

Hubei Guanggudong State-Owned Capital Investment and Operation Group Ltd.

Summary

Issuer Rating	BBB
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	30 December 2025

Lianhe Ratings Global Limited (“Lianhe Global”) has affirmed ‘BBB’ global scale Long-term Issuer and Issuance Credit Rating of Hubei Guanggudong State-Owned Capital Investment and Operation Group Ltd.; Issuer Rating Outlook Stable

Summary

The Issuer Credit Rating reflects a high possibility that the People’s Government of Daye City (“the Daye government”) would provide strong support to Hubei Guanggudong State-Owned Capital Investment and Operation Group Ltd. (“GGDSI”) if needed. This mainly considers its indirectly full ownership of GGDSI and GGDSI’s strategic importance as the largest local investment and development company (“LIDC”) in terms of asset size in Daye. The linkage between the Daye government and GGDSI is strong, including management supervision, strategic alignment, and ongoing operational and financial support. In addition, the Daye government may face significant negative impact on its reputation and financing activities should GGDSI encounters any operational and financial difficulties.

Daye is a county-level city of Hubei Province and is managed by Huangshi City. It is one of the top 100 counties in China. Daye’s GDP grew by 7.1% to RMB93.1 billion in 2024, while the Daye government’s budgetary revenue increased by 14.0% to RMB5.4 billion.

The Stable Outlook reflects our expectation that GGDSI’s strategic importance would remain intact while the Daye government will continue to ensure GGDSI’s stable operation.

Lianhe Global has also affirmed the global scale Long-term Issuance Credit Rating of the senior unsecured bonds issued by GGDSI at ‘BBB’. A full list of affirmed issuance ratings is included in this report.

Rating Rationale

Government’s Ownership and Supervision: The State-owned Assets Supervision and Administration Bureau of Daye (“Daye SASAB”), as the ultimate controller of GGDSI, holds 100% equity through Hubei Guanggudong Holding Group Co., Ltd. (“GGDH”). The Daye government supervises the company via Daye SASAB, including appointment of senior management, supervision of decision-making on major investment and financing plans and strategic alignment. In addition, the local government has set up an annual assessment mechanism for GGDSI and regularly appoints auditors to review its operating performance and financial position.

Strategic Importance and Strategic Alignment: GGDSI is Daye’s largest LIDC in terms of asset size. The company takes part in infrastructure development within the region and operates the city’s utilities, such as water supply, sewage treatment and public transportation. The company also develops Daye’s state-owned assets (mainly mineral resources) and invests in new energy projects within the region to promote local industrial development. GGDSI’s business operations and strategic planning have been aligned with the local government’s economic and social development policies.

Analysts

Chris Cao
(852) 3462 9579
chris.cao@lhratingsglobal.com

Roy Luo, CFA, FRM, CESGA
(852) 3462 9582
roy.luo@lhratingsglobal.com

Applicable Criteria

China Local Investment and Development Companies Criteria (31 Julv 2025)

Strong Government Support: The Daye government provided ongoing support in forms of asset injections and operational subsidies to GGDSI. In 2024, the Daye government injected mineral resources and operating rights valued at RMB6.2 billion. In addition, the company received operational subsidies of RMB1,087 million and RMB301 million in 2024 and the first half of 2025, respectively, to support its activities in relation to providing public services and goods. We believe GGDSI is likely going to receive government support given its strategic importance in Daye.

GGDSI's Financial and Liquidity Position: GGDSI's total assets expanded to RMB92,393 million at end-June 2025 from RMB62,072 million at end-2022, mainly driven by the government's asset injections and the company's active participation in Daye's project development. Its financial leverage, as measured by debt/capitalization, stayed at around 40% level (end-June 2025: 41.2%).

GGDSI's short-term debt servicing pressure is very high. At end-June 2025, the company had unrestricted cash of RMB333 million, compared with its debt due within one year amounting to RMB10,876 million. Yet, GGDSI has unused bank facilities of RMB1.9 billion at end-2024, which could support the company's debt repayment and operation to some extent. We also expect the company to roll over most of its short-term bank borrowings (end-June 2025: RMB858 million).

Rating Sensitivities

We would consider downgrading GGDSI's rating if (1) there is perceived weakening in support from the local government, particularly due to its reduced strategic importance, or (2) there is a significant reduction of the local government's ownership of GGDSI, or (3) there is a downgrade in our internal credit assessment on the Daye government.

We would consider upgrading GGDSI's rating if (1) there is strengthened support from the local government, or (2) there is an upgrade in our internal credit assessment on the Daye government.

Any rating action on GGDSI's rating would result in a similar rating action on the bonds.

Full List of Issuance Rating

- CNY1143 million 7.5% Bonds due 2026 affirmed at 'BBB'.

Operating Environment

Economic Condition of Daye

Daye is a county-level city of Hubei Province and is managed by Huangshi. It is one of the top 100 counties in China. Daye's GDP amount increased to RMB93.1 billion in 2024, from RMB86.3 billion in 2023, and its GDP growth rate increased to 7.1%, from 6.2% in 2023. Its Fixed asset investment growth rate also accelerated to 12.1% from 5.7% over the same period.

Daye's Economic Condition

(RMB billion)	2022	2023	2024
GDP	86.1	86.3	93.1
-Primary industry (%)	6.8	7.0	6.9
-Secondary industry (%)	57.7	53.1	54.8
-Tertiary industry (%)	35.5	39.9	38.3
GDP growth rate (%)	6.5	6.2	7.1

Fixed asset investment growth rate (%)	19.5	5.7	12.1
Population (million)	0.87	0.86	0.86

Source: Statistic Bureau of Daye and Lianhe Global's calculations

Fiscal Condition of Daye

The budgetary revenue of the Daye government increased to RMB5.4 billion in 2024 from RMB4.8 billion in 2023, with a rapid year-over-year growth rate of 14.0%. The fiscal self-sufficiency rate of the Daye government remained weak, although its budget deficit narrowed to 53.8% in 2024 from 63.9% in 2023. In addition, the government fund income rebounded to RMB5.1 billion in 2024 from RMB3.6 billion in 2023, mainly due to the increased land use right transfer income.

The outstanding debt of the Daye government kept growing in past few years. At end-2024, the Daye government's outstanding debt increased to RMB17.6 billion from RMB14.0 billion at end-2023, mainly due to the issuance of special purpose debts to support local public projects. Its government debt ratio, as measured by the total government debt/aggregate revenue, increased to 124.4% at end-2024 from 114.8% at end-2023.

Daye's Fiscal Conditions

(RMB billion)	2022	2023	2024
Budgetary revenue	4.1	4.8	5.4
Budgetary revenue growth rate (%)	9.1	16.6	14.0
Tax revenue	3.1	3.5	3.6
Tax revenue (% of budgetary revenue)	75.0	73.0	66.5
Government fund income	8.9	3.6	5.1
Transfer payment	3.4	3.8	3.4
Aggregate revenue	16.4	12.2	14.1
Budgetary expenditure	8.1	7.8	8.3
Budget deficit ¹ (%)	-98.1	-63.9	-53.8
Government debt ratio (%)	66.4	114.8	124.4

¹ Budget deficit = (1-budgetary expenditure / budgetary revenue) * 100%

Source: Finance Bureau of Daye and Lianhe Global's calculations

Company Profile

GGDSI, formerly known as Daye State-Owned Assets Management Co., Ltd., was established in 2003 with the approval by the People's Government of Hubei Province and the Daye government. The company was the major state-owned assets operating entity in Daye. In December 2024, its 100% stake in the company's equity was transferred free of charge to GGDH, a Daye-based state-owned holding company established in 2021. Daye government remains the ultimate controller. GGDH and GGDSI shares a same management team.

GGDSI's operation scope included infrastructure development, utility operation, state-owned property leasing, mine development and industry investment, etc. The company recorded total revenue of RMB3,309 million, 6,108 million and 6,565 million in 2022, 2023 and 2024, respectively, representing an upward trend. In the first half of 2025, the GGDSI realized revenue of RMB1,640 million. Its gross margin fluctuated between 5%-10% over the same period.

Key Financial Data

(RMB million)	2022	2023	2024	2025.6
Total Assets	62,072	77,575	89,522	92,393
Equity	31,688	40,475	45,914	46,445



Debt	23,261	24,982	30,421	32,589
Debt / (Debt + Equity) (%)	42.3	38.2	39.9	41.2
Unrestricted cash/ST Debts (x)	0.05	0.02	0.03	0.05
Debt/EBITDA (x)	25.2	24.4	29.0	-
Revenue	3,309	6,108	6,565	1,640
Operation Profit	291	254	364	122
Gross Margin (%)	9.0	5.2	5.6	8.6
Cash from sales or services/ Revenue (%)	169.8	98.2	115.7	70.2

Source: GGDSI and Lianhe Global's calculations

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