

## **CCXAP assigns BBB<sub>g</sub>+ rating to Chongqing Nan'an Urban Construction & Development (Group) Co., Ltd.'s existing USD bonds**

Hong Kong, 17 February 2022 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a senior unsecured rating of BBB<sub>g</sub>+ to Chongqing Nan'an Urban Construction & Development Co., Ltd.'s (“CQNA” or the “Company”) (BBB<sub>g</sub>+/stable) existing USD bonds.

The existing bonds all constitute direct, unconditional, unsubordinated, and unsecured obligations of CQNA, which shall at all times rank pari passu with all the Company's other present and future unsecured and unsubordinated obligations.

The Company generally used the gross proceeds for repayment of its debts or general corporate purposes.

### **Corporate Profile**

Founded in 2003, CQNA is the largest infrastructure investment and financing platform in terms of total assets in Chongqing Nan'an District, primarily undertaking infrastructure construction, shantytown renovation, primary land development, property leasing and management businesses. In addition, the Company is also engaged in a number of commercial businesses, such as sports services, tourism highway operation, and environment protection business. It is directly owned by Chongqing Nan'an District Bureau of Finance, and ultimately supervised by Chongqing Nan'an District Government. As of 30 September 2021, Chongqing Nan'an District Bureau of Finance held 86.6% and National Development Fund Co., Ltd. held the remaining 13.4% of the Company's shares, respectively.

### **Rating Rationale**

The senior unsecured debt rating of the bonds is equal to CQNA's long-term credit rating as first-time assigned by CCXAP on 17 February 2022. We believe that the government support will flow through the holding company given the Company's high strategic importance to Nan'an District, thereby mitigating any differences in expected loss that could result from structural subordination.

The BBB<sub>g</sub>+ long-term credit rating of CQNA is underpinned by the Company's (1) dominant position in public policy projects in Nan'an District; and (2) diversified financing channels. However, the rating is constrained by the Company's (1) large capital expenditure and relatively high debt leverage; (2) moderate asset quality; and (3) relatively weak liquidity position.

The rating also incorporates our expectation that CQNA has a high likelihood of receiving support from the local government when needed, given (1) the Company's high strategic importance to Nan'an District; (2) the local government's ultimate control over the Company; and (3) the Company's track record of receiving local government support.

## Rating Outlook

The stable outlook on CQNA's rating reflects our expectation that the Company will maintain its vital position in Nan'an District. We also expect that the Company will continue to receive ongoing government support in the form of project grants and financial subsidies.

### What could upgrade the rating?

The rating could be upgraded if (1) the economic and fiscal strengths of Chongqing City and Nan'an District improve noticeably; (2) CQNA demonstrates a stronger role in Nan'an District, with increased likelihood of government support; and (3) the Company's stand-alone credit profile improves significantly, such as improvements on business sustainability and asset quality.

### What could downgrade the rating?

The rating could be downgraded if (1) the economic and fiscal strengths of Chongqing City and Nan'an District deteriorate significantly; (2) the likelihood of government support provided to CQNA declines; or (3) the Company's stand-alone credit profile weakens, such as deterioration in business performance or liquidity position.

## Rating Methodology

The methodology used in this rating is the Rating Methodology for [China's Local Infrastructure Investment and Financing Companies \(May 2020\)](#).

## Regulatory Disclosures

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