
CCXAP affirms Yueyang City Operation Investment Group Co., Ltd.'s long-term credit rating at BBB_g+, with stable outlook.

Hong Kong, 15 August 2025 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has affirmed the long-term credit rating of BBB_g+ to Yueyang City Operation Investment Group Co., Ltd. (“YCOG” or the “Company”), with stable outlook.

The BBB_g+ long-term credit rating of Yueyang City Operation Investment Group Co., Ltd. (“YCOG” or the “Company”) 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.

Corporate Profile

Founded in April 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 fuel oil sales. As of 31 March 2025, the Company was wholly owned and ultimately controlled by the State-owned Assets Supervision and Administration Commission of the Yueyang Municipal People's Government.

Rating Rationale

Credit Strengths

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.

Good track record of receiving government support. YCOG 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. 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.

Good access to funding from banks and the bond market. As of 31 March 2025, it had obtained total credit facilities of RMB29.6 billion, with available credit facilities of RMB6.9 billion. The Company also has access to the bond market. As of 30 June 2025, the Company and its subsidiaries had outstanding domestic bonds totaling RMB4.7 billion, including enterprise bonds, corporate bonds, and MTNs. In addition, the Company's reliance on non-standard financing is low, accounting for below 10% to total debt.

Credit Challenges

Increasing exposure to commercial activities with high capital expenditure pressure. In addition to public activities, YCOG has expanded its commercial businesses, mainly including self-operated construction projects, engineering construction and trading. We consider the Company's current exposure to commercial businesses to be medium, accounting for about 33.6% of its total assets. However, self-operated construction projects will put great pressure on the Company's future capital expenditures.

Increasing debt burden and weak asset liquidity. The Company's total debt increased from RMB28.2 billion at end-2023 to RMB29.1 billion at end-2025Q1. Although government capital and equity injections reduced the total capitalization ratio to 52.9%, it persisted at a relatively high level. YCOG's asset liquidity is weak, which may constrain its financing flexibility. As of 31 March 2025, low-liquidity assets, including inventories, receivables, other non-current assets, and construction in progress, totally accounting for 72.9% of total assets.

Moderate exposure to external guarantees. As of 31 March 2025, the Company had outstanding external guarantees of about RMB5.1 billion, accounting for 19.8% of its net assets. 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.

Rating Outlook

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

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.

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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