Yunnan Provincial Energy Group Co., Ltd.

Summary	
Issuer Rating	A+
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
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Applicable Criteria

China Local Investment and Development Companies Criteria (31 July 2025)

Lianhe Ratings Global Limited has upgraded the global scale Long-term Issuer Credit Rating of Yunnan Provincial Energy Group Co., Ltd. ("YEG") to 'A+' from 'A'; Issuer Rating Outlook Stable

Summary

The Issuer Credit Rating upgrade reflects the upgrade in our internal credit assessment on the People's Government of Yunnan Province ("Yunnan government") and the expectation of a continuing high possibility that the Yunnan government would provide very strong support to YEG if needed. This mainly reflects the government's majority ownership of YEG, YEG's strategic importance to Yunnan's energy development, and the linkage between the Yunnan government and YEG, including supervision of the management and major investment and financing decisions, strategic alignment, and ongoing operational and financial support. In addition, we believe that the local government has a very strong willingness to ensure YEG's business and financial viability in order to safeguard its reputation and local financing activities.

Yunnan's GDP grew by 4.1% to RMB3,276.6 billion in 2025, while its budgetary revenue grew by 2.3% to RMB224.3 billion over the same period.

The Stable Outlook reflects our expectation that YEG's strategic importance would remain intact while the Yunnan government will continue to ensure YEG's stable operation.

Rating Rationale

Government's Ownership and Supervision: The Yunnan government is the ultimate controller of YEG, holding the majority ownership through the State-owned Assets Supervision and Administration Commission of the Yunnan government's 90%-owned subsidiary, Yunnan Provincial Investment Holdings Group Co., Ltd. ("YIG") and other state-owned entities. The Yunnan government has the final decision-making authority and supervises the company, including supervision of the management and decisions on investment and financing plans. In addition, YEG has established four specialized committees under the board of directors overseeing the company's operations.

Strategic Importance and Alignment: YEG is a key provincial state-owned backbone enterprise with three core businesses: energy, modern logistics, and new green-energy materials. It undertakes the vital mission of safeguarding energy security, optimizing energy distribution, and advancing Yunan's development into a strong green-energy province. It also serves as a major platform for implementing Yunnan's energy strategy, driving reform, innovation, and development in the energy sector. The company continued to develop across wind, solar, hydro, thermal power, natural gas, coal, modern logistics, new materials, etc., actively pursuing China's new energy security and "dual-carbon" goals. By end-2025, YEG had equity-based installed capacity of 26.17 million kilowatts (16% of the province's total), coal output exceeding 27 million tons (40%), and a natural gas pipeline network of over 1,000 kilometers (40%).

Ongoing Government Support: YEG has received ongoing support from the Yunnan government, including the injections of capital and assets and subsidies to support YEG's business operation. As an important entity in safeguarding energy security and advancing the energy development in Yunnan, we believe YEG owns the advantage in acquiring related resources and projects, while government support will remain intact to ensure YEG's business operation and development. In 2024 and 2025, YEG recognized government subsidies of RMB370.8 million and RMB496.4 million, respectively.

YEG's Financial Matrix and Liquidity: YEG's total assets continued to grow steadily, reaching RMB276.9 billion as of end-1H2026. Non-current assets made up 79% of the total, primarily consisting of long-term equity investments, fixed assets and intangible assets. The company's financial leverage, measured by the debt-to-capitalization ratio, remained stable at 62.5% at end-1H2026. As of end-June 2026, YEG held RMB19.8 billion in cash, while debts maturing within one year stood at RMB65.0 billion. Nevertheless, the company maintains access to various financing channels, such as bank borrowings, bond issuance and non-traditional financing, with unused credit lines.

Rating Sensitivities

We would consider downgrading YEG's rating if (1) there is perceived weakening in support from the Yunnan government, particularly due to its reduced strategic importance, or (2) there is a significant reduction of the Yunnan government's ownership of YEG, or (3) there is a downgrade in our internal credit assessment on the Yunnan government.

We would consider upgrading YEG's rating if there is an upgrade in our internal credit assessment on the Yunnan government.

Operating Environment

Economic Condition of Yunnan

Yunnan, located on China's southwest border, covers a total area of 394,100 square kilometers and boasts a great variety of landscapes. Three major rivers — Yangtze River, Lanchangjiang and Nujiang — flow through the province, providing abundant hydroelectric resources. Yunnan is also a major forest zone in China, with its forest area accounting for more than 9% of the nation's total. The province shares borders with Vietnam, Laos, and Myanmar, and is linked to Thailand and Cambodia via waterways, making it an important transport hub. At end-2025, Yunnan's residential population reached 46.4 million, with an urbanization rate of 55%.

Yunnan's GDP rose to RMB3,276.6 billion in 2025, with GDP per capita reaching RMB70,472. The GDP growth rate was 4.1% in 2025, higher than 3.3% recorded in 2024. In 2025, the local economy continued its structural shift toward the tertiary sector, which rose to 54.8% of total GDP, from 53.9% in 2024, while the primary and the secondary industries marginally declined. On the other hand, fixed asset investment continued its contraction, declining by 7.7% in 2025.

Yunnan's Economic Condition

(RMB billion)	2023	2024	2025
GDP	3,059.6	3,153.4	3,276.6
-Primary industry (%)	14.0	13.3	13.2
-Secondary industry (%)	34.2	32.8	32.0
-Tertiary industry (%)	51.8	53.9	54.8
GDP growth rate (%)	4.4	3.3	4.1
Fixed asset investment growth rate (%)	-10.6	-7.4	-7.7
Population (million)	46.7	46.6	46.4

Source: Statistical Bureau of Yunnan and Lianhe Global's calculations

Fiscal Condition of Yunnan

The Yunnan government's budgetary revenue growth remained modest at 2.3% in 2025, compared with 2.1% in 2024. The contribution of tax revenue increased to 67.3% in 2025 from 64.6% in 2024. The fiscal self-sufficiency of the Yunnan government was still weak, with its budget deficit reaching 212.1% in 2025. The government fund income increased to RMB89.4 billion in 2025, while transfer payments from higher government was stable at RMB470.6 billion.

The outstanding debt of the Yunnan government continued to grow in the past few years. At end-2025, the Yunnan government's outstanding debt increased to RMB1,832.1 billion from RMB1,631.9 billion at end-2024, mainly due to the issuance of special purpose debts. Its government debt ratio, as measured by total government debt to aggregate revenue, was further elevated to 228.8% at end-2025 from 210.2% at end-2024.

Yunnan's Fiscal Condition (RMB billion)	2023	2024	2025
Budgetary revenue	214.9	219.4	224.3
Budgetary revenue growth rate (%)	10.3	2.1	2.3
Tax revenue	138.8	141.7	151.0
Tax revenue (% of budgetary revenue)	64.6	64.6	67.3
Government fund income	65.3	74.3	89.4
Transfer payment	447.5	474.7	470.6
Aggregate revenue	737.4	776.4	800.8
Budgetary expenditure	673.0	686.3	700.2
Budget balance[1] (%)	-213.1	-212.8	-212.1
Government debt ratio (%)	195.8	210.2	228.8

*[1] Budget balance = (1-budgetary expenditure / budgetary revenue) * 100%*
Source: Financial Bureau of Yunnan and Lianhe Global's calculations

Company Profile

Yunnan Provincial Energy Investment Group Co., Ltd. ("YEIG") was founded in February 2012. Approved by the Yunnan government in February 2026, YEIG and Yunnan Coal Industrial Group Co., Ltd. underwent a merger and reorganization to establish YEG. As of end-June 2026, YEG's registered and paid-in capital both stood at RMB22.0 billion. The Yunnan government is the ultimate controller of the company, holding the majority ownership of YEG via YIG and other state-owned entities.

YEG serves as an important platform for implementing Yunnan's energy strategy and driving reform and innovation in the province's energy industry. It focuses on three core sectors: energy, modern logistics, and green energy new materials, carrying the vital mission of safeguarding energy security, optimizing the energy layout, and advancing the development of green energy. From 2023 to 2025, the company's revenue was largely stable at around RMB100 billion, with low-margin trading business remaining the largest revenue source. YEG maintained a gross margin of above 10% between 2023 and 2025, supported by contributions from segments with higher margins, such as power generation and sales, coal production and sales, and investment income. Its revenue reached RMB44.1 billion in 1H2026, with greater gross margin of 17.1%.

Key Financial Data (RMB million)	2023	2024	2025	2026.6
Total Assets	260,502	263,392	268,368	276,929
Equity	79,365	90,433	92,485	93,167
Debt	127,846	146,514	151,236	155,419

Debt / (Debt + Equity) (%)	61.7	61.8	62.1	62.5
Unrestricted cash/ST Debts (x)	0.3	0.3	0.2	0.2
Debt/EBITDA (x)	9.3	10.9	12.1	-
Revenue	117,671	99,463	101,011	44,105
Gross Margin (%)	11.7	13.1	12.1	17.1
Cash from sales or services/ Revenue (%)	106.6	108.1	104.4	102.4

Source: YEG and Lianhe Global's calculations

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