Dongyang State-owned Assets Investment Co., Ltd.

Lianhe Ratings Global Limited ("Lianhe Global") has affirmed 'BBB+' global scale Long-term Issuer Credit Rating of Dongyang State-owned Assets Investment Co., Ltd. ("DSAI" or "the company") with Stable Outlook; The global scale Long-term Issuance Credit Rating of its Credit Enhanced Guaranteed JPY Bonds affirmed at 'A-'

Summary	
Issuer Rating	BBB+
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
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Applicable Criteria

China Local Investment and Development Companies Criteria (31 July 2025)

Summary

The Issuer Credit Rating reflects a high possibility that the People's Government of Dongyang City ("Dongyang government") would provide very strong support to DSAI if needed. This mainly considers Dongyang government's indirect full ownership of DSAI and the company's strategic importance as an important local investment and development company ("LIDC") responsible for state-owned assets operation and infrastructure construction in Dongyang. The linkage between the local government and DSAI is strong, including management supervision, strategic alignment and ongoing operational and financial support. In addition, we believe that the local government has a very strong willingness to ensure the issuer's business and financial viability in order to safeguard its reputation and local financing activities

Dongyang is a county-level city under the administration of Jinhua City, Zhejiang Province. Dongyang's GDP grew steadily by 5.4% to RMB87.5 billion in 2024, while it realized a budgetary revenue of RMB8.1 billion. In the first half of 2025, Dongyang achieved a GDP of RMB43.4 billion, representing a year-on-year growth of 5.0%. In the first three quarters of 2025, the budgetary revenue amounted to RMB6.8 billion, up 0.4% compared to the same period last year.

The Stable Outlook reflects our expectation that DSAI's strategic importance would remain intact while the local government will continue to ensure DSAI's stable operation.

Lianhe Global has also affirmed 'A-' global scale Long-term Issuance Credit Rating to the Credit Enhanced JPY Bonds ("the bonds"). The bonds will have the benefit of JPY-denominated irrevocable standby letter of credit ("the SBLC") issued by Bank of Hangzhou Co., Ltd. ("BOH")'s Jinhua Branch. The Issuance Credit Rating primarily reflects the credit enhancement provided by the irrevocable SBLC issued by BOH's Jinhua Branch and underpinned by the credit strength of BOH as a top-ranked bank in Hangzhou. A full list of affirmed issuance rating is included in this report.

Rating Rationale

Government's Ownership and Supervision: In November 2025, the Dongyang Municipal State-owned Assets Supervision and Administration Office ("Dongyang SASAO") transferred 90% of its shares of DSAI to Dongyang State-owned Assets Holding Group Co., Ltd. ("DSAH") free of charge. The Dongyang government indirectly holds full ownership of DSAI through DSAH and Zhejiang Financial Development Co., Ltd. The Dongyang government has the final decision-making authority and supervises over the company, including management appointment, decision on its strategic development and investment plan and supervision of its major funding decisions. In addition, the Dongyang government has assessment mechanism over the company and appoints auditors to supervise the operating performance and financial position on a periodic basis.

Strategic Importance and Strategic Alignment: DSAI, as the most important LIDC in Dongyang, is mainly responsible for municipal infrastructure construction, land development, project construction, investment and development of urban public resource projects, investment and management of state-owned assets, real estate development, merchandise sales, labor services, etc. with franchise advantages. In addition, DSAI is also responsible for the water-related business, mainly including water supply and sewage treatments in the region. Meanwhile, DSAI engaged in raw water sales and energy sales business. DSAI is the core entity for state-owned assets operation and infrastructure construction in a monopoly position in Dongyang. It plays an important role in promoting the economic and social development of Dongyang. DSAI's business operation and development have been aligned with the government's development plans.

Ongoing Government Support: The local government provided ongoing support to DSAI. The local government injected cash, operating rights and other assets into DSAI, enhancing its equity base from RMB39.0 billion at end-2022 to RMB41.2 billion at end-June 2025. During the same period of time, the company also received operational subsidies totaling RMB4.1 billion. We expect DSAI to receive ongoing support from the Dongyang government in future considering its strategic importance in Dongyang.

DSAI's Financial Matrix and Liquidity Position: DSAI's asset size grew steadily to RMB127.8 billion at end-June 2025 from RMB83.1 billion at end-2022, largely attributed to the company's active participation in Dongyang's project development. The company heavily relied on borrowings to fund its asset expansion. Its total debt also expanded to RMB74.3 billion from RMB33.9 billion over the same period. Its financial leverage, as measured by the debt to capitalization ratio, increased to 64.3% at end-June 2025 from 46.5% at end-2022.

DSAI's short-term debt repayment pressure was moderately high. At end-June 2025, the company had unrestricted cash of RMB5.8 billion, compared with debts due within one year of RMB22.3 billion. Yet DSAI has access to various financing channels, including bank borrowings, onshore and offshore bond issuances, and other non-traditional financings, to support its debt repayments and business operations. Furthermore, DSAI has secured consolidated credit facilities from banks with a total credit line of RMB86.9 billion, of which RMB33.1 billion remains unused at end-September 2025.

Rating Sensitivities

We would consider downgrading DSAI's rating if (1) there is perceived weakening in support from the local government, particularly due to its reduced strategic importance, or (2) there is a significant reduction of the local government's ownership of DSAI, or (3) there is a downgrade in our internal credit assessment on the Dongyang government.

We would consider upgrading DSAI's rating if there is an upgrade in our internal credit assessment on the Dongyang government.

Any downgrade or upgrade in our internal credit assessment on BOH would result in a similar rating action on the Bonds.

Full List of Issuance Rating

- JPY12 billion, 1.45% Credit Enhanced Bonds due 2027 ('A-')

Operating Environment

Economic Condition of Dongyang

Dongyang is a county-level city in Zhejiang Province and under the administration of Jinhua City. Dongyang's GDP grew by 5.4% to RMB87.5 billion in 2024 from RMB80.6 billion in 2023. The GDP per capita was about RMB79,900 in 2024. The local economy remains evenly supported by the secondary and tertiary industries, which accounted for 40.4% and 56.8% of GDP, respectively, with the primary sector contributing the remaining 2.7%.

Dongyang City's Economic Condition (RMB billion)	**2022**	**2023**	**2024**
GDP	76.2	80.6	87.5
-Primary industry (%)	2.8	2.7	2.7
-Secondary industry (%)	46.6	44.7	40.4
-Tertiary industry (%)	50.5	52.6	56.8
GDP growth rate (%)	3.2	6.9	5.4
Fixed asset investment growth rate (%)	16.9	17.8	-4.5
Population (million)	1.1	1.1	1.1

Source: Statistical Bureau of Dongyang City and Lianhe Global's calculations

Fiscal Condition of Dongyang City

The budgetary revenue of the Dongyang government fell by 6.9% to RMB8.1 billion in 2024, widening the budgetary deficit to 50.9%. Government fund income dropped to RMB6.6 billion in 2024 from RMB10.4 billion in 2023, dragged by lower land-use-right transfer income amid the prolonged property-market downturn.

The outstanding debt of the Dongyang government increased significantly to RMB30.9 billion at end-2024 from RMB26.1 billion at end-2023, mainly due to the new issuance of special-purpose debts to support local public projects. As a result, its government debt ratio, as measured by total government debt/aggregate revenue, surged to 209.6% from 136.1% over the same period.

Dongyang City's Fiscal Condition (RMB billion)	**2022**	**2023**	**2024**
Budgetary revenue	8.2	8.7	8.1
Budgetary revenue growth rate (%)	3.1	7.0	-6.9
Tax revenue	6.8	7.4	6.4
Tax revenue (% of budgetary revenue)	83.9	84.5	79.0
Government fund income	10.0	10.4	6.6
Aggregate revenue	21.6	19.2	14.7
Budgetary expenditure	11.5	11.3	12.3
Budget balance[1] (%)	-41.3	-29.2	-50.9
Government debt ratio (%)	81.8	136.1	209.6

*[1] Budget balance = (1-budgetary expenditure / budgetary revenue) * 100%*

Source: Finance Bureau of Dongyang City, Statistical Bureau of Dongyang City and Lianhe Global's calculations

Company Profile

DSAI was established in September 2010. The Dongyang government holds 100% ownership of DSAI through Dongyang SASAO, DSAH and Zhejiang Financial Development Co., Ltd., and is the actual controller of the company. After an array of capital injections, DSAI's paid-in capital was enlarged to RMB1.0 billion at the end of June 2025.

The company is the most important LIDC in Dongyang, mainly responsible for state-owned assets operation and infrastructure construction, such as municipal infrastructure construction, land development, project construction, investment and development of urban public resource projects, real estate development, merchandise sales, water and energy related business, to support local economic and social development. DSAI realized total revenue of RMB4.9 billion, 5.4 billion, 4.5 billion and 1.5 billion for 2022, 2023, 2024 and the first half of 2025, respectively. The company's gross margin has been on a declining trend, falling to 7.0% in 2024 from 9.0% in 2023 and 9.3% in 2022, primarily due to margin erosion in its trading business and housing sales.

Key Financial Data (RMB million)	**2022**	**2023**	**2024**	**2025.6**
Total Assets	83,073	111,927	119,305	127,753
Equity	38,970	41,391	40,255	41,157
Debt	33,907	56,310	65,480	74,288
Debt / (Debt + Equity) (%)	46.5	57.6	61.9	64.3
Unrestricted cash/ST Debts (x)	0.2	0.3	0.1	0.3
Debt/EBITDA (x)	24.8	37.2	32.4	-
Revenue	4,878	5,395	4,504	1,450
Operation Profit	523	517	460	38
Gross Margin (%)	9.3	9.0	7.0	2.0
Cash from sales or services/ Revenue (%)	98.7	147.8	142.2	142.4

Source: DSAI and Lianhe Global's calculations

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