

## Credit Opinion

30 December 2025

Ratings	
Category	Corporate
Domicile	China
Rating Type	Solicited Rating
Long-Term Credit Rating	BBB <sub>g</sub> -
Outlook	Stable

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## Dongying District Municipal Holding Group Co., Ltd.

### Surveillance credit rating report

**CCXAP affirms Dongying District Municipal Holding Group Co., Ltd.'s long-term credit rating at BBB<sub>g</sub>-, with stable outlook.**

### Summary

The BBB<sub>g</sub>- long-term credit rating of Dongying District Municipal Holding Group Co., Ltd. ("DYM" or the "Company") reflects the Dongying District Government's (1) strong capacity to provide support, and (2) very high willingness to provide support based on our assessment of the Company's characteristics.

Our assessment of Dongying District Government's capacity to provide support reflects Dongying District's moderate economic strength and fiscal metrics.

The rating also reflects the local government's willingness to provide support, based on the Company's (1) important role in local infrastructure construction and public services; (2) good track record of receiving government support; and (3) diversified access to funding.

However, the rating is constrained by the Company's (1) increasing exposure to commercial activities; (2) increasing debt burden and relatively weak asset liquidity; and (3) medium contingent liabilities risk resulted from mutual guarantees for local state-owned enterprises ("SOEs").

The stable outlook on DYM's rating reflects our expectation that the local government's capacity to provide support will remain stable, and the Company's characteristics such as its important role in the infrastructure construction and public services of Dongying District will remain unchanged over the next 12-18 months.

## Rating Drivers

- Important role in local infrastructure construction
- High sustainability in provision of public services、
- Good track record of receiving government support
- Increasing exposure to commercial activities
- Increasing debt burden driven by the continuous investment in construction projects
- Relatively weak asset liquidity mitigated by diversified access to funding
- Medium contingent liabilities risk resulted from mutual guarantees for local SOEs

## Rating Sensitivities

### What could upgrade the rating?

The rating could be upgraded if (1) the local government's capacity to support strengthens; and (2) the Company's characteristics change in a way that enhances the local government's willingness to support, such as lower exposure to risky commercial activities or enhanced debt management.

### What could downgrade the rating?

The rating could be downgraded if (1) the local government's capacity to support weakens; or (2) the Company's characteristics change in a way that weakens the local government's willingness to support, such as reduced strategic significance, deteriorated financing ability, or decreased government payments.

## Key Indicators

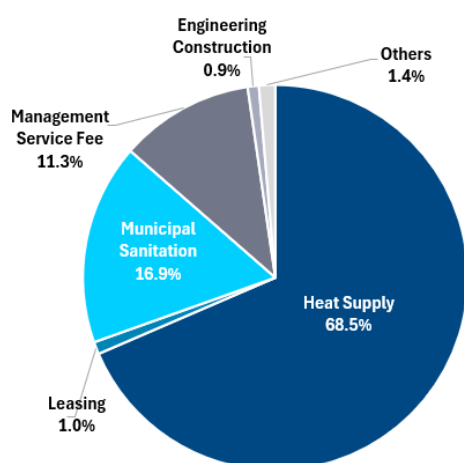
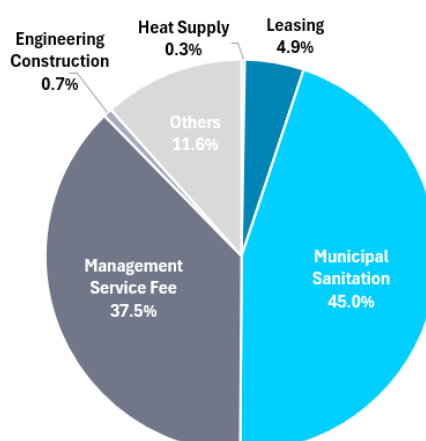
	2022FY	2023FY	2024FY	2025H1
Total Asset (RMB billion)	11.3	10.6	10.9	11.6
Total Equity (RMB billion)	5.7	5.7	5.1	4.7
Total Revenue (RMB billion)	0.7	0.8	0.7	0.4
Total Debt/Total Capital (%)	36.1	35.8	44.6	48.5

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

Source: Company data, CCXAP research

## Corporate Profile

Founded in 2018, DYMH is one of the key local infrastructure investment and financing companies ("LIIFCs") in Dongying District. The Company shoulders the major responsibility of carrying out local public activities, including infrastructure construction, heat supply, and municipal sanitation. It also engages in commercial activities such as self-operated project construction and leasing. As of 30 September 2025, DYMH was wholly owned and controlled by the State-owned Assets Management Service Center of Dongying District, Dongying City.

**Exhibit 1. Revenue structure in 2024****Exhibit 2. Gross profit structure in 2024**

Source: Company information, CCXAP research

## Rating Considerations

### Government's Capacity to Provide Support

We believe Dongying District Government has a relatively strong capacity to provide support given its moderate economic strength and fiscal metrics.

Shandong is the third largest province in China by gross regional products ("GRP"), with a solid foundation in different industries such as logistics, shipbuilding, marine technology, chemical, automotive, and agri-food. Dongying City is a prefecture-level city located in the northeast part of Shandong Province. Dongying City owns rich oil and gas resources, 80% of Shengli Oilfield's oil geological reserves and 85% of production are concentrated in Dongying City. The petrochemical industry is the most important pillar industry in Dongying City. After industrial transformation and upgrading, Dongying City has also developed some emerging industries including new energy and new materials, high-end chemical industry, as well as high-end equipment.

In 2024, Dongying City recorded a GRP of RMB430.8 billion, recording an economic growth of 6.5% year-over-year ("YoY") and ranking 9<sup>th</sup> among 16 prefecture-level cities in Shandong Province. Dongying City has relatively strong fiscal strength and moderate fiscal balance. In 2024, Dongying City's general budgetary revenue was RMB30.2 billion, and tax revenue accounted for 66.9% of the general budgetary revenue. Its average general budgetary revenue to general budgetary expenditure ratio was 72.2% over the past three years. As of 31 December 2024, Dongying City Government reported an outstanding government debt of RMB105.8 billion and accounted for 24.6% of its GRP. In the first three quarters of 2025, Dongying City reported a GRP of RMB333.9 billion, representing 5.5% YoY growth.

**Exhibit 3. Key economic and fiscal indicators of Dongying City**

	2022FY	2023FY	2024FY
GRP (RMB billion)	362.1	389.9	430.8
GRP Growth (%)	4.3	7.0	6.5
General Budgetary Revenue (RMB billion)	26.5	28.5	30.2
General Budgetary Expenditure (RMB billion)	36.9	38.2	43.2
Local Government Debt (RMB billion)	74.5	90.5	105.8

Source: Dongying Municipal Government, CCXAP research

Dongying District is the central district of Dongying City. Supported by rich oil and gas resources, Dongying District has mainly developed fine chemical and petroleum supporting industries. Shengli Oilfield's base, the second largest oil field in China, located in Dongying District. Dongying District is also the largest petroleum equipment industry base and petroleum equipment product export base in China. In 2024, Dongying District reported a GRP of RMB64.2 billion, recording an economic growth of 7.0% YoY. Meanwhile, its general budgetary revenue increased to RMB3.7 billion from RMB3.5 billion in 2023. Dongying District has a moderate fiscal self-sufficiency ratio, with its general budgetary revenue averaging 63.2% of expenditure over the past three years. Moreover, in recent years, the growth in general budgetary expenditure has led to a downward trend in the fiscal self-sufficiency rate. The local government therefore relies on higher-tier government transfers to cover its funding gap, and the average transfer income of Dongying District was RMB3.7 billion over the past three years. As of 31 December 2024, Dongying District Government reported an outstanding government debt of RMB13.1 billion and accounted for 20.3% of its GRP.

#### Exhibit 4. Key economic and fiscal indicators of Dongying District

	2022FY	2023FY	2024FY
GRP (RMB billion)	56.7	59.2	64.2
GRP Growth (%)	5.4	6.3	7.0
General Budgetary Revenue (RMB billion)	3.9	3.5	3.7
General Budgetary Expenditure (RMB billion)	5.1	5.5	7.3
Local Government Debt (RMB billion)	6.9	9.5	13.1

Source: Dongying District Government, CCXAP research

#### Government's Willingness to Provide Support Important role in local infrastructure construction

There are 3 major LIIFCs in Dongying District under the control of Dongying District Government. Each of them has a clear position under the government's planning. Among them, DYMH is the key entity in infrastructure construction and provision of public services in Dongying District, mainly responsible for heat supply, renovation of old urban residential communities, road construction and improvement, river management, and municipal sanitation.

DYMH carries out various infrastructure construction projects mainly through agency-construction model. Under this model, the Company is entrusted by the government related entities to conduct infrastructure construction in Dongying District. The Company signs agency construction agreements with government units for construction projects. Upon completion and settlement of the project, the Company receives corresponding payments from the government according to the terms stipulated in the agreement. As of 31 December 2024, there were 4 projects under construction, with a total investment of RMB976.0 million and an uninvested amount of RMB11.0 million. These projects mainly include rehabilitation of old communities and construction of schools. At the same time, the Company had 1 infrastructure project under planning, with a total investment of RMB203.0 million. It should be noted that the settlement and payment collection for the Company's agency construction projects have been delayed, resulting in a constraint on liquidity.

DYMH also takes the lead in construction projects through public bidding within the region, and it has Class-III qualification for general contracting of municipal utility engineering, professional contracting of urban and street lighting engineering and professional contracting of environmental protection engineering. The projects it undertakes are predominantly utility tunnel works and road renovation projects. However, the income from the engineering construction business is limited, with the revenue being RMB6.5 million in 2024.

## High sustainability in provision of public services

DYMH is the regional dominant heat supplier in urban district of Dongying District by providing heat energy to residential and commercial customers with heating pipeline length of 314 square meters, serving around 207 thousand residential users and 9.5 thousand non-resident users as of end-2024. In recent years, the Company's heating capacity has continued to improve, and the number of users has grown steadily, driving continuous growth in heating business revenue. However, due to the public utility nature of heat supply, prices are government-regulated. Coupled with significant annual depreciation expenses, the heating business operated at near breakeven in 2024, generating only a minimal gross profit. Furthermore, as of 31 December 2024, the Company had 2 heat supply construction projects under construction, with a total investment of RMB522.0 million, and an uninvested amount of RMB67.0 million. Therefore, the Company's heat supply coverage is expected to expand upon the project completion.

DYMH is also in charge of the municipal sanitation business with municipal utility operating license. As of the end of 2024, the Company had 133 large operational machinery units and business vehicles, 1,626 electric cleaning tricycles, and a total cleaning area of 96.7 million square meters. Its service scope encompasses cleaning, property services, landscaping maintenance, waste collection and transportation, and waste classification. Revenue from this business slightly declined to RMB116.5 million in 2024, down from RMB173.5 million in 2023, primarily driven by the expiration of several sanitation contracts. In addition, the Company has experienced delays in the collection of payments for certain municipal sanitation services, necessitating ongoing attention to the recovery of these receivables. Considering the indispensability and high sustainability of these public services, we believe that the replacement cost of the Company is high, and it is not likely to be replaced by other enterprises in the foreseeable future.

## Increasing exposure to commercial activities

Apart from the public policy activities, DYMH also engages in commercial activities such as leasing and self-operated projects development. Given that the proportion of commercial assets to total assets was less than 30%, we estimate the DYMH's exposure to commercial activities is moderate. However, the risk exposure increased from the previous year due to the construction of self-operated projects.

The Company's main leased assets include stormwater and sewage pipelines, properties such as the Children's Palace, most of which have been allocated to the Company by the government free of charge. The leasing business could provide certain supplementary revenue to the Company. However, the revenue from leasing business significantly declined to RMB7.1 million in 2024 from RMB65.5 million in 2023. The primary reason for the revenue decline is that, in 2024, a portion of the pipeline network was transferred to another SOE within the region, and the remaining pipeline network was taken back by the government without compensation, ceasing to generate lease income.

In addition, the Company participates in self-operated commercial projects construction in Dongying District to promote local urban development. However, the revenue from commercial projects is heavily influenced by the local economic conditions. As of 31 December 2024, there were 2 main self-operated commercial projects under construction, with a total investment of RMB6.1 billion. These are hospital and cultural tourism projects with an outstanding investment amount of around RMB4.2 billion as of end-2024. Meanwhile, the Company also had 1 self-operated project under planning, with a total investment of RMB24.8 million. The relatively large uninvested amount for the self-operated projects may exert higher capital expenditure pressure on the Company in the upcoming years.

### **Good track record of receiving government support**

DYMH has a good track record of receiving support from Dongying District Government in terms of subsidies, capital injection, special funds, and equity transfer. From 2023 to 2024, the local government consistently provided subsidies of RMB41.9 million to the Company, supporting its heat supply business and municipal sanitation services. Given the Company's important role in Dongying District, we believe that DYMH will continue to receive various kinds of support from the local government.

### **Increasing debt burden driven by the continuous investment in construction projects**

DYMH's total debt increased from RMB3.2 billion at the end of 2023 to RMB4.4 billion as of 30 June 2025, due to the continuous investment in self-operated construction projects in Dongying District. Meanwhile, DYMH's debt leverage also went up over the same period, with its total capitalization ratio (total debt/total capital) increased from 35.8% to 48.5%. As of 30 June 2025, the Company's short-term debt was RMB1.3 billion, which accounted for 28.5% of its total debt, indicating certain refinancing pressure. Given the Company's ongoing capital expenditure for its infrastructure construction projects, we expect that the Company's debt level will continue to grow in the next 12 to 18 months.

### **Relatively weak asset liquidity mitigated by diversified access to funding**

The Company's liquidity profile is relatively weak. As of 31 December 2024, inventories, account receivables, and fixed assets accounted for approximately 83.2% of total assets. The primary components of these receivables are balances with the regional SOEs and receivables due from government entities, which tie up a certain amount of the Company's capital. The inventories consist of the cost of infrastructure construction and self-construction projects, while the fixed assets are mainly pipeline network assets, which are considered as having low liquidity. In addition, the Company's restricted assets amounted to RMB2.6 billion at the end of 2024, accounting for 23.6% of its total assets. The heating pipeline network constituted the largest component of these restricted assets, which may constrain the Company's financial flexibility.

The impact of DYMH's relatively weak asset liquidity on financial flexibility has been somewhat alleviated, as the Company's access to financing has diversified in recent years. Bank loans constitute the majority of its total debt, primarily from regional banks such as Dongying Bank Co., Ltd. In addition to regional banks, DYMH has also established long-term borrowing relationship with policy banks and large domestic banks such as Industrial and Commercial Bank of China Limited and Agricultural Development Bank of China. As of 31 March 2025, the Company had total banking facilities of RMB4.1 billion with available portion of RMB576.0 million, indicating limited standby liquidity. Apart from bank financing, the Company also gained access into both onshore and offshore bond markets. It has issued 2 tranches of onshore corporate bonds in the first half of 2025, with coupon rate ranges from 2.4% to 2.5%. These bonds are respectively guaranteed by Shandong Credit Enhancement Investment Co., Ltd. and Chongqing Xingnong Financing Guarantee Group Co., Ltd. DYMH also issued two tranches of offshore bonds in 2024, raising a total amount of around RMB1.1 billion. Moreover, the Company has relatively low exposure to non-standard financing, such as finance lease, which accounted for around 5% of its total debt.

### **Medium contingent liability risk**

DYMH bears moderate contingent risk resulting from large external guarantees. As of 31 December 2024, the Company's external guarantees amounted to RMB4.2 billion, accounting for 82.8% of its net assets. All of the external guarantees were provided to SOEs. The practice of mutual guarantees among local SOEs is a common

phenomenon in Dongying District. In case a credit event occurs, the Company may face significant contingent liability risks and cross-default risks. Considering the important role of SOEs in Dongying District, we expect that the local government would provide support when necessary.

## ESG Considerations

DYMH is exposed to environmental risks due to undertaking key infrastructure construction. Such risks could be moderated by conducting environmental studies and planning prior to the start of the projects, and close monitoring during the construction phase.

The Company bears social risks as it implements public policy initiatives by playing an important role in the social welfare of Dongying District. Demographic changes, public awareness and social priorities shape the Company's development targets and ultimately affect the local government's propensity to support the Company.

DYMH's governance considerations are also material as the Company is subject to oversight by Dongying District Government and must meet several reporting requirements, reflecting its public-policy role and status as a government-owned entity.

## 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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