

Credit Opinion

16 October 2025

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

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Ningguo Economic Development Holding Group Co., Ltd.

Surveillance credit rating report

CCXAP affirms Ningguo Economic Development Holding Group Co., Ltd.'s long-term credit rating of BBB_g-, with stable outlook.

Summary

The BBB_g- long-term credit rating of Ningguo Economic Development Holding Group Co., Ltd. ("NGED" or the "Company") reflects the Ningguo 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 the local government's capacity to provide support reflects Ningguo City's economic importance in Xuancheng City, and the status of Ningguo Economic and Technological Development Zone ("Ningguo ETDZ") as a national-level ETDZ with ongoing industrial development.

The rating also reflects the local government's willingness to provide support, based on the Company's (1) status as the most important local infrastructure investment and financing company ("LIIFC") in Ningguo ETDZ; and (2) good track record of receiving government support.

However, the rating is constrained by the Company's (1) medium exposure to commercial activities; (2) fast debt growth driven by continuous investment in construction projects; and (3) medium contingent liabilities risk.

The stable outlook on NGED's rating reflects our expectation that the local government's capacity to provide support will remain stable, and the Company will maintain its important role in the development of Ningguo ETDZ over the next 12-18 months.

Rating Drivers

- Important role as the largest LIIFC by assets in Ningguo ETDZ
- Medium exposure to commercial activities
- Good track record of receiving government support
- Fast debt growth driven by continuous investment in construction projects
- Access to diversified financing channels
- Medium contingent liabilities risk

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) the local government's capacity to provide support strengthens; and (2) the Company's characteristics change in a way that enhances the local government's willingness to provide support, such as lower exposure to risky commercial activities and an improvement in financing ability.

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 higher exposure to risky commercial activities.

Key Indicators

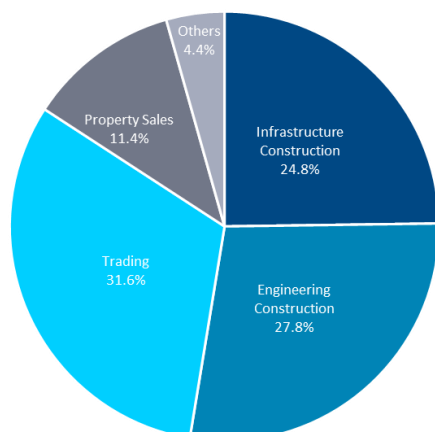
	2022FY	2023FY	2024FY	2025H1
Total Asset (RMB billion)	25.1	32.9	36.7	39.0
Total Equity (RMB billion)	9.9	12.5	13.8	13.9
Total Revenue (RMB billion)	1.9	2.1	1.4	0.8
Total Debt/Total Capital (%)	51.6	53.4	57.4	60.4

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

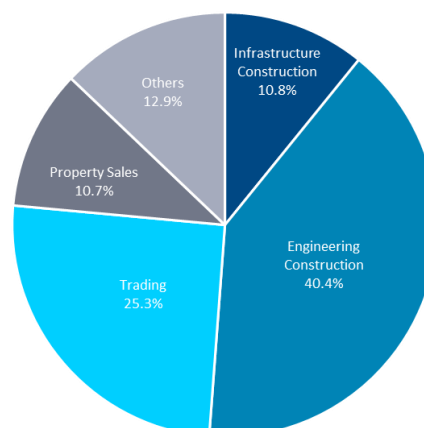
Source: Company data, CCXAP research

Corporate Profile

Established in 2012, NGED is the most important LIIFC in Ningguo ETDZ. The Company has become the largest LIIFC by total assets in Ningguo ETDZ after the consolidation of Anhui Ningguo Construction Investment Group Co., Ltd. ("NGCI") in May 2023. It takes the responsibility of undertaking major public infrastructure projects in Ningguo ETDZ, including infrastructure construction, and resettlement construction. Meanwhile, the Company has commercial operations, including property development, engineering construction and trading. As of 30 June 2025, the Company was directly and wholly owned by the Management Committee of Ningguo ETDZ.

Exhibit 1. Revenue structure in 2024

Source: Company information, CCXAP research

Exhibit 2. Gross profit structure in 2024

Rating Considerations

Government's Capacity to Provide Support

We believe that the local government has a strong capacity to provide support given Ningguo City's economic importance in Xuancheng City, and Ningguo ETDZ's status as a national-level ETDZ with ongoing industrial development.

Located in the southeastern part of Anhui Province, Xuancheng City is one of the cities of the Yangtze River Delta urban agglomeration and one of the cities in the demonstration zone for industrial transfer of Wanjiang River City Belt. Following years of industrial development and advancement, Xuancheng City has cultivated 2 pillar industries, which are new energy industry and auto parts industry, along with three competitive sectors, namely the electronic information industry, high-end equipment manufacturing industry, and new materials and fine chemical industry. Due to the ongoing enhancement of transportation infrastructure and the continual refinement of industrial structure, Xuancheng City is experiencing good economic growth in the recent years. Its gross regional product ("GRP") has increased to RMB205.4 billion in 2023 from RMB195.2 billion in 2023. In the first half of 2025, the GRP of Xuancheng City reached RMB106.9 billion, up 6.1% year-on-year ("YoY"). The general budgetary revenue of Xuancheng Municipal Government remained at RMB19.8 billion in 2024. However, the fiscal balance and stability of Xuancheng Municipal Government remained moderate. In 2024, the fiscal balance ratio (calculated by general budgetary revenue/general budgetary expenditure) was 50.4% and the fiscal stability ratio (calculated by tax revenue/general budgetary revenue) was 63.1%. Xuancheng Municipal Government's debt profile is relatively weak. As of end-2024, its government debt balance amounted to RMB78.4 billion, accounting for 38.2% of GRP and 142.2% of its total fiscal revenue.

Exhibit 3. Key economic and fiscal indicators of Xuancheng City

	2022FY	2023FY	2024FY
GRP (RMB billion)	191.4	195.2	205.4
GRP Growth (%)	4.2	5.9	5.8
General Budgetary Revenue (RMB billion)	18.9	19.8	19.8
General Budgetary Expenditure (RMB billion)	34.6	36.8	39.3
Local Government Debt (RMB billion)	60.2	67.7	78.4

Source: Statistics of Bureau of Xuancheng City, CCXAP research

Ningguo City is a county-level city in Xuancheng City. After years of development, Ningguo City has established three pillar industries, including automotive components, wear-resisting castings, and electronic components. In 2024, the GRP of Ningguo City increased by 6.8% YoY to RMB48.1 billion, ranking 2nd among all the districts or counties in Xuancheng City. In 2025H1, the GRP of Ningguo City increased by 6.3% to RMB25.9 billion. Supported by good economic development, Ningguo City's fiscal strength continues to grow. Its general budgetary revenue increased from RMB3.9 billion in 2023 to RMB4.0 billion in 2024, with tax revenue accounting for 66.4% of general budget revenue. However, Ningguo City Government fiscal balance ratio is moderate. The average fiscal balance ratio of Ningguo City Government was 70.2% over the past three years. As of 31 December 2024, the outstanding debt of Ningguo City Government was RMB13.4 billion, accounting for 27.9% of its GRP.

Exhibit 4. Key economic and fiscal indicators of Ningguo City

	2022FY	2023FY	2024FY
GRP (RMB billion)	45.4	46.0	48.1
GRP Growth (%)	6.0	7.0	6.8
General Budgetary Revenue (RMB billion)	3.7	3.9	4.0
General Budgetary Expenditure (RMB billion)	5.4	5.6	5.6
Local Government Debt (RMB billion)	9.4	12.0	13.4

Source: Statistics of Bureau of Ningguo City, CCXAP research

Ningguo ETDZ was established in 2000 and approved as a national economic and technological development zone in 2013. Its development pattern was called "one district, four parks, and one town". Ningguo ETDZ has formed one primary industry and four characteristic industries, which are automotive components, high-end equipment and wear-resistant castings, electronic information, green food, and fine chemicals and new materials, respectively. The industrial development of Ningguo ETDZ shows a growth momentum. In 2023, Ningguo ETDZ ranked 7th among national Economic and Technological Development Zones in Anhui Province. In 2024, the total industrial output value for enterprises above designated size of Ningguo ETDZ grew by 4.9% YoY to RMB59.3 billion. Meanwhile, the fiscal revenue of Ningguo ETDZ increased by 6.4% YoY. Several listed companies have settled in Ningguo ETDZ, such as Anhui Zhongding Sealing Parts Co., Ltd..

Government's Willingness to Provide Support

Important role as the largest LIIFC by assets in Ningguo ETDZ

NGED is the most important and the largest LIIFC in Ningguo ETDZ. It plays a dominant role in undertaking infrastructure construction in Ningguo ETDZ, contributing significantly to the industrial and economic development of Ningguo ETDZ. The Company also undertakes construction of the industrial parks and standard factories through engineering construction business. Given its essential role in regional development, we believe that the Company will not be easily replaced by other state-owned enterprises in the foreseeable future.

NGED carries out various infrastructure construction projects by agent construction model. The entrusted parties would pay construction costs plus a certain markup to the Company. As of 30 June 2025, the Company had completed 3 infrastructure construction projects with total investment of RMB437.0 million, and the Company had 5 key infrastructure construction projects under construction, with a total planned investment of RMB7.9 billion and an uninvested amount of RMB5.7 billion. At the same time, there were 3 infrastructure construction projects under planning, with a total planned investment of RMB4.0 billion. The large uninvested amount indicates relatively high capital expenditure pressure for the Company. Meanwhile, the government payment for completed projects is prolonged, which may further increase NGED's capital expenditure pressure.

NGED also engages in the construction and selling of resettlement housing. The Company carries out the construction of resettlement housing projects in accordance with the planning of the Management Committee of Ningguo ETDZ. The Company is responsible for raising funds for the projects and selling different types of resettlement housing to resettlement households at prices guided by the local government. As of 30 June 2025, the Company had completed 3 resettlement housing projects with long selling cycle and moderate destocking pace, and the Company had a resettlement housing project under planning with an estimated amount of RMB50.0 million.

Medium exposure to commercial activities

The Company's commercial activities include engineering construction, trading, as well as self-operated project construction. Based on our assessment, NGED's exposure to commercial activities is medium with the assets of commercial activities accounting for 20% to 30% of total assets.

The Company conducts engineering construction mainly through its subsidiary Anhui Huaren Road and Bridge Engineering Co., Ltd. ("HRRB") acquired in 2019. HRRB obtains the projects mainly through market-oriented bidding or subcontracting from main contractors. The engineering construction business has continued to grow, with the revenue from this business increasing from RMB358.9 million in 2023 to RMB384.1 million in 2024, which accounted for around 27.8% of total revenue in 2024. The contract amount number of newly signed contracts recorded RMB2.6 billion and RMB0.3 billion in 2024 and 2025H1, respectively. As of 30 June 2025, the Company had 10 key engineering construction projects under construction or under planning, with a total contract amount of RMB831.0 million. However, the engineering construction business has a relatively long construction period and slow repayment collection, which brings certain pressure on repayments during the downturn in the construction industry.

Besides, the Company engages in trading business, with the main products of rare earth, steel, scrap copper, and zinc ingots. Despite a decline in trading revenue from RMB989.1 million in 2023 to RMB436.2 million in 2024, the segment's gross profit margin saw a significant improvement to 11.5%, up from less than 1.0% in 2024, driven by continuous optimization of the supply chain structure. However, in 2024, the top 5 suppliers and customers of trading business represented 60.9% and 94.1% of the total purchase and sales amount, respectively, demonstrating high customer concentration risks.

With the aim to attract investments and promote the development of local industries, the Company is also engaged in construction of self-operated projects, which will be sold or leased out for fiscal balance. As of 30 June 2025, the Company had 2 industrial park projects under construction, with a total planned investment of RMB4.7 billion and an outstanding amount of RMB1.5 billion, and the Company had 1 project under planning, with a total planned investment of RMB125.0 million, indicating certain expenditure pressure. There are uncertainties regarding the subsequent fund balancing of these projects as it is highly subject to local industrial development and investment attraction effectiveness.

NGED also conducts property development business. As of 30 June 2025, the Company had completed the construction of a commercial housing project, with a total investment of RMB795.0 million. The sale rate of this project reached about 67.1%. At present, the Company has no property development project under construction or planning. However, due to the downturns in China's property market, property development projects would be exposed to higher execution risks during construction and sales.

The Company broadened its business scope to metal substrates through its subsidiary Yida Tiandi Environmental Protection Technology Co., Ltd. ("Yida") newly acquired in 2024. It is one of the earliest

companies in China to enter the research, development, and production of metal honeycomb products for motor vehicle three-way catalytic converters, and Yida is the largest metal honeycomb manufacturer in China, with an annual production capacity of 12 million units. This business can provide supplementary income and cash flow to the Company, which amounted to RMB60.5 million in 2024, with gross profit margin of 42.4%.

Fast debt growth driven by continuous investment in construction projects

The Company showed fast debt growth due to the continuous investment in construction projects. NGED's total debt increased from RMB14.3 billion in 2023 to RMB21.2 billion in 2025H1, with total capitalization ratio rising from 53.4% to 60.4% over the same period, indicating relatively high debt leverage. The Company also bears certain short-debt repayment pressure. As of 30 June 2025, the short-term debt accounted for 36.4% of total debt and the cash to short-term debt ratio was around 0.4x. Considering the large uninvested amounts of construction projects, we expect the Company would continue to rely on external financing such as bank loans and its debt burden would further increase over the next 12-18 months.

Weak asset liquidity

The Company's asset liquidity is weak. As of 30 June 2025, its investment properties and inventories accounted for 69.1% of total assets. The Company's inventories are mainly the development cost of its infrastructure construction and affordable housing construction business; the investment properties are mainly leasable properties, both with low liquidity. However, the investment properties can provide stable income to the Company.

Good track record of receiving government support

The Company has a good track record of receiving support from the local government to support its operation in the form of equity transfer, capital contributions, cash and asset injections, and fiscal subsidies. For example, in May 2023, the local government transferred whole share of NGCI to the Company, which enlarged its business scope and overall strength. In 2023, the Company received assets injection of RMB3.3 billion from the local government, including pipe network assets, as well as parking space concession, further enhancing its capital strength. In 2024, the Company received capital injection of RMB200.0 million and land use rights of RMB1.1 billion from the local government. From 2024 to 2025H1, the local government provided fiscal subsidies of RMB384.3 million to the Company. Given the importance of NGED to local economic and industrial development, we believe the Company will continue to receive support from the local government.

Access to diversified financing channels

NGED has multiple financing channels such as bank loans, bond issuance, and non-standard financing. Bank loans and bond issuances account for the majority of total debt. The Company maintains good and long-term relationships with large domestic commercial banks and policy banks. As of 30 June 2025, the Company had total bank facilities of RMB25.6 billion, with the available portion of around RMB14.8 billion, demonstrating sufficient standby liquidity. Meanwhile, the Company has access to the domestic bond market. As of 30 September 2025, the Company had outstanding onshore bonds of about RMB3.6 billion, and the Company also had outstanding offshore bonds of RMB1.0 billion and JPY1,850.0 million in total. In addition, NGED's exposure to non-standard financing products is moderate. As of 30 June 2025, its non-standard financing, mainly including financing leasing and trusts, accounted for around 26.2% of total debt.

Medium contingent liabilities risk

NGED faces moderate contingent liabilities risk resulting from its external guarantees. As of 30 June 2025, the Company's external guarantees amounted to RMB3.6 billion, accounting for 25.6% of its net assets. Most the external guarantees are provided to the state-owned enterprises in Ningguo City. However, due to the concentration of the guaranteed enterprises, the Company may face certain contingent liability risks when a default event occurs in Ningguo City, which could lead to large-scale cross-effects and negatively impact its credit quality.

ESG Considerations

NGED faces environmental risks because it has undertaken major infrastructure construction projects. 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.

The Company bears social risks as it implements public policy initiatives by building public infrastructure and industrial parks in Ningguo ETDZ. 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.

NGED's governance considerations are also material as the Company is subject to oversight by the Management Committee of Ningguo ETDZ and has to meet several 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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