

Nanxun Communications Investment Group Co., Ltd.

Summary

Issuer Rating	BBB
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	10 November 2025

Correction: Lianhe Ratings Global Limited (“Lianhe Global”) has affirmed ‘BBB’ global scale Long-term Issuer Credit Rating of Nanxun Communications Investment Group Co., Ltd. (“NCIG” or “the company”); Outlook Stable

Summary

This replaces the rating report published on 7 November 2025. The Issuer Credit Rating reflects a high possibility that the People’s Government of Nanxun District, Huzhou City (“the Nanxun government”) would provide strong support to NCIG if needed, in light of its 100% ownership of NCIG and NCIG’s strategic importance as the important local investment and development company responsible for transportation infrastructure development and operation. The linkage between the Nanxun government and NCIG is strong, including management supervision, strategic alignment and ongoing operational and financial support. In addition, the Nanxun government may face significant negative impact on its reputation and financing activities if NCIG encounters any operational and financial difficulties.

Nanxun is a municipal district in Zhejiang’s Huzhou City. Its GDP grew steadily by 5.7% to RMB60 billion in 2024, while budgetary increased by 5.5% to RMB4.4 billion.

The Stable Outlook reflects our expectation that NCIG’s strategic importance would remain intact while the Nanxun government will continue to ensure NCIG’s stable operation.

Rating Rationale

Government’s Ownership and Supervision: The Finance Bureau of Nanxun District directly holds 100% equity of NCIG, and is the ultimate controller of the company. The Nanxun government supervises the company, including control and supervision over the management, decisions on strategic development and investment and financing plans etc. In addition, the Nanxun government has assessment mechanism over the company and it appoints auditor to supervise the operating performance and financials on a periodic basis.

Strategic Importance and Strategic Alignment: NCIG is an important LIDC mainly responsible for the investment, construction and subsequent operation of transportation related infrastructure projects in Nanxun District. It invested in the Shanghai-Suzhou-Huzhou high speed railway on behalf of the Nanxun government. The highways, railroads, rail transit and related integrated transportation hubs constructed by NCIG played an important role in promoting economic development in Nanxun and surrounding areas. Besides, The Nanxun government also assigns the company to develop industrial parks within the region. This business aligns with the economic development goals of the local government and underscores NCIG’s strategic importance in Nanxun.

Strong Government Support: The Nanxun government provided ongoing support to NCIG. Between 2022 and the first half of 2025, NCIG received cash capital and operational subsidies totalling RMB2,352 million and RMB2,646 million, respectively. In addition, the Nanxun government injected assets including, sand and gravel resources, pipe network, lands and parking lots, valued at RMB4,872 million into the company. We expect NCIG to receive ongoing

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Applicable Criteria

China Local Investment and Development Companies Criteria (31 July 2025)

support from the local government in the coming years, considering its strategic importance in Nanxun.

NCIG's Financials and Liquidity Position: NCIG's asset size grew significantly to RMB63.4 billion at end-June 2025 from RMB52.8 billion at end-2023, as it actively participated in Nanxun's project development. Its total debt also increased to RMB32.3 billion from RMB25.5 billion over the same period. Yet its financial leverage, as measured by total debt to capitalization, stayed at below 60%, thanks to the local government's capital and asset injections.

NCIG faces moderately high short-term debt servicing pressure. The company held unrestricted cash of RMB2.7 billion, compared to RMB10 billion in short-term debt. Nevertheless, NCIG maintains access to diverse funding sources, including bank loans, bond issuances, and other non-traditional channels to support debt repayment and operations. As of end-2024, the company had total bank facilities of RMB30.0 billion, with RMB5.1 billion available for use. We also expect the company to roll-over most of its short-term bank borrowings (end-June 2025: RMB4.4 billion) and receive timely government support.

Rating Sensitivities

We would consider downgrading NCIG's rating if (1) there is perceived weakening in support from the Nanxun government, particularly due to its reduced strategic importance, or (2) there is a significant reduction of the Nanxun government's ownership of NCIG, or (3) there is a downgrade in our internal credit assessment on the Nanxun government.

We would consider upgrading NCIG's rating if (1) there is strengthened support from Nanxun government, or (2) an upgrade in our internal credit assessment on Nanxun government.

Operating Environment

Economic Condition of Nanxun

Nanxun District's GDP increased by 5.7% to RMB59.9 billion in 2024. Supported by strategic emerging industries, high-tech industries, and equipment manufacturing industries, its industrial added value increased rapidly. With the opening of the Shanghai-Suzhou-Huzhou high speed railway at the end of 2024, the connection between Nanxun District and developed areas has been strengthened. However, its fixed asset investment dropped by 4.4%, owing to the slowdown in real estate development.

Nanxun District's Economic Condition			
(RMB billion)	2022	2023	2024
GDP	56.4	58.5	59.9
-Primary industry (%)	5.6	5.3	6.1
-Secondary industry (%)	58.1	56.6	52.7
-Tertiary industry (%)	36.3	38.2	41.2
GDP growth rate (%)	3.5	6.0	5.7
Fixed asset investment growth rate (%)	12.0	6.1	-4.4
Population (million)	0.5	0.5	0.6

Source: Statistical bureau of Nanxun and Lianhe Global's calculations

Fiscal Condition of Nanxun

The Nanxun government's budgetary revenue increased steadily by 5.5% to RMB4.4 billion in 2024 from 4.2 billion in 2023. However, its budgetary balance remained weak, with a fiscal deficit of 55.7% in 2024. The government fund income, mainly generated from land sales, continued to decline due to prolonged property market downturn.

The government debt of Nanxun kept growing in past three years. At end-2024, the Nanxun government's outstanding debt increased to RMB19.3 billion from RMB12.3 billion at end-2022, mainly due to the issuance of special purpose debts to support local public projects. Its government debt ratio, as measured by the total government debt/aggregate revenue, increased to 161.9% from 95.9% over the same period.

Nanxun District's Fiscal Condition				
(RMB billion)	2022	2023	2024	
Budgetary revenue	4.0	4.2	4.4	
Budgetary revenue growth rate (%)	-8.1	6.5	5.5	
Tax revenue	3.5	3.7	3.7	
Tax revenue (% of budgetary revenue)	88.8	88.1	84.3	
Government fund income	5.1	5.3	4.0	
Transfer payment	3.2	2.8	3.1	
Aggregate revenue	12.9	12.7	11.9	
Budgetary expenditure	6.9	6.8	6.9	
Budget balance ¹ (%)	-74.3	-60.2	-55.7	
Government debt ratio (%)	95.9	115.6	161.9	

¹ Budget balance = (1-budgetary expenditure / budgetary revenue) * 100%

Source: Financial Bureau of Nanxun and Lianhe Global's calculations

Company Profile

NCIG is wholly owned by the Finance Bureau of Nanxun District, the company's ultimate controller. By end-June 2025, its registered capital was RMB3 billion, of which RMB2.2 billion was paid. The primary sources of operating revenue for NCIG are project construction and trading, while it is also engaged in property development, parking lot management, security and catering services. It recorded revenue of RMB2.0 billion, 1.2 billion, 989 million and 274 million in 2022, 2023, 2024 and the first half of 2025, respectively, representing a decreasing trend, as the company shifted its revenue recognition for the trading business to a net basis. The company's gross margin turned negative in the first half of 2025, mainly due to high land costs and weak property market for its property development projects.

Key Financial Data				
(RMB million)	2022	2023	2024	2025.6
Total Assets	40,020	52,762	62,659	63,354
Equity	17,758	21,654	24,930	24,495
Debt	17,783	25,489	32,471	32,334
Debt / (Debt + Equity) (%)	50.0	54.1	56.6	56.9
Unrestricted cash/ST Debts (x)	0.5	0.4	0.2	0.3
Debt/EBITDA (x)	25.9	28.2	37.8	-
Revenue	2,000	1,177	989	274
Operation Profit	285	312	314	52
Gross Margin (%)	-0.1	1.3	8.9	-9.4
Cash from sales or services/ Revenue (%)	100.9	112.2	112.0	152.4

Source: NCIG and Lianhe Global's calculations

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