

CCXAP upgrades Yiwu State-owned Capital Operation Co., Ltd.'s long-term credit rating to A_g+, with stable outlook.

Hong Kong, 12 May 2026 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has upgraded the long-term credit rating of Yiwu State-owned Capital Operation Co., Ltd. (“YSCO” or the “Company”) to A_g+ from A_g, with stable outlook. At the same time, CCXAP has upgraded its senior unsecured debt rating to A_g+. The rating upgrade reflects that the Company, as the largest state-owned enterprise in Yiwu City, is likely to receive a stronger government support due to the enhancing regional strength of Yiwu City.

The A_g+ long-term credit rating of YSCO reflects Yiwu City Government's (1) very strong capacity to provide support, and (2) extremely high willingness to provide support to the Company, based on our assessment of the Company's characteristics. Our assessment of Yiwu City Government's capacity to provide support reflects its position as the world's largest small commodity export base with strong comprehensive strength and ongoing economic growth.

The rating also reflects the local government's willingness to provide support, which is based on the Company's (1) leading role in infrastructure construction and state-owned asset operation in Yiwu City; (2) high sustainability of public business sectors; (3) good track record of receiving government payments; and (4) strong access to funding with limited non-standard financing exposure. However, the rating is constrained by the Company's (1) medium exposure to commercial activities; (2) increasing debt burden with large capital expenditure; (3) moderate asset quality; and (4) medium contingent liability risk associated with external guarantees.

Corporate Profile

Established in 2013, YSCO is the most important and largest Local Infrastructure Investment and Financing Company (“LIIFC”) in Yiwu City by asset size, undertaking public service business, including infrastructure construction, affordable housing projects, as well as public transportation and urban utility services. In addition, the Company also engages in commercial business such as property development, commodity trading, and market operations. As of 31 March 2026, it was ultimately controlled by the Yiwu State-owned Asset Supervision and Administration Office (“Yiwu SASAO”). Yiwu SASAO directly held 85.6% of the Company's shares and indirectly held 5% of the Company's shares via Yiwu Shuzhi Industry Development Group Co., Ltd. Zhejiang Financial Development Co., Ltd held the remaining 9.4% of the Company's shares.

Rating Rationale

Credit Strengths

Leading role in infrastructure construction and state-owned asset operation in Yiwu City.

As the largest state-owned enterprise by asset size in Yiwu City, YSCO manages or operates around 90% of the city's state-owned assets. The Company conducts public service business, including infrastructure projects, affordable housing, water-related business, and public



transportation via different functional subsidiaries. Considering the Company's extremely high strategic significance to the development of Yiwu City, we believe the Company will not be easily replaced by other local state-owned enterprises in the foreseeable future.

High sustainability of public business sectors. As the most important LIIFC in Yiwu City, YSCO has abundant infrastructure construction and affordable housing projects in the pipeline, ensuring its business sustainability. The Company is also the sole water business provider in Yiwu City. Due to YSCO's monopolistic position in the water business in Yiwu City, the business has strong stability and sustainability.

Good track record of receiving government payments. As the largest LIIFC in Yiwu City, YSCO has a proven track record of receiving government support in the form of debt repayment funding, project repayments, financial subsidies, capital injection, and asset injection, which has effectively improved the liquidity, solvency, and refinancing capabilities of YSCO. We expect the local government will continue to support the Company in the future, given its important position in the region.

Strong access to funding with limited non-standard financing exposure. The Company's strong credit profile has been recognized by different financial institutions and investors, with its overall financing cost lower than 3.5% as of 31 December 2025. Bank loans and the bond market are the main sources of funding for the Company. In addition, the Company's reliance on non-standard financing is low, accounting for around 8.5% of its total debt.

Credit Challenges

Medium exposure to commercial activities. YSCO engages in commercial business such as property development, commodity trading, as well as its well-known market operation business based on its small commodities trading centres. We estimate that the Company had medium commercial exposure, with the proportion of commercial business assets being around 30% of its total assets.

Increasing debt burden with large capital expenditure. From 2023 to 2025, the Company's adjusted total debt (including perpetual debt) increased from RMB133.2 billion to RMB143.3 billion, and its total capitalization ratio remained at a high level of 68.9% as of 31 December 2025.

Moderate asset quality. YSCO's asset liquidity is relatively weak. As of 31 December 2025, inventories, receivables, fixed assets, construction in progress, and lands (recorded as intangible assets), accounted for 63.9% of total assets. However, YSCO owns the equity of the listed company Zhejiang China Commodity City Group Company Ltd, and large-scale investment property and water assets, which can bring stable operating income for the Company and partly offset its weak liquidity profile.

Medium contingent liability risk associated with external guarantees. As of 31 December 2025, the Company's external guarantees (including its financial leasing business) were RMB10.4 billion, accounting for 14.4% of its net assets, most of which were provided to local

state-owned enterprises. Should any guaranteed entity default on its obligations, the Company would face repayment risks.

Rating Outlook

The stable outlook on YSCO's rating reflects our expectation that, for the next 12 to 18 months, the local government's capacity to support the Company will remain stable, and the Company will maintain its leading role in infrastructure construction and state-owned asset operation in Yiwu City.

What could upgrade the rating?

The rating could be upgraded if (1) the local government's capacity to support strengthens; and (2) the Company's characteristics change in a way that strengthens the local government's willingness to support, such as improvement in debt management and asset quality.

What could downgrade the rating?

The rating could be downgraded if (1) the local government's capacity to support weakens; or (2) the Company's characteristics change in a way that weakens the local government's willingness to support, such as decrease in its strategic significance; decrease in government payments; or increase in exposure to 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

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