

Credit Opinion

8 December 2025

| Ratings | |
|-------------------------|------------------|
| Category | Corporate |
| Domicile | China |
| Rating Type | Solicited Rating |
| Long-Term Credit Rating | A _g - |
| Outlook | Stable |

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Yichang City Development Holding Group Co., Ltd.

Surveillance credit rating report

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

Summary

The A_g- long-term credit rating of Yichang City Development Holding Group Co., Ltd. ("YCHG" or the "Company") 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.

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.

Rating Drivers

- Foremost role as the primary infrastructure construction and state-owned assets operation entity in Yichang City
- High sustainability of public policy businesses, with regional franchise advantage in public utilities
- Solid track record of receiving government payments
- High commercial business exposure due to fluctuations in cyclical industries
- Relatively fast debt growth driven by investment needs
- Weak asset liquidity
- Diversified access to funding channels

Rating Sensitivities

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.

Key Indicators

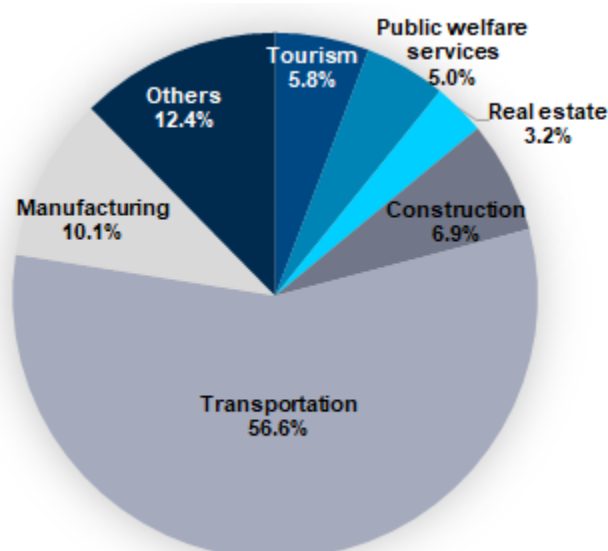
| | 2022FY | 2023FY | 2024FY | 2025H1 |
|------------------------------|--------|--------|--------|--------|
| Total Asset (RMB billion) | 135.0 | 151.6 | 169.7 | 171.2 |
| Total Equity (RMB billion) | 42.8 | 47.5 | 52.3 | 52.9 |
| Total Revenue (RMB billion) | 12.9 | 17.2 | 22.0 | 9.5 |
| Total Debt/Total Capital (%) | 63.0 | 64.0 | 63.6 | 63.2 |

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

Source: Company data, CCXAP research

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 ("Yichang SASAC").

Exhibit 1. Revenue structure in 2024

Source: Company information, CCXAP research

Rating Considerations

Government's Capacity to Provide Support

We believe the Yichang Municipal Government has a very strong capacity to provide support to the Company, given its leading economic competitiveness in Hubei Province, with steady economic growth, but constrained by its modest fiscal balance situation.

Hubei Province is the seventh largest province in China by gross regional product ("GRP") in 2024, which reached RMB6.0 trillion with a year-on-year ("YoY") increase of 5.8%. Hubei Province has improved financial strength. Its general budgetary revenue increased from RMB369.2 billion in 2023 to RMB393.7 billion in 2024. The growth was primarily driven by Hubei Province's intensified efforts to optimize existing assets, boosting revenue from state-owned resource utilization and accelerating non-tax income growth. Besides, Hubei Province's debt burden is relatively heavy, as its direct government debt increased to RMB 1.9 trillion at end-2024, accounting for 21.0% of its GRP.

Yichang City, a prefecture-level city located in southwestern Hubei Province, demonstrates moderate economic and fiscal strength. As a key industrial hub, it has established a diversified economic structure centered on green chemicals, life sciences, clean energy, and big data and calculation economy, supported by over 1,700 high-tech enterprises. Its GRP reached RMB619.1 billion in 2024, representing a YoY growth of 6.5% and ranking second among all prefecture-level cities in Hubei Province. Its GRP further grew by 6.1% YoY to RMB428.7 billion in the first three quarters of 2025. The local government's general budgetary revenue trend aligns with economic growth. In 2024, it increased to RMB29.4 billion from RMB26.9 billion in 2023. Over the past three years, tax revenue has consistently contributed over 75.0% to the general budgetary revenue, indicating sound fiscal stability. However, its fiscal balance ratio stood at 39.7%, reflecting a high level of dependence on transfers from higher-level governments and land transfer revenue. As of 31 December 2024, Yichang City's outstanding government debt amounted to RMB121.5 billion, accounting for 19.6% of its GRP.

Exhibit 2. Key Economic and Fiscal Indicators of Yichang City

| | 2022FY | 2023FY | 2024FY |
|---|--------|--------|--------|
| GRP (RMB billion) | 550.3 | 575.6 | 619.1 |
| GRP Growth (%) | 5.5 | 7.1 | 6.5 |
| General Budgetary Revenue (RMB billion) | 21.8 | 26.9 | 29.4 |
| General Budgetary Expenditure (RMB billion) | 56.4 | 68.0 | 72.1 |
| Local Government Debt (RMB billion) | 92.6 | 98.7 | 121.5 |

Source: Statistic Bureau of Yichang City, CCXAP research

Government's Willingness to Provide Support**Foremost role as the primary infrastructure construction and state-owned assets operation entity in Yichang City**

There are two key LIIFCs in Yichang City, namely, Yichang Industrial Investment Holding Group Co., Ltd. ("YIHG") and YCHG, each with a clear positioning in the development of the region. YIHG undertakes important functions including industrial investment and financial services in Yichang City (except Yichang High-tech Industrial Development Zone). 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 in public utilities

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.

The Company keeps a leading position in the field of infrastructure construction in Yichang City by undertaking most of the major infrastructure construction tasks, including roads and bridges, landscaping, and municipal public facilities projects. The Company conducts infrastructure construction through an agency construction model. As of 30 June 2025, the Company had 12 infrastructure construction projects under construction with a total planned investment of RMB1.0 billion and an uninvested amount of RMB492.0 million, and 8 infrastructure construction projects under planning with a total planned investment of RMB0.6 billion. The ongoing construction projects have exerted certain capital expenditure pressure to the Company.

As the main urban developer in Yichang City, the Company is also entrusted by the local government to develop affordable housing in the region and is mainly responsible for the development, sale and leasing of talent apartments, saleable affordable housing, and rental affordable housing to specific groups at prices under government guidance. As of 30 June 2025, the Company completed 2 saleable affordable housing projects with a total investment of RMB835.0 million and realized sales amount of RMB141.0 million. Moreover, the Company completed 6 rental affordable housing projects with an invested amount of RMB2.6 billion and overall occupancy rate of above 85%, and there were 3 rental affordable housing projects under construction, with a total estimated investment of around RMB680.0 million and an uninvested amount of RMB268.0 million.

In addition, YCHG undertakes urban water supply, gas supply, transportation, sewage and garbage treatment

businesses in Yichang City with regional monopoly advantages. As of 30 June 2025, the Company had 4 water supply plants with a daily water supply capacity of 282.0 thousand tons, covering an area of 350 square kilometers. Moreover, the Company carries out a gas supply business with a total annual gas supply of about 10 million cubic meters, mainly in the Gezhouba-Ziyang area. In addition, the Company runs a sewage and garbage treatment business through 5 sewage treatment plants, covering an area of 94.5 square kilometers, and 4 garbage treatment plants, with a daily garbage treatment capacity of 1,230 tons. Considering the nature of the public welfare business, the local government has provided continuous subsidies related to sewage treatment.

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.

In June 2024, the Company newly engaged in manufacturing business through the 51% equity acquisition of Aerospace Electric Group Co., Ltd., mainly involving the production and sale of wires and cables. The Company has a complete product range, covering bare wires, power cables, electrical equipment wires, and military wires. In 2024, the Company recognized sales income of RMB2.2 billion from this business, accounting for 10.1% of total revenue. The concentration risk of this business is relatively low, with diversified customers. However, this business is susceptible to industry cyclicity and price volatility of raw materials.

YCHG undertakes the development of commercial housing projects in Yichang City. As of mid-2025, the Company had completed 8 main commercial housing projects, most of which were sold out, with a total investment of RMB6.2 billion and a sales collection of RMB6.9 billion. Meanwhile, the Company had 8 commercial housing projects under construction, with a total planned investment of RMB7.5 billion and an uninvested amount of RMB3.8 billion. Given the large investment demand on these projects, coupled with relatively long construction and payback periods, we believe the Company will face certain capital expenditure pressure and destocking pressure as it is highly subject to the real estate market which China's property market is under a downturn period in China.

The Company's transportation and logistics sector is the largest income source of the Company thanks to YCHG's rapidly expanding logistics trade business in recent years. In 2024, the revenue from transportation and logistics amounted to RMB12.4 billion, accounting for 56.6% of its total revenue, but the profitability was low reflected by a gross profit margin of 3.4%. The transportation business generates income from the operation charging rights of the Yichang Yangtze River Highway Bridge ("the Bridge") and the passenger travel business. The operation period of the Bridge is as long as 30 years, starting from September 2001 to September 2031. For the past three years, the traffic volume of the Bridge was stable at around 8.0 million vehicles, which can generate relatively stable income and cash flow every year. In 2024, the vehicle access business realized revenue of RMB253.0 million. Moreover, the Company plans to renovate and expand the Bridge to extend the toll period and ensure the sustainability of the business. The Company's logistics trade business is primarily involved in sales of bulk commodities, including coal, steel and coke, to chemical and energy companies along the Yangtze River through its subsidiaries, and provides warehousing, multimodal transport of special railway lines, and entrusted procurement services, building a full industrial chain service. In 2025H1, the procurement from the top five suppliers accounted for 41.1% of the total procurement and the sales from the top five

customers accounted for 14.1% of the total sales. However, the business is subject to volatile market supply and demand risks with low bargaining power.

YCHG's cultural tourism business has developed rapidly, mainly including hotel operations and tourism services. From 2022 to 2024, the Company achieved hotel operation revenue of RMB222.0 million, RMB281.0 million and RMB258.0 million, respectively; the tourism service revenue was RMB219.0 million, RMB1.0 billion, and RMB1.1 billion, respectively. The cultural tourism business can increase the Company's revenue scale and profitability but uncertainty exists due to the vulnerable nature of the tourism industry.

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. In February 2023, the Yichang SASAC transferred 100% of equity shares of Yichang Urban Development Investment Group Co., Ltd. to the Company without compensation, greatly enhancing its capital strength and broadening its business scope. It also has obtained exclusive rights from the local government to develop water supply and sewage treatment services in Yichang City since 2005. YCHG also received government subsidies to support its daily operations. We expect government support for YCHG to continue in light of the Company's important strategic role in the region.

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. YCHG's total debt has grown relatively fast since 2021. 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%. Meanwhile, the Company bears a relatively high short-term debt burden, with the proportion of short-term debt of 33.0% and a cash to short-term debt ratio of 0.2x. Considering the Company's ongoing investment needs and slow repayment progress of its agency construction projects, we expect that the Company will rely on external financings to meet its capital expenditures and the Company will maintain a relatively fast debt growth for the next 12-18 months.

The Company has low exposure to external guarantees while the contingent risk would be controllable. At mid-2025, the Company had external guarantees of RMB2.0 billion, accounting for 3.8% of its net assets. The external guarantee was provided to a local state-owned enterprise in Yichang City, which will likely be supported by the local government when necessary.

Weak asset liquidity

In addition, YCHG has 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. Inventories are mainly investment costs for infrastructure construction projects and property development projects, while total receivables are mainly unreceived payments from the agencies of the government or other state-owned companies. Construction in progress mainly consist of investment costs for projects including port, logistics, urban construction and environmental protection.

Diversified access to funding channels

The Company has access to various sources of funding, including bank loans, onshore bond financing and non-standard financing. As of 30 June 2025, around 55% of the Company's debt financing was provided by domestic

banks with total credit facilities of RMB85.8 billion and available credit facilities of RMB19.8 billion, indicating a sufficient liquidity buffer. It has good access to the onshore bond market. As of 30 June 2025, around 35% of the Company's debt financing was raised from the onshore bond market via the issuance of MTNs, PPNs, and corporate bonds as of mid-2025. 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.

ESG Considerations

The Company is subject to environmental laws and regulations governing air pollution, noise emissions, hazardous substances, water and waste discharge and other environmental matters issued by the national governmental authorities. YCHG assumes environmental risks for its infrastructure projects. Such risks could be mitigated by conducting environmental studies and detailed planning prior to the commencement of projects and close supervision during construction.

The Company fulfills its social function by providing public services in Yichang City. YCHG is also exposed to social risks as it implements public-policy initiatives by building public infrastructure in Yichang City. Demographic changes, public awareness and social priorities shape government's development strategy, and it will affect the government's propensity to support the Company.

The Company's governance considerations are also material as it is subject to oversight and reporting requirements to the local government, reflecting its public-policy role and status as a government-owned entity. YCHG believes that it is in compliance in all material respects with the applicable governmental regulations, rules and executive orders in each jurisdiction in which it operates. The Company maintains regular communication with local governments and regulatory authorities through its management team or representatives, ensuring compliance with the requirements and conditions for obtaining and maintaining the licenses, concessions, permits, or certificates.

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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