

Credit Opinion

23 June 2026

Ratings	
Senior Unsecured Debt Rating	A _g -
Long-Term Credit Rating	A _g -
Outlook	Stable
Category	Corporate
Domicile	China
Rating Type	Solicited Rating

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Chongqing Nan'an Urban Construction & Development (Group) Co., Ltd.

Surveillance credit rating report

CCXAP upgrades Chongqing Nan'an Urban Construction & Development (Group) Co., Ltd.'s long-term credit rating to A_g-, with stable outlook.

Summary

CCXAP has upgraded the long-term credit rating of Chongqing Nan'an Urban Construction & Development (Group) Co., Ltd. ("CQNA" or the "Company") to A_g- from BBB_g+, reflecting the stronger capacity to provide support from Nan'an District Government, driven by Nan'an District's ongoing gross regional product ("GRP") growth and remarkable progress in asset revitalization in recent years, which will translate into enhanced support for the Company.

The A_g- credit rating of CQNA reflects the Nan'an District Government's (1) very strong capacity to provide support; and (2) extremely high willingness to provide support to the Company, based on our assessment of the Company's characteristics. Our assessment of the Nan'an District Government's capacity to provide support reflects Nan'an District's status as one of nine core districts in Chongqing City, with relatively good fiscal stability and moderate fiscal balance.

The rating also reflects the local government's willingness to provide support, which is based on the Company's (1) dominant position of public policy projects in Nan'an 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) moderate asset liquidity; and (2) high debt leverage and relatively high short-term debt pressure.

The stable outlook on CQNA's rating reflects our expectation that the local government's capacity to support the Company will remain stable, and the Company will maintain its key role as the largest entity to undertake municipal infrastructure projects and the only entity to undertake shantytown renovation projects in Nan'an District over the next 12 to 18 months.

Rating Drivers

- Dominant position of public policy projects in Nan'an District
- Low exposure to commercial activities
- Solid track record of receiving local government support
- High debt leverage and relatively high short-term debt pressure.
- Moderate asset liquidity
- Diversified access to funding

Rating Sensitivities

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 improvement on asset liquidity and 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.

Key Indicators

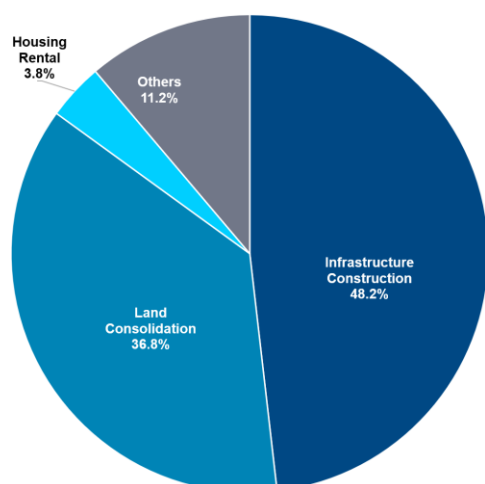
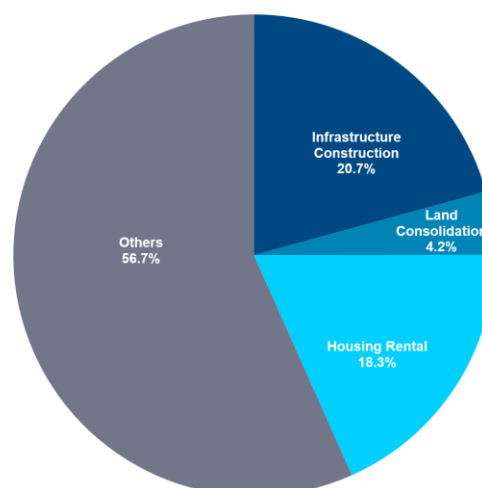
	2023FY	2024FY	2025FY	2026Q1
Total Assets (RMB billion)	67.6	64.0	60.0	59.9
Total Equity (RMB billion)	22.8	21.1	20.8	20.9
Total Revenue (RMB billion)	4.7	5.0	4.1	0.9
Total Debt/Total Capital (%)	57.3	56.0	54.2	53.1

All ratios and figures are calculated using CCXAP's adjustments.

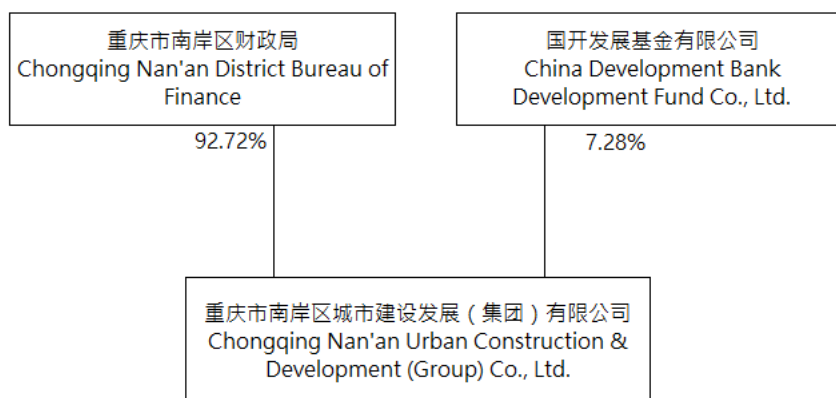
Source: Company data, CCXAP research

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, and primary land development. In addition, the Company is also engaged in a number of commercial businesses, such as tourism highway operations, and property leasing business. It is directly owned by Chongqing Nan'an District Bureau of Finance, and ultimately supervised by Chongqing Nan'an District Government. As of 31 March 2026, Chongqing Nan'an District Bureau of Finance held 92.72% of the Company's shares, and National Development Fund Co., Ltd. held the remaining 7.28%.

Exhibit 1. Revenue structure in 2025**Exhibit 2. Gross profit structure in 2025**

Source: Company information, CCXAP research

Exhibit 3. Shareholding chart as of 31 March 2026

Source: Company information, CCXAP research

Rating Considerations**Government's Capacity to Provide Support**

We believe the Nan'an District Government has a very strong capacity to provide support to the Company, given its status as one of nine core districts in Chongqing City, with relatively good fiscal stability and moderate fiscal balance.

Nan'an District is a municipal district of Chongqing City, which is one of the four municipalities in China and the only municipality in Western China. Modern heavy machinery, chemical and pharmaceutical, as well as electronics and information technology manufacturing, are the three major industries in Chongqing. Thanks to vigorous industrial development, Chongqing's economy has shown growth. In 2025, Chongqing's GRP increased by 5.3% year-on-year ("YoY") to RMB3.4 trillion. In the first quarter of 2026, its GRP was RMB792.3 billion, up 4.5% YoY. The general budgetary revenue of Chongqing increased from RMB259.6 billion in 2024 to RMB273.6 billion in 2025. As of 31 December 2025, Chongqing's outstanding government debt balance increased to RMB1,678.2 billion, accounting for 49.7% of GRP. We expect that Chongqing City will continue to

serve as an important strategic city for the development of Western China, as well as a connecting point between the "Belt and Road" and the Yangtze River Economic Belt, and will play a unique and important role in China's regional development and opening-up policy. However, Chongqing's heavy debt burden might affect regional financing.

Exhibit 4. Key Economic and Fiscal Indicators of Chongqing City

	2023FY	2024FY	2025FY
GRP (RMB billion)	3,014.6	3,219.3	3,375.8
GRP Growth (%)	6.1	5.7	5.3
General Budgetary Revenue (RMB billion)	244.1	259.6	273.6
General Budgetary Expenditure (RMB billion)	530.5	562.1	569.1
Local Government Debt (RMB billion)	1,225.8	1,442.5	1,678.2

Source: Statistic Bureau of Chongqing City, CCXAP research

Located southwest of Chongqing City, Nan'an District is one of nine core districts and part of the "Core Area Surrounded by Two Rivers and Four Banks". The economic development of Nan'an District relies on the advanced manufacturing industry and modern services industry. Significant progress was made in revitalizing government-owned assets in recent years. In 2024, 894,000 square meters of unlicensed assets were cleared and registered, with an asset value of RMB4.6 billion. RMB20.2 billion of state-owned assets were revitalized, and RMB11.6 billion of funds were recovered. The asset revitalization and utilization rate increased by 15%, thereby driving regional growth. In 2025, the local government continued to accelerate the transformation and revitalization of existing commercial properties, injecting new momentum into industrial development. For instance, the former Industrial and Commercial Bank of China building has been fully revitalized, and the Jiafa Cross-border Trade Center has been transformed into Hilton Group's first Conrad brand ultra-luxury hotel in Chongqing, revitalizing nearly 400,000 square meters of idle space.

Nan'an District's GRP increased by 5.0% YoY to RMB120.1 billion in 2025. The general budgetary revenue of Nan'an District amounted to RMB6.3 billion in 2025, with tax revenue accounting for about 69.2% of that total. Tax income is a stable and important source of the general budgetary revenue. Its fiscal stability ratio (tax revenue/general budgetary revenue) averaged 70.7% over the past three years, indicating relatively good fiscal stability. Moreover, Nan'an District maintained a moderate level of fiscal self-sufficiency. In 2025, its fiscal balance ratio rebounded to 65.1%. Nan'an District Government's debt has been increasing, with an outstanding balance of RMB40.3 billion, accounting for 33.6% of its GRP at end-2025.

Exhibit 5. Key Economic and Fiscal Indicators of Nan'an District

	2023FY	2024FY	2025FY
GRP (RMB billion)	98.5	113.3	120.1
GRP Growth (%)	6.7	5.9	5.0
General Budgetary Revenue (RMB billion)	6.6	6.5	6.3
General Budgetary Expenditure (RMB billion)	9.7	12.2	9.7
Local Government Debt (RMB billion)	30.2	34.4	40.3

Source: Statistic Bureau of Nan'an District, CCXAP research

Government's Willingness to Provide Support

High strategic importance to the development of Nan'an District

CQNA is the largest entity undertaking municipal infrastructure construction projects and the only entity to undertake shantytown renovation projects in Nan'an District. It is also one of the few entities to undertake primary land development in Nan'an District. Since its establishment, the Company has undertaken and completed a large number of projects of high strategic importance to the development of Nan'an District. Accordingly, this has well-positioned the Company to become a key entity in implementing the local government's blueprint for developing Nan'an District. As an important entity for infrastructure investment, financing, and construction, as well as state-owned asset management in the Nan'an District, given its strategic positioning, we expect that the Company's important role will not be easily replaced by other companies in the foreseeable future.

Dominant position of public policy projects in Nan'an District

As the main force for primary land development and infrastructure construction in Nan'an District, CQNA has played a key role in implementing the local government's development plan for Nan'an District. The Company has undertaken and completed a number of important municipal infrastructure construction and shantytown renovation projects in Nan'an District. We expect that the Company's vital position in Nan'an District could ensure its business sustainability in public policy projects.

Commissioned by the local government, CQNA has continued to operate an infrastructure construction business in Nan'an District, with stable development momentum. As of 31 December 2025, the Company had completed a wide range of infrastructure construction projects, with a total investment of RMB3.8 billion and a planned payment collection amount of RMB4.3 billion, of which RMB3.0 billion has been received. However, there are still multiple infrastructure construction projects in the pipeline, exerting relatively high capital expenditure pressure on the Company, while special bond funds received for these projects can alleviate some of that pressure. As of the same date, the Company had infrastructure construction projects under construction, including roads and hospitals, with a total investment of RMB4.7 billion and an outstanding of RMB1.3 billion, exerting certain capital expenditure pressure.

In addition, CQNA has undertaken several shantytown renovation projects in Nan'an District under the government procurement model on an exclusive basis. As of end-2025, the Company completed one shantytown renovation project, with a planned total repayment amount of RMB8.0 billion and a total repayment amount of RMB2.7 billion, indicating relatively slow repayment progress. At the same time, the Company has invested a total of RMB17.1 billion in shantytown renovation projects that are almost complete, and no further projects are planned. The Company will continue to undertake key projects across Nan'an District, such as urban renewal and parking lot construction. However, the payment collection cycle for shantytown renovation is relatively long, and the amount of unreceived funds is substantial.

Moreover, authorized by the local government to undertake land consolidation business in Nan'an District, CQNA has continued to demonstrate its regional dominance in primary land development. As the Company has basically completed the land consolidation of its land reserves, it has not made any investment in the land consolidation business since 2023. As of the end of 2025, the Company had 2 parcels of land under consolidation, with an estimated total investment of RMB5.6 billion and an outstanding balance of merely RMB290.0 million. In the future, the Company will integrate land resources to revitalize land assets. However, the primary land development business is highly susceptible to the condition of the local land market, resulting in fluctuations.

Low exposure to commercial activities

In addition to public activities, CQNA is involved in various commercial activities, such as tourism highway operations and property leasing. We consider CQNA's commercial business exposure to remain low, as its market-driven businesses account for less than 15% of its total assets as at end-March 2026.

As the most important state-owned asset operation entity in Nan'an District, the Company is engaged in the property leasing business, including office spaces, residential houses, and factory buildings. Revenue from this segment has increased over the past three years, with an annual gross profit margin of over 40% maintained at a relatively high level. As of end-2025, the Company had a total leasable area of approximately 0.6 million square meters and an occupancy rate of 89%. The number of leasable properties has decreased compared to 2024, as the Company disposed of approximately 0.3 million square meters of property, receiving payment of RMB2.0 billion. While the small scale of commercial operations limits its exposure to commercial business, it also limits its contribution to the Company's cash flow.

Solid track record of receiving local government support

As the most important infrastructure construction and state-owned assets operation entity in Nan'an District, CQNA has a track record of receiving support from Nan'an District Government, including equity and asset injections, operating subsidies, and project payments. For instance, in 2025, the Company received RMB8.6 million in assets from the local government. Moreover, from 2024 to 2025, the Company continued to receive subsidies of RMB1.2 billion from Nan'an District Government. In addition, the Company has signed agreements with the local government for its public policy projects, which ensure the predictability of the project payments. Given CQNA's important strategic role and its contribution to the regional economic development, we expect the Company will continue to receive support from Nan'an District Government over the next 12 to 18 months.

High debt leverage and relatively high short-term debt pressure

Despite ongoing construction of public activities projects, the Company is actively reducing its debt scale, demonstrating relatively good debt management. Its total debt had decreased from RMB26.9 billion at end-2024 to RMB23.7 billion as of 31 March 2026. Over the same period, the capitalization ratio (total debt/ total capital) also declined from 56.0 % to 53.1%. As of 2026Q1, the Company's short-term debt accounted for 29.1% of the total debt, and the cash to short-term debt ratio was around 0.1x, indicating relatively high short-term debt pressure. Approximately RMB8.0 billion of debt will be expired in 2026, posing certain refinancing risks for the Company. Additionally, around half of the bond financing was obtained through offshore bonds, which are vulnerable to fluctuations in offshore capital markets and exchange rates. Given the Company's ongoing capital expenditure pressure, we expect the Company will maintain a relatively high debt leverage for the next 12-18 months.

Furthermore, the Company faces a certain degree of contingent liability risk, as its external guarantees amounted to RMB3.8 billion as of end-2025, representing approximately 18.3% of its net assets. All guarantees were provided to other local state-owned enterprises, and the associated risks are considered controllable. However, in the event of a credit default, the Company could be exposed to credit contagion risks related to these guarantees.

Moderate asset liquidity

CQNA's asset liquidity remained moderate, as most of its assets are low-liquidity inventories and receivables, thereby increasing capital occupation. As of 31 March 2026, inventories, accounts receivable and other receivables accounted for approximately 82.6% of the total assets. The inventories mainly consist of

development costs from infrastructure projects and land reserves. Among them, the total land reserves amounted to around RMB8.3 billion; these reserves are primarily located in the core areas of the Nan'an District, including Sijiangkou, Liaojiashan, Huangjuewan, and Danzishi. Most of these lands have already been demolished and redeveloped. However, the progress of land sales is uncertain due to policy and market conditions. Although the Company received some of the uncollected payments from the local government, it still maintained a relatively high proportion of its assets tied up, continuously tying up significant funds. As of end-March 2026, its receivables decreased from RMB30.8 billion at end-2023 to RMB28.5 billion, accounting for 47.5% of total assets. The receivables mainly consisted of advances for the shantytown renovation business, and uncollected project payments from the local government and other state-owned enterprises in Nan'an District. Nevertheless, the Company's operating assets, such as investment properties, can generate a certain scale of cash inflows annually.

Diversified access to funding

CQNA has diversified funding sources, including bank loans, onshore and 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. As of 31 December 2025, the Company had bank credit lines totaling RMB24.6 billion, of which RMB10.5 billion were available, indicating ample standby liquidity. The Company has a track record of fund-raising activities in both onshore and offshore debt capital markets, including the issuance of MTNs, PPNs, private bonds, and USD bonds. Bond issuance accounted for around two-thirds of its total debt. Large reliance on bond financing may make the Company vulnerable to the fluctuations of the capital market. Since 2023, the Company has been actively repaying part of its offshore debts in advance to reduce its dependence on bond financing, totaling to USD1.3 billion as at 10 June 2026. In addition, the Company maintained low reliance on non-standard financing, which accounted for less than 10% of its total debt.

ESG Considerations

The Company is subject to environmental laws and regulations governing air pollution, noise emissions, hazardous substances, water and waste discharge, and other environmental matters issued by the national governmental authorities. CQNA assumes environmental risks for its infrastructure projects. Such risks could be mitigated by conducting environmental studies and detailed planning prior to the commencement of projects and close supervision during construction.

CQNA is also exposed to social risks as it implements public-policy initiatives by building public infrastructure in Nan'an District. Demographic changes, public awareness, and social priorities shape the government's development strategy, and it will affect the government's propensity to support the Company.

The Company's governance considerations are also material as it is subject to oversight and reporting requirements to the local government, reflecting its public-policy role and status as a government-owned entity. We believe that CQNA complies in all material respects with the applicable governmental regulations, rules, and executive orders in each jurisdiction in which it operates. The Company maintains regular communication with local governments and regulatory authorities through its management team or representatives, ensuring compliance with the requirements and conditions for obtaining and maintaining the licenses, concessions, permits, or certificates.

Structural Consideration

CQNA's senior unsecured debt rating is equivalent to its long-term credit rating. We believe that government support will flow through the Company given its dominant position of public policy projects in Nan'an District, thereby mitigating any differences in an expected loss that could result from structural subordination.

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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