Credit Opinion

22 September 2026

Ratings	
Category	Corporate
Domicile	China
Rating Type	Solicited Rating
Long-Term Credit Rating	A_g
Outlook	Stable

Analyst Contacts

Amy Chen +852-2860 7127
Credit Analyst
amy_chen@ccxap.com

Eddie Li +852-2860 7128
Credit Analyst
eddie_li@ccxap.com

Elle Hu +852-2860 7120
Executive Director of Credit Ratings
elle_hu@ccxap.com

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

Client Services

Hong Kong +852-2860 7111

Yichang City Development Holding Group Co., Ltd.

Surveillance credit rating report

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

Summary

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-, reflecting the strengthening economic and fiscal fundamentals of Yichang City, together with continued evidence of the Company's strategic importance to Yichang City and close linkage with the local government through sustained capital and asset injections.

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.

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 advantages in public utilities
- High exposure to commercial activities
- Solid track record of receiving government support
- High debt leverage and weak asset liquidity
- Diversified access to funding channels
- Low exposure to contingent risk

Rating Sensitivities

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.

Key Indicators

	2023FY	2024FY	2025FY	2026Q1
Total Asset (RMB billion)	151.6	169.7	170.4	178.3
Total Equity (RMB billion)	47.5	52.3	53.2	54.1
Total Revenue (RMB billion)	17.2	22.0	25.9	6.2
Total Debt/Total Capital (%)	64.0	63.6	62.2	62.9

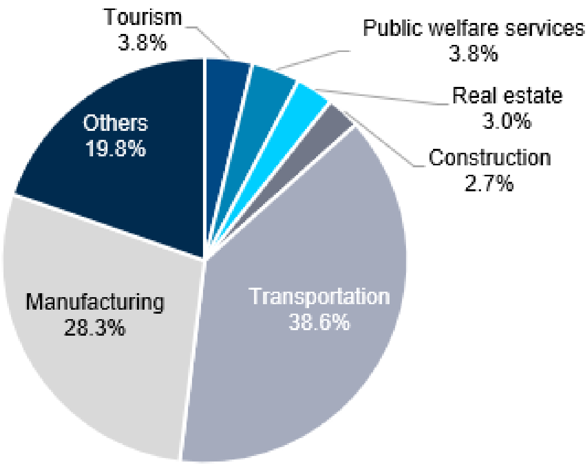
All ratios and figures are calculated using CCXAP's adjustments.

Source: Company data, CCXAP research

Corporate Profile

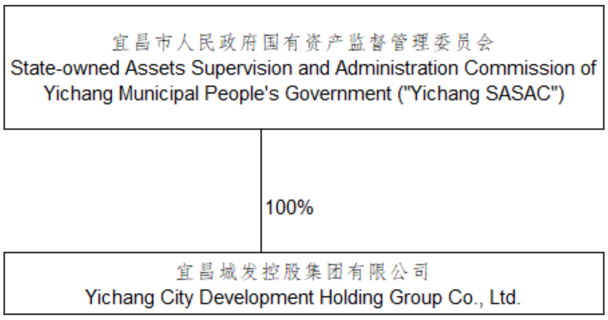
Established in 2015 and formerly known as Yichang Water Investment Co., Ltd., YCHG is a key city development and state-owned capital investment and operation entity in Yichang City. It undertakes major infrastructure construction, affordable housing development and public services, including urban water 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").

Exhibit 1. Revenue structure in 2025



Source: Company information, CCXAP research

Exhibit 2. Shareholding structure as of 30 June 2026



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 position and improving economic and fiscal fundamentals within Hubei Province, although fiscal self-sufficiency remains modest.

Located at the geographic and logistics core of the Yangtze River Economic Belt, Hubei Province is a major economic hub in central China, with a broad industrial base spanning automobiles, chemicals, electronics, machinery manufacturing and shipbuilding. Its GRP grew by 5.5% YoY to RMB6.3 trillion in 2025, ranking seventh among China's provincial-level regions. Hubei Province has improved financial strength. Its general budgetary revenue increased from RMB393.7 billion in 2024 to RMB421.1 billion in 2025. As of end-2025, Hubei provincial government's direct debt was RMB2.2 trillion, accounting for 34.5% of its GRP.

Exhibit 3. Key Economic and Fiscal Indicators of Hubei Province

	2023FY	2024FY	2025FY
GRP (RMB billion)	5,580.3	6,001.3	6,266.1
GRP Growth (%)	6.0	5.8	5.5
General Budgetary Revenue (RMB billion)	369.2	393.7	421.1
General Budgetary Expenditure (RMB billion)	929.6	997.4	979.1
Local Government Debt (RMB billion)	1,562.5	1,858.6	2,162.1

Source: Statistics Bureau of Hubei Province, CCXAP research

Yichang City is a prefecture-level city and a provincial sub-center in southwestern Hubei Province. Located along the middle and upper reaches of the Yangtze River, it is an important transportation and logistics hub connecting western Hubei and eastern Chongqing. Abundant hydropower and tourism resources support a diversified industrial base led by green chemicals, life sciences, clean energy and the digital economy. In recent years, Yichang City's industrial upgrading has accelerated, with the share of fine chemicals in the local chemical industry rising to 48.2% in 2025. Growth momentum remained strong in the first half of 2026, when the output value of its new energy and new materials industry increased by 57.6%.

Yichang City has strong and improving economic and fiscal fundamentals within Hubei Province, although its fiscal self-sufficiency remains modest. Its GRP grew by 6.1% YoY to RMB646.4 billion in 2025, ranking second among the prefecture-level cities in Hubei Province, while per-capita GRP ranked first. General budgetary revenue rose by 11.2% YoY to RMB32.7 billion in 2025. The fiscal balance ratio improved to 47.1% from 40.8% in 2024, although the share of tax revenue declined to 72.2% from 75.1% in 2024. As of 31 December 2025, Yichang City's outstanding government debt amounted to RMB147.1 billion, accounting for 22.8% of its GRP.

Exhibit 4. Key Economic and Fiscal Indicators of Yichang City

	2023FY	2024FY	2025FY
GRP (RMB billion)	575.6	619.1	646.4
GRP Growth (%)	7.1	6.5	6.1
General Budgetary Revenue (RMB billion)	26.9	29.4	32.7
General Budgetary Expenditure (RMB billion)	68.0	72.1	69.5
Local Government Debt (RMB billion)	98.7	121.5	147.1

Source: Statistics 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

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, which are crucial to local social and economic development. 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. It mainly operates under an agency construction model. As of end-2025, YCHG had 12 major projects under construction with total planned investment of RMB1.0 billion, of which RMB552.0 million had been invested, as well as planned projects with estimated investment of RMB601.0 million.

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. As of end-2025, it had completed 2 saleable affordable housing projects with total investment of RMB835.0 million and realized sales amount of RMB141.0 million. Moreover, the Company completed 6 rental affordable housing projects with total investment of RMB2.6 billion. It had also completed 18 resettlement housing projects, collecting RMB8.2 billion of sales proceeds. The Tingtaoyuan West resettlement housing project under construction had total planned investment of RMB1.3 billion. These projects support the continuity of YCHG’s public-policy role but entail investment and collection pressure.

YCHG also provides urban water and gas supply, sewage and garbage treatment in Yichang City, with regional franchise advantages. As of end-2025, its water supply facilities had combined daily capacity of 282.0 thousand cubic meters. The Company also operated 5 sewage treatment plants with combined daily capacity of 169.0 thousand cubic meters and 4 solid-waste treatment facilities with a combined daily capacity of 1,230 tons; annual gas supply was approximately 10 million cubic meters. The municipal finance authorities make quarterly operating payments for sewage treatment based on the approved annual budget, supporting revenue stability. Nevertheless, the public service segment remained loss-making in 2025 due to its public-welfare nature, reduced entrusted operations and higher depreciation and amortization costs.

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.

The Company entered the smart manufacturing business through the acquisition of a 51% equity interest in Aerospace Electric Group Co., Ltd. in 2024. The business mainly involves the production and sale of wires and cables. This segment generated revenue of RMB7.3 billion in 2025, accounting for 28.3% of the Company’s total revenue, with a gross profit margin of 6.2%. Its diversified customer base partly mitigates concentration risk, but profitability remains exposed to industry cyclicality and fluctuations in copper and other raw-material prices.

YCHG also develops commercial housing projects in Yichang City. As of end-2025, the Company had completed 8 major projects with total investment of RMB6.3 billion and sales collection of RMB7.0 billion. It also had 6 commercial housing projects under construction, with total planned investment of RMB5.2 billion and remaining investment of RMB1.7 billion. Their relatively long construction and payback periods create continued capital expenditure and destocking pressure amid weak demand in China's property market.

Transportation and logistics remained YCHG's largest revenue source in 2025, generating RMB10.0 billion, or 38.6% of total revenue, with a low gross margin of 2.9%. After the cultural tourism subsidiaries were transferred out of the Company, YCHG ceased passenger transportation and automobile sales, leaving bridge toll operations and logistics trade as the segment’s main activities. The bridge operation subsidiary collects tolls from vehicles using the Yichang Yangtze River Highway Bridge and its connecting road sections under a 30-year concession running from September 2001 to September 2031. Traffic volume declined to 7.3 million vehicles in 2025 from 7.7 million in 2024, while toll revenue fell to RMB225 million from RMB253 million, mainly because of lower Class I passenger-vehicle traffic. Despite the decline, bridge toll operations continued to generate recurring cash flow and maintained a relatively high gross margin.

The logistics trade business primarily trades bulk commodities, including fertilizers, polyvinyl chloride, ammonium phosphate, coke and steel, serving chemical and energy companies along the Yangtze River. In 2025, the Company reduced exposure to higher-risk products, including coal and phosphate ore, in response to tighter industry regulation. The Company generated approximately RMB4.4 billion of revenue from major traded products in 2025, with an aggregate gross margin of only 0.03%. Its top five suppliers and customers accounted for 67.5% and 68.3% of their respective totals, indicating notable counterparty concentration. The business remains exposed to thin margins, commodity-price volatility and counterparty risk.

In August 2025, YCHG transferred its 100% equity interest in Hubei Three Gorges Cultural Tourism Holding Group Co., Ltd. to the Yichang SASAC and ceased hotel and tourism operations. The cultural tourism business recorded revenue of RMB984.0 million in 2025, which is not expected to recur. The transfer reduced business diversification but removed YCHG's direct exposure to the volatile tourism sector.

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.

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 decreased from RMB90.9 billion at end-2024 to RMB87.6 billion at end-2025, before rebounding 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. Given its ongoing investment in infrastructure, property, port and logistics projects and slow collection of agency construction payments, we expect that the Company will remain reliant on external financing for capital expenditure and debt repayments over the next 12-18 months.

YCHG 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. These assets mainly comprised infrastructure and property development costs, receivables from state-owned entities, and investments in port, logistics, urban construction and environmental protection projects. At end-2025, restricted assets represented only 2.1% of total assets, leaving a relatively large pool of unencumbered assets that provides some mitigation financial flexibility through potential asset-backed financing and partly mitigates refinancing risk.

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 amounted to RMB26.2 billion and RMB14.7 billion, accounting 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 RMB54.9 billion, or 54.1%, had been used, leaving RMB46.6 billion undrawn, indicating a sufficient liquidity buffer. 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. 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 channels can largely fulfill its future capital expenditure.

Low exposure to contingent risk

The Company's exposure to external guarantees remained low and its contingent liability risk remained manageable. As of end-2025, the Company's external guarantee balance amounted to RMB2.9 billion, or 5.4% of its adjusted total equity. The guaranteed parties were predominantly local state-owned enterprises, while an RMB8.0 million guarantee was extended to Hubei Xinzhengfeng Logistics Co., Ltd., a private logistics company. Given the small size of the private-company guarantee, the overall contingent risk remains manageable, although developments at the guaranteed parties warrant continued monitoring.

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).

A credit rating is the analytical result of current credit worthiness and forward-looking opinion on the credit risk of a rated entity or a debt issue. Credit ratings issued by CCXAP are opinions on the current and relative future credit risk of the rated entities or debt issues, but do not address any other risks, including but not limited to liquidity risk, market price risk, and interest rate risk.

Credit ratings, non-credit assessments, and other opinions included in CCXAP's publications are not recommendations for investors to buy, sell, or hold particular securities, nor measurements of market value of the rated entities or debt issues. While obtaining information from sources it believes to be reliable, CCXAP does not perform audit and undertakes no duty of independent verification or validation of the information it receives from the rated entities or third-party sources.

All information contained herein belongs to CCXAP and is subject to change without prior notice by CCXAP. CCXAP considers the information contained herein to be accurate and reliable. However, all information is provided on an "as is" and "as available" basis and CCXAP does not guarantee accuracy, adequacy, completeness, or timeliness of the information included in CCXAP's publications.

To the extent where legally permissible, CCXAP and its directors, officers, employees, agents and representatives disclaim liability to any person or entity (i) for any direct or compensatory losses or damages, including but not limited to by any negligence on the part of, and any contingency within or beyond the control of CCXAP or any of its directors, officers, employees, agents or representatives, arising from or in connection with the information contained herein or the use of or inability to use any such information; and (ii) for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if CCXAP or any of its directors, officers, employees, agents or representatives is advised in advance of the possibility of such losses or damages.

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