

The Company is also exposed to social risks as a public services provider in Nan'an City. Demographic changes, public awareness and social priorities shape the government's target for NDIG, or affect the government's propensity to support the Company.

NDIG's governance considerations are also material as the Company is subject to oversight and reporting requirements to the local government, 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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