

Credit Opinion

29 June 2026

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.

Surveillance credit rating report

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

Summary

CCXAP has upgraded the long-term credit rating of Yidu State-owned Assets Investment, Operation and Holding Group Co., Ltd. ("YDSI" or the "Company") to BBB_g⁺ from BBB_g⁻, reflecting the stronger capacity to provide support from Yidu Municipal Government with ongoing economic growth and YDSI's strong business position and continued development mandate within Yidu City, characterized by high livelihood attributes and good business sustainability.

The BBB_g⁺ long-term credit rating of YDSI reflects Yidu City 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 Yidu City Government's capacity to provide support reflects Yidu City's good comprehensive strength with fast economic growth, improving fiscal strengths as well as sustainable industrial development.

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 infrastructure 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 improved debt management or 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

	2023FY	2024FY	2025FY	2026Q1
Total Asset (RMB billion)	57.3	63.1	69.7	72.4
Total Equity (RMB billion)	28.0	32.3	34.4	34.5
Total Revenue (RMB billion)	3.4	3.5	3.2	0.9
Total Debt/Total Capital (%)	42.1	39.5	37.3	39.6

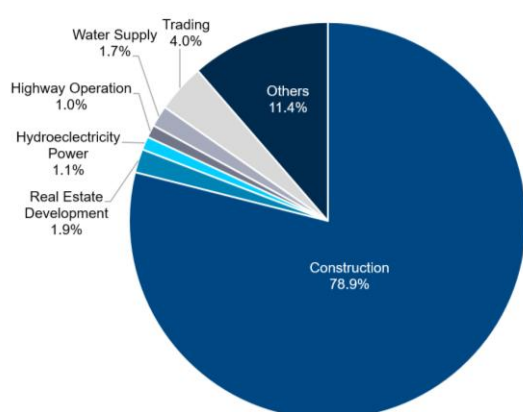
All ratios and figures are calculated using CCXAP's adjustments.

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 local 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 31 March 2026, 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 2025



Source: Company information, CCXAP research

Rating Considerations

Government's Capacity to Provide Support

We believe the Yidu City Government has a strong capacity to provide support given its good comprehensive strength with fast economic growth, improving fiscal strengths as well as sustainable industrial development.

Hubei Province is at the center of the Yangtze River Economic Belt and is a natural link between the East and West regions' economies, with a solid foundation in different industries such as metallurgy, automobiles, chemicals, and building materials. Hubei Province was the 7th largest province in China by gross regional product ("GRP") in 2025. According to preliminary results, Hubei Province's GDP reached RMB6.3 trillion in 2025, representing a year-on-year ("YoY") increase of 5.5%.

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 RMB646.4 billion in 2025, representing a YoY growth of 6.1% and ranking second among all prefecture-level cities in Hubei Province. [During the first quarter of 2026, Yichang City's GRP increased by 7.5% YoY to RMB144.3 billion, ranking first in Hubei Province in terms of growth rate. The local government's general budgetary revenue trend aligns with economic growth, which increased to RMB32.7 billion in 2025 from RMB29.4 billion in 2024. Over the past three years, tax revenue has consistently contributed over 70.0% to the general budgetary revenue, indicating sound fiscal stability. However, its fiscal balance ratio stood at 56.1%, reflecting moderate dependence on transfers from higher-level governments and land transfer revenue. As of 31 December 2025, Yichang City's outstanding government debt amounted to RMB147.1 billion, accounting for 22.8% of its GRP.

Exhibit 2. Key economic and fiscal indicators of Yichang City

	2023FY	2024FY	2025FY
GRP (RMB billion)	575.6	619.1	646.4
GRP Growth (%)	7.1	6.5	6.1
General Budgetary Revenue (RMB billion)	26.9	29.4	32.7
General Budgetary Expenditure (RMB billion)	68.0	72.1	69.5
Local Government Debt (RMB billion)	98.7	121.5	147.1

Source: Yichang City 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. Its new energy materials industrial cluster has 65 enterprises above designated size, covering the entire industrial chain from cathode materials and electrolytes to battery aluminum foil. Yidu City has been listed among CCID Top 100 Counties for 13 consecutive years, ranking 62nd in 2025. In 2025, it achieved a robust GRP growth of 5.9% YoY, reaching RMB100.3 billion, becoming the first county-level city in Yichang City to surpass the RMB100 billion GRP threshold. Besides, its general budgetary revenue also increased by 10.3% in 2025, reaching RMB3.7 billion. The fiscal balance of the Yidu City Government remained moderate. In 2025, the reported fiscal balance ratio was around 56.1%, and support from the upper-tier government is crucial for fiscal balancing. As of 31 December 2025, the outstanding government debt of the Yidu City Government amounted to RMB14.4 billion, accounting for 14.3% of its GRP.

Exhibit 3. Key economic and fiscal indicators of Yidu City

	2023FY	2024FY	2025FY
GRP (RMB billion)	92.0	96.3	100.3
GRP Growth (%)	7.2	7.7	5.9
General Budgetary Revenue (RMB billion)	3.0	3.3	3.7
General Budgetary Expenditure (RMB billion)	5.7	6.2	5.9
Local Government Debt (RMB billion)	8.2	10.6	14.4

Source: Yidu Municipal Government, CCXAP research

Government's Willingness to Provide Support

Pivotal role as the primary infrastructure 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 a range of public activities such as infrastructure development, affordable housing development, highway operation, hydroelectric power provision, and water supply services, all of which are critical functions supporting Yidu City's urban development and key areas concerning local welfare and people's livelihood. There are considerable infrastructure construction projects in the pipeline from these public policy businesses, ensuring the sustainability but exerting high capital expenditure pressure on the Company. Nevertheless, funds from policy banks and special government bonds can alleviate part of the funding pressure. 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.

Entrusted by government agencies, YDSI undertakes infrastructure construction projects through the agent construction model. As of 31 December 2025, the Company had 5 major infrastructure projects under construction, with a total planned investment of RMB1.8 billion and an uninvested amount of RMB721.6 million, indicating sufficient project reserves on hand. The Company also has one project under planning with a total estimated investment of RMB384.0million. However, the Company's payment collection progress has lagged in recent years. As of the end of 2025, YDSI had collected payments of RMB3.2 billion. Meanwhile, it had RMB8.7 billion in accounts receivable from the Yidu City Finance Bureau for infrastructure construction, which may bring certain capital occupation to the Company.

YDSI also conducts affordable housing construction projects in Yidu City through the agent construction model. The Company achieves fund balancing through sales after the project is completed. The resettlement housing will be sold to qualified applicants at guidance prices set by the government. As of the end of 2025, the Company had completed 7 affordable housing projects, with total investment of RMB3.4 billion, and the amount of payment collected was RMB2.4 billion. Moreover, the Company had one affordable housing project under construction, with a total planned investment of RMB560.8 million and only around RMB0.8 million remaining uninvested.

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, due to the public welfare nature, profitability remains relatively low, with operations heavily reliant on government subsidies. In 2025, the Company continued its highway operation business with revenue of RMB33.1 million and government subsidies of RMB40.0 million, remaining weak profitability. For hydroelectric power business, as of end-2025, the Company owned 3 hydroelectric power plants with a total installed capacity of 44,770 kilowatts. Furthermore, the Company remains a key water supplier in Yidu City. As of end-2025, the Company operated 3 water treatment plants, with a daily integrated water supply capacity of 165.0 thousand tons. The gross profit margin of the water supply business remains relatively stable at around 20% in 2025. 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, engineering construction, trading, hotel service, as well as property leasing. We consider the Company's commercial business exposure to be medium, as its market-driven businesses account for less than 20% of total assets. 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 2025, the Company's commercial housing revenue amounted to RMB61.9 million, decreasing by 75.9% YoY from RMB257.0 million in 2024. As of end-2025, 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 RMB37.8 million, and it is expected to start selling in 2025. As of end-2025, the Company had no property development projects under planning. However, the property sales business is highly subject to the economic condition and the local real estate market. The Chinese property market has remained volatile in recent years, which may exert uncertainty on the Company's sales progress and payment collection.

Furthermore, YDSI is also responsible for self-operated construction projects on a significant scale, and the number of projects has accumulated progressively year-on-year. The Company has already completed more than 40 projects with a total investment of RMB4.3 billion, including road reconstruction projects, power engineering works and street lighting projects. As of the end of 2025, the Company had 9 projects under construction including resettlement communities, parking lots, industrial parks, with a total planned investment of RMB6.0 billion, of which RMB917.9 million remained uninvested. Meanwhile, the Company also had one project under planning with a total investment of RMB384.0 million. 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 trading, hotel services, and property leasing. In 2025, revenue from these segments amounted to approximately RMB493.4 million, representing 15.3% of total revenue. These operations can provide diversified supplementary income streams for the Company.

Relatively high short-term debt repayment pressure and weak asset liquidity

YDSI's total debt has shown a decreasing trend in 2025, accompanied by ongoing optimization of the debt structure owing to its continued efforts to reduce the short-term debt burden and lower financing costs. YDSI's total debt increased from RMB21.1 billion in 2024 to RMB22.7 billion as of 31 March 2026. Its total capitalization ratio also increased from 39.5% to 39.6% during the same period. However, the short-term debt repayment pressure remains relatively high. As of end-2026Q1, the proportion of short-term debt to total debt decreased slightly to 30.9%, and the cash-to-short-term debt ratio was 0.6x. 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.

YDSI's asset quality is weak, as reflected by its weak asset liquidity. As of 31 December 2025, the Company's total assets mainly consisted of construction in progress, intangible assets, and accounts receivable, accounting for 70.6% of the total assets. Construction in progress primarily comprises investments in infrastructure 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 31 December 2025, the Company had restricted assets amounting to RMB5.6 billion, accounting for 7.8% 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, capital injections, and project receivables. 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. In 2025, the local government transferred the equity interests of several state-owned enterprises to the Company, resulting in a RMB2.4 billion increase in capital reserve. Moreover, the Company also received government subsidies amounting to RMB501.4 million in 2025, mainly used for public utilities such as infrastructure construction, affordable housing and water supply operations, which effectively improved the Company's capital structure and operating cash flow. As of the end of 2025, the Company had also obtained cumulative collections of RMB5.6 billion from infrastructure construction and affordable housing projects. 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 31 March 2025, the Company had total credit facilities from banks of RMB18.7 billion and available credit facilities of RMB3.6 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 26.0% of total debt. From January 2025 to March 2026, YGID issued two bonds of RMB1.0 billion with a coupon rate of 1.82% and 2.13%, respectively. In 2026, YDSI also issued an offshore bond with a coupon rate of 5.4%, raising total amount of RMB532.0 million. As of 31 March 2026, the Company's exposure to non-standard financing was manageable, accounting for around 10.9% of total debts.

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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