

Credit Opinion

24 December 2025

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

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Yidu State-owned Assets Investment, Operation and Holding Group Co., Ltd.

Update of 2025H1 financial statement

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

Summary

The BBB_g- long-term credit rating of Yidu State-owned Assets Investment, Operation and Holding Group Co., Ltd. ("YDSI" or the "Company") reflects Yidu City Government's (1) relatively 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 Yidu City Government's capacity to provide support reflects Yidu City's relatively good comprehensive strength with fast economic growth, but is constrained by its moderate fiscal capacity.

The rating also reflects the local government's willingness to provide support, based on the Company's (1) pivotal role as the primary engineering construction and state-owned assets operation entity in Yidu City; (2) good track record of receiving government support; and (3) good access to funding from banks and capital markets.

However, the rating is constrained by the Company's (1) medium exposure to commercial activities; (2) relatively high short-term debt repayment pressure; and (3) weak asset liquidity.

The stable outlook on YDSI's rating reflects our expectation that Yidu City Government's capacity to provide support will remain stable, and the Company will maintain its crucial role in the economic and social development of Yidu City over the next 12-18 months.

Rating Drivers

- Pivotal role as the primary engineering construction and state-owned assets operation entity in Yidu City
- Medium exposure to commercial activities
- Relatively high short-term debt repayment pressure
- Weak asset liquidity
- Good track record of receiving government support
- Good access to funding from banks and the capital markets

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) Yidu City Government's capacity to provide support strengthens; and (2) the Company's characteristics change in a way that enhances the local government's willingness to provide support, such as lower exposure to risky commercial activities.

What could downgrade the rating?

The rating could be downgraded if (1) Yidu City Government's capacity to provide support weakens; or (2) the Company's characteristics change in a way that weakens the local government's willingness to provide support, such as reduced strategic significance, decrease in government support or higher exposure to risky commercial activities.

Key Indicators

	2022FY	2023FY	2024FY	2025H1
Total Asset (RMB billion)	49.4	57.3	63.1	65.4
Total Equity (RMB billion)	22.5	28.0	32.3	32.7
Total Revenue (RMB billion)	3.7	3.4	3.5	1.3
Total Debt/Total Capital (%)	46.9	42.1	39.5	38.6

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

Source: Company data, CCXAP research

Corporate Profile

Established in 1997, YDSI is a key and largest state-owned entity ("SOE") in Yidu City. It primarily manages state-owned enterprises/assets and drives Yidu's industrial development. As a vital player in local economic and social progress, it undertakes engineering construction projects and provides public services like highway operation, hydroelectric power, and water supply. It also engages in commercial activities including commercial property development, construction materials sales, hotel services, property leasing, and equity investment. As of 30 June 2025, YDSI was wholly owned and controlled by the State-owned Assets Supervision and Administration Bureau of Yidu City Government ("Yidu SASAB").

Exhibit 1. Revenue structure in 2025H1

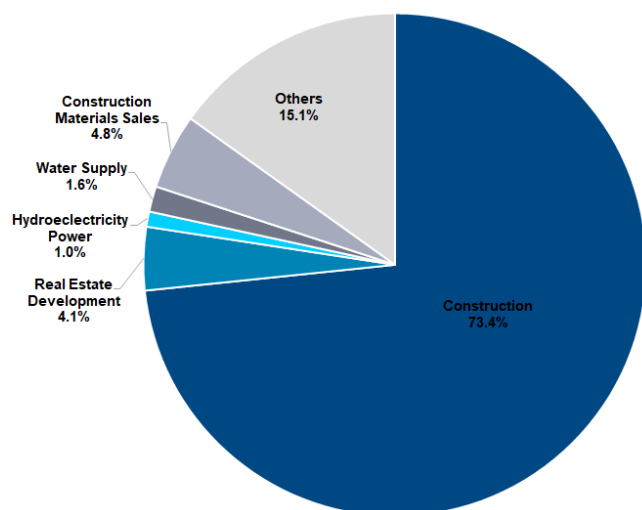
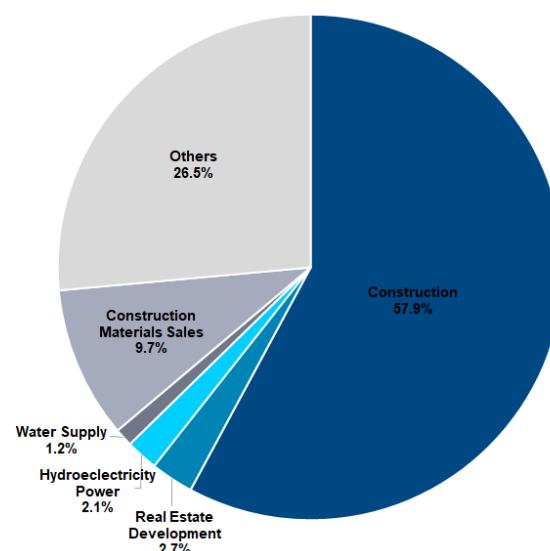


Exhibit 2. Gross profit structure in 2025H1



Source: Company information, CCXAP research

Rating Considerations

Government's Capacity to Provide Support

We believe the Yidu City Government has a relatively strong capacity to provide support given its relatively good comprehensive strength with fast economic growth, but is constrained by moderate fiscal capacity.

Hubei Province is the seventh largest province in China by gross regional product ("GRP") in 2024, which reached RMB6.0 trillion with a year-on-year ("YoY") increase of 5.8%. Hubei Province has improved financial strength. Its general budgetary revenue increased from RMB369.2 billion in 2023 to RMB393.7 billion in 2024. The growth was primarily driven by Hubei Province's intensified efforts to optimize existing assets, boosting revenue from state-owned resource utilization and accelerating non-tax income growth. Besides, Hubei Province's debt burden is relatively heavy, as its direct government debt increased to RMB 1.9 trillion at end-2024, accounting for 21.0% of its GRP.

Yichang City, a prefecture-level city located in southwestern Hubei Province, demonstrates moderate economic and fiscal strength. As a key industrial hub, it has established a diversified economic structure centered on green chemicals, life sciences, clean energy, and big data and calculation economy, supported by over 1,700 high-tech enterprises. Its GRP reached RMB619.1 billion in 2024, representing a YoY growth of 6.5% and ranking second among all prefecture-level cities in Hubei Province. For the first three quarters of 2025, its GRP increased by 8.5% YoY to RMB455.3 billion. The local government's general budgetary revenue trend aligns with economic growth. In 2024, it increased to RMB29.4 billion from RMB26.9 billion in 2023. Over the past three years, tax revenue has consistently contributed over 75.0% to the general budgetary revenue, indicating sound fiscal stability. However, its fiscal balance ratio stood at 39.7%, reflecting a high level of dependence on transfers from higher-level governments and land transfer revenue. As of 31 December 2024, Yichang City's outstanding government debt amounted to RMB121.5 billion, accounting for 19.6% of its GRP.

Exhibit 3. Key economic and fiscal indicators of Yichang City

	2022FY	2023FY	2024FY
GRP (RMB billion)	550.3	575.6	619.1
GRP Growth (%)	5.5	7.1	6.5
General Budgetary Revenue (RMB billion)	21.8	26.9	29.4
General Budgetary Expenditure (RMB billion)	56.4	68.0	72.1
Local Government Debt (RMB billion)	92.6	98.7	121.5

Source: Yichang Municipal Government, CCXAP research

Yidu City, a county-level city under the jurisdiction of Yichang City, is adjacent to the main navigation channel of the Yangtze River and serves as an important node city at the junction of the middle and upper reaches of the Yangtze River, while being located within the Three Gorges-Yichang Half-hour Economic Circle. It has developed pillar industries including fine chemicals, new energy and new materials, and equipment manufacturing. It ranked 61st among the Top 100 Counties in China released by the China Center for Information Industry Development in 2024. Yidu City also ranked 62nd on the 2025 top 100 Counties and Cities list released by CCID. In 2024, it achieved a robust GRP growth of 7.7% YoY, reaching RMB96.3 billion, remaining the top among all counties/districts of Yichang City for four consecutive years. For the first three quarters of 2025, its GRP increased by 5.8% YoY. Besides, its general budgetary revenue also increased by 10.5% in 2024, reaching RMB3.3 billion. The fiscal balance of the Yidu City Government remained moderate. In 2024, the reported fiscal balance ratio was around 53.8%, and support from the upper-tier government is crucial for fiscal balancing. As of 31 December 2024, the outstanding government debt of the Yidu City Government amounted to RMB10.6 billion, accounting for 11.5% of its GRP.

Exhibit 4. Key economic and fiscal indicators of Yidu City

	2022FY	2023FY	2024FY
GRP (RMB billion)	90.0	92.0	96.3
GRP Growth (%)	7.6	7.2	7.7
General Budgetary Revenue (RMB billion)	2.3	3.0	3.3
General Budgetary Expenditure (RMB billion)	4.8	5.7	6.2
Local Government Debt (RMB billion)	7.7	8.2	10.6

Source: Yidu City Government, CCXAP research

Government's Willingness to Provide Support**Pivotal role as the primary engineering construction and state-owned assets operation entity in Yidu City**

YDSI is the largest and most important SOE in terms of total assets in Yidu City under the control of Yidu SASAB. It undertakes engineering construction and public services in the region, all of which are critical functions supporting Yidu's urban development and key areas concerning national welfare and people's livelihood. Considering its strategic significance to the development of Yidu City, we believe the Company is unlikely to be replaced by other local state-owned enterprises in the foreseeable future. There are considerable construction projects in the pipeline from these businesses, ensuring their sustainability, but exerting high capital expenditure pressure on the Company. Nevertheless, the Company's diversified funding channels can alleviate part of the capital pressure.

YDSI's engineering construction business involves the overall construction of projects, including the entire process of project planning, engineering quality supervision, and construction management. As of the end of 2024, the Company had 7 major engineering projects under construction, with a total planned investment of RMB22.1 billion and an uninvested amount of RMB8.2 billion, indicating sufficient project reserves on hand. However, the large amount of construction projects also brings capital expenditure pressure on the Company.

Additionally, YDSI provides key public services in Yidu City, including highway operation, hydroelectric power, and water supply. The Company holds concession-based advantages in delivering these public services. However, their profitability remains relatively low, with operations heavily reliant on government subsidies. In 2024, the Company continued its highway operation business with revenue of RMB36.0 million and government subsidies of RMB40.0 million, remaining weak profitability. For hydroelectric power business, as of end-2024, the Company owned 3 hydroelectric power plants with a total installed capacity of 44,770 kilowatts, and power generation amounted to 8.0 billion kilowatt-hours in 2024, representing a decline compared to 2023. Furthermore, the Company remains a key water supplier in Yidu City. As of end-2024, the Company operated 3 water treatment plants and 16 water supply booster stations, with a daily integrated water supply capacity of 165.0 thousand tons. In 2024, the Company's total water supply reached 3.5 million tons. The gross profit turned negative primarily due to higher costs associated with the pipeline network and smart water meter upgrading and renovation in 2024. During the same period, the Company received RMB20.0 million in water supply operation subsidies.

Medium exposure to commercial activities

YDSI engages in diverse commercial activities, primarily encompassing property development, trading, hotel service, as well as property leasing. We consider the Company's commercial business exposure to be medium. These activities have been a good supplement to the Company's operating revenue but pose the Company to related business risks that require prudent risk control.

YDSI participates in property development business with moderate business sustainability and income volatility due to fluctuations in the real estate market. In 2024, the Company's commercial housing revenue amounted to RMB257.0 million, showing a slight decrease compared to 2023. As of end-2024, the sales progress of 3 completed commercial housing projects all exceeded 90.0%, with limited contribution to future revenue. The Company has only 1 ongoing project nearing completion, with an uninvested amount of RMB0.9 billion, and it is expected to start selling in 2025. The Company has no planned projects, indicating moderate business sustainability.

YDSI is also responsible for self-operated construction projects on a significant scale, and the number of projects has accumulated progressively year-on-year. As of the end of 2024, the Company had 10 ongoing projects with a total planned investment of RMB8.7 billion, of which RMB3.3 billion remained uninvested. Upon completion, fund balancing will be achieved through sales, leasing, and operating income. However, given the large initial investment amount on these projects, coupled with relatively long construction and payback periods, we believe the Company will face large capital expenditure pressure.

YDSI also operates other business lines including construction material sales, hotel services, and property leasing. In 2024, revenue from these segments amounted to approximately RMB510.0 million, representing 14.7% of total revenue. These operations can provide diversified supplementary income streams for the Company.

Relatively high short-term debt repayment pressure

Due to the continuous investment in engineering construction projects, YDSI's total debt rose from RMB20.3 billion as of end-2023 to RMB20.6 billion as of mid-2025. Benefiting from asset injections from the local government, the Company's total capitalization ratio decreased from 42.1% to 38.6% during the same period. Additionally, the scale of short-term debt has further declined, but the short-term debt repayment pressure remains relatively high. As of mid-2025, the proportion of short-term debt to total debt decreased to 31.6% from 34.6% as of end-2023, and the cash-to-short-term debt ratio was 0.4x. Considering the ongoing investment and debt repayment needs, we expect the Company may continue to rely on external financing such as bank loans and bond issuances, and the total debt may further increase over the next 12-18 months.

Moreover, the Company bears manageable risks arising from external guarantees. The Company's outstanding external guarantees stood at RMB1.5 billion at mid-2025, accounting for 4.5% of its net assets.

Weak asset liquidity

YDSI's asset quality is weak, as reflected by its weak asset liquidity. As of 30 June 2025, the Company's total assets mainly consisted of construction in progress, intangible assets, and accounts receivable, accounting for 77.2% of the total assets. Construction in progress primarily comprises investments in engineering construction, while intangible assets mainly include land use rights, highway toll rights, and various concession rights and development rights injected by the government; and accounts receivable are mainly outstanding payments from settled projects. These assets have weak liquidity, but the highway operation, hydroelectric power, and water supply businesses can generate relatively stable revenue and cash flow, resulting in moderate asset profitability. In addition, as of mid-2025, the Company had restricted assets amounting to RMB5.5 billion, accounting for 8.5% of total assets.

Good track record of receiving government support

As the most crucial SOE in Yidu City, YDSI maintains a demonstrated track record of receiving support from the local government. Such support takes various forms, including government subsidies, and capital injections. In 2024, Yidu City Government transferred operational assets of RMB5.6 billion into the Company, including forest resources, real estate and land use rights, as well as pipe network and sewage treatment plant assets, which can generate operational revenue for the Company such as toll and water supply income. Moreover, in 2024, the Company received government subsidies amounting to RMB527.4 million, which effectively improved the Company's capital structure and operating cash flow. Given the Company's status as one of the most important state-owned assets in Yidu City, we expect that YDSI will continue to receive support from the local government.

Good access to funding from banks and the capital markets

YDSI has diversified funding channels, including policy banks, commercial banks, and bond markets, which may alleviate the pressure on refinancing and capital expenditures. The Company maintains solid cooperation with multiple commercial banks and has sufficient standby liquid funds. As of 30 June 2025, the Company had total credit facilities from banks of RMB21.3 billion and available credit facilities of RMB4.0 billion. Additionally, YDSI and its key subsidiary, Yidu Guotong Investment & Development Co., Ltd. ("YGID"), have issued various bonds in onshore and offshore bond markets, including corporate bonds, CPs, and MTNs, with bond financing accounting for approximately 30.0% of total debt. In 2025, YGID issued a new CP of RMB590.0 million with a

coupon rate of 2.5%. As of mid-2025, the Company's exposure to non-standard financing was manageable, accounting for less than 10% of total debt.

ESG Considerations

YDSI faces environmental risk exposure from its engineering construction and river sand mining operations. Implementation of environmental impact assessments during project planning phases, coupled with rigorous monitoring throughout construction, can effectively mitigate these risks.

YDSI bears social risks as it plays a crucial role in the development of Yidu City. 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.

YDSI's governance considerations are also material as the Company is subject to oversight by Yidu City 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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