Credit Opinion

29 July 2025

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

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Nanyang Urban Investment Holdings Co., Ltd.

Surveillance credit rating report

CCXAP affirms Nanyang Urban Investment Holdings Co., Ltd.'s long-term credit rating at BBB_g+, with stable outlook.

Summary

The BBB_g+ long-term credit rating of Nanyang Urban Investment Holdings Co., Ltd. ("NYUI" or the "Company") reflects the Company's strong regional competitiveness and importance in sewage treatment and parking lots operation businesses in Nanyang City, as well as its relatively diversified business structure.

However, the rating is constrained by the Company's (1) relatively small revenue scale and weak profitability; and (2) increasing debt burden and modest liquidity position.

The rating also reflects a relatively high likelihood of support from the Nanyang Municipal Government and its parent company when needed, which is based on the Company's (1) status as the core subsidiary of Nanyang Investment Group Co., Ltd. ("NYIG"); (2) ultimate control by the Nanyang Municipal Government; (3) regional importance in urban operation and industrial development in Nanyang City; and (4) good track record of receiving support from the local government and its parent company.

The stable outlook on NYUI's rating reflects our expectation that the Company will maintain its regional competitiveness and importance in Nanyang City over the next 12-18 months. We also expect that the Company will continue to receive ongoing support from the local government and the parent company.

Rating Drivers

- Strong regional competitiveness and importance in sewage treatment and parking lots operation businesses
- Large revenue contribution from trading business but with thin profit margin
- Vulnerability to market conditions and destocking pressure on property development
- Relatively stable revenue scale along with weak profitability
- Increasing debt burden driven by continuous business expansion
- Modest liquidity position with relatively large exposure to non-standard financing
- Relatively high likelihood of support from Nanyang Municipal Government and parent company

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) the Company's business strength improves; and (2) the Company's stand-alone credit profile improves significantly, such as improvement in debt structure and liquidity.

What could downgrade the rating?

The rating could be downgraded if (1) the likelihood of government or parental 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
Total Assets (RMB billion)	16.5	23.9	17.2
Total Equity (RMB billion)	8.4	14.9	9.6
Total Revenue (RMB billion)	0.5	2.7	2.6
Net Profits (RMB million)	17.7	80.7	20.6
EBIT Margin (%)	25.6	9.1	3.0
Return on Assets (%)	0.8	1.2	0.4
Total Debt/Total Capital (%)	28.9	29.3	34.8
Total Debt/EBITDA (x)	20.2	19.9	27.7
EBITDA/Interest (x)	1.0	2.2	2.9
FFO/Total debt (%)	5.3	4.8	0.9

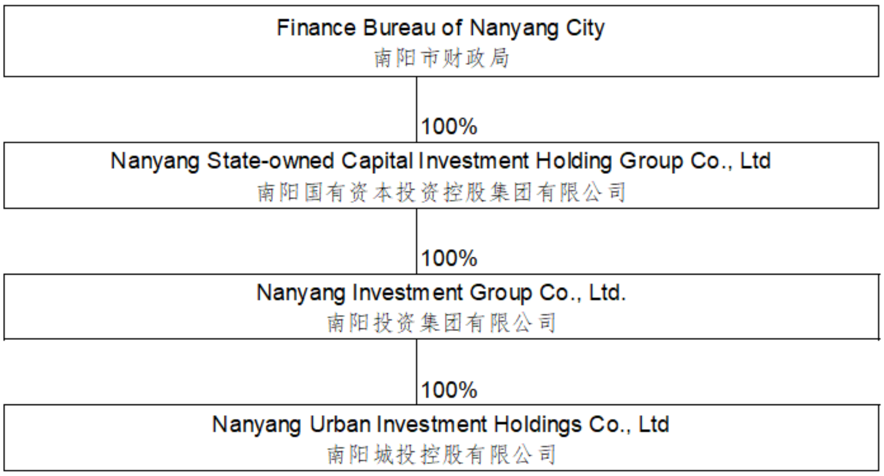
All ratios and figures are calculated using CCXAP's adjustments. Ratios and figures in 2023 are restated.

Source: Company data, CCXAP research

Corporate Profile

Established in August 2020, NYUI is a local state-owned enterprise ("SOE") in Nanyang City. The Company's diversified business scope covers trading, real estate development, sewage treatment, engineering construction, and urban operations such as parking lots operation. NYUI is a wholly-owned subsidiary of NYIG, an important state-owned capital investment, construction and operation entity in Nanyang City, responsible for infrastructure construction, urban operation, industrial development, and financial service. NYUI is the core operating subsidiary of NYIG in the urban operation and industrial development in Nanyang City. As of 31 December 2024, the Finance Bureau of Nanyang City is the ultimate controller of the Company.

Exhibit 1. Shareholding chart as of 31 December 2024



Source: Company information, CCXAP research

Exhibit 2. Revenue structure in 2024

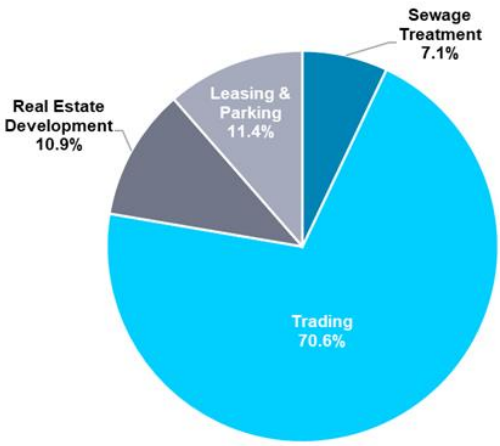
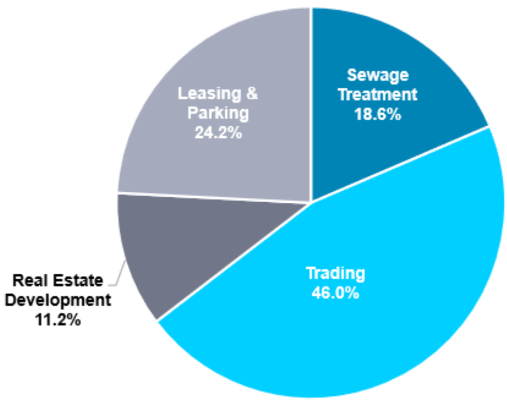


Exhibit 3. Gross profit structure in 2024



Source: Company information, CCXAP research

Rating Considerations

Business Profile

Strong regional competitiveness and importance in sewage treatment and parking lots operation businesses

NYUI is the main sewage treatment operating entity in Nanyang City, covering the north bank of Baihe River in the central area of Nanyang City, with a service area of about 82 square kilometers and a service population of around 1.2 million. The Company's sewage treatment business has a relatively strong market position in Nanyang City, with a total sewage treatment capacity of 200,000 cubic meters per day, accounting for over 70.0% of the total capacity in the central urban area of Nanyang City and over 30.0% of the total capacity of the

13 counties and districts in Nanyang City. The sewage treatment business generates relatively small portion of revenue and gross profit to the Company as the price is guided by the local government. However, the Company may receive operating subsidies from the local government owing to its public welfare nature. In 2024, the sewage treatment business generated revenue of RMB185.9 million, up by 3.3% YoY as compared to 2023. As of 30 June 2025, there was one sewage treatment plant under construction with a total investment of RMB1.3 billion, and outstanding amount of RMB654.0 million. The project has a sewage treatment capacity of 200,000 tons. In terms of projects funding, the Company's capital contribution to these projects is approximately 20%, with the remainder being bank loans. Upon the project completion, we expect that the scale and capacity of the Company's sewage treatment business will expand in the future, and NYUI will maintain its relatively strong market position in Nanyang City.

NYUI has a relatively strong regional competitiveness in parking space operation in Nanyang City. The Company obtained a 30-year franchise right to operate parking space in the central area of Nanyang City from the local government in 2023, covering Wancheng District, Wolong District, Nanyang Hi-tech Development Zone and Nanyang Urban-Rural Integration Demonstration Zone. As of end-2024, the Company operated around 30,000 parking spaces in urban central of Nanyang City. Moreover, the car park operation generated revenue of RMB43.9 million in 2024 for the Company. However, this business has yet to break even due to low operational efficiency and relatively high management and financing costs. In addition, the Company obtained a 10-year franchise right for outdoor advertising in the same area. The long-term franchising right ensures the sustainability of the Company’s business and provide supplementary income.

Large revenue contribution from trading business but with thin profit margin

NYUI’s trading business includes the sale of liquefied natural gas (“LNG”) and medical equipment as well as medical consumables. The Company adopts demand-on-purchase model for its LNG trading. It occupies little capital occupation as most downstream customers are required to make prepayments in advance. The Company’s upstream and downstream customers mainly consisted of gas filling stations with a relatively large geographical span. However, the Company is exposed to moderate concentration risks in this business. The sales from the top 5 customers and procurements from the top 5 suppliers accounted for nearly 50% of its total sales and total procurements in 2024 respectively, which may lead to lower bargaining power of the Company. In 2024, the Company achieved revenues from natural gas sales of RMB329.0 million, which is lower than RMB1.1 billion in 2023, representing 12.5% of the Company's total revenues. The gross profit margin of this business was low at around 2.5%, and the cost mainly consist of procurement and transportation costs. In addition, the Company will expand its business to gas supply business. With the expansion of the Company’s LNG trading and gas supply business, we expect the Company’s revenue to increase in the future.

Furthermore, NYUI engages in trading of medical equipment and medical consumables with a broad range of healthcare products, including vitro diagnostics, orthopedic consumables and surgical instruments. The Company adopts demand-on-purchase model for the sale of medical equipment, and it employs both direct sale and agent distribution for the sale of medical consumables. The Company may face certain recovery risks from its downstream customers as the medical equipment can be paid in instalments and the payments for orthopedic and dental consumables are settled after downstream customers generate cash inflow. The account period for its downstream customers is long, generally around one year. Meanwhile, the Company faces certain concentration risks from downstream customers, mainly hospitals in Henan Province, as the top 5 customers accounted for around 80% of the total sales in 2024. In 2024, the revenue generated from this business sector slightly decreased from RMB128.8 million to RMB105.9 million.

Apart from that, the Company newly engaged in a rural revitalization agriculture trading business in 2024. NYUI purchases agricultural and sideline products from 93 rural counties and sells to SOEs in Beijing through and supplies them to the Beijing Consumer Poverty Alleviation Dual Innovation Centre. The Company's primary trading products are dressed pork and quinoa, which achieved a trading revenue of RMB1.1 billion in 2024, accounting for 39.8% of the Company's total revenue, with a low gross profit margin of 1.6%. Moreover, NYUI is expected to expand its agriculture trading business by increasing the trading volume, we expect the revenue from agriculture trading business will increase in the future.

Vulnerability to market conditions and destocking pressure on property development

NYUI engages in real estate development business for the construction and sale of residential and commercial properties. As most of the projects were completed in 2023, the revenue from real estate development business dropped notably from RMB1.0 billion in 2023 to RMB287.2 million in 2024. The gross profit margin also decreased from 11.5% to 8.4% over the same period. Even though the business could generate supplementary income, the profit and sale progress of these projects are highly subject to the changes in the current property market condition. As of end-2024, the Company had 2 completed residential real estate projects, with total investment of RMB4.1 billion and sales progress exceeding 80.0%. Meanwhile, NYUI had 3 key real estate projects under construction, with total investment of RMB3.6 billion and outstanding amount of RMB1.5 billion. Two of these projects have reached pre-sale condition, with a sale rate of below 50.0%. Amid the current downturn of China's real estate market, there could be some destocking pressure on the Company's real estate projects in the near term.

Financial Profile

Relatively stable revenue scale along with weak profitability

Given its regional competitiveness in franchise businesses within Nanyang City and its new engagement in natural gas and agricultural products trading, NYUI's revenue scale is relatively stable over the past two years. The Company's recorded a total revenue of RMB2.6 billion in 2024, which slightly decreased from RMB2.7 billion in 2023 due to the slow pace of property sales. Trading business is the most significant contributor to NYUI's revenue, contributing 70.6% of total revenue in 2024, followed by real estate development (10.9%).

NYUI's profitability is relatively weak, as reflected by the declining EBIT margin and the weak return on assets. The Company's EBIT margin decreased from 9.1% in 2023 to 3.0% in 2024, mainly driven by the high sales volume but low profitability of the trading business, while the return on assets decreased from 1.2% to 0.4% over the same period.

Considering the Company's diversified business portfolio and continuous expansion, we expect the Company's revenue to maintain a growth trend over the next 12 to 18 months. However, its profitability is expected to remain relatively weak.

Increasing debt burden driven by continuous business expansion

NYUI's total debt increased over the past two years as a result of its increasing investment on the ongoing construction projects in its pipeline. As of 31 December 2024, the Company's total debt increased to RMB5.1 billion from RMB3.4 billion as of end-2022, while its capitalization ratio (total debt to total capital) increased to 34.8% from 28.9% over the same period. The Company's total debt amounted to RMB6.2 billion as of end-2023; the decrease in debt from 2023 to 2024 was mainly due to the transfer-out of the Company's shareholding in its subsidiaries in 2024, such as Nanyang Construction & Investment Co., Ltd. (“NYCI”). After the equity transfer, the Company’s total equity declined from RMB14.9 billion as of end-2023 to RMB9.6 billion as of end-2024.

In addition, NYUI shows a reduction in debt servicing capability. The Company’s EBITDA decreased from RMB309.8 million in 2023 to RMB184.7 million in 2024, resulting its total debt to EBITDA ratio increased from 19.9x to 27.7x over the past year. Given the Company’s large capital expenditure pressure on the real estate development and self-operated projects, we expect the Company’s debt level will gradually increase over the next 12-18 months.

Modest liquidity position with relatively large exposure to non-standard financing

NYUI has a modest liquidity position. The Company faces high refinancing pressure considering its high level of short-term debt. As of 31 December 2024, the Company’s short-term debt accounted for 42.6% of its total debt and the cash to short-term debt ratio was relatively low at 0.2x. At the same time, the Company reported cash reserves of RMB374.4 million, insufficient to cover its short-term debt of RMB2.2 billion. Moreover, the Company’s other account receivables, long-term equity investment, and inventory together accounted for 66.8% of the total assets as of end-2024. These assets mainly consist of project construction costs and investment in local SOEs, which are considered as illiquid assets. Besides, the Company had some assets pledged for loans, which could undermine its financial flexibility. The pledged assets include cost of construction projects, cash, investment properties and account receivables, with a total amount of RMB2.4 billion and accounting for around 14.2% of total assets as of 31 December 2024.

NYUI’s liquidity profile could be partially alleviated by its access to external financing channels. Bank loans are the main source of funding, which accounted for more than 60% of the total debt as of 31 December 2024. As of 31 December 2024, NYUI has obtained standalone credit facilities of RMB6.0 billion, with an available amount of RMB1.9 billion. In terms of direct financing, the Company issued two tranches of private corporate bonds in June and July 2025, raising RMB1.0 billion. At the same time, the Company has relatively large exposure to non-standard financing, accounting for around 30% of the total debt. These financing products often have relatively high financing costs, which may exert certain refinancing pressure on the Company.

External Support

Relatively high likelihood of support from Nanyang Municipal Government and parent company

We expect a relatively high likelihood of government support from the Nanyang Municipal Government and NYIG to NYUI in times of need. Our expectation incorporates the considerations of the Company’s (1) status as the core subsidiary of NYIG; (2) ultimate control by the Nanyang Municipal Government; (3) regional importance in urban operation in Nanyang City; and (4) good track record of receiving ongoing government support from the Nanyang Municipal Government, including capital injection, equity transfers and financial subsidies.

Nanyang City focuses on the transformation and upgrading of traditional and supporting industries 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. However, Nanyang Municipal Government’s general budgetary decreased from RMB28.9 billion in 2023 to RMB22.2 billion in 2024.

There are three main state-owned capital investment, construction and operation entities in Nanyang City under the control of the Nanyang Municipal Government, which are Nanyang Industrial Investment Group Co., Ltd.

(“NYII"), Nanyang Transportation Construction Investment Group Co., Ltd. (“NYTC”) and NYIG, 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 NYTC is positioned as a transportation infrastructure construction and operation entity in Nanyang City. NYIG is an important infrastructure investment and operation entity in Nanyang City and plays a significant role in local urban development and state-owned assets operation. NYUI is one of the key subsidiaries of NYIG in urban operation and industrial development in Nanyang City.

The Nanyang Municipal Government maintains a high degree of control over NYUI’s operations through NYIG, including the formulation of business strategies and the appointment of the board of directors and key management personnel. The Company is also required to report its annual budget, objectives, plans and performance to Nanyang SASAC. NYUI receives good support from the Nanyang Municipal Government, given its regional importance in urban operation in Nanyang City. From 2023 to 2024, the Company received operating subsidies from the local government with a total amount of RMB41.8 million, supporting its operations. In 2023, the local government has transferred exclusive rights to the Company, including the parking franchise rights and the outdoor advertising franchise rights in Nanyang City, broadening its business scope. In addition, the Company received government special purpose bonds to support its parking lot projects.

In addition, we anticipate a relatively high likelihood of support from NYUI’s parent company when necessary. In March 2024, along with the equity transfer of NYGI from NYUI to NYIG, NYUI no longer takes part in infrastructure construction under agency construction model. As the primary operating subsidiary in urban operation and industrial development, the Company contributes a large portion of assets and profits for NYIG, accounting for 25.8% of NYIG’s total assets as of 31 December 2024 and 65.7% of total revenue in 2024. The Company has continuously received comprehensive support from its parent company. Since 2022, NYIG transferred shares of several state-owned companies held by NYIG to NYUI, significantly enhancing the Company’s capital strength. In September 2023, NYIG converted its debt investment in the Company into equity investment, increasing the Company’s capital reserves by RMB2.9 billion. In 2024, the shareholders transferred shareholdings of two local SOEs to the Company, engaging in the development of national reserve forests and the mining and sale of sand and gravel, respectively, enhancing the Company’s business diversification. Moreover, the Company also obtained funding support from its parent company in terms of bank loans, as NYIG provided guarantee on a certain proportion of the Company’s total debt. Overall, given NYUI’s regional importance in Nanyang City, we believe its parent company and the local government will continue to support the Company in the form of financial subsidies, capital injections, or asset injections.

Rating Methodology

The methodology used in this rating is the Rating Methodology for Investment Holding Companies (December 2016).

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