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.

Hong Kong, 27 July 2026 – China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") has affirmed the long-term credit rating of Meishan Dongpo State-owned Capital Investment and Operation Group Co., Ltd. ("DSCI" or the "Company") at BBB$_g$, with stable outlook.

The BBB$_g$ long-term credit rating of DSCI 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.

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 is the ultimate controller of the Company.

Rating Rationale

Credit Strengths

Major urban construction entity in Dongpo District. 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.

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. 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.

Credit Challenges

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.

Ongoing debt growth and high short-term repayment pressure. 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.

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.

Medium contingent risk resulting from external guarantees. 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.

Rating Outlook

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.

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.

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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