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

Hong Kong, 22 September 2026 – China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") has upgraded the long-term credit rating of Yichang City Development Holding Group Co., Ltd. ("YCHG" or the "Company") to A_g from A_g-, with stable outlook.

The A_g long-term credit rating of YCHG reflects Yichang Municipal Government's very strong capacity to provide support, and the local government's very high willingness to provide support based on our assessment of the Company's characteristics. Our assessment of Yichang Municipal Government's capacity to provide support reflects Yichang City's strong and improving economic and fiscal fundamentals. The city maintains a leading economic position in Hubei Province, supported by its diversified industrial base and continued growth in economic output and fiscal revenue.

The rating also reflects the local government's willingness to provide support, which is based on the Company's (1) full ownership and ultimate control by Yichang Municipal Government; (2) foremost role as the primary infrastructure construction and state-owned assets operation entity in Yichang City; (3) solid track record of receiving government support; and (4) diversified access to funding channels. However, the rating is constrained by the Company's (1) high exposure to commercial activities; (2) high debt leverage driven by continued investment needs; and (3) weak asset liquidity.

Corporate Profile

Established in 2015 and formerly known as Yichang Water Investment Co., Ltd., YCHG is a key city development and state-owned capital investment and operation entity in Yichang City. It undertakes major infrastructure construction, affordable housing development and public services, including urban water and gas supply, sewage and garbage treatment, smart parking and property services. The Company also engages in commercial activities, including real estate development, engineering construction, transportation and logistics, smart manufacturing, and design and consulting. As of 30 June 2026, the Company was wholly owned and ultimately controlled by the State-owned Assets Supervision and Administration Commission of Yichang City ("Yichang SASAC").

Rating Rationale

Credit Strengths

Foremost role as the primary infrastructure construction and state-owned assets operation entity in Yichang City. YCHG is a key city development and state-owned capital investment and operation entity wholly owned by the Yichang SASAC. It undertakes most major infrastructure investment and construction tasks in Yichang City outside the Yichang High-tech Industrial Development Zone and holds a dominant position in the city's infrastructure construction sector. The Company also plays a vital role in public-policy businesses in the region, including affordable housing construction, urban water and gas supply, 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 advantages in public utilities. YCHG holds leading positions in infrastructure construction and affordable housing development in Yichang City. Its project pipeline and regional franchise advantages in public utilities support the sustainability of its public-policy businesses. The Company maintains a dominant position in infrastructure construction in Yichang City, undertaking most major roads and bridges, landscaping, municipal facilities and other infrastructure projects outside the Yichang High-tech Industrial Development Zone. As a major urban developer in Yichang City, YCHG is entrusted by the local government to develop talent apartments, saleable affordable housing, rental housing and resettlement housing. YCHG also provides urban water and gas supply, sewage and garbage treatment in Yichang City, with regional franchise advantages.

Solid track record of receiving government support. The Yichang Municipal Government has supported YCHG's public-policy role through capital injections, asset transfers, and operating subsidies. In 2025, the transfer of the cultural tourism subsidiaries reduced the Company's capital reserve by approximately RMB1.6 billion, while special-purpose funds injected by the Yichang SASAC and the gratuitous transfer of a 100% equity interest in Yichang Grain Group Co., Ltd. increased the reserve by RMB3.3 billion. We expect support to continue given the Company's close linkage with the local government and strategic importance to Yichang City.

Diversified access to funding channels. The Company has diversified funding access, with bank financing remaining its largest funding source. As of end-March 2026, bank borrowings amounted to RMB51.6 billion, representing 55.8% of the total debt. Bond financing and non-standard financing accounted for 28.4% and 15.9%, respectively. YCHG maintained relationships with over 20 institutions, including policy banks, major state-owned commercial banks, joint-stock banks and local banks. Total bank facilities were RMB101.4 billion, of which only RMB54.9 billion had been used. The Company also maintained good access to the onshore bond market, mainly through its wholly owned subsidiaries, using corporate and enterprise bonds, MTNs, PPNs and commercial paper.

Credit Challenges

High exposure to commercial activities. In addition to public-policy activities, YCHG engages in various commercial activities, including real estate development, engineering construction, logistics trade, smart manufacturing, smart parking, property services and financial services. These businesses support the Company's revenue scale, but expose the Company to low margins, industry cyclicality and working-capital risks. YCHG ceased cultural tourism operations after transferring the relevant subsidiaries to the Yichang SASAC in August 2025.

High debt leverage and weak asset liquidity. YCHG maintains high debt leverage amid continued investment in public-policy projects and commercial activities. Adjusted total debt increased to RMB91.8 billion at end-March 2026. Its total capitalization ratio remained high at 62.9% at end-March 2026, while short-term debt accounted for 36.6% of adjusted total debt and the cash to short-term debt ratio was 0.4x. YCHG also has weak asset liquidity. At end-March 2026, inventories, accounts receivable, other receivables and construction in progress together accounted for approximately 75.9% of total assets.

Rating Outlook

The stable outlook on YCHG's rating reflects our expectation that the local government's capacity to support the Company will remain stable, and the Company will maintain its dominant position in the infrastructure construction and urban development in Yichang City for the next 12 to 18 months.

What could upgrade the rating?

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

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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