Credit Opinion

12 June 2025

Ratings	
Senior Unsecured Debt Rating	A_g
Long-Term Credit Rating	A_g
Outlook	Stable
Category	Corporate
Domicile	China
Rating Type	Solicited Rating

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Yiwu State-owned Capital Operation Co., Ltd.

Surveillance credit rating report

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

Summary

The A_g long-term credit rating of Yiwu State-owned Capital Operation Co., Ltd. ("YSCO" or the "Company") 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 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.

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

Rating Drivers

- Leading role in infrastructure construction and state-owned asset operation in Yiwu City
- High sustainability of public business sectors
- Good track record of receiving government payments
- Medium exposure to commercial activities
- Increasing debt burden with large capital expenditure
- Moderate asset quality
- Strong access to funding with limited non-standard financing exposure
- Medium contingent liability risk associated with external guarantees

Rating Sensitivities

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.

Key Indicators

	2022FY	2023FY	2024FY	2025Q1
Total Asset (RMB billion)	232.9	252.9	266.5	272.2
Total Equity (RMB billion)	60.0	64.8	69.1	69.6
Total Revenue (RMB billion)	26.7	36.2	37.4	8.1
Total Debt/Total Capital (%)	69.8	68.9	67.8	68.5

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

Source: Company data, CCXAP research

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 2025, it is 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.

Exhibit 1. Revenue structure in 2024

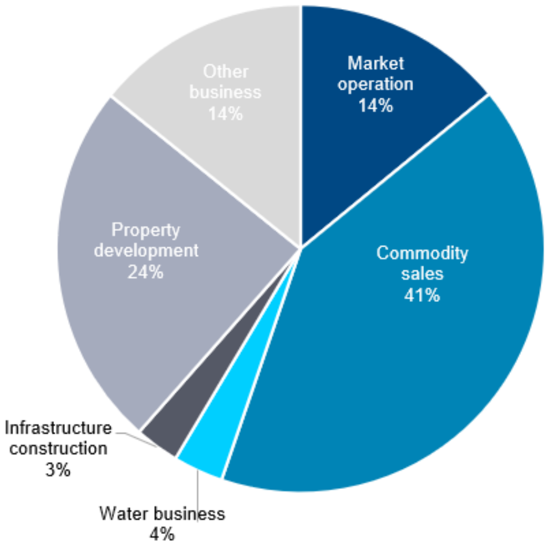
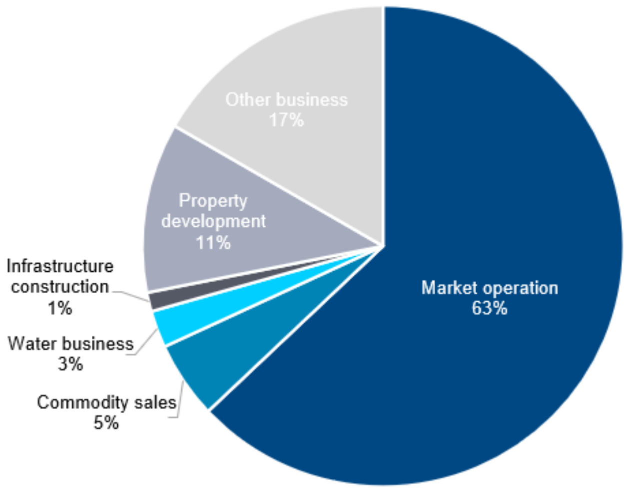
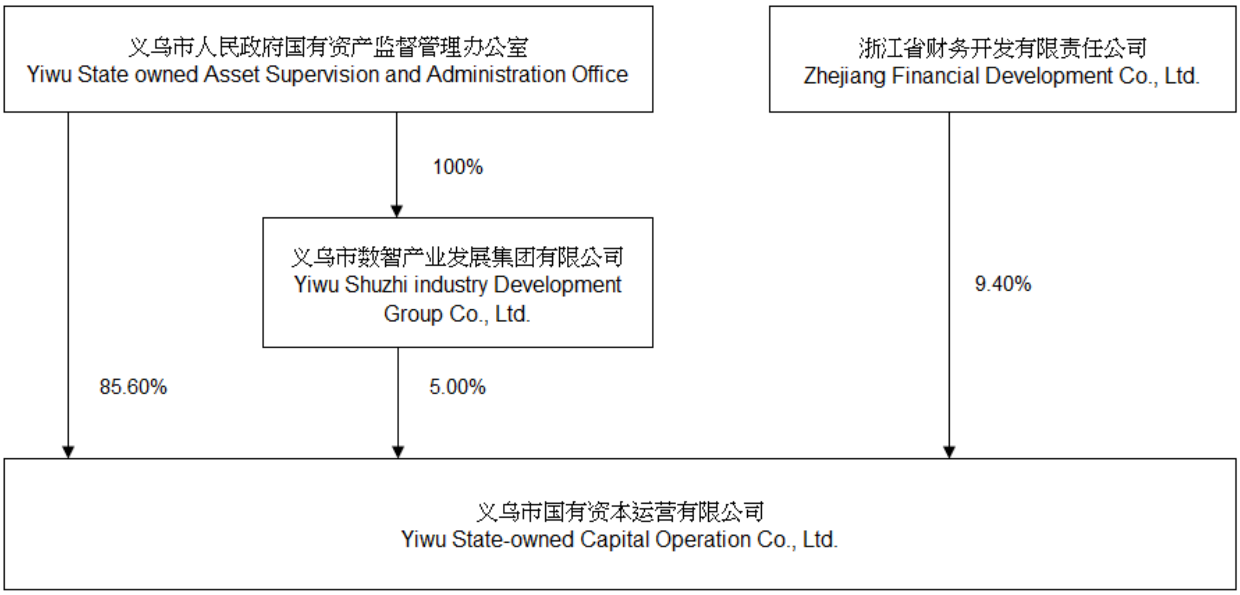


Exhibit 2. Gross profit structure in 2024



Source: Company information, CCXAP research

Exhibit 3. Shareholding chart as of 31 March 2025



Source: Company information, CCXAP research

Rating Considerations

Government Capacity to Provide Support

We believe that the Yiwu City Government has a very strong capacity to provide support, as reflected by its position as the world's largest small commodity export base and ongoing economic growth.

Zhejiang Province is one of the most economically developed provinces in China, and its comprehensive economic strength and private economy lead in China. In 2024, the gross regional product ("GRP") of Zhejiang Province was RMB9.0 trillion, ranking 4th among all provinces in China, with a year-on-year ("YoY") increase of 5.5%. In 2024, its general budgetary revenue reached RMB870.6 billion, ranking 3rd among all provinces in China.

Located in the central part of Zhejiang Province, Jinhua City is a well-known economically developed city in the province. After years of development, Jinhua City has formed traditional industries such as metal products, pharmaceutical manufacturing, electrical machinery and equipment manufacturing, textiles and clothing, and automobile manufacturing. In recent years, in addition to traditional industries, Jinhua City has started to promote industrial transformation and put great effort into developing a network economy, smart logistics, film, and television culture. In 2024, its GRP recorded RMB692.6 billion with a GRP growth rate of 6.3% YoY. Jinhua Municipal Government's general budgetary revenue increased from RMB52.6 billion in 2023 to RMB53.7 billion in 2024, with strong regional economic recovery. Its fiscal balance is at a moderate level, with a general budgetary revenue to general budgetary expenditure ratio of 59.8% in 2024. It has good fiscal stability, with tax income accounting for 81.9% of its general budgetary revenue in 2024. However, the debt scale of the Jinhua Municipal Government continues to grow. In 2024, the outstanding government debt of Jinhua City rose to RMB216.8 billion from RMB169.1 billion in 2023, representing a YoY increase of 28.2%. As of end-2024, its government debt accounted for 31.3% of its GRP and 150.8% of total fiscal revenue.

Exhibit 4. Key economic and fiscal indicators of Jinhua City

	2022FY	2023FY	2024FY
GRP (RMB billion)	556.2	601.1	692.6
GRP Growth (%)	2.5	6.8	6.3
General Budgetary Revenue (RMB billion)	48.9	52.6	53.7
General Budgetary Expenditure (RMB billion)	83.0	84.8	89.8
Local Government Debt (RMB billion)	137.9	169.1	216.8

Source: Statistics Bureau of Jinhua City, CCXAP research

Yiwu is the world's largest small commodity export base, known as the world's "Capital of Small Commodity". It is also the first county-level national international trade comprehensive reform pilot zone. Yiwu City ranked 7th on the 2025 Top 100 Counties list, up three places from its 2024 ranking. Relying on the advantages of the small commodity trade, the light industry dominated the local industry structure, including clothing, accessories, and toys. Besides, the international logistics infrastructure has expanded substantially in recent years, providing important support for the economic development of Yiwu City. In 2024, Yiwu City recorded a GRP of RMB250.4 billion, increasing by 7.5% YoY. Benefiting from the recovery in international trade, its general budgetary revenue increased from RMB14.4 billion in 2023 to RMB15.0 billion in 2024. It has good fiscal stability, with tax income accounting for 89.7% of its general budgetary revenue in 2024. Government fund revenue is an important supplementary income of Yiwu City, but it is largely affected by the land market conditions. In 2024, the government funds dropped to RMB18.5 billion from RMB27.4 billion in 2023. The fiscal balance of Yiwu City is good, with a general budgetary revenue/general budgetary expenditure ratio of 88.3% in 2024. Yiwu City's debt burden has increased significantly, but still manageable. In 2024, Yiwu City's governmental debt increased by 42.7% YoY to 42.4 billion, representing 16.9% of GRP and 111.0% of total fiscal revenue.

Exhibit 5. Key economic and fiscal indicators of Yiwu City

	2022FY	2023FY	2024FY
GRP (RMB billion)	183.6	205.6	250.4
GRP Growth (%)	4.6	8.0	7.5
General Budgetary Revenue (RMB billion)	13.3	14.4	15.0
General Budgetary Expenditure (RMB billion)	16.0	16.3	17.0
Local Government Debt (RMB billion)	23.6	29.7	42.4

Source: Statistics Bureau of Yiwu City, CCXAP research

Government Willingness to Provide Support

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. In 2023, Yiwu City improved its regional "1+N" state-owned enterprise reforms, supporting the centralized management of state-owned capital, assets, funds, and investment vehicles under Yiwu SASAO, which further enhanced the functional importance of the Company. 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. However, the Company also faces certain capital expenditure pressure.

In terms of the infrastructure construction segment, the Company enters into agreements with the Yiwu City Government, which will make payments to the Company annually based on the progress of construction. The types of infrastructure projects include municipal projects, road construction and maintenance, and logistics-related facilities. As of 31 March 2025, the Company had completed 29 projects, with invested amounts of RMB13.1 billion and collected payments of RMB10.2 billion. Meanwhile, the Company had 30 projects under construction, with a total estimated investment of RMB30.8 billion and an uninvested amount of RMB15.1 billion, indicating a large capital expenditure in the future.

The Company also engages in the affordable housing business, which is mainly aimed at transforming rural areas into modern communities. The affordable house was sold to resettlement households at a government-guided price, which is below the market price, and the loss is compensated in several ways, including government subsidies, government purchase payments, and agency construction repayments. As of 31 March 2025, the total investment of completed affordable housing projects was RMB47.9 billion, with total sales of RMB35.4 billion. The Company had 8 major affordable housing projects under construction, with a total investment amount of RMB13.2 billion and an outstanding balance of RMB4.7 billion. Thus, the Company will continue to undertake the construction of affordable housing in Yiwu City, with strong business sustainability, but facing certain investment pressure.

The Company is the sole water business provider in Yiwu City. The water segment includes water supply, sewage treatment, pipeline construction, and water conservancy projects. As of 31 March 2025, the Company had a daily water processing capacity (water supply and sewage treatment) of 1.4 million tons per day through 8 water supply plants and 10 sewage treatment plants. The Company is expanding its wastewater treatment plants, with a total investment of RMB3.3 billion, and an outstanding balance of RMB1.3 billion as of 31 March 2025. The revenue and gross margin of the water business increased in 2024 due to increasing water demand and effective cost control. Due to YSCO's monopolistic position in the water business in Yiwu City, the business has strong stability and sustainability.

The public business conducted by the Company also includes warehouse and logistics facilities, as well as public transportation, but these business segments contribute little to the Company's overall revenue, accounting for less than 5% of its total revenue in 2024. The business segment of public transportation involves buses, cabs, long-distance passenger transportation, and the operation of passenger terminals. In recent years. the rise of private cars, airplanes, and high-speed rail has intensified competition in the business. Due to its public welfare nature, the overall profitability of the public transportation business remained weak, requiring government subsidies to support its operations. In addition, in line with the national “One Belt, One Road” strategy, the Company vigorously develops supporting logistics terminals and warehousing facilities. As of 31 March 2025, there was a logistics park under construction, with a total planned investment of RMB7.6 billion and an outstanding balance of RMB6.6 billion.

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. We believe the Company’s commercial businesses are complementary to its existing policy mandates with manageable risk.

The market operation business is the core business and the largest contributor to the Company’s gross profits. It is mainly operated by the Company’s owned subsidiary and its holding subsidiary Zhejiang China Commodity City Group Company Ltd (“CCC Group”, Stock Code: 600415.SH). CCC Group is one of China's largest commodity trading platforms, boasting a strong brand presence in the national commerce sector. Its products reach over 220 countries and regions worldwide. The Company possesses different small commodity trading centers and achieves profit by rental income paid by numerous small tenants, which mainly engaged in consumer staples such as toys and clothing. This segment has shown extraordinary resilience in 2024, as the occupancy rate of stores has been maintained at over 90%. Meanwhile, given that the Company has adopted the business model of collecting leasing fees 1 to 5 years in advance, coupled with the Company’s monopoly advantage in the local market, which guarantees its source of income and business competitiveness. The revenue rose significantly with an improvement in the gross profit margin in 2024. The revenue from market operations recorded RMB5.3 billion, with 40.7% YoY growth, and the gross profit was RMB4.1 billion, with 71.6% YoY growth. The Company is also constructing the Global Digital Trade Center, with a total planned investment of RMB8.3 billion and an outstanding balance of RMB3.9 billion as of 31 March 2025. The Company plans to achieve revenues primarily through leasing, sales, property management, and advertising upon completion of the project.

The Company’s property development business is mainly operated via a self-development model and a joint-development model by using self-raised funds. The projects are primarily located in Yiwu City. As of 31 March 2025, the Company had invested RMB19.3 billion in major completed property projects, with total sales of RMB14.5 billion. In addition, the Company had 17 major market-oriented property projects under development or planning, with a total investment amount of RMB39.8 billion and an outstanding balance of RMB14.7 billion. However, as the sales of real estate projects could be adversely affected by the industry downturn of China’s property market, the property development business may bring certain project destocking and debt repayment pressure to the Company.

The Company also engages in the commodity trading business, which covers consumer staples, building materials and oil, and non-ferrous metals. We assess the risk of its commodity trading business as low. Consumer staples account for more than 50% of the product portfolio, which is less vulnerable to economic cycles. The suppliers and customers of its commodity trading business are also diversified, which reduces the concentration risk along the industry chain.

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. From 2024 to 2025Q1, the Company received a total capital injection of RMB1.3 billion, including cash and asset injections. The Company also receives government subsidies of RMB2.9 billion in 2024. In addition, the Company receives regular project repayment from its public business. We expect the local government will continue to support the Company in the future, given its important position in the region.

Increasing debt burden with large capital expenditure

The Company's subsidiaries face heavy construction and investment commitments, particularly in infrastructure and property development, which have imposed significant capital expenditure pressure and increased the debt burden to the Company. From 2023 to 2025Q1, the Company's total debt increased from RMB133.2 billion to RMB139.0 billion, and its total capitalization ratio remained at a high level of 68.5% as of 31 March 2025. The Company also has relatively high short-term debt repayment pressure. As of 31 March 2025, its short-term debt accounted for about 43.4% of total debt, with a cash-to-short-term debt ratio of around 0.3x, indicating that its cash balance was insufficient to cover its short-term debt. However, we believe the debt burden can be mitigated by the Company's resilient market operation business and strong access to capital.

Moderate asset quality

YSCO's asset liquidity is relatively weak. As of 31 March 2025, inventories, receivables, fixed assets, construction in progress, and lands (recorded as intangible assets), accounted for 65.6% of total assets. Furthermore, as of 31 March 2025, the Company had pledged assets of RMB35.2 billion, accounting for 12.9% of total assets, which may impact the Company's financing flexibility. However, YSCO owns the equity of the listed company CCC Group, and large-scale investment property and water assets, which can bring stable operating income for the Company and partly offset its weak liquidity profile.

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 4% as of 31 March 2025. Bank loans and the bond market are the main sources of funding for the Company. As of 31 March 2025, bank loans accounted for 46.5% of the Company's total debt. The Company maintains a good relationship with several banks, including policy banks and commercial banks. As of 31 March 2025, the Company's total credit facilities were RMB105.8 billion, of which the unutilized amount was about RMB46.0 billion, indicating sufficient standby liquidity. Meanwhile, the bond financing accounted for 46.0% of the Company's total debt. In January 2025, the Company issued an offshore bond of USD400 million, with a coupon rate of 4.8%. From January 2024 to April 2025, the Company and its subsidiaries also raised RMB29.5 billion from the onshore bond market, with an average coupon rate below 3%. In addition, the Company's reliance on non-standard financing is low, accounting for around 7.5% of its total debt.

Medium contingent liability risk associated with external guarantees

YSCO has medium exposure to contingent liabilities. As of 31 March 2025, the Company's external guarantees were RMB12.6 billion, accounting for 18.1% of its net assets, most of which were provided to local state-owned enterprises. Meanwhile, 34.4% of the external guarantee was provided to private-owned enterprises (“POE”). Should any guaranteed entity default on its obligations, the Company would face repayment risks.

ESG Considerations

YSCO assumes environmental risks through its infrastructure construction projects. Such risks could be moderated through environmental studies and detailed planning prior to the start of the projects and close supervision during construction.

YSCO bears social risks as it implements public policy initiatives by building public infrastructure in Yiwu 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.

In terms of corporate governance, YSCO’s governance considerations are also material as the Company is subject to local government oversight and reporting requirements, reflecting its public-policy role and status as a government-owned entity.

Structural Considerations

YSCO’s senior unsecured debt rating is equivalent to its long-term credit rating. We believe that government support will flow through the Company, given its important position in infrastructure construction in Yiwu City, thereby mitigating any differences in an expected loss that could result from structural subordination.

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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