Credit Opinion

24 November 2025

Ratings	
Senior Unsecured Debt Rating (guaranteed)	BBB_g+
Long-Term Credit Rating	BBB_g
Outlook	Stable
Category	Corporate
Domicile	China
Rating Type	Solicited Rating

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Dongtai State-owned Assets Operation Group Co., Ltd.

Surveillance credit rating report

CCXAP affirms Dongtai State-owned Assets Operation Group Co., Ltd.'s long-term credit rating at BBB_g, with stable outlook.

Summary

The BBB_g long-term credit rating of Dongtai State-owned Assets Operation Group Co., Ltd. ("DTAO" or the "Company") reflects (1) Dongtai City Government's strong capacity to provide support; and (2) the local government's very high willingness to provide support, based on our assessment of the Company's characteristics.

Our assessment of Dongtai City Government's capacity to provide support reflects Dongtai City's status as one of the 2025 CCID Top 100 Counties in China and its economic and fiscal strength ranks top among all districts and counties in Yancheng City with good growth momentum.

The rating also reflects the local government's willingness to provide support, which is based on the Company's (1) position as an important entity for the investment and operation of state-owned assets in Dongtai City; (2) important role in the development of Dongtai Coastal Economic Zone ("Dongtai CAZ") with sufficient project reverses; and (3) good track record of receiving government support.

However, the rating is constrained by the Company's (1) medium exposure to commercial activities; (2) moderate debt management and asset liquidity; and (3) medium level of contingent risk.

The stable outlook on DTAO's rating reflects our expectation that Dongtai City Government's capacity to provide support will remain stable, and the Company will maintain its important position in Dongtai City over the next 12-18 months.

Rating Drivers

- Well-defined position for the investment and operation of state-owned assets in Dongtai City
- Dominate role in the development of Dongtai CAZ with quasi-public welfare project reserves
- Medium exposure to commercial activities
- Good track record of receiving government support
- Moderate debt management and asset liquidity
- Medium level of contingent risk

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) the local government's ability to provide support strengthens; or (2) the Company's characteristics change in a way that strengthens the local government's willingness to provide support, such as improved regional importance, improved debt management and reduced exposure to commercial activities.

What could downgrade the rating?

The rating could be downgraded if (1) the local government's ability to provide support weakens; or (2) the Company's characteristics change in a way that decreases the local government's willingness to provide support, such as reduced regional significance, weakened financing ability or material deterioration in contingent risks.

Key Indicators

	2022FY	2023FY	2024FY	2025H1
Total Asset (RMB billion)	36.8	37.7	41.8	43.5
Total Equity (RMB billion)	22.5	22.2	22.3	22.4
Total Revenue (RMB billion)	1.1	1.4	1.1	0.5
Total Debt/Total Capital (%)	34.4	34.6	40.6	42.7

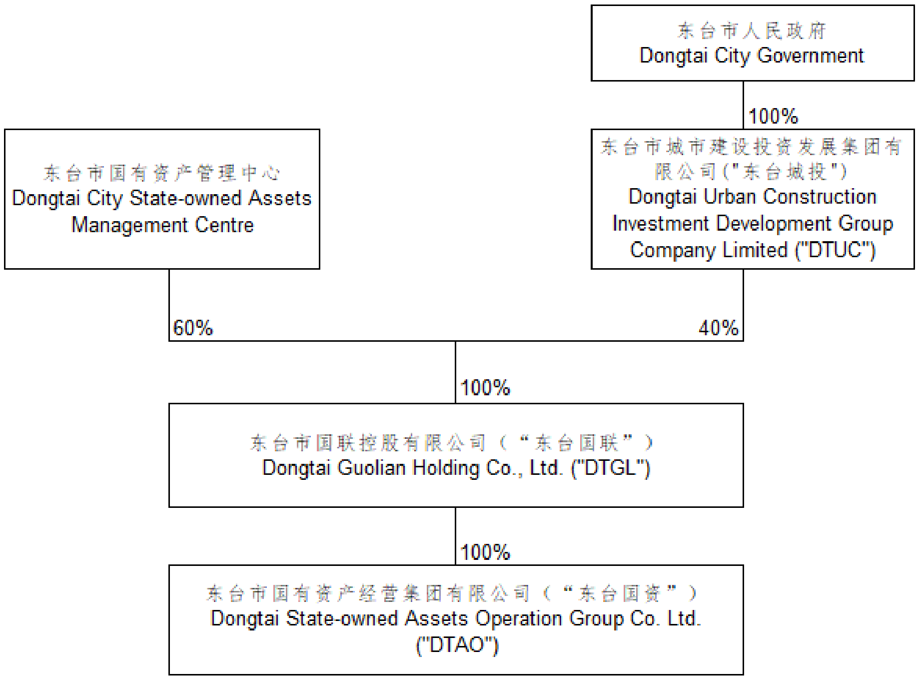
All ratios and figures are calculated using CCXAP's adjustments.

Source: Company data, CCXAP research

Corporate Profile

Founded in 2008, DTAO is an important local infrastructure investment and financing company ("LIIFC") in Dongtai City, which is responsible for the investment and operation of state-owned assets in Dongtai City, especially in Dongtai CAZ and Huanghai National Forest Park. DTAO has a diversified business scope including sales of agricultural products, assets leasing and contracting, tourism operations and hotel operations. As of 30 June 2025, the Company was indirectly held and ultimately controlled by the Dongtai City Government through Dongtai Guolian Holding Co., Ltd. ("DTGL").

Exhibit 1. Shareholding chart as of 30 June 2025



Source: Company information, CCXAP research

Exhibit 2. Revenue structure in 2024

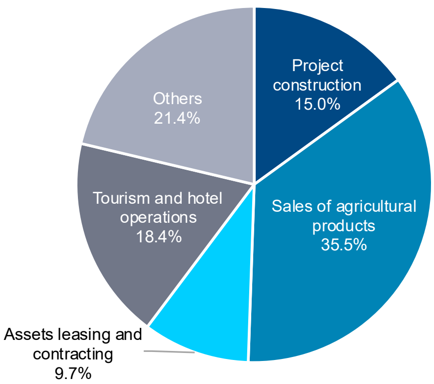
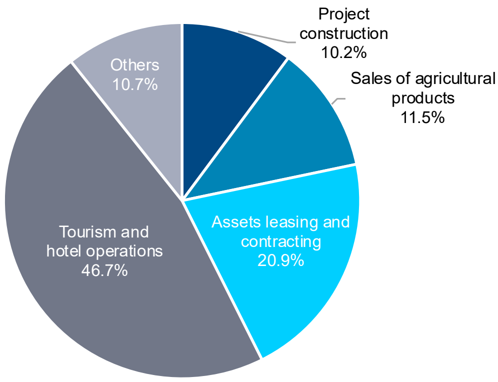


Exhibit 3. Gross profit structure in 2024



Source: Company information, CCXAP research

Rating Considerations

Government's Capacity to Provide Support

We believe that the Dongtai City Government has a strong capacity to provide support, given its status as one of the 2025 CCID Top 100 Counties in China. Its economic and fiscal strength ranks top among all districts and counties in Yancheng City with a good growth trend.

Jiangsu Province is one of the leading and well-developed provinces in China. It is home to many of the world leading enterprises of electronic equipment, chemicals, and textiles. Jiangsu Province is the second largest province in China by GRP, after Guangdong Province. In 2024, its total GRP amounted to RMB13.7 trillion, a year-over-year ("YoY") increase of 5.8%. The GRP per capita for the same period was RMB160,694.0, ranking top among all provinces in China. In the first three quarters of 2025, Jiangsu Province achieved a GRP of RMB10.3 trillion, representing a YoY increase of 5.4%.

Yancheng City is a prefecture-level city in Jiangsu Province, with a good economic foundation. Based on its advantageous traditional industries including autos, textiles, steel, and chemical industries, Yancheng City is undergoing an economic transition and is developing emerging industries such as new energy vehicles and core components, new energy, new generation information technology, big health and digital economy and ocean economy industries, which help support sustainable economic growth in the long run. In 2024, Yancheng City achieved a GRP of RMB777.9 billion with a 5.5% YoY growth rate. In the first three quarters of 2025, Yancheng City's GRP increased by 5.6% YoY to RMB586.4 billion. The general budgetary revenue increased annually on the back of steady economic growth and optimized upgrading of the industrial structure. In 2024, the Yancheng Municipal Government achieved general budgetary and tax revenue of RMB49.6 billion and RMB33.5 billion, respectively. However, the fiscal balance ratio (calculated by general budgetary revenue over general budgetary expenditure) remained moderate, with a 3-year average ratio of 41.4%. As of the end of 2024, the local government's outstanding debt increased to RMB196.2 billion, accounting for around 25.2% of GRP.

Exhibit 4. Key economic and fiscal indicators of Yancheng City

	2022FY	2023FY	2024FY
GRP (RMB billion)	708.0	740.4	777.9
GRP Growth (%)	4.6	5.9	5.5
General Budgetary Revenue (RMB billion)	45.3	48.3	49.6
General Budgetary Expenditure (RMB billion)	111.8	122.8	114.1
Local Government Debt (RMB billion)	153.5	165.5	196.2

Source: Yancheng Municipal Government, CCXAP research

Dongtai City is a county-level city under the administration of Yancheng City. Dongtai City has good economic and fiscal strength with over RMB100.0 billion GRP which ranks the top among all districts and counties in Yancheng City. Dongtai City ranked 34th among the Top 100 counties in China released by CCID Consulting County Economic Research Center in 2025. The leading industries in Dongtai City include information technology, new energy, high-end equipment, new materials and healthcare. From 2023 to 2024, Dongtai City's economic strength improved steadily with GRP increasing from RMB111.8 billion to RMB119.1 billion. During the first quarter of 2025, Dongtai City's GRP increased by 6.4% YoY to RMB32.1 billion. In 2024, Dongtai City reported that the general budgetary revenue increased to RMB6.8 billion from RMB6.5 billion in 2023. The fiscal balance ratio of the Dongtai City government was considered moderate with an average ratio of 43.4% over the past three years. It reflects a relatively high reliance on fiscal support from higher-level governments and revenue from government funds to balance its fiscal budget. Dongtai City Government's outstanding direct debt increased to RMB24.7 billion at the end of 2024, accounting for about 20.7% of its GRP.

Exhibit 5. Key economic and fiscal indicators of Dongtai City

	2022FY	2023FY	2024FY
GRP (RMB billion)	105.1	111.8	119.1
GRP Growth (%)	4.7	7.0	5.9
General Budgetary Revenue (RMB billion)	6.1	6.5	6.8
General Budgetary Expenditure (RMB billion)	14.0	15.0	15.6
Local Government Debt (RMB billion)	17.8	19.6	24.7

Source: Dongtai City Government, CCXAP research

Dongtai CAZ is located in the eastern coastal area of Dongtai City. It focuses on the development of new energy, healthcare and eco-tourism industries, aiming to build a sub-center of Dongtai City. The Jiangsu Huanghai National Forest Park is one of the first batch of national forest recreation bases in Dongtai CAZ. It is the largest man-made ecological forest garden in East China, which bringing rich tourism resources to Dongtai CAZ.

Government's Willingness to Provide Support

Well-defined position for the investment and operation of state-owned assets in Dongtai City

There are four major LIIFCs in Dongtai City. DTAO is positioned as the main entity for the investment and operation of state-owned assets in Dongtai City, especially in Dongtai CAZ. The other LIIFCs' main business scopes are the urban area of Dongtai City, Dongtai Economic Development Zone, Dongtai High-tech Industrial Development Zone, respectively. Each of these companies has a clear position under the local government's planning. The Company manages state-owned assets such as public housing, land, and granaries. Given its important position and the state assets it manages, we believe the Company is unlikely to be replaced in the foreseeable future.

Dominate role in the development of Dongtai CAZ with quasi-public welfare project reserves

DTAO's infrastructure construction projects are primarily concentrated in Dongtai CAZ and part of the urban areas of Dongtai City. Following the urban development plan laid out by the local government, the Company has undertaken a number of important public projects, which mainly involve the construction of road networks, public facilities and water supply infrastructures. Under an agency construction model, the Company enters into construction agreements with Dongtai Coastal Wetland Tourism and Vacation Economic Zone Management Committee (also known as the Dongtai City Coastal Economic Development Zone Management Committee), and settles payments based on the total cost plus a construction service fee after the inspection and acceptance of the projects. As of the end of 2024, the Company had 2 major entrusted projects under construction, including tourism facilities and urban upgrading works, with a total investment of RMB3.4 billion and an outstanding amount of RMB2.7 billion. While no infrastructure projects are currently in the planning phase, we anticipate a continued demand for its services due to the sustained growth and expanding development prospects of Dongtai City. Additionally, the Company has transformed into a market-oriented model and carried out a series of projects under self-operated model, including elderly-care centers, health centers and water supply project, which also have quasi-public welfare nature.

Medium exposure to commercial activities

DTAO also engages in diversified commercial activities such as sales of agricultural products, asset leasing and contracting, and tourism and hotel operations. Based on our assessment of its assets, the Company had medium exposure to commercial activities, which accounted for less than 30% of its total assets. The commercial activities have become significant sources of revenue for the Company, and the associated commercial risks are manageable given that most of them are conducted under the development strategies of Dongtai City.

The Company's agricultural product trading business mainly includes tree seedlings and grains, of which grains are the primary products. The Company's grain trading business primarily operates in a distribution model whereby it purchases wheat, rice, corn and other crops from farmers, pays in cash on the day of purchase and sells them upon receipt of sales payments from downstream customers. In addition, a small portion of grain sales come from the Company's self-grown production. However, it involves the market with full competition and the grain prices are regulated by the government resulting in low bargaining power and low profit. The performance of the business also fluctuates driven by the market conditions and the related government policy. In 2024, its revenue from the sales of agricultural products decreased to RMB394.0 million from RMB426.3 million in 2023 mainly due to the fluctuation of market demand. The gross margin increased to 7.8% but remained at a relatively low level.

DTAO's assets leasing and contracting business mainly involves leasing out self-owned buildings and contracting out the use rights of mudflat lands and fishponds to farmers. The lease is subject to annual renewal and is therefore sensitive to market conditions. In 2024, the revenue from the assets leasing and land contracting business decreased by 45.2% YoY from RMB196.6 million to RMB107.7 million, mainly due to the expiration and non-renewal of some sea area use right leases. The gross profit margin of this business remains relatively stable at 51.5%.

DTAO leverages the rich biological resources, well-protected vegetation and good ecological environment of Huanghai National Forest Park to conduct its tourist area operations. The park generates revenue primarily through ticket sales and diversified in-park services, including bicycle rentals, sightseeing transportation, guided tours. The Company also operates two hotels, namely Dongtai Guest House and Jiangsu Huanghai National Forest Hotel. In 2024, the Company's revenue from hotel operation decreased by 22.0% due to the decreasing market demand. The Company's tourism revenue was subject to volatility in tourism market conditions, and the capital return period of such business is long, which brings more uncertainties to the Company.

DTAO has some self-operated projects that mainly focus on health and wellness, agriculture and new energy industries, and is expected to balance the initial investment of the projects through rental and service sales income. As of 30 June 2025, the Company had 3 major self-operated projects under construction, with a total investment of RMB1.6 billion and an uninvested amount of RMB1.3 billion. Meanwhile, the Company had 4 major projects under planning with total estimated investment of RMB1.2 billion. Considering its current and future high investment in self-operated construction projects, the Company may face relatively high capital expenditure burden and bear the risk of operating uncertainties.

Good track record of receiving government support

DTAO has a good track record of receiving support from the local government in various forms such as capital injections, asset injections and government subsidies to support its operation. The Company has received stable government subsidies in recent years. From 2024 to the first half of 2025, the Company has received government subsidies totaling RMB629.1 million. In 2023, the government transferred 16 rights of the use of sea area to DTAO, which increased the capital reserve by RMB241.6 million. Moreover, the Company has received cash injection from its shareholder, which increased its paid-in capital by RMB12.9 million in 2024. We expect that the Company will maintain its strategically important position in project construction in Dongtai City, and the local government will continue to support its development when necessary.

Moderate debt management and asset liquidity

DTAO's debt burden increased fast owing to its debt-driven business expansion and large investment in construction projects. As of 30 June 2025, the Company's total debt increased to RMB16.7 billion from RMB11.7 billion as of end-2023. At the same time, the total capitalization ratio, also increased to 42.7% from 34.6%. The Company had a relatively high short-term debt burden with the short-term debt accounting for 41.5% of the total debt and the cash to short-term debt ratio was at 0.6x as of 30 June 2025. Considering the external financing needs from its construction projects, we expect the Company's debt level will continue to increase in the next 12 to 18 months.

DTAO's asset liquidity is considered moderate, and some assets are pledged for borrowings, which reduces the Company's financial flexibility. As of 30 June 2025, the Company's total restricted assets amount was RMB5.5 billion, accounting for 12.7% of total assets mostly due to borrowings. The Company's inventory, accounts receivable and other receivables accounted for a relatively high proportion, totaling 45.1% of total assets as of 30 June 2025. Other receivables are mainly from government units and local SOEs and have a relatively low risk of default, but the timing of repayment is uncertain, which has formed a drain on the Company's working capital. Inventories are mainly construction costs and land use rights, which are considered to have low liquidity. At the same time, the intangible assets accounted for 23.9% of total assets, which are mainly agricultural land, mudflat assets, and rights to use the sea area, with low liquidity.

Access to multiple funding channels

DTAO large investment needs could be supported by its multiple financing channels. Bank borrowing and bonds are the major financing sources which accounts for over 70% of total debt. As of 31 December 2024, the Company had total bank facilities of RMB12.6 billion, with an unused portion of RMB3.8 billion, mainly from large state-owned banks and joint-stock commercial banks. The Company also has access to both onshore and offshore debt capital markets and has a track record of issuing different financial products in the onshore bond market. In 2024, the Company issued three-year private placement bonds with a total amount of RMB440.0 million. The Company also issued an offshore bond in 2025, raising RMB310.0 million with coupon rate of 5.0%. The Company's exposure to non-standard financing products remained relatively high. As of 30 June 2025, the non-standard financings accounted for around 29.1% of its total debt, which mainly consists of financial leases and trust loans. Such funding is short tenor and has higher costs, heightening the refinancing risks for the Company.

Medium level of contingent risk

DTAO's credit profile is constrained by its external guarantees, which could potentially increase its repayment obligations. As of 30 June 2025, the Company had external guarantees balance of RMB15.9 billion, accounting for around 71.0% of its net assets. The guarantees are provided to other local SOEs but no counter-guarantee measures were in place. In case a credit event occurs, the Company may face large-scale cross-effects risks, which could negatively impact its credit quality.

ESG Considerations

DTAO faces environmental risks because it has undertaken construction business. 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.

DTAO bears social risks as it implements public policy initiatives by building public projects in Dongtai City. 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.

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

Credit Enhancement

DTAO's senior unsecured debt rating is based on our assessment of Dongtai Urban Construction Investment

Development Group Co., Ltd. ("DTUC"), as the bonds (ISIN: XS3226097957) were unconditionally and irrevocably guaranteed by DTUC. DTUC, directly and wholly owned by the Dongtai City Government, is one of the key county-level infrastructure development entities in Dongtai City. It is responsible for urban infrastructure construction and the operation of state-owned assets within the Dongtai City. Our analysis of the transaction is contingent upon DTUC to support the payment of the bonds. Any change to the credit quality of DTUC could lead to a corresponding change in the rating of the bonds.

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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