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

Hong Kong, 23 November 2026 -- China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") has affirmed the long-term credit rating of Dongtai State-owned Assets Operation Group Co., Ltd. ("DTAO" or the "Company") at BBB_g, with stable outlook. At the same time, CCXAP has affirmed DTAO's senior unsecured debt rating (guaranteed) at BBB_g+.

The BBB_g long-term credit rating of DTAO 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 2026 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 reserves; 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) rising debt burden and moderate asset liquidity; and (3) medium level of contingent risk from large external guarantees.

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 2026, the Company was indirectly held and ultimately controlled by the Dongtai City Government through Dongtai Guolian Holding Co., Ltd. ("DTGL").

Rating Rationale

Credit Strengths

Well-defined position for the investment and operation of state-owned assets 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 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.

Important 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 Huanghai Forest Park. Following the urban development plan laid out by the local

government, the Company has undertaken important public projects involving road networks, public facilities and water supply infrastructure. These projects support business continuity but entail further capital expenditure requirements.

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. 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.

Credit Challenges

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. These activities provide diversified revenue sources but expose the Company to market demand, pricing, operating and investment recovery risks.

Rising debt burden and constrained asset liquidity. DTAO's debt burden has increased alongside its debt-driven business expansion and investment in construction projects. The Company had a relatively high short-term debt burden, with short-term debt accounting for 46.9% of total debt and the cash-to-short-term-debt ratio standing at 0.6x as of 30 June 2026. 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 constrained by the sizeable proportion of assets that are not convertible into cash, while assets pledged for borrowings further reduce the Company's financial flexibility.

Medium level of contingent risk. DTAO's credit profile is constrained by its external guarantees, which could potentially increase its repayment obligations. The guarantees are provided to other local SOEs but no counter-guarantee measures were in place. If guaranteed borrowers experience credit events, DTAO could face payment obligations under its guarantees, exposing the Company to contagion risk and potentially weakening its liquidity and credit quality.

Rating Outlook

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.

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.

Rating Methodology

The methodology used in this rating is the Rating Methodology for China's Local Infrastructure Investment and Financing Companies (July 2022).

Regulatory Disclosures

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