

Hubei New Tongdu Urban Investment and Development Group Co., Ltd.

Lianhe Ratings Global Limited (“Lianhe Global”) has upgraded the global scale Long-term Issuer and Issuance Credit Rating of Hubei New Tongdu Urban Investment and Development Group Co., Ltd. (“HNTU”) to ‘A-’ from ‘BBB’; Issuer Rating Outlook Revised to Positive

Summary

The Issuer Credit Rating upgrade reflects the upgrade in our internal credit assessment on the People’s Government of Daye (“the Daye government”) and strengthened support from the local government, which initiated multiple rounds of asset and equity injections into HNTU in the past three years.

We believe this continues to reflect a high possibility that the Daye Government would provide very strong support to HNTU if needed. This mainly considers the Daye government’s indirect vast majority ownership of HNTU and its strategic importance as a major local investment and development company (“LIDC”) responsible for urban development and industrial investment in Daye. The linkage between the Daye government and HNTU is strong, including management supervision, strategic alignment, and ongoing operational and financial support. In addition, we believe that the local government has a very strong willingness to ensure the issuer’s business and financial viability in order to safeguard its reputation and local financing activities.

Daye is a county-level city in Hubei Province under the administration of Huangshi. It is one of the top 100 counties in China with a GDP size exceeding RMB100 billion. Daye maintained relatively high GDP growth over the past three years, recording 6.2%, 7.1%, and 7.5% in 2023, 2024, and 2025, respectively, indicating an upward trend. The Daye government’s budgetary revenue also grew strongly by 15.4% to RMB6.3 billion in 2025.

The Positive Outlook reflects our expectation that HNTU’s strategic importance would be strengthened given its increasing involvement in Daye’s integration into the Wuhan Metropolitan Area, as well as its role in supporting the city’s industrial upgrading as a key strategic node within the Wuhan metallurgy and building materials corridor, aligning with Hubei Province’s development plan.

Lianhe Global has also upgraded the Long-term Issuance Credit Rating of the senior unsecured bonds issued by HNTU to ‘A-’ from ‘BBB’. A full list of issuance rating 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 HNTU, indirectly holds 97.02% of its equity; The remaining 2.98% is indirectly owned by Hubei Provincial Department of Finance. The Daye government has the final decision-making authority and strong supervision over the company, including appointment and supervision of the senior management, strategic alignment and decision on its major investment and financing plans. In addition, the Daye government has assessment mechanism over the company and regularly appoints auditors to review the company’s operating performance and financial position.

Summary

Issuer Rating	A-
Outlook	Positive
Location	China
Industry	Local Investment and Development Companies
Date	18 June 2026

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Applicable Criteria

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

Strategic Importance and Strategic Alignment: HNTU is a major LIDC that is responsible for urban development and operation, as well as rural revitalization and industrialization in Daye. HNTU controls two major subsidiaries, Hubei Jingchu Investment Development (“HJID”) and Hubei Edong Urban-Rural Integration Industrial Investment Group Co., Ltd. (“HEURI”, ‘A-’/Stable). HJID undertakes key development projects, including the construction of infrastructure and public facilities. It also manages the city’s utility services (water supply and sewage treatment) and public transportation. HEURI is primarily engaged in renewable resource recycling to facilitate Daye’s industrial upgrading, while also participating in smart parking operations, leasing, and design services. Overall, HNTU’s business operations and strategic planning are closely aligned with the Daye and Hubei governments’ strategic blueprints for urban and industrial development.

Strong Government Support: The Daye government provides ongoing support to HNTU, mainly in the form of asset and equity injections. The local government had injected a large amount of assets including tailings ponds, reservoirs and state-owned properties in 2022 into HNTU. The company also received operating subsidies of RMB496 million, RMB548 million and RMB518 million in 2023, 2024 and 2025, respectively, as well as a cash capital injection of RMB375 million in 2025, demonstrating stable and higher-quality government support in recent years. We expect the support from the local government to remain intact given HNTU’s strategic importance in Daye.

HNTU’s Financial and Liquidity Position: As HNTU actively participated in Daye’s project development, its total assets increased to RMB59.7 billion as of end-2025, compared with RMB56.5 billion as of end-2023. In addition to government support, the company also relied on borrowings to support its asset expansion. HNTU’s total debt also expanded to RMB26.8 billion from RMB20.6 billion over the same period, pushing its financial leverage, as measured by the debt to capitalization ratio, to 47.7% from 39.3%.

HNTU’s asset liquidity remains weak. Inventories (mainly lands and construction costs) and construction in progress accounted for approximately 76.2% of the company’s total assets at end-March 2025. These assets typically take a long time to monetize owing to protracted development and a cash collection period. In addition, the company holds a large amount of assets with low liquidity, such as tailings ponds, reservoirs, and usage rights.

The short-term debt servicing pressure of HNTU is high. At end-2025, the company had a cash balance of RMB949 million, while its debt due within one year was RMB14.9 billion. Nevertheless, HNTU has access to various financing channels, including bank loans, bond issuances, and other non-traditional financing channels, to support its debt repayments and business operations. As of the end-2025, the company had total credit line of RMB29.0 billion, of which RMB20.7 billion was unused. We also expect the company to roll-over its short-term bank borrowings (end-2025: RMB1.3 billion) and receive timely government support if needed.

Rating Sensitivities

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

We would consider upgrading HNTU’s rating if (1) there is an upgrade in our internal credit assessment on the Daye government, and/or (2) there is strengthened support from the Hubei government.

Any rating action on HNTU’s rating could result in a similar rating action on the USD bonds.

Full List of Issuance Rating

- USD209 million 7.5% guaranteed bonds due 2026 upgraded to 'A-' from 'BBB'

Operating Environment

Economic Condition of Daye

Daye is a main hub for industrial clusters in the Wuhan Metropolitan Area. Its GDP exceeded RMB100 billion in 2025, ranking first among six districts and counties in Huangshi. Its economy is crucial to Huangshi City and even the Hubei Province. Daye's GDP grew by 7.8% to RMB100.3 billion in 2025 from RMB93.1 billion in 2024, accelerating from 7.1% growth in the prior year and demonstrating robust economic momentum.

Daye's Economic Conditions (RMB billion)	2023	2024	2025
GDP	86.3	93.1	100.3
-Primary industry (%)	7.0	6.9	-
-Secondary industry (%)	53.1	54.8	-
-Tertiary industry (%)	39.9	38.3	-
GDP growth rate (%)	6.2	7.1	7.8
Fixed asset investment growth rate (%)	5.7	12.1	6.2
Population (million)	0.9	0.9	0.9

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

Fiscal Condition of Daye

Daye's budgetary revenue grew by 15.4% to RMB6.3 billion in 2025, showing resilient momentum compared to 14.0% in 2024 and 16.6% in 2023. However, the tax revenue ratio declined markedly to 60.8% from 66.5% in 2024 and 73.0% in 2023. Government fund income declined to RMB4.2 billion in 2025 from RMB5.1 billion in 2024 amid property market volatility, though remaining above the RMB3.6 billion level in 2023.

The outstanding debt of the Daye government increased substantially to RMB21.3 billion at end-2025 from RMB17.6 billion at end-2024, mainly due to the new issuance of special-purpose debts to support local public projects. As a result, its government debt ratio, as measured by total government debt/aggregate revenue, expanded to 149.8% from 124.0% over the same period.

Daye's Fiscal Condition (RMB billion)	2023	2024	2025
Budgetary revenue	4.8	5.4	6.3
Budgetary revenue growth rate (%)	16.6	14.0	15.4
Tax revenue	3.5	3.6	3.8
Tax revenue (% of budgetary revenue)	73.0	66.5	60.8
Government fund income	3.6	5.1	4.2
Transfer payment	3.8	3.4	3.5
Aggregate revenue	12.2	14.2	14.2
Budgetary expenditure	7.8	8.3	8.9
Budget balance ¹ (%)	-63.9	-53.8	-42.7
Government debt ratio (%)	114.8	124.0	149.8

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

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

Company Profile

HNTU was established in May 2019 with an initial registered capital of RMB500 million. After an array of capital injections and equity transfers, the company's paid-in capital was enlarged to RMB1,461 million by end-2025. Daye SASAB, as the ultimate controller of HNTU, indirectly holds 97.02% of its equity; The remaining 2.98% is indirectly owned by Hubei Provincial Department of Finance.

HNTU is the major LIDC in Daye. The company undertakes important development projects including construction of infrastructure and public facilities, etc. It also operates the city's utility (water supply and sewage treatment) and public transportation. The company has further expanded renewable resource recycling business in recent years.

HNTU realized revenue of RMB2.5 billion, 2.7 billion and 2.7 billion in 2023, 2024 and 2025, respectively. The gross margin of HNTU has increased to 8.2% from 6.5% over the same period. However, the company recorded operating losses in the past three years due to the high financing costs.

Key Financial Data			
(RMB million)	2023	2024	2025
Total Assets	56,503	58,497	59,745
Equity	31,840	30,781	29,454
Debt	20,591	24,945	26,840
Debt / Capitalization (%)	39.3	44.8	47.7
Unrestricted cash/ST Debts (x)	0.01	0.05	0.02
Debt/EBITDA (x)	103.1	122.1	35.3
Revenue	2,499	2,652	2,691
Operation Profit	-383	-325	-348
Gross Margin (%)	6.5	7.8	8.2
Cash from sales or services/ Revenue (%)	92.8	115.2	108.8

Source: HNTU and Lianhe Global's calculations

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