

## Credit Opinion

31 July 2025

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

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## Dalian Deta Holding Co., Ltd.

### Surveillance credit rating report

### CCXAP upgrades Dalian Deta Holding Co., Ltd.'s long-term credit rating to A<sub>g</sub>-, with stable outlook.

#### Summary

China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has upgraded the long-term credit rating of Dalian Deta Holding Co., Ltd. (“Deta” or the “Company”) to A<sub>g</sub>- from BBB<sub>g</sub>+, with stable outlook. The rating upgrade is based on Jinpu New Area’s pivotal role in the development of Dalian City and its ongoing economic growth in recent years, as well as the Company’s key strategic importance in public service and infrastructure construction in Jinpu New Area.

The A<sub>g</sub>- long-term credit rating of Deta reflects Jinpu New Area Government’s very strong capacity to provide support and its very high willingness to provide support based on our assessment of the Company’s characteristics.

Our assessment of Jinpu New Area Government’s capacity to support reflects Jinpu New Area’s status as the China’s tenth national-level new area, with good economic strength and fiscal metrics.

The rating also reflects the local government’s willingness to support, which is based on the Company’s (1) high strategic importance as a key utility service provider and infrastructure construction entity in Jinpu New Area; (2) good track record of receiving government payments; and (3) good access to funding.

However, the Company’s rating is constrained by (1) medium exposure to commercial activities; (2) relatively fast debt growth with increasing debt leverage; and (3) relatively weak asset liquidity.

The stable outlook on Deta’s rating reflects our expectation that the local government’s capacity to support will remain stable, and the Company will maintain its important role in the provision of utility services in Jinpu New Area.

## Rating Drivers

- High strategic importance as the key utility service provider and infrastructure construction entity in Jinpu New Area
- Medium exposure to commercial activities
- Relatively fast debt growth with increasing debt leverage
- Good track record of receiving government payments
- Relatively weak asset liquidity
- Good access to funding

## 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 strengthens the local government's willingness to support, such as increase in its strategic significance and improve in 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 decrease in its strategic significance, decrease in government payments, or materially increase in exposure to commercial activities.

## Key Indicators

	2022FY	2023FY	2024FY	2025Q1
Total Asset (RMB billion)	50.0	53.7	57.4	57.3
Total Equity (RMB billion)	21.4	22.8	23.6	23.6
Total Revenue (RMB billion)	4.3	5.2	6.3	1.6
Total Debt/Total Capital (%)	46.9	47.6	49.1	49.1

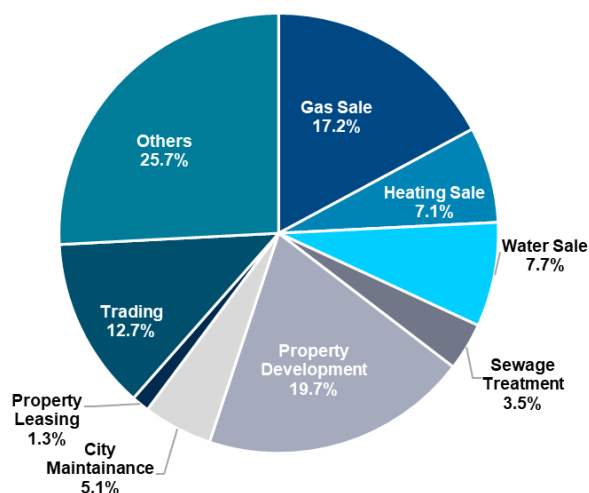
All ratios and figures are calculated using CCXAP's adjustments.

Source: Company data, CCXAP research

## Corporate Profile

Deta was established in 2004 by the Administrative Committee of Dalian Economic and Technological Development Zone ("Dalian ETDZ"). In 2016, Dalian ETDZ became one of the functional districts of the Jinpu New Area, and hence, the ownership of Deta was transferred to the Administrative Committee of Dalian Jinpu New Area. At the same time, the Company's businesses were expanded to the entire area of Jinpu New Area. As a result of the regional planning, on 31 December 2024, Jinpu New Area Industrial Holding Group Co., Ltd. transferred 100% of its equity interest in Deta to Dalian Deta Economic Development Co., Ltd., which is wholly owned by the State-owned Assets Supervision and Administration Bureau of Jinpu New Area. As of 31 March 2025, the Administrative Committee of Dalian Jinpu New Area remained as the Company's ultimate controller. Deta is the key local infrastructure investment and financing company ("LIIFC") in Jinpu New Area, which is strategically important in providing utility services, such as gas, heating, water, and sewage treatment in the area. The Company also engages in infrastructure construction, urban renewal, property development, leasing, city maintenance, and trading businesses.

Exhibit 1. Revenue structure in 2024



Source: Company information, CCXAP research

Exhibit 2. Gross profit structure in 2024

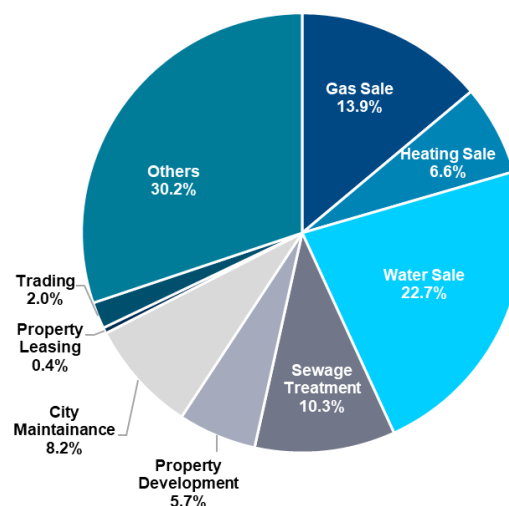


Exhibit 3. Shareholding chart as of 31 March 2025



Source: Company information, CCXAP research

## Rating Considerations

### Government Capacity to Provide Support

We believe Jinpu New Area Government has very strong capacity to provide support reflects Jinpu New Area's status as the China's tenth national-level new area, with good economic strength and fiscal metrics.

Liaoning Province is the largest and strongest province in Northeast China. In 2024, Liaoning Province recorded gross regional product ("GRP") of RMB3,261.3 billion with year-on-year ("YoY") growth of 5.1%, ranking 1<sup>st</sup> in terms of GRP among the three provinces of Northeast China and 16<sup>th</sup> among all provinces in China. Its general budgetary revenue amounted to RMB290.6 billion in 2024, with tax income accounting for 63.2%. However, its debt burden is relatively high, with government debt of RMB1,401.6 billion in 2024, accounting for about 43.0% of GRP.

Dalian City is a port city located in the south end of the Liaodong Peninsula in Liaoning Province and the coast of Huanghai Sea and Bohai Sea, with competitive strength in trade, industry, and tourism. Dalian City is one of the fifteen sub-provincial cities and one of the five cities with independent planning in China. Dalian City also maintains growth in secondary industries, benefitting from leading industries such as modern equipment manufacturing, petrochemicals, electronic information, and shipbuilding. Also, tertiary industries, including transportation, finance, tourism, and software information services underpin the regional economic development. In 2024, Dalian City recorded GRP of RMB951.7 billion, ranking the first in Northeast China, with YoY increase

of 5.2%. Moreover, Dalian City recorded general budgetary revenue increased for the third consecutive years. Its general budgetary revenue was RMB77.5 billion in 2024, up from RMB75.0 billion in 2023. Meanwhile, Daliang City has relatively good fiscal balance, with its self-sufficiency ratio (general budgetary revenue/general budgetary expenditure) being 71.4% in 2024. As of 31 December 2024, Dalian Municipal Government's debt balance amounted to RMB317.4 billion, equivalent to 33.4% of its GRP.

#### Exhibit 4. Key economic and fiscal indicators of Dalian City

	2022FY	2023FY	2024FY
GRP (RMB billion)	843.1	875.3	951.7
GRP Growth (%)	4.0	6.0	5.2
General Budgetary Revenue (RMB billion)	67.0	75.0	77.5
General Budgetary Expenditure (RMB billion)	99.1	101.4	108.5
Local Government Debt (RMB billion)	254.5	289.8	317.4

Source: Dalian Municipal Government, CCXAP research

Jinpu New Area is located in the south-central part of Dalian City, which is also the tenth state-level new area in China and the first state-level new area in Northeast China. The five major pillar industries, including petrochemical, auto and auto parts, electronic information, equipment manufacturing, and bio-pharmaceutical underpin the economic development of Jinpu New Area. In 2024, Jinpu New Area achieved a GRP of RMB283.3 billion, accounting for approximately one-third of Dalian City's total GRP. Meanwhile, the general budgetary revenue of Jinpu New Area has been steadily increasing over the past few years, rising from RMB 18.4 billion in 2023 to RMB 20.6 billion in 2024, ranking first among all districts and counties in Dalian City. Jinpu New Area has a good fiscal balance over the past three years, with average general budgetary revenue to general budgetary expenditure ratio of 89.0%. At end-2024, the local government debt balance amounted to RMB73.6 billion, increasing from RMB68.4 billion at end-2023 and accounting for 25.9% of its GRP.

#### Exhibit 5. Key economic and fiscal indicators of Jinpu New Area

	2022FY	2023FY	2024FY
GRP (RMB billion)	27.1	30.0	28.4
GRP Growth (%)	5.0	7.5	6.5
General Budgetary Revenue (RMB billion)	16.7	18.4	20.6
General Budgetary Expenditure (RMB billion)	18.9	19.1	25.1
Local Government Debt (RMB billion)	60.9	68.4	73.6

Source: Jinpu New Area Government, CCXAP research

### Government Willingness to Provide Support

#### High strategic importance as a key utility service provider and infrastructure construction entity in Jinpu New Area

Deta is a leading LIIFC in the local development of Jinpu New Area and plays a key role in the public welfare of the residents in Jinpu New Area by providing integrate utility services in heat supply, gas and LNG supply, water supply, and sewage treatment. Also, the Company is responsible for the infrastructure construction through different construction models, supporting the continuous urban renewal.

Deta is the sole gas and water supplier in Dalian ETDZ, and an important entity participating in heat supply and sewage treatment in Dalian ETDZ and Jinpu New Area. The provision of these public utilities has generated stable income for the Company over the past few years. The revenue from utility services grew 19.7% YoY to

RMB2.2 billion in 2024, accounting for 35.4% of total revenue. The Company's utility business has a certain degree of monopoly and sustainability. Among them, both gas and sewage treatment segment had projects under construction, with total estimated investment around RMB248.8 million and uninvested amount of RMB148.3 million as of end-2024. In addition, the Company has gradually expanded its utility services to other regions through acquisitions. For example, the Company has further expanded the business scope of its gas business through acquiring the franchises in additional areas in Jinpu New Area in 2023, and the water supply franchise from Dalian Water Supply Group Co., Ltd., Jinzhou Branch in the first quarter of 2024. These acquisitions may further consolidate its essential role in the provision of public services. Meanwhile, due to lower coal procurement costs in 2024, the heating business's gross margin turned positive.

Deta is an important infrastructure construction entity in Jinpu New Area, including pipeline construction and urban renovation. The Company conducts pipeline construction and maintenance business in Dalian ETDZ, with corresponding ownership and disposal rights. Also, the Company undertakes urban renewal projects and infrastructure projects. At present, the Company mainly participates in infrastructure construction under PPP model and participated as a private investor with capital contributions. As at 31 December 2024, the Company had completed 5 PPP projects, and commenced operation of 6 projects. The operating revenue of these projects was RMB166.0 million in 2024. Meanwhile, Deta has 1 PPP project under construction, with its total investment being RMB847.0 million, and outstanding amount of RMB134.0 million. As most project financing comes from policy banks, the Company's PPP projects benefit from relatively low financing costs. Furthermore, all projects have been included in the government database, with revenue derived from the government's Viability Gap Funding (VGF).

In addition, the Company has three shantytown renovation projects under government purchase of services model, with a total investment amount of RMB3.2 billion and a repayment period of approximately 25 years. As of 31 December 2024, the outstanding repayment amount by the government was around RMB2.2 billion. Meanwhile, the Company had one major infrastructure construction project under construction, namely Yishanhai International Community Infrastructure Construction Project, with a total investment of RMB1.3 billion and outstanding amount of RMB545.0 million, which is supported by special government bonds.

In terms of urban renewal, the Company had 3 urban and community housing renewal projects under construction as of end-2024, with total investment of RMB21.7 billion, and uninvested amount of RMB17.8 billion. Among them, the Southern Urban Area Renewal Project is the main self-operated urban renewal project under construction, with an estimated total investment of RMB20.1 billion and uninvested amount of RMB17.6 billion. This project is expected to be funded by the project loans of RMB16.0 billion from China Development Bank and is planned to achieve fund balance mainly through secondary development sales and industrial operations. However, the investment cycle of this project is long and the funding balance may bear certain uncertainties during the downturn of real estate market. Fortunately, the project loans from China Development Bank have long tenor and low financing cost, which could mitigate the Company's financial pressure. At the same time, the Company had 2 completed urban renewal projects, with total investment of RMB1.6 billion, and planning to achieve funding balance from management fee, advertising fees, and parking fees.

Overall, Deta's infrastructure construction and utility services have high stability and are unlikely to be replaced in the foreseeable future. Although the large uninvested amount of the infrastructure construction projects can ensure the business sustainability, the long operation time and long cash collection period cause capital occupation and exert expenditure pressure on the Company.

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

Deta has received ongoing cash payments from the local government in the form of capital injection and subsidies which improves its financial strength and business profile. For example, in 2024, the Company received a total of RMB379.0 million in capital injections and asset transfers from its shareholders and the local government, resulting in an increase in capital reserves. In terms of operational subsidy, the Company received government subsidies of RMB455.6 million in 2024 to support its daily operation. Moreover, the shantytown renovation projects are all included in the government fiscal budget and the future repayments are visible. Overall, we expect that Deta will continue to receive support from the local government in times of need, given its strategic importance to the Jinpu New Area.

### **Medium exposure to commercial activities**

Deta also engages in commercial activities, such as property development, property leasing, city maintenance, and trading businesses. As of 31 December 2024, the assets of commercial businesses accounted for less than 30% of total assets, and we considered the exposure to be medium. We expect that the diversified businesses can help enrich the Company's income source. However, the performance of these businesses is volatile as compared to the public services and it is more difficult to receive direct support from the local government, which may challenge the Company's future operational capability.

Deta's property development business consists of shantytown renovation and commercial housing development. Yongzheng Street Hongta Village Squatter Housing Reconstruction Project is the representative project, which is divided into reconstruction phase and self-operating phase. The reconstruction phase is affordable housing for the suitable residents and the self-operating phase is commercial housing for the public market. The self-operating phase is in selling progress with a selling ratio of 97.0% as at 31 December 2024. Deta had realized RMB1.2 billion of revenue from the property development and sales business in 2024. As of 31 December 2024, the Company had 6 real estate projects for sale, with an invested amount of RMB3.7 billion and cumulative sales amount of RMB2.4 billion. However, several projects have recently commenced pre-sales, suggesting potential destocking pressure to the Company. Meanwhile, the future property sales are subject to uncertainty as it is highly influenced by local government planning and the local property market, especially in the downturn of China's property development industry.

Deta's property leasing business includes leasing industrial plants and its properties to resident enterprises. In 2024, the Company generated leasing income of RMB82.1 million, which was lower than RMB148.4 million in 2023, and this is mainly due to the disposal of some leasable assets over the past two years. Moreover, Deta's trading business involves the trading of coal, chemical products, iron ore powder and aluminum panel production. This business has a high concentration of upstream and downstream companies with a relatively limited gross profit margin. The Company also undertakes city maintenance activities in Jinpu New Area, with the business operating in an area that comprehensively covers the built-up area of Jinpu New Area and half amount of the agriculture streets. This business generated revenues of RMB320.7 million in 2024, providing supplementary income to the Company.

Apart from that, the Company also entered the field of digital economy segment, which is under construction and operation progress and in line with the government planning. The construction of the Artificial Intelligence Computing Centre and the Dalian Digital Valley Emerging Infrastructure Project of this segment has been initiated in 2022. These two projects are expected to generate revenue through arithmetic rental and property leasing. As of 31 December 2024, the segment had a combined total investment of RMB7.4 billion and an uninvested amount of RMB4.5 billion. As of end-2024, the Artificial Intelligence Computing Centre was completed and began to operate. After the completion, the Company still needs to put in relatively large works



to attract enterprises to settle in, and the future fund balancing is still uncertain. However, it will be partially supported by government special purpose bonds, which may mitigate its capital expenditure pressure and fund balancing pressure.

### **Relatively fast debt growth with increasing debt leverage**

With the expansion of its business and continued investment in construction projects, Deta maintained relatively fast debt growth. The Company's total debt increased from RMB20.7 billion at the end of 2023 to RMB22.6 billion as of 31 March 2025. Meanwhile, the total capitalization ratio increased from 47.6% to 49.1% over the same period, indicating a relatively high debt leverage. The Company also demonstrated certain short-term debt pressure as the proportion of short-term debt to total debt was 32.1% as of 31 March 2025. In addition, the cash to short-term debt ratio was 0.4x, which is insufficient to cover the short-term debt. We expect Deta's debt leverage to moderately increase given the large capital expenditure requirements of its urban renewal projects and property development projects.

### **Relatively weak asset liquidity**

Deta showed a relatively weak liquidity profile along with its increase in debt burden. As of 31 December 2024, inventories, long-term accounts receivable, and construction in progress accounted for approximately 56.5% of total assets. The inventories and construction in progress are mainly cost of infrastructure construction, property development, and self-construction projects. The long-term accounts receivable mainly consists of uncollected payment under government purchase service and investment of PPP projects, which were considered to have low liquidity. Therefore, the low asset liquidity may undermine the Company's financial flexibility in the near term.

### **Good access to funding**

Deta has good access to diversified funding and mainly in bank loans and bonds issuance, which partially mitigates its liquidity risk. Bank loans accounted for majority of the total debt, with a large proportion of around 70%, followed by bonds issuance (around 28%) as of 31 December 2024. Meanwhile, the Company had total bank facilities of RMB43.7 billion, with an unutilized portion of RMB21.5 billion, indicating relatively sufficient standby liquidity. Moreover, the Company also has access to the debt capital markets for onshore and offshore bond issuance. From 2024 to the first half of 2025, the Company raised around RMB2.2 billion through domestic bond market, with coupon rates ranging from 2.5% to 3.3%. It also issued 1 tranche of offshore CNY bond in 2024, raising RMB400.0 million for refinancing. The Company also entered a perpetual bond investment contract with China Railway Trust Co., Ltd, under which it received RMB110.0 million of perpetual bond investment funds, expanded the Company's financing channels. At the same time, Deta has low exposure to non-standard financing, which accounting for around 1.8% of its total debt.

## **ESG Considerations**

Deta is exposed to environmental risks because it has undertaken infrastructure construction and utility projects. Such risks could be moderated by conducting environmental studies and planning before the commencement of projects, and close supervision during the construction phase.

In terms of social concerns, Deta plays a crucial role in the social welfare of the residents in Jinpu New Area by providing utility services, including gas, heating, water supply and sewage treatment. As an important state-owned entity in Jinpu New Area, the Company has also launched multiple measures to ensure the provision of utility and daily needs of the residents.

In terms of corporate governance, Deta has established a sound and effective internal control framework, and has also set up a corporate governance structure, with the shareholders, directors, supervisors, senior management team and internal departments performing their duties collectively and efficiently. The Company is subject to oversight and reporting requirements to the Jinpu New Area Government, which has full control and supervision of the Company's operation.

## 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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