Credit Opinion

4 February 2026

Ratings	
Senior Unsecured Debt Rating	A_g+
Long-Term Credit Rating	A_g+
Outlook	Stable
Category	Corporate
Domicile	China
Rating Type	Solicited Rating

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Hubei United Development Investment Group Co., Ltd.

Surveillance credit rating report

CCXAP affirms the long-term credit rating of Hubei United Development Investment Group Co., Ltd. at Ag+, with stable outlook.

Summary

The A_g+ long-term credit rating of Hubei United Development Investment Group Co., Ltd. ("HBUI" or the "Company") reflects the Hubei Provincial Government's (1) excellent capacity to provide support; and (2) high willingness to provide support, based on our assessment of the Company's characteristics.

Our assessment of the Hubei Provincial Government's capacity to provide support reflects its economic and political importance in China, with steady economic growth.

The rating also reflects the local government's willingness to provide support, which is based on the Company's (1) leading position as the sole provincial platform responsible for the full life cycle of new town development in Hubei Province; (2) high sustainability of public policy businesses, with large number of high-quality resources such as equities and land assets; and (3) solid track record of receiving government support.

However, the rating is constrained by the Company's (1) high exposure to commercial activities with large capital expenditure; (2) increasing debt burden driven by large investment needs; and (3) moderate asset liquidity.

The stable outlook on HBUI's rating reflects our expectation that the local government's capacity to support the Company will remain stable, and the Company will maintain its leading position in the urban development and operation in Hubei Province in the next 12 to 18 months.

Rating Drivers

- Leading position as the sole provincial platform responsible for the full life cycle of new town development
- High sustainability of public policy businesses, with large number of high-quality resources such as equities and land assets
- High exposure to commercial activities with large capital expenditure
- Solid track record of receiving government support
- Increasing debt burden driven by large investment needs
- Moderate asset liquidity
- Strong access to funding from banks and bond markets

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 Company's characteristics enhance the local government's willingness to provide support, such as reduced exposure to risky commercial activities, enhanced debt management or 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 or weakened financing abilities.

Key Indicators

	2022FY	2023FY	2024FY	2025Q3
Total Asset (RMB billion)	286.0	345.9	406.5	429.4
Total Equity (RMB billion)	59.3	71.9	84.5	90.2
Total Revenue (RMB billion)	94.5	115.0	145.2	108.9
Total Debt/Total Capital (%)	78.0	74.5	71.7	72.8

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

Source: Company data, CCXAP research

Corporate Profile

Established in 2008, HBUI is an important local infrastructure investment and financing Company ("LIIFC") in Hubei Province. The Company serves as the core platform for comprehensive investment, construction, and management across the Wuhan Metropolitan Area and engages in numerous provincial-level strategic projects, infrastructure development, and industrial cultivation initiatives. It has established a diversified operational portfolio spanning industrial park development, urban renewal, engineering construction, industrial supply chain services, and industrial finance.

In 2025, Huaneng Guicheng Trust Co., Ltd. sold its 14.57% equity shares in HBUI to Hubei United Investment Group Co., Ltd. ("HBUG"), for a consideration of RMB955.0 million, and the formal registration of the equity transfer is pending. After the transaction, HBUG remains the controlling shareholder of the Company, with the shareholding increasing to 74.06%. The remaining shares are held in a dispersed manner by central state-owned enterprises ("SOEs"), municipal-level governments within Hubei Province and local SOEs. The Company was ultimately controlled by the State-owned Assets Supervision and Administration Commission of Hubei Province ("Hubei SASAC").

Exhibit 1. Revenue structure in 2024

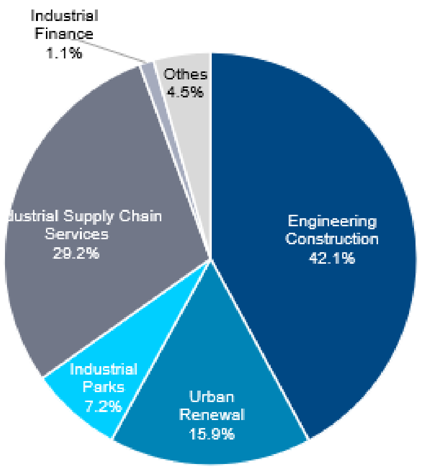
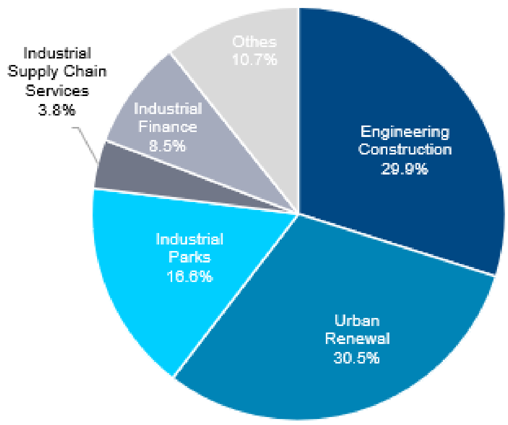
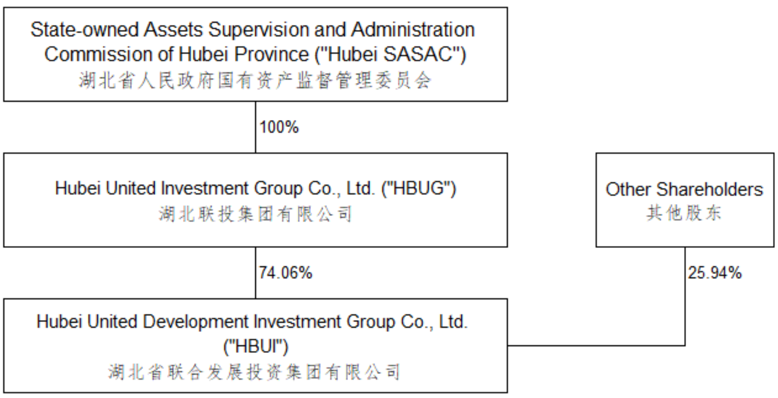


Exhibit 2. Gross profit structure in 2024



Source: Company information, CCXAP research

Exhibit 3. Shareholding structure as of 31 December 2025



Source: Company information, CCXAP research

Rating Considerations

Government's Capacity to Provide Support

We believe the Hubei Provincial Government has an excellent capacity to provide support to the Company, given its economic and political importance in China, with steady economic growth.

Hubei Province is at the center of the Yangtze River Economic Belt and is a natural link between the East and West regions' economies, with a solid foundation in different industries such as metallurgy, automobiles, chemicals, building materials, food, machinery manufacturing, textiles, electronics, and shipbuilding. On the back of its geographical advantages, Hubei Province was the 7th 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%. According to preliminary calculations, Hubei Province's GDP reached RMB6.3 trillion in 2025, representing a YoY increase of 5.5%. Hubei Province has improved financial strength. Its general budgetary revenue increased from

RMB369.3 billion in 2023 to RMB393.8 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. Tax revenue represented a large proportion of its general budgetary revenue, accounting for 71.1% on average over the past three years, indicating good fiscal quality. However, its fiscal self-balance was relatively weak, with a ratio of 39.1% on average. Governmental fund revenue serves as a critical fiscal supplement, yet it has experienced a decline in recent years influenced by the fluctuations in the land market and real estate sector. Besides, Hubei Province’s debt burden is relatively heavy, as its direct government debt increased to RMB1.9 trillion at end-2024, accounting for 31.0% of its GRP.

Exhibit 4. Key economic and fiscal indicators of Hubei Province

	2022FY	2023FY	2024FY
GRP (RMB billion)	5,373.5	5,580.4	6,001.3
GRP Growth (%)	4.3	6.0	5.8
General Budgetary Revenue (RMB billion)	328.1	369.3	393.7
General Budgetary Expenditure (RMB billion)	862.4	929.9	997.6
Local Government Debt (RMB billion)	1,390.0	1,562.6	1,858.6

Source: Statistic Bureau of Hubei Province, CCXAP research

Government’s Willingness to Provide Support

Leading position as the sole provincial platform responsible for the full life cycle of new town development

There are six main state-owned assets operation entities in Hubei Province, each with clear positioning in the development of the region. As the largest and most important subsidiary of HBUG, the Company is positioned by the Hubei Provincial Government as a comprehensive operator throughout the entire life circle of new town development such as science and technology parks, industrial parks, and functional parks; a comprehensive service provider for the entire urban renewal industrial chain; a general contractor in all fields of engineering construction; and a comprehensive developer and utilizer of all-element natural resources.

As one of the most important industrial investment and infrastructure construction platforms in Hubei Province, HUBI has played an essential and active role in implementing the local government’s major strategic initiatives for urban planning and municipal construction in Hubei Province, especially in Wuhan Metropolitan Area, through undertaking infrastructure and industrial parks construction as well as urban renewal projects in the region, which are beneficial to the local social and economic development. Given the Company’s important role in the local economic development, we expect HUBI is unlikely to be replaced by other local SOEs in the foreseeable future.

High sustainability of public policy businesses, with large number of high-quality resources such as equities and land assets

HBUI occupies an important position in the land development and infrastructure construction businesses in Hubei Province, 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. However, the delay in project payment progress has caused a certain degree of occupation of the Company's funds.

The Company is responsible for the new town development in the key area of Wuhan Metropolitan Area, including land development, infrastructure construction and industrial introduction. In recent years, the Company has progressively transitioned from agency construction model to an engineering, procurement and construction

("EPC") model for new town development projects. Under the EPC model, HBUI enters into investment cooperation agreements with local SOEs and establishes project companies for project development. These project companies settle investment costs and return with the local SOEs on an annual basis. Over the years, the Company has completed several large new town development projects in Hubei province. As of 30 September 2025, the Company had 6 new town development projects under construction with a total planned investment of RMB101.9 billion and an uninvested amount of RMB27.9 billion and total received project payment of RMB46.5 billion, indicating large capital expenditure pressure and relatively slow payment collection.

As the provincial platform for the construction and operation of rental housing, the Company concurrently coordinates rental housing projects mainly under the social procurement model and self-constructed model. Under the social procurement model, the Company directly acquires freehold properties for leasing to eligible individuals. As of 30 September 2025, the Company had 8 social procurement property projects with an average occupancy rate of 93.5%. Meanwhile, all rental housing projects under self-constructed model remain at the planning stage. Given the positive impact of this business on public welfare and local economic development, the Company's rental housing projects qualify for special subsidies. For instance, in 2024, the Company's rental housing projects collectively received subsidies totaling RMB55.1 million. However, the rental housing business is highly subject to the counterparty operation, economic conditions and the local real estate market.

High exposure to commercial activities with large capital expenditure

As one of the most important provincial-level platforms implementing major development strategies and plans for the local government, HBUI also engages in various commercial activities, such as industrial park development, urban renewal, engineering construction, industrial supply chain services, and industrial finance. We consider HBUI's commercial business exposure to be high. These activities have been a good supplement to the Company's revenue but could exert certain funding and business risks.

The Company participates in the industrial park development business through its subsidiary Donghu Hi-Tech Group Co., Ltd. (Stock Code: 600133.SH), engaging in the development, construction, operation and management of industrial parks. The Company achieves fund balance through sales and operation of the completed projects. As of 30 September 2025, the Company had completed several industrial park projects with a total planned investment of RMB7.9 billion and a relatively good sales rate of around 61.4%. However, income from this business is subject to uncertainty due to relatively long construction period and uncertain future sales. The revenue from industrial park development business has been fluctuated over recent years, which recorded RMB2.0 billion, RMB1.2 billion, and RMB1.3 billion from 2022 to 2024. The future investment in industrial park projects will further increase the Company's capital pressure, but sufficient project reserves provide strong support for the future development. As of 30 September 2025, the Company had 9 industrial park projects under construction with a total estimated investment of RMB9.3 billion and an uninvested amount of RMB6.1 billion.

The Company's engineering construction business is the largest income source, generating around 42.1% of total revenue in 2024, and the business is operated by its subsidiaries, namely Hubei Road and Bridge Group Co., Ltd. ("HRBG") and Hubei Industrial Construction Group Co., Ltd. ("HICG"). The Company demonstrates good project reserves with good project quality that help support its future business growth. In the first three quarters of 2025, HRBG had 41 newly signed contracts with total contracts value of RMB29.2 billion and HICG had 687 newly signed contracts with total contracts value of RMB24.6 billion. Meanwhile, the Company maintains relatively strong regional competitiveness. In the first nine months of 2025, around 80% of HICG's newly-signed contract value came from Hubei Province. In addition, the Company's project quality is considered high given most of the Company’s clients are the local governments, SOEs and local large-sized enterprises that have less payment risk. However, the volume of newly signed contracts declined and the progress of payment extended, primarily due to the property market downturn and the relatively high fiscal pressure on local governments.

The Company engages in the industrial supply chain service business, involving sales of asphalt, bulk commodities, coal and building materials, and product warehousing and logistics services. Benefiting from enriching trading products and scale, the revenue of industrial supply chain service business achieved fast growth in recent years, increasing from RMB21.0 billion in 2022 to RMB42.4 billion in 2024. However, the gross profit margin of this business is low at 1.4% in 2024. Meanwhile, the business has a relatively diversified customer and upstream supplier base as the sales from the top five customers accounted for 22.2% of the total sales and the top five suppliers accounted for 28.4% of the total procurement in 2024.

HUBI’s urban renewal business mainly involves real estate development and rental housing development, contributing around 15.9% of total revenue in 2024, after the consolidation of Hubei Qingneng Investment Development Group Co., Ltd. (“HQID”). The real estate development projects are undertaken under self-constructed model and joint-venture constructed model. Under the joint-venture constructed model, the Company establishes project companies in collaboration with large state-owned real estate developers such as China State Construction Engineering Co., Ltd. and China Resources Land Co., Ltd., jointly participating in project management and operations. As of 30 September 2025, the Company had completed a series of key real estate projects with total saleable area of 5.5 million square meters (“sqm”) and an average absorption rate of approximately 92.1%. Besides, the Company had 12 self-constructed projects and 13 joint-venture constructed projects under construction with a total estimated investment of RMB59.4 billion and an uninvested amount of RMB14.4 billion. Meanwhile, the Company had land reserves with area of 391.3 thousand sqm for future development, mainly used for residential projects. Although HUBI's real estate development business has regional advantages with sufficient project reserves, the combined effects of large-scale construction and high destocking pressure may increase its capital expenditure pressure and the uncertainty regarding future sales amid the property market contraction in China.

HUBI’s industrial finance business includes guarantee services and financial leasing services. From 2022 to 2024, the revenue from industrial finance business increased from RMB1.2 billion to RMB1.6 billion. The Company carries out its financial leasing business mainly through its subsidiary, Hubei Provincial Financial Leasing Co., Ltd. (“HBFL”), which adopts sale-leaseback business model for its financial leasing business. As of 30 September 2025, HBFL's outstanding leasing assets amounted to RMB5.3 billion, with a non-performing loan ratio of 0% for the past three years. The Company carries out its guarantee services business mainly through its subsidiary, Hubei Provincial Guarantee Group Co., Ltd. (“HBGG”), which is the first state-owned provincial-level professional guarantee platform in Hubei Province. As of 30 September 2025, HBGG's outstanding guaranteed amount was RMB74.0 billion, of which direct financing guarantees amounted to RMB67.3 billion. At the same time, HBGG's accumulated claim ratio stood at 0.5%, representing a relatively low level. However, the recovery rate remained moderate at 56.71%. Certain projects may face challenges in subsequent recovery efforts due to the complexity and protracted nature of the recourse procedures involved.

The Company also engages in television and media business through the acquisition of a list company, Wuhan DDMC Culture & Sports Co., Ltd. (“DDMC”, Stock Code: 600136.SH). The operating losses of DDMC have shown some improvement as HUBI has gradually assisted in injecting high-quality assets into it. In the first three quarters of 2025, DDMC reported revenue of RMB139.9 million and a net loss of RMB6.5 million. DDMC's operational performance remains susceptible to market fluctuations, which also elevates the Company's operational and management risks.

Solid track record of receiving government support

In recognition of the Company’s vital role in developing Hubei Province, HBUI has received solid support from the local government in terms of financial subsidies and asset injections. The local government transferred shares of several SOEs to the Company since its establishment, such as HQID, HRBG and HICG, greatly enhancing its capital strength and broadening its business scope. In addition, HBUI has a good track record of receiving government payments. From 2023 to 2025Q3, HBUI continuously received government subsidies with a total amount of around RMB738.3 million, including fiscal subsidies, tax refunds, highway subsidies, intercity railway tax refunds, and construction funds, which support its daily operations and future investment. We expect government support for HBUI to continue in light of the Company's important strategic role in the region.

Increasing debt burden driven by large investment needs

HBUI 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 September 2025, the Company’s total debt (including perpetual bonds) grew from RMB180.0 billion as of end-2023 to RMB217.3 billion. Despite the partial repayment of perpetual bonds and a significant increase in minority interests, HBUI’s leverage still remains high with substantial short-term refinancing needs. The debt leverage, measured by the total capitalization ratio (total debt/total capital) dropped from 74.5% to 72.8% during the same period. Meanwhile, the Company’s short-term debt accounted for 31.6% of the total debt as of 30 September 2025. Considering the Company’s ongoing investment needs, slow repayment progress of its agency construction projects and the perpetual bonds with actual repayment liability included in the equity, we expect that the Company will rely on external financings to meet its capital expenditures and the Company will maintain a relatively high debt level for the next 12-18 months.

Moderate asset liquidity

In addition, HBUI’s asset liquidity is moderate. The Company’s total assets mainly consist of inventories, receivables, and contract assets, which accounted for about 63.1% of its total assets at end-2025Q3, all of which are considered low liquidity. Inventories and contract assets were mainly investment costs for land development projects, property development and engineering construction projects, and completed commercial housing. The receivables were mainly unreceived payments from the agencies of the government or other SOEs. Besides, the Company’s debt investment, long term equity investment, investment properties, other equity instruments and other non-current financial assets accounted for around 11.5% of its total assets, generating supplementary income and cash flow to the Company. As of end-2024, the Company’s total restricted assets amounted to RMB27.2 billion, accounting for 6.7% of total assets, mostly pledged for bank borrowings.

Strong access to funding from banks and bond markets

The Company has access to various sources of funding, including bank loans, bond financing and non-standard financing. As of 30 September 2025, around 58.1% of the Company’s debt financing was provided by domestic banks, including policy banks and state-owned commercial banks; the Company had obtained total credit facilities of RMB319.4 billion and available credit facilities of RMB142.6 billion, indicating a sufficient liquidity buffer. In addition, it has good access to the bond markets as the proportion of bond financing in the debt structure is relatively high, accounting for around 33.0% of total debts. The Company’s bond financing channels are relatively smooth and has a good track record for fund-raising activities in capital market, including corporate bonds, MTNs, PPNs, perpetual bonds, and offshore bonds. As of 30 September 2025, the Company had outstanding bond amount of RMB72.8 billion. Meanwhile, the Company's exposure to non-standard financing is moderate, accounting for around 8.8% of total debt as of 30 September 2025. 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. HBUI 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 Hubei Province. HBUI is also exposed to social risks as it implements public-policy initiatives by building public infrastructure in Hubei Province. 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. 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.

Structural Consideration

HBUI's senior unsecured debt rating is equivalent to its long-term credit rating. We believe that government support will flow through the Company given its key roles in the industrial development of Hubei Province, thereby mitigating any differences in an expected loss that could result from structural subordination.

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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