

## **CCXAP affirms Yidu State-owned Assets Investment, Operation and Holding Group Co., Ltd.'s long-term credit rating at BBB<sub>g</sub>-, with stable outlook.**

Hong Kong, 19 August 2025 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has affirmed Yidu State-owned Assets Investment, Operation and Holding Group Co., Ltd.’s (“YDSI” or the “Company”) long-term credit rating at BBB<sub>g</sub>-, with stable outlook.

The BBB<sub>g</sub>- long-term credit rating of YDSI 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, which is based on the Company's (1) pivotal role as the primary infrastructure 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.

### **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 public projects and provides services like infrastructure construction, affordable housing development, highway operation, hydroelectric power, and water supply. It also engages in commercial activities including property development, trading, hotel services, property leasing, and equity investment. As of 31 March 2025, YDSI was wholly owned and controlled by the State-owned Assets Supervision and Administration Bureau of Yidu City Government (“Yidu SASAB”).

### **Rating Rationale**

#### **Credit Strengths**

**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. 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 public policy businesses, ensuring their sustainability, but exerting high capital expenditure pressure on the Company. Nevertheless, funds from policy banks and special government bonds can alleviate part of the capital pressure.

**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. 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. 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.

### Credit Challenges

**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.

**Relatively high short-term debt repayment pressure.** Due to the continuous investment in infrastructure construction projects, YDSI's total debt rose from RMB20.3 billion as of end-2023 to RMB21.1 billion as of end-2024. Additionally, the scale of short-term debt has further declined, but the short-term debt repayment pressure remains relatively high. 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.

**Weak asset liquidity.** YDSI's asset quality is weak, as reflected by its weak asset liquidity. As of the end of 2024, the Company's total assets mainly consisted of construction in progress, intangible assets, and accounts receivable, accounting for 76.3% of the total assets. 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.

### Rating Outlook

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.

**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.

#### **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**

CCXAP's Rating Symbols and Definitions are available on its website at:

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