

# Chongqing Tongnan District Construction Engineering (Group) Co., Ltd.

## Summary

Issuer Rating	BBB-
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	9 June 2025

Lianhe Ratings Global Limited (“Lianhe Global”) has affirmed ‘BBB-’ global scale Long-term Issuer Credit Rating of Chongqing Tongnan District Construction Engineering (Group) Co., Ltd. (“CTDCE” or “the company”); Issuer Rating Outlook is Stable

## Summary

The Issuer Credit Rating reflects a high possibility that the People’s Tongnan District Government of Chongqing City (“the Tongnan government”) would provide strong support to CTDCE if needed. This mainly considers its indirect full ownership of CTDCE, CTDCE’s strategic importance as a key local investment and development company in Tongnan District (“Tongnan”). The linkage between the Tongnan government and CTDCE is strong, including management supervision, strategic alignment, and ongoing operational and financial support. In addition, the Tongnan government may face significant negative impact on its reputation and financing activities if CTDCE encounters any operational or financial difficulties.

Tongnan is a district under the jurisdiction of Chongqing City. The Tongnan government’s budgetary revenue increased strongly by 14.0% to RMB4.0 billion in 2024, while its GDP grew steadily by 5.7% to RMB63.0 billion in 2024.

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

## Rating Rationale

**Government’s Ownership and Supervision:** Chongqing Tongnan District State-owned Assets Supervision and Administration Commission (“Tongnan SASAC”) transferred 100% of the equity of CTDCE to Chongqing Tongnan District Urban Development (Group) Co., Ltd free of charge. However, Tongnan SASAC remains the actual controller of the company. The Tongnan government has the final decision-making authority and supervises the company, including management appointments, decisions on its strategic development and investment plan and supervision of its major funding decisions. In addition, the Tongnan government has assessment mechanism over the company and appoints auditors to supervise the operating performance and financial position on a periodic basis.

**Strategic Importance and Strategic Alignment:** CTDCE is a major LIDC responsible for infrastructure construction and state-owned assets operation in Tongnan. It undertakes infrastructure construction, sand mining and sales, commercial concrete sales, and garbage disposal within the region. Besides, it also carries out other business such as house leasing, pipe network leasing, gas station operation, parking lots operation and other state-owned assets operation. CTDCE plays an important role in promoting the urban development and operation of the region. CTDCE’s strategic development plan has been aligned with the local government’s economic and social policies.

**Ongoing Government Support:** CTDCE receives ongoing support from the Tongnan government, including financial subsidies, capital/asset injections and operational support. The company received a capital injection of RMB124.5 million and operational subsidies of

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## Applicable Criteria

China Local Investment and Development Companies Criteria (31 July 2024)

RMB24.0 million in 2024. We expect CTDCE to receive ongoing support from the local government in the coming years, considering its strategic importance in Tongnan.

**CTDCE's Financial Matrix and Liquidity Position:** CTDCE's total assets increased steadily to RMB13.3 billion at end-2024, up from RMB12.0 billion at end-2023. CTDCE's total debt increased largely to RMB7.0 billion from RMB4.0 billion over the same period. Hence, the company's financial leverage, as measured by the debt to capitalization ratio, expanded from 46.0% to 55.8%.

CTDCE's asset liquidity remained weak. Inventories (primarily land use rights and construction costs) and intangible assets accounted for approximately 57.0% of the company's total assets at end-2024. These assets typically take a long time to monetize owing to protracted development and cash collection period.

The short-term debt servicing pressure of CTDCE was high. At end-2024, the company had a cash balance of RMB1.3 billion (including restricted cash of RMB1.2 billion), while its debt due within one year was RMB1.2 billion. CTDCE has access to various financing channels, including bank loans, bond issuances, and other non-traditional financing channels, to support its debt repayments and business operations. The company had unused bank facilities totaling RMB1.4 billion at end-2024.

## Rating Sensitivities

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

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

## Full List of Issuance Rating

- CNY480 million, 7.8% guaranteed green bonds due 2027 ('A+')

## Operating Environment

### Economic Condition of Tongnan

Tongnan's GDP increased to RMB63.0 billion in 2024 from RMB59.6 billion in 2023, with its economic growth rate slowing down to 5.7% from 6.8% over the same period. The GDP per capita of Tongnan was RMB92,664 in 2024.

<b>Tongnan's GDP and Fixed Asset Investment</b>			
<b>(RMB billion)</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
GDP	55.9	59.6	63.0
-Primary industry (%)	16.3	15.9*	15.5*
-Secondary industry (%)	41.7	42.1*	41.7*
-Tertiary industry (%)	42.0	42.0*	42.8*
GDP growth rate (%)	3.0	6.8	5.7
Fixed asset investment growth rate (%)	12.3	10.3	11.0
Population (million)	0.7	0.7	0.7
Source: Financial Bureau of Tongnan, statistical bureau of Tongnan and Lianhe Global's calculations			
*Estimated by Lianhe Global			

## Fiscal Condition of Tongnan

The budgetary revenue of the Tongnan government increased to RMB4.0 billion in 2024 from RMB3.5 billion in 2023, with the contribution of tax revenue decreasing to 24.2% from 27.1% over the same period. The fiscal self-sufficiency rate of the Tongnan government remained weak, although its budget deficit declined slightly to 119.2% in 2024 from 130.0% in 2023.

The outstanding debt of the Tongnan government has kept growing over the past few years. At end-2024, the Tongnan government's outstanding debt increased to RMB16.9 billion from RMB14.4 billion at end-2023, 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, had increased to 138.9% at end-2024 from 134.4% at end-2023.

<b>Tongnan's Fiscal Condition (RMB billion)</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Budgetary revenue	3.0	3.5	4.0
Budgetary revenue growth rate (%)	28.8	17.2	14.0
Tax revenue	0.9	1.0	1.0
Tax revenue (% of budgetary revenue)	28.4	27.1	24.2
Government fund income	2.7	2.8	4.0
Transfer payment	3.6	4.4	4.2
<b>Aggregate revenue</b>	<b>9.3</b>	<b>10.7</b>	<b>12.2</b>
Budgetary expenditure	7.5	8.1	8.8
Budget balance <sup>1</sup> (%)	-149.9	-130.0	-119.2

<sup>1</sup> Budget balance = (1 - budgetary expenditure / budgetary revenue) \* 100%

Source: Financial Bureau of Tongnan, statistical bureau of Tongnan and Lianhe Global's calculations

## Company Profile

CTDCE is a major LIDC responsible for infrastructure construction and state-owned assets operation in Tongnan. It undertakes infrastructure construction, sand mining and sales, commercial concrete sales, garbage disposal, parking lots operation and other state-owned assets operations within the region. CTDCE plays an important role in promoting the urban development and operation of the area.

<b>Key Financial Data (RMB million)</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Total Assets	10,007	11,978	13,274
Equity	4,331	4,695	5,597
Debt	2,641	3,992	7,063
Debt / (Debt + Equity) (%)	37.9	46.0	55.8
Unrestricted cash/ST Debts (x)	0.5	0.1	0.2
Debt/EBITDA (x)	24.4	15.5	15.9
Revenue	493	506	754
Operation Profit	56	57	68
Gross Margin (%)	7.8	10.0	14.4
Cash from sales or services/ Revenue (%)	28.4	103.2	129.2

Source: CTDCE and Lianhe Global's calculations

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