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

Hong Kong, 28 July 2026 – China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") has affirmed the long-term credit rating of Nan'an Development Investment Group Co., Ltd. ("NDIG" or the "Company") at BBB_g, with stable outlook. At the same time, CCXAP has affirmed its senior unsecured debt rating at BBB_g.

The BBB_g long-term credit rating of NDIG 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, with ongoing economic and fiscal growth.

The rating also reflects the local government's willingness to provide 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.

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, 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 2026, the Company was wholly owned and ultimately controlled by the State-owned Assets Supervision and Administration Commission of Nan'an City Government.

Rating Rationale

Credit Strengths

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. 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. 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. As of 31 March 2026, the Company had 11 projects under construction or planning, with total uninvested amount of RMB25.0 billion. We expect that the considerable projects in the pipelines can ensure the sustainability of the infrastructure construction business.

Good track record of receiving government support. As the major state-owned asset investment and operation entity in Nan'an City, NDIG has a good track record of receiving support from the local government. These payments take various forms, including government subsidies, capital injections, project payments, and special bonds. Overall, given NDIG's pivotal role and contributions to regional development, we believe that NDIG will receive ongoing government support.

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. NDIG and its subsidiary have issued bonds in both onshore and offshore debt capital markets, including issuance of MTNs, SCPs, and corporate bonds. Additionally, the Company has a low reliance on non-standard financing.

Credit Challenges

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% to 25% of its total assets. The self-operated projects will also exert relatively large capital expenditure pressure (about RMB7.1 billion) and future operation uncertainty on the Company.

High debt leverage and weak asset liquidity. NDIG's total debt increased from RMB20.0 billion at end-2024 to RMB22.0 billion at end-2026Q1, with high total capitalization ratio of 61.5%. Furthermore, NDIG has weak asset liquidity, which may undermine its financial flexibility. As of 31 March 2026, the Company's total assets mainly consisted of inventories and receivables, which accounted for around 62.6% of its total assets.

Medium exposure to contingent risks. NDIG has medium exposure to contingent risks due to its relatively large scale of external guarantees. As of 31 March 2026, its external guarantee amounted to RMB6.1 billion, accounting for 44.4% 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.

Rating Outlook

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.

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.

Rating Methodology

The methodology used in this rating is the Rating Methodology for China's Local Infrastructure Investment and Financing Companies (July 2022).

Regulatory Disclosures

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