CCXAP assigns first-time long-term credit rating of BBB_g to Chongqing Tongnan Construction Engineering (Group) Co., Ltd., with stable outlook.

Hong Kong, 14 July 2026 – China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") has assigned first-time long-term credit rating of BBB_g to Chongqing Tongnan Construction Engineering (Group) Co., Ltd. ("CTCE" or the "Company"), with stable outlook.

The BBB_g long-term credit rating of CTCE reflects Chongqing Tongnan District Government's strong capacity to provide support and its very high willingness to provide support based on our assessment of the Company's characteristics. Our assessment of the Tongnan District Government's capacity to provide support reflects the status of Tongnan District as a key westward gateway for Chongqing City and the continued economic growth, but constrained by moderate fiscal metrics.

The rating also reflects the local government's willingness to provide support, which is based on the Company's (1) important role in project construction and state-owned asset operation in Tongnan District; (2) solid track record of receiving local government support; and (3) diversified access to funding. However, the rating is constrained by the Company's (1) high exposure to commercial activities; and (2) increasing debt burden driven by capital expenditures on construction projects; (3) relatively high contingent liability risks.

Corporate Profile

Founded in 2017, CTCE a key local infrastructure investment and financing platform ("LIIFC") in Tongnan District, primarily undertaking infrastructure construction, resettlement housing construction, and urban asset operation. In addition, the Company is also engaged in commercial businesses, such as construction materials and contract processing, and leasing. As of 31 March 2026, the Company was wholly owned and controlled by the State-owned Assets Supervision and Administration Committee of Tongnan District, Chongqing Municipality ("Tongnan SASAC") through Chongqing Tongnan District Urban Development (Group) Co., Ltd. ("CTUD").

Rating Rationale

Credit Strengths

Important role in project construction and asset operation in Tongnan District. As one of the important LIIFCs of Tongnan District, CTUD is the main entity undertaking infrastructure construction and state-owned assets operation in Tongnan District. CTCE is a major subsidiary of CTUD, mainly involved in local project construction such as infrastructure construction and resettlement housing construction in Tongnan District. The Company has sufficient project reserves to support the good stability and sustainability of the project construction business, but also creates relatively high investment pressure.

Solid track record of receiving local government support. As an important infrastructure construction and state-owned assets operation entity in Tongnan District, CTCE has a good track record of receiving support from Tongnan District Government and its parent company, including equity and asset injections, operating subsidies, and project payments. Given CTCE's important strategic role and its contribution to the regional economic development, we expect the Company will continue to receive support from Tongnan District Government and the parent company over the next 12 to 18 months.

Diversified access to funding. CTCE has diversified funding sources, including bank loans, offshore bond issuances, and non-standard financing. The Company has long-term relationships with various major domestic banks, including policy bank and joint-stock commercial bank. The Company has a track record of fund-raising activities in onshore and offshore debt capital markets, including the issuance of Including corporate bond, offshore RMB bond and USD bond. In addition, the Company maintained low reliance on non-standard financing, which accounted for less than 10% of its total debt.

Credit Challenges

High exposure to commercial activities. CTCE is involved in various commercial activities, such as asset operation and leasing, and construction materials and contract processing businesses. We consider CTCE's commercial business exposure is relatively high, as its market-driven businesses account for more than 30% of its total assets as at end-March 2026.

Increasing debt burden driven by capital expenditures on construction projects. Due to the ongoing financing for its project construction and expansion of business operations in recent years, CTCE demonstrates a rapid debt growth with a relatively large scale of outstanding short-term debts. In addition, the Company has been facing certain liquidity pressure. Considering its ongoing investment especially in commercial activities with longer investment period, we expected the Company's debt leverage to remain at a relatively high level over the next 12-18 months. Moreover, CTCE's assets liquidity was moderate, which may undermine its financial flexibility.

High exposure to contingent liability risks. The Company bears relatively high contingent risk resulting from large external guarantees. The Company's external guarantees are mainly provided to local state-owned enterprises within the region, with a portion extended to rural economic cooperatives to support regional agricultural development. However, the Company also provided external guarantees to some private-owned enterprises. All guaranteed real estate enterprises have provided sufficient collateral.

Rating Outlook

The stable outlook on CTCE's rating reflects our expectation that the local government's capacity to support the Company will remain stable, and the Company will maintain important role in project construction and state-owned asset operation of Tongnan District 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 company's characteristics enhance local government's willingness to provide support, such as such as lowers the exposure to risky commercial activities, and improved debt management.

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 company characteristics decrease the local government's willingness to provide support, such as reduced regional significance, decreased government support, or weakened financing capabilities.

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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