Credit Opinion

27 July 2026

Ratings	
Category	Corporate
Domicile	China
Rating Type	Solicited Rating
Long-Term Credit Rating	BBB_g
Outlook	Stable

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Meishan Dongpo State-owned Capital Investment and Operation Group Co., Ltd.

Surveillance credit rating report

CCXAP affirms the long-term credit rating of Meishan Dongpo State-owned Capital Investment and Operation Group Co., Ltd. at BBB_g, with stable outlook.

Summary

The BBB_g long-term credit rating of Meishan Dongpo State-owned Capital Investment and Operation Group Co., Ltd. ("DSCI" or the "Company") reflects Dongpo District Government's (1) strong capacity to provide support; and (2) extremely high willingness to provide support based on our assessment of the Company's characteristics.

Our assessment of Dongpo District Government's capacity to provide support reflects Dongpo District's economic and fiscal importance in Meishan City, with ongoing development in food, biomedicine, intelligent manufacturing industries.

The rating also reflects the local government's willingness to support, which is based on the Company's (1) status as the major urban construction entity in Dongpo District; (2) high sustainability of public business sectors; and (3) solid track record of receiving government support.

However, the rating is constrained by the Company's (1) medium exposure to commercial activities; (2) ongoing debt growth and high short-term repayment pressure; (3) weak asset liquidity; and (4) medium contingent risk resulting from external guarantees.

The stable outlook on DSCI's rating reflects our expectation that, for the next 12 to 18 months, the Company's important role in the development of Dongpo District will remain unchanged, and the Dongpo District Government's capacity to provide support will remain stable.

Rating Drivers

- Major urban construction entity in Dongpo District
- High sustainability of public business sectors
- Solid track record of receiving government support
- Medium exposure to commercial activities
- Ongoing debt growth and high short-term repayment pressure
- Weak asset liquidity
- Medium contingent risk resulting from external guarantees

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) the local government's capacity to support strengthens; or (2) changes in the Company's characteristics enhance the local government's willingness to support, such as decreasing exposure to commercial activities.

What could downgrade the rating?

The rating could be downgraded if (1) the local government's capacity to support weakens; or (2) changes in the Company characteristics weaken the local government's willingness to support, such as reducing strategic significance or weakening access to financing channels.

Key Indicators

	2023FY	2024FY	2025FY
Total Asset (RMB billion)	73.2	66.2	69.8
Total Equity (RMB billion)	30.9	27.4	24.7
Total Revenue (RMB billion)	2.9	2.8	3.2
Total Debt/Total Capital (%)	40.7	44.2	51.0

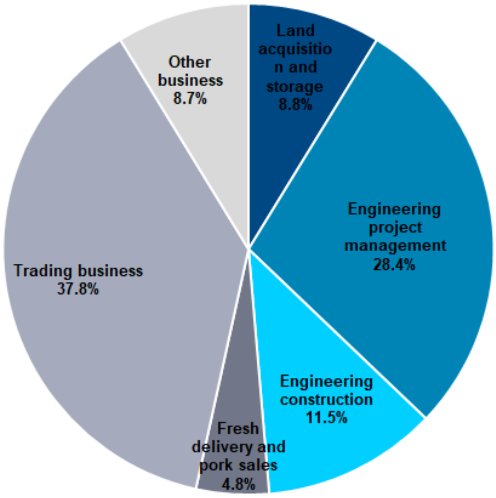
All ratios and figures are calculated using CCXAP's adjustments.

Source: Company data, CCXAP research

Corporate Profile

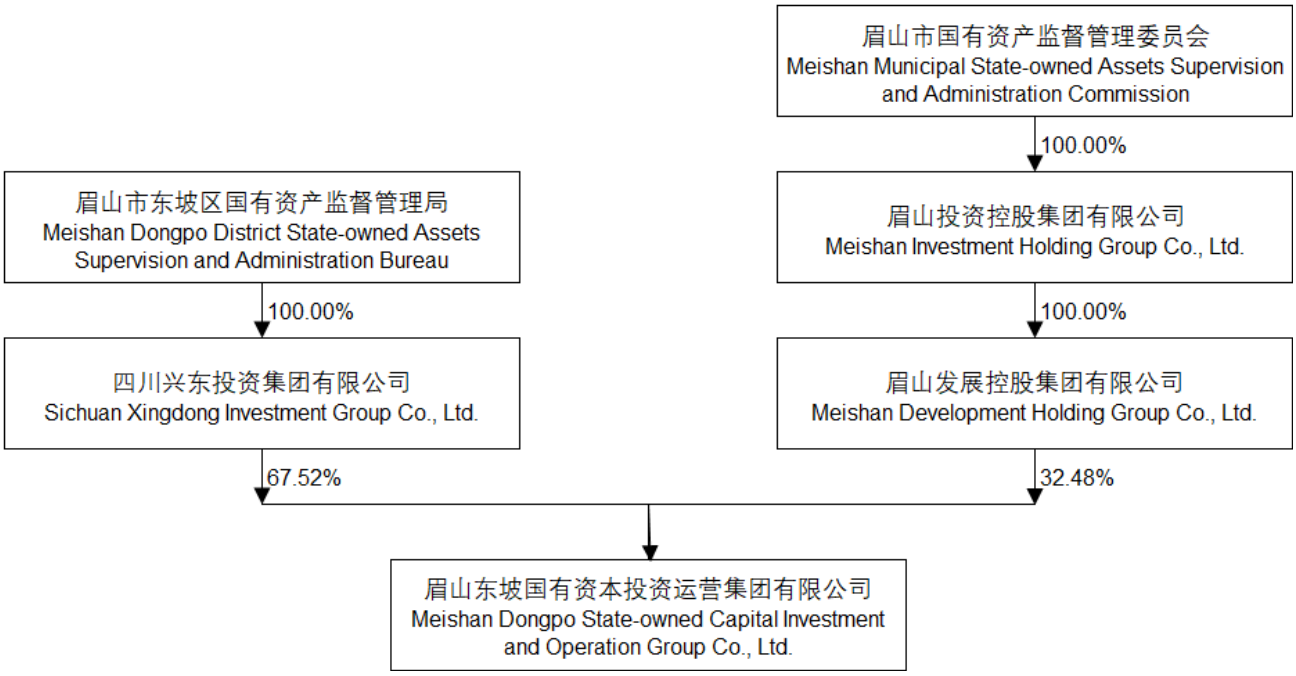
Established in 2017, DSCI is the most important Local Infrastructure Investment and Financing Company ("LIIFC") in Dongpo District, Meishan City. DSCI is primarily engaged in infrastructure construction in Dongpo District. It also undertakes commercial activities, such as engineering construction, trading, guarantee services, cemetery sales and management, labor service, and asset leasing. As of 31 March 2026, Sichuan Xingdong Investment Group Co., Ltd. held 67.52% shares of the Company, Meishan Development Holding Group Co., Ltd., a municipal-level state-owned enterprise in Meishan City, held the remaining 32.48% of the shares. The State-owned Assets Supervision and Administration Bureau of Meishan City Dongpo District ("Dongpo SASAB") is the ultimate controller of the Company.

Exhibit 1. Revenue Structure in 2025



Source: Company information, CCXAP research

Exhibit 2. Shareholding chart as of 31 March 2026



Source: Company information, CCXAP research

Rating Considerations

Government's Capacity to Provide Support

We believe that the Dongpo District Government has a strong capacity to provide support, reflecting that Dongpo District's economic and fiscal importance in Meishan City, with ongoing development in food, biomedicine, intelligent manufacturing industries.

Sichuan Province is a leading economic province in Southeast China. In 2025, Sichuan recorded a gross regional product ("GRP") of RMB6.8 trillion, with a GRP growth rate of 5.5% year-on-year ("YoY"). Its general budgetary revenue increased to RMB585.4 billion.

Meishan City is a prefecture-level city of Sichuan Province. It is a crucial part of the national-level Tianfu New Area, Chengdu Economic Zone and Greater Emei International Tourism Zone, and a key area of the Cheng (Du) Le (Mountain) Golden Corridor. In 2025, Meishan City achieved a GRP of RMB200.9 billion with a YoY increase of 7.1%. Its general budgetary revenue amounted to RMB16.4 billion in 2025. However, its fiscal stability and self-sufficiency are moderate, with tax revenue accounting for 45.0% of general budgetary revenue and a fiscal balance ratio of 46.5% in 2025. The government debt increased from RMB84.5 billion in 2024 to RMB98.4 billion in 2025, representing 49.0% of its GRP.

Exhibit 3. Key economic and fiscal indicators of Meishan City

	2023FY	2024FY	2025FY
GRP (RMB billion)	173.7	189.0	200.9
GRP Growth (%)	6.2	7.0	7.1
General Budgetary Revenue (RMB billion)	16.0	16.1	16.4
General Budgetary Expenditure (RMB billion)	36.9	35.2	35.4
Local Government Debt (RMB billion)	71.6	84.5	98.4

Source: Statistic Bureau of Meishan City, CCXAP research

Situated in the central urban area of Meishan City, Dongpo District is the political, economic, and cultural center of Meishan City. Dongpo District has formed a convenient transportation network and is an important transportation hub and material distribution center connecting the Chengdu Plain with southern and western Sichuan. Dongpo District has formed three pillar industries, including pickled food, biomedicine, and intelligent manufacturing, and is also focusing on cultivating new energy and new materials, as well as the food and pharmaceutical industries. In 2025, the GRP of Dongpo District increased from RMB64.9 billion in 2024 to RMB70.4 billion, but its general budgetary revenue remained at around RMB2.7 billion, with the GRP ranking 1st, and the general budgetary revenue ranking 2nd among 6 districts/counties in Meishan City. However, its fiscal stability and self-sufficiency are moderate, with tax revenue accounting for 46.6% of general budgetary revenue and a fiscal balance ratio of 51.2% in 2025. As of 31 December 2025, Dongpo's outstanding government debt was RMB16.9 billion, accounting for 24.0% of its GRP.

Exhibit 4. Key economic and fiscal indicators of Dongpo District

	2023FY	2024FY	2025FY
GRP (RMB billion)	62.9	64.9	70.4
GRP Growth (%)	7.1	5.8	8.0
General Budgetary Revenue (RMB billion)	3.0	2.7	2.7
General Budgetary Expenditure (RMB billion)	6.6	5.8	5.4
Local Government Debt (RMB billion)	11.0	13.5	16.9

Source: Statistic Bureau of Dongpo District, CCXAP research

Government's Willingness to Provide Support

Major urban construction entity in Dongpo District

Since 2022, the Dongpo District Government has gradually transferred a significant portion of local state-owned enterprise equity to the company. After the consolidation, DSCI has become the most important LIIFC and the major urban construction entity in Dongpo District, with a pivotal role in regional development. The Company has strong regional franchise advantages in various public-related activities, such as local infrastructure construction. Considering the Company's strategic position in Dongpo District, we believe that the replacement cost for the Company's role is high, as these public services are essential for local residents and regional development.

High sustainability of public business sectors

The Company undertakes urban infrastructure construction projects in the region, including resettlement house construction and shantytown redevelopment, which are mainly carried out through an agency construction model. The sufficient projects can ensure the business sustainability, but exert certain capital expenditure pressure on the Company.

The Company signs entrusting construction agreements with the entrusting parties, who would repurchase the construction upon project completion. The repurchase payment is calculated based on the construction cost plus a 15% construction management fee. As of 31 December 2025, the Company mainly had 11 infrastructure construction projects under construction, with a total planned investment of RMB5.3 billion, with an outstanding balance of RMB2.2 billion, exerting certain capital expenditure pressure.

The local government will repurchase the Company's land assets for storage. The Company has sufficient land assets. As of the end of 2025, the book value of land assets in the Company's inventory amounted to RMB13.5 billion. In 2025, it generated income from land acquisition of RMB278.7 million. Nevertheless, this business remains susceptible to government land storage policies and real estate market conditions, resulting in a degree of uncertainty regarding its land acquisition and storage income.

Medium exposure to commercial activities

DSCI is also engaged in commercial activities such as self-operated construction, engineering construction, trading, guarantee services, cemetery sales and management, labor service, and asset leasing. We consider the Company's commercial business risk to be medium because its commercial activities account for around 20% to 30% of its total assets.

The Company's self-operated projects include wastewater treatment plants, reservoirs, tourist attractions, and industrial parks. The Company constructs these projects with self-raised funds and government fiscal funds, and achieves breakeven through receiving operating income. As of 31 December 2025, the Company mainly had 4 self-operated projects under construction, with a total estimated investment of RMB535.0 million and an outstanding amount of RMB311.0 million. Some of the self-operated projects can be supported by government special bonds, which can partially reduce the Company's capital expenditure pressure.

The Company's engineering construction business is primarily undertaken by its subsidiary, Meishan Dong'an Construction Co., Ltd. ("MDAC"), which holds a Grade I general contracting qualification for construction projects, as well as Grade II general contracting qualifications for municipal public works and water conservancy/hydropower projects. MDAC acts as a contractor to conduct engineering construction business in Dongpo District. The revenue from engineering construction decreased from RMB463.8 million in 2024 to

RMB366.5 million in 2025, due to the contraction in the demand for construction in the region. The segment's gross profit margin increased from 8.3% to 11.6% in the same period, primarily attributable to effective cost control in ongoing projects. As of 31 December 2025, the Company had 16 contracts at hand with contract value of RMB1.2 billion, supporting the sustainability of its engineering construction business.

As for the trading business, the Company is primarily engaged in the sale of construction materials such as steel products, concrete, cement, and cables. In 2025, the segment’s revenue grew by 48.7% YoY to RMB1.2 billion, but with a relatively low gross profit margin of 3.7%. The trading business is relatively diversified. In 2025, the top five suppliers accounted for 20.1% of total procurement, and the top five clients contributed 17.4% of total sales.

The Company also operates in labor dispatch, leasing, and property management services, which provide supplementary income to the Company. However, the small operating scale of these businesses limits their contribution to the Company’s overall cash flow and profit.

Solid track record of receiving government support

As a major LIIFC in charge of infrastructure construction in Dongpo District, the Company has a solid track record of receiving support from the local government in the past few years, such as government subsidies, asset injections, special bonds, and equity transfers. Since 2022, Dongpo SASAB has transferred 6 state-owned enterprises and their subsidiaries to the Company. The businesses of these entities span infrastructure development, engineering construction, cultural tourism, and cemetery sales and management. In 2025, the local government further transferred 49% equity interests of two state-owned enterprises into the Company, increasing its capital reserves by RMB2.2 billion. From 2023 to 2025, the Company received total government subsidies of about RMB0.7 billion. The Company also receives government special bonds for some of the self-operating projects, with outstanding amount of RMB4.9 billion at end-2025. Given DSCI's pivotal role in the development of Dongpo District, we expect the Company to receive ongoing support from the local government in the future.

Ongoing debt growth and high short-term repayment pressure

DSCI has demonstrated an increasing debt amount as a result of relatively large capital demands for the construction projects. DSCI's adjusted total debt rose from RMB21.7 billion at end-2024 to RMB25.7 billion at end-2025, while its total capitalization ratio increased from 44.2% to 51.0% over the same period. In addition, the Company faces high short-term repayment pressure. As of 31 December 2025, the Company’s short-term debt accounted for 52.6% of total debt, and its cash to short-term debt ratio was just 0.3x. Given the Company’s relatively large capital expenditure on construction projects, we expect the Company’s debts will continue to grow for the next 12-18 months.

Weak asset liquidity

As of 31 December 2025, around 73.3% of the Company’s assets were inventory and receivables. The inventories primarily consist of land assets, infrastructure construction costs, while receivables include unreceived payments from local government institutions, causing large capital occupation. Moreover, the Company's total restricted assets were RMB9.8 billion, which accounted for 14.1% of total assets as of 31 December 2025. The weak asset liquidity may undermine the Company’s financial flexibility.

Reduced exposure to non-standard financing

DSCI has good access to diversified funding, such as bank loans and onshore bond financing. The Company possesses abundant credit resources with total credit facilities of RMB29.4 billion, of which the unused credit line amounted to RMB4.6 billion as of 31 December 2025. The Company also has access to bond financing channels. From June 2024 to April 2026, Meishan Dongpo Development and Investment Group Co., Ltd., a subsidiary of the Company and the sole publicly bond-issuing LIIFC in Dongpo District, had raised RMB1.7 billion from the onshore bond market with coupon rates ranging from 2.3% to 6.9%. However, the Company has a medium exposure to non-standard financing, such as financial leasing and trust financing, which represented 19.4% of its total debt as of 31 December 2025, declining from 27.8% at end-2024Q3.

Medium contingent risk resulting from external guarantees

The Company has a relatively high external guarantees amount. As of 31 December 2025, the Company had outstanding external guarantees of RMB10.1 billion, representing 40.7% of its net assets. The guaranteed parties are primarily local state-owned enterprises in Dongpo District and Meishan City. However, one private-owned guaranteed enterprise has been involved in a large number of lawsuits and has been listed as a dishonest judgment debtor, exposing the Company to certain contingent risks.

ESG Considerations

DSCI bears environmental risks through its infrastructure projects. Such risks could be mitigated by conducting environmental studies and detailed planning before the commencement of the projects, and close supervision during construction.

DSCI bears social risks as it implements public policy initiatives by building public infrastructure in the Dongpo 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.

DSCI’s governance considerations are also material as the Company is subject to oversight by the Dongpo District Government and has to 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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