CCXAP affirms the long-term credit rating of Chongqing Nanzhou Water Group Co Ltd.'s 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 Chongqing Nanzhou Water Group Co Ltd. ("CNWG" or the "Company") at BBB_g-, with stable outlook.

The BBB_g- long-term credit rating of CNWG reflects Qijiang District Government's relatively strong capacity to provide support; and extremely 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 Qijiang District's steady economic growth, but is constrained by its modest fiscal profile.

The rating also reflects the local government's willingness to support, which is based on the Company's (1) important role as the sole water conservancy construction entity in Qijiang District and water supply platform outside the main urban area; (2) large project reserves in water conservancy construction; and (3) solid track record of receiving government support, especially for the construction of water conservancy projects. However, the rating is constrained by the Company's (1) moderate exposure to commercial activities; (2) weak asset liquidity; and (3) relatively high short-term debt repayment pressure.

Corporate Profile

Formerly known as Qijiang County Yunan Water Conservancy and Hydropower Engineering Development Co., Ltd., CNWG was founded in 2002 and is one of the major local infrastructure investment and financing companies ("LIIFCs") in Qijiang District. It is the only platform engaged in the construction of water conservancy facilities. The Company is also responsible for public utility services in Qijiang District, including water supply and drainage, and sewage treatment. On top of that, the Company also undertakes various commercial activities, such as property development and forestry maintenance. In 2025, the Company handed over the operations of its hydropower stations to other state-owned enterprises("SOEs") in the region through sale or lease arrangements, and transferred out its equity interest in the subsidiary, Chongqing Qijiang Construction Engineering Co., Ltd. Therefore, the Company no longer undertakes hydropower generation and engineering construction businesses. As of 31 March 2026, the State-owned Assets Supervision and Administration Commission of Qijiang District ("Qijiang SASAC") was the ultimate controller of the Company by holding 99% of its shares, and the remaining 1% of shares was held by Chongqing Yongcheng Investment Co., Ltd.

Rating Rationale

Credit Strengths

Important role as the sole water conservancy construction entity in Qijiang District and water supply platform outside the main urban area. CNWG is the only platform to undertake water conservancy construction and operation in Qijiang District, and is responsible for water supply within Qijiang District other than the main urban area. The Company is also mandated by the local government to undertake local public activities, such as infrastructure construction, land transfer, water supply, and sewage treatment. In 2025, the Company handed over its hydropower stations to the subsidiaries under Chongqing Nanzhou Urban Construction Development (Group) Co., Ltd. for operation, and the Company no longer undertakes hydropower generation business. Considering the Company's important strategic role in the development of Qijiang District, we believe the Company will not be easily replaced by other local state-owned enterprises in the foreseeable future.

Large project reserves in water conservancy construction. As the sole water conservancy construction entity, the Company has a regional monopoly position in the investment, financing, and construction of water conservancy construction in Qijiang District. It is also responsible for water supply, sewage treatment and land development in the region. As of 31 December 2025, the Company had 8 water conservancy construction projects under construction, with a total planned investment of RMB3.1 billion and an outstanding amount of RMB1.3 billion. Meanwhile, the Company had 2 projects under planning with a total planned investment of around RMB345.0 million. In addition, the Company had 38 water supply plants with a daily water supply capacity of 106,200 tons, and runs a sewage treatment business with a daily sewage treatment capacity of 24,400 tons through 6 sewage treatment plants. CNWG is also entrusted by the local government to undertake land development projects in Qijiang District. From 2025 to 2026Q1, the local government had taken back 334.3 mu of land from the Company with compensation. As of 31 March 2026, the Company had 2,100 mu of land under consolidation, with an outstanding investment of RMB300.0 million.

Solid track record of receiving government support. As the only water conservancy construction entity in Qijiang District, CNWG has a good track record of receiving support from the Qijiang District Government in various forms, such as government subsidies and capital injections. The Company also regularly receives repurchase payments for its water conservancy construction projects, infrastructure construction projects, and land transfer projects. From 2024 to 2025, the Company had received a total operating subsidies of RMB440.8 million from the local government. Benefiting from special refinancing bonds for debt reduction, the regional financing situations have improved significantly since 2024. Considering the Company's policy role as the sole water conservancy construction entity and the important water supplier in Qijiang District, we expect government support for CNWG to continue in the next 12 to 18 months.

Credit Challenges

Moderate exposure to commercial activities. In addition to public activities, CNWG is involved in various commercial activities such as property development and forestry maintenance. These activities have been a good supplement to the Company's operating revenue but expose the Company to related business risks. CNWG engages in property development business by selling vacant properties to other local SOEs, aligning with regional asset revitalization policies. Furthermore, the Company's self-developed commercial properties currently feature only one office building available for sale, with a relatively low clearance rate at under 15%. In addition, CNWG carries out forestry maintenance business by signing an agreement for 20 years with another local SOE. CNWG is responsible for maintenance and upkeep work for scenic spots, forest farms, and forest barriers in Qijiang District and receives payments based on maintenance costs plus a certain markup.

Weak asset liquidity. CNWG asset liquidity is relatively weak. The Company's total assets mainly consist of inventories and receivables, which accounted for 52.1% of its total assets at 31 March 2026. Inventories are mainly land and investment costs for infrastructure construction projects, while receivables are mainly unreceived payments from government agencies or other state-owned companies, all of which are considered low liquidity.

Relatively high short-term debt repayment pressure. As of 31 March 2026, CNWG's total debt had increased to RMB7.8 billion from RMB6.6 billion at end-2024. The Company has maintained a reasonable debt leverage, with a capitalization ratio of 35.4% at the same time. As of 31 March 2026, the short-term debt accounted for 24.3% of the total debt and the cash to short-term debt ratio was 0.6x. Given that the Company's future capital expenditure for its water conservancy construction projects was mostly supported by government special funds, we expect the Company's debt growth will be stable for the next 12-18 months.

Rating Outlook

The stable outlook on CNWG's rating reflects our expectation that the local government's capacity to support the Company will remain stable, and the Company will maintain its important role as the sole water conservancy construction entity in Qijiang Distric over the next 12 to 18 months.

What could upgrade the rating?

The rating could be upgraded if (1) the local government's capacity to provide support strengthens; and (2) changes in the Company's characteristics enhance the local government's willingness to provide support, such as decreased exposure to commercial activities.

What could downgrade the rating?

The rating could be downgraded if (1) the local government's capacity to provide support weakens; or (2) changes in the Company's characteristics decrease the local government's willingness to provide support, such as reduced regional significance.

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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The first name below is the lead rating analyst for this rating and the last name below is the person primarily responsible for approving this rating.

Christy Liu
Assistant Director of Credit Ratings
+852-2860 7127
christy_liu@ccxap.com

Elle Hu
Executive Director of Credit Ratings
+852-2860 7120
elle_hu@ccxap.com

Client Services: +852-2860 7111

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China Chengxin (Asia Pacific) Credit Ratings Company Limited

Address: Suites 1904-1909, 19/F, Jardine House,
1 Connaught Place, Central, Hong Kong

Website: www.ccxap.com

Email: info@ccxap.com

Tel: +852-2860 7111

Fax: +852-2868 0656