

CCXAP affirms Yichang City Development Holding Group Co., Ltd.'s long-term credit rating at A_g-, with stable outlook.

Hong Kong, 8 December 2025 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has affirmed the long-term credit rating of Yichang City Development Holding Group Co., Ltd. (“YCHG” or the “Company”) at A_g-, with stable outlook.

The A_g- long-term credit rating of YCHG reflects the Yichang 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 the Yichang Municipal Government’s capacity to provide support reflects Yichang City’s leading economic competitiveness in Hubei Province, with steady economic growth, but constrained by its modest fiscal balance.

The rating also reflects the local government’s willingness to provide support, which is based on the Company’s (1) foremost role as the primary infrastructure construction and state-owned assets operation entity in Yichang City; (2) high sustainability of public policy businesses, with regional franchise advantage in public utilities; (3) solid track record of receiving government payments; and (4) diversified access to funding channels. However, the rating is constrained by the Company’s (1) high commercial business exposure due to fluctuations in cyclical industries; (2) relatively fast debt growth driven by investment needs; and (3) weak asset liquidity.

Corporate Profile

Established in 2015, YCHG, formerly known as Yichang Water Investment Co., Ltd., became the most important local infrastructure investment and financing Company (“LIIFC”) in Yichang City after the equity transfer in 2023. The Company is mainly responsible for infrastructure construction, affordable housing construction and public services including urban water and gas supply, sewage and garbage treatment in Yichang City. It also engages in several commercial activities, including transportation, sale of wires and cables, real estate development, logistics trade, and property services. As of 30 June 2025, the Company was directly owned and ultimately controlled by the State-owned Assets Supervision and Administration Commission of Yichang City.

Rating Rationale

Credit Strengths

Foremost role as the primary infrastructure construction and state-owned assets operation entity in Yichang City. As the largest LIIFC in terms of assets in Yichang City, the Company plays a vital role in public policy businesses in the region, including infrastructure construction, affordable housing construction, urban water and gas supply, transportation, sewage and garbage treatment with strong regional franchise advantages, which provide significant strategic importance for the local government and benefit to the local social and economic development. Considering its strategic importance in undertaking public policy

projects in Yichang City, we believe the Company will not be easily replaced by other local state-owned enterprises in the foreseeable future.

High sustainability of public-policy businesses with regional franchise advantage. YCHG occupies a leading position in the infrastructure construction and affordable housing construction businesses in Yichang City, which are crucial to local social and economic development. We believe that the large project reserves can ensure the sustainability of the Company's public-policy businesses.

Solid track record of receiving government payments. In recognition of the Company's importance of public activities in Yichang City, YCHG has a proven track record of receiving support from the local government in terms of financial subsidies and asset injections. We expect government support for YCHG to continue in light of the Company's important strategic role in the region.

Diversified access to funding channels. The Company has access to various sources of funding, including bank loans, onshore bond financing and non-standard financing. Meanwhile, the Company's exposure to non-standard financing is relatively low, mainly financial leasing, accounting for around 10% of total debt at mid-2025. We expect the Company will continue to broaden its financing channels by increasing credit facilities and issuing bonds. In addition, we consider the Company's diversified funding channel can largely fulfill its future capital expenditure.

Credit Challenges

High commercial business exposure due to fluctuations in cyclical industries. In addition to public activities, YCHG also engages in various commercial activities, such as real estate development, engineering construction, logistics trade, smart parking, property services and cultural tourism. We consider YCHG's commercial business exposure to be high, as its marked-driven business accounted for over 30% of its total assets as of mid-2025. These activities have been a good supplement to the Company's revenue but could exert certain funding and business risks.

Relatively fast debt growth driven by investment needs. YCHG shows a rising debt burden owing to its continuous investment in public-policy projects and commercial activities over the past few years. As of 30 June 2025, the Company's adjusted total debt grew to RMB91.1 billion from RMB84.1 billion as of end-2023, with total capitalization ratio of 63.2%.

Weak asset liquidity. The Company's total asset mainly consists of inventories, total receivables, and construction in progress, which accounted for 79.0% of its total assets at mid-2025, all of which are considered low liquidity.

Rating Outlook

The stable outlook on YCHG's rating reflects our expectation that Yichang City Government's capacity to provide support will remain stable, and the Company will maintain its crucial role in the economic and social development of Yichang City over the next 12-18 months.

What could upgrade the rating?

The rating could be upgraded if (1) the local government's capacity to provide support strengthens; and (2) changes in Company's characteristics enhance the local government's willingness to provide support, such as reduced exposure to risky commercial activities, enhanced debt management and improved asset liquidity.

What could downgrade the rating?

The rating could be downgraded if (1) the local government's capacity to provide support weakens; or (2) changes in Company characteristics decrease the local government's willingness to provide support, such as reduced regional significance and reduced government payment.

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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The first name below is the lead rating analyst for this rating and the last name below is the person primarily responsible for approving this rating.

Peter Chong

Associate Director of Credit Ratings

+852-2860 7124

peter_chong@ccxap.com

Elle Hu

Executive Director of Credit Ratings

+852-2860 7120

elle_hu@ccxap.com

Client Services: +852-2860 7111



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China Chengxin (Asia Pacific) Credit Ratings Company Limited

Address: Suites 1904-1909, 19/F, Jardine House,
1 Connaught Place, Central, Hong Kong

Website: www.ccxap.com

Email: info@ccxap.com

Tel: +852-2860 7111

Fax: +852-2868 0656