

## Credit Opinion

30 June 2026

Ratings	
Category	Corporate
Domicile	China
Rating Type	Solicited Rating
Long-Term Credit Rating	A <sub>g</sub> -
Outlook	Stable

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## Yueyang City Operation Investment Group Co., Ltd.

### Surveillance credit rating report

**CCXAP upgrades Yueyang City Operation Investment Group Co., Ltd.'s long-term credit rating to A<sub>g</sub>-, with stable outlook.**

### Summary

CCXAP has upgraded the long-term credit rating of Yueyang City Operation Investment Group Co., Ltd. ("YCOG" or the "Company") to A<sub>g</sub>- from BBB<sub>g</sub>+, reflecting Yueyang Municipal Government's stable financial strength and ongoing economic growth, along with the Company's strategic alignment and synergy with the industrial development of Yueyang City.

The A<sub>g</sub>- long-term credit rating of YCOG reflects Yueyang Municipal Government's (1) very strong capacity to provide support; and (2) very high willingness to provide support, based on our assessment of the Company's characteristics.

Our assessment of Yueyang Municipal Government's capacity to provide support reflects Yueyang City's economic importance in Hunan Province, with ongoing economic and fiscal growth.

The rating also reflects the local government's willingness to provide support, which is based on the Company's (1) key role in infrastructure development in Yueyang City; (2) good track record of receiving government support; and (3) good access to funding from banks and the bond market.

However, the rating is constrained by the Company's (1) increasing exposure to commercial activities with high capital expenditure pressure; (2) increasing debt burden and weak asset liquidity; and (3) moderate exposure to external guarantees.

The stable outlook on YCOG's rating reflects our expectation that, in the next 12 to 18 months, the local government's capacity to provide support will remain stable, and the Company will continue to play an important role in infrastructure construction of Yueyang City.

## Rating Drivers

- Key role in infrastructure development in Yueyang City
- Increasing exposure to commercial activities with high capital expenditure pressure
- Good track record of receiving government support
- Increasing debt burden and weak asset liquidity
- Good access to funding from banks and the bond market
- Moderate exposure to external guarantees

## Rating Sensitivities

### What could upgrade the rating?

The rating could be upgraded if (1) the local government's ability to provide support strengthens; and (2) the Company's characteristics change in a way that strengthens the local government's willingness to provide support, such as decrease in exposure to commercial activities and decrease in exposure to external guarantees.

### What could downgrade the rating?

The rating could be downgraded if (1) the local government's ability to provide support weakens; or (2) the Company's characteristics change in a way that decreases the local government's willingness to provide support, such as reduced regional significance or material increase in exposure to external guarantees.

## Key Indicators

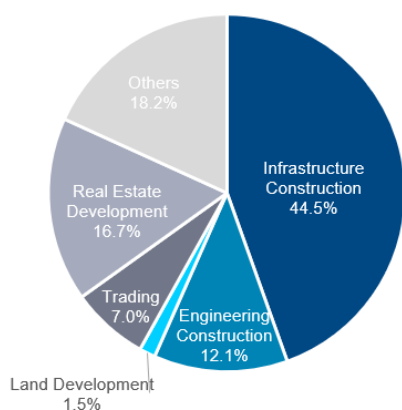
	2023FY	2024FY	2025FY	2026Q1
Total Asset (RMB billion)	56.7	60.4	68.6	71.1
Total Equity (RMB billion)	22.3	26.0	29.9	29.8
Total Revenue (RMB billion)	3.2	2.2	2.7	0.3
Total Debt/Total Capital (%)	55.8	52.6	52.0	52.9

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

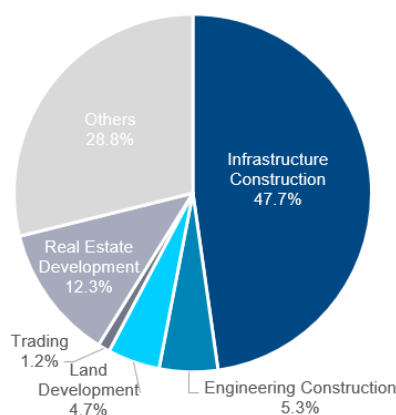
Source: Company data, CCXAP research

## Corporate Profile

Founded in 2012, YCOG is an important infrastructure construction and state-owned asset operation and management entity in Yueyang City. The Company mainly engages in local transportation infrastructure construction, land development, shantytown renovation and affordable housing construction projects. It is also involved in other commercial activities such as engineering construction, trading, and self-operated projects. As of 31 March 2026, the Company was wholly owned and ultimately controlled by the State-owned Assets Supervision and Administration Commission of the Yueyang Municipal Government.

**Exhibit 1. Revenue structure in 2025**

Source: Company information, CCXAP research

**Exhibit 2. Gross profit structure in 2025**

## Rating Considerations

### Government's Capacity to Provide Support

We believe that the Yueyang Municipal Government has very strong capacity to provide support, given its economic importance in Hunan Province with ongoing economic and fiscal growth.

Located in the central part of China, Hunan Province serves as a crucial national base for grain production, energy and raw material, modern equipment manufacturing, and high-tech industries, while also functioning as a comprehensive transportation hub. Benefiting from its strong transportation network and resource advantages, Hunan Province's economic strength improved with general regional product ("GRP") increasing from RMB5.3 trillion in 2024 to RMB5.5 trillion in 2025, maintaining its position as the 10<sup>th</sup> among all provinces in China and the 3<sup>rd</sup> among 6 provinces in central China. Its general budgetary revenue increased from RMB344.9 billion in 2024 to RMB350.8 billion in 2025, of which tax revenue accounting for 58.1%. In the first quarter of 2026, Hunan Province has achieved GRP of RMB1.3 trillion and general budgetary revenue of RMB98.8 billion.

Located in the northeastern part of Hunan Province, Yueyang City serves as a key node in both the Yangtze River Economic Belt and the central Yangtze urban cluster, leveraging its advantageous geographic location and advanced transport networks to enhance regional connectivity. As a major industrial base for petrochemical, paper manufacturing, and power generation, Yueyang City's GRP increased from RMB512.8 billion in 2024 to RMB538.7 billion in 2025, ranking second after Changsha City among all prefecture-level cities in Hunan Province. In the first quarter of 2026, Yueyang City has achieved GRP of RMB122.5 billion. The general budgetary revenue increased on the back of steady economic growth and optimized upgrading of the industrial structure. In 2025, the general budgetary revenue rose to RMB20.7 billion from RMB20.1 billion in 2024, with tax revenue accounted for an average of 60.1% of the general budgetary revenue over the past three years. Additionally, Yueyang City has weak fiscal self-sufficiency, as reflected by its average fiscal balance ratio of around 31.7% over the past three years, relying on land revenue and subsidies from higher-level governments. At the end of 2025, Yueyang City's local government debt balance increased to RMB158.0 billion, accounting for 29.3% of GRP.

**Exhibit 3. Key economic and fiscal indicators of Yueyang City**

	2023FY	2024FY	2025FY
GRP (RMB billion)	484.2	512.8	538.7
GRP Growth (%)	4.6	4.9	5.5
General Budgetary Revenue (RMB billion)	20.0	20.0	20.7
General Budgetary Expenditure (RMB billion)	63.2	62.1	66.4
Local Government Debt (RMB billion)	109.9	132.7	158.0

Source: Statistics Bureau of Yueyang City, CCXAP research

**Government's Willingness to Provide Support****Key role in infrastructure development in Yueyang City**

YCOG is primarily engaged in infrastructure construction, land development, shantytown renovation, and affordable housing construction in Yueyang City. It also actively participates in urban operations in Junshan District of Yueyang City, such as public transportation services. The Company holds an important market position in executing infrastructure projects in Yueyang City and has significantly contributed to local economic and social progress. Considering its status as an important urban construction entity in Yueyang City, we believe the Company is unlikely to be replaced by other local state-owned enterprises in the foreseeable future.

The transportation infrastructure construction projects of the Company are mainly carried out by its subsidiary, Yueyang Communications Construction Investment Group Co., Ltd. ("YCCI"). YCCI carries out infrastructure construction projects using an agency construction model, including road construction, road renovation, and the development of dedicated equipment corridors. As of 31 March 2026, YCCI has 6 infrastructure construction projects under construction, all of which are expected to be completed within 2026. These projects had a total planned investment of approximately RMB4.8 billion, with around RMB1.4 billion yet to be invested. There are also 4 proposed projects scheduled to commence within the next two years, involving planned investment of RMB697.0 million.

The Company also operates in Junshan District through the subsidiary, namely Yueyang Junshan District City Construction Investment Co., Ltd. ("YJCI"), engaging in infrastructure construction, shantytown redevelopment, land development, and urban operations. YJCI holds a regional advantage in undertaking infrastructure construction and land development projects under agency models within Junshan District. As of 31 March 2026, YJCI had 4 infrastructure projects under construction with a total estimated investment of about RMB2.2 billion, with an uninvested amount of around RMB1.4 billion, indicating certain capital expenditure pressure. Entrusted by the Junshan District Government, YJCI serves as the sole land developer in Junshan District. In 2025, YJCI recognized revenue of RMB39.7 million on land of 51,487 square meters. The average transfer price remained relatively low. As of the end of 2025, YJCI had no land development projects under construction or under planning, indicating a degree of uncertainty in this business segment. Besides, land development activities are highly sensitive to local land market conditions and land-related policy changes. In addition, YJCI is the only public transportation service provider in Junshan District, with a strong regional exclusivity. In 2025, its bus operations generated revenue of RMB8.8 million. This service activity has successfully achieved the net profit since 2024 benefited from the optimization of bus routes and schedules, but its gross profit margins remained low and unstable.

**Increasing exposure to commercial activities with high capital expenditure pressure**

In addition to public activities, YCOG has expanded its commercial activities, mainly including self-operated

construction projects, engineering construction, real estate development and trading. We consider the Company's current exposure to commercial activities to be medium, accounting for around 30% of its total assets. Compared to its infrastructure and public service projects, the Company's business activities are expected to put great pressure on the future capital expenditures and offer considerably less potential for direct fiscal support from the local government.

YCOG is dedicated to the development of self-operated projects, with a primary focus on hospitals, logistics parks, and parking facilities. As of 31 March 2026, the Company had 7 self-developed projects under construction, with a total planned investment of about RMB7.5 billion and around RMB3.4 billion yet to be invested. Upon completion, these projects are expected to generate returns through leasing, sales, and the operation of supporting facilities. However, the scale of pending investment for ongoing projects is substantial, placing considerable pressure on the Company's capital expenditure and operational capacity.

Additionally, YCOG participates in engineering construction projects in Yueyang City, including roadworks, standardized factory buildings, and talent apartments. As of 31 December 2025, the Company had 4 major projects under construction with a total contract value of RMB935.0 million, of which RMB633.0 million remained unsettled. In 2025, mainly due to intensified industry competition, this segment's revenue decreased from RMB369.0 million in 2024 to RMB332.6 million, accounting for 12.1% of the Company's total revenue. The Company's engineering construction projects are primarily located in Yueyang City and surrounding cities, and its main counterparties are regional state-owned enterprises, so the credit risk is relatively manageable.

YCOG engages in commercial property development through its subsidiaries. As of 31 March 2026, the Company had 2 completed residential properties with a total investment of RMB3.2 billion. The completed projects were in the process of selling, with the total revenue of RMB457.0 million and RMB5.8 million in 2025 and 2026Q1, respectively. As of end-2025, the Company had no real estate development projects under construction or under planning. However, the property sales business is highly subject to the economic condition and the local real estate market.

YCOG conducts trading operations through two subsidiaries, primarily dealing in commodities such as chemical raw materials and agricultural products. Such business is highly affected by macroeconomic conditions and exposed to certain credit risks. The Company's net revenue for its trading business recorded RMB192.9 million in 2025, with gross profit of RMB4.5 million, accounting for 1.2% of total gross profit. This business also faces concentration risk due to the Company's high dependence on its top five customers and suppliers.

### **Good track record of receiving government support**

YCOG has continued to receive strong support from the local government through capital injections, asset transfers, and operating subsidies. Ongoing capital injections from the government have significantly enhanced the Company's capital strength. In 2025, the local government injected capital by cash into the Company, increasing the capital reserve by RMB322.2 million. In the meantime, the Junshan District Finance Bureau transferred its 100% equity stake in the Yueyang Tourism Development Industry Investment Co., Ltd. to the Company, increasing its capital reserve by RMB3.6 billion. In 2025, the Company received government subsidies totaling RMB15.4 million to support its general operations. In addition, the Company continued to receive repayments from infrastructure construction and land development projects, as well as funds from government special-purpose bonds, to alleviate its pressure on capital expenditures. Considering the Company's important role in infrastructure construction projects and the provision of public services in Yueyang City, we believe that the local government will maintain strong support for the Company.

### **Increasing debt burden and weak asset liquidity**

YCOG's total debt has increased with ongoing financing for the construction projects. The Company's adjusted total debt increased from RMB28.9 billion at end-2024 to RMB33.5 billion at end-2026Q1. Although government capital and equity injections reduced the Company's total capitalization ratio, it persisted at a relatively high level of around 52.9% as of 31 March 2026. In addition, the Company has certain short-term debt repayment pressure. As of 31 March 2026, its short-term debt represented approximately 36.7% of total debt, while the cash to short-term debt ratio was 0.3x, indicating a weakened coverage level for short-term obligations. Given its high capital expenditure pressure, we expect the Company's debt burden to continue increasing in the next 12 to 18 months.

YCOG's asset liquidity is weak, which may constrain its financing flexibility. As of 31 March 2026, low-liquidity assets, including inventories, receivables, other non-current assets, and construction in progress, totally accounted for 70.4% of total assets, which formed a drain on the Company's fund. Inventories are mainly composed of project development costs, while other non-current assets primarily represent land reserves. Construction in progress largely reflects capital invested in self-operated projects.

### **Good access to funding**

YCOG's good refinancing ability could partially support and mitigate its large investment needs and short-term debt pressure. The Company has good access to various sources of funding, including bank loans, onshore bond financing as well as non-standard financing. Bank loans remain the main source of YCOG's funds, accounting for around 55.9% of the total debt as of 31 December 2025. As of 31 March 2026, the Company had total credit facilities of RMB32.1 billion with an unutilized portion of RMB8.0 billion, mainly from joint-stock commercial banks and policy banks, such as Construction Bank and Agricultural Development Bank. The Company also has access to the bond market. In April 2026, the Company itself had issued 2 tranches of onshore bonds, raising RMB1.2 billion with coupon rates at around 2.10%. As of 31 May 2026, the Company and its subsidiaries had outstanding domestic bonds totaling RMB5.7 billion, including enterprise bonds, corporate bonds, and MTNs. In addition, the Company's reliance on non-standard financing is relatively low, accounting for around 10% of the total debt.

Benefiting from the advancement of Hunan Province's debt resolution initiatives, Yueyang City has achieved marked improvements in the local financing environment, driven by narrowing borrowing costs and credit spreads. As a core state-owned asset operation and construction entity in Yueyang City, the Company's financing capabilities are well-positioned to benefit from this optimized regional credit environment.

### **Moderate exposure to external guarantees**

YCOG has moderate exposure to external guarantees, which limits its credit profile. As of 31 December 2025, the Company had outstanding external guarantees of about RMB6.5 billion, accounting for 21.6% of its net assets. The majority of external guarantees were provided to local state-owned enterprises. Considering the government support, the credit risk of these guarantees among local state-owned companies is moderately controllable. However, the Company's contingent liabilities are subject to regional risks due to the mutual guarantee situation. In case a credit event occurs, the Company may face certain contingent liability risks, which could negatively impact its credit quality.

In addition, the Company had outstanding guarantees for individual residential mortgage loans with a total amount of RMB0.4 million. However, we consider the Company's contingent liability risks to be manageable, as most of the external guarantees are provided to local state-owned enterprises with stable business operations.

## ESG Considerations

YCOG faces environmental risks because it has undertaken transportation infrastructure construction and land development projects. Such risks could be moderated by conducting environmental studies and planning prior to the start of the projects, and close monitoring during the construction phase.

YCOG bears social risks as it implements public policy initiatives by undertaking transportation infrastructure construction and land development in Yueyang 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.

YCOG's governance considerations are also material as the Company is subject to oversight by the Yueyang Municipal 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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