Credit Opinion

26 June 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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Wuhan Urban Construction Group Co., Ltd.

Surveillance credit rating report

CCXAP affirms Wuhan Urban Construction Group Co., Ltd.'s long-term credit rating at A_g+, with stable outlook.

Summary

The A_g+ long-term credit rating of Wuhan Urban Construction Group Co., Ltd. ("WUCG" or the "Company") reflects (1) Wuhan Municipal Government's excellent capacity to provide support, and (2) the local government's very high willingness to provide support, based on our assessment of the Company's characteristics.

Our assessment of Wuhan Municipal Government's capacity to provide support reflects its status as the capital of Hubei Province, with good economic growth and outstanding fiscal quality.

The rating also reflects the local government's willingness to provide support, which is based on the Company's (1) vital role in Wuhan's economic and social development; (2) good track record of receiving ongoing government support; and (3) strong access to capital with diversified funding channels.

However, the rating is constrained by the Company's (1) high exposure to commercial activities, especially in property development business; (2) weak asset liquidity; and (3) medium contingent liability risk.

The stable outlook on WUCG's rating reflects our expectation that the local government's capacity to support will remain stable, and the Company will maintain its strategic position in the development of Wuhan City in the next 12 to 18 months.

Rating Drivers

- Strategic positioning as Wuhan City's primary infrastructure platform
- High exposure to commercial activities
- Good track record of receiving ongoing government support
- Decreasing debt amount, but moderate asset liquidity
- Strong access to capital with diversified funding channels
- Medium contingent liability risk from external guarantees provided to local SOEs

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) the local government's capacity to support strengthens; and (2) the Company's characteristics change in a way that strengths the local government's willingness to support, such as decrease in exposure to commercial activities or improvement in assets quality.

What could downgrade the rating?

The rating could be downgraded if (1) the local government's capacity to support weakens; or (2) the Company's characteristics change in a way that weakens the local government's willingness to support, such as decrease in its strategic significance; decrease in government payments; or increase in debt burden.

Key Indicators

	2023FY	2024FY	2025FY	2026Q1
Total Asset (RMB billion)	388.9	390.4	397.9	403.8
Total Equity (RMB billion)	101.3	102.5	118.3	122.3
Total Revenue (RMB billion)	64.1	61.2	53.6	9.1
Total Debt/Total Capital (%)	58.7	56.2	51.1	52.2

All ratios and figures are calculated using CCXAP's adjustments

Source: Company data, CCXAP research

Corporate Profile

Founded in 2002, WUCG is one of the key local infrastructure investment and financing entities ("LIIFCs") in Wuhan City. It specializes in undertaking public-policy projects such as indemnificatory housing, shantytown renovation and municipal infrastructure development, while concurrently engaging in commercial operations including real estate development and engineering construction. As of 31 December 2025, WUCG was wholly owned and ultimately controlled by the State-owned Assets Supervision and Administration Commission of Wuhan Municipal People's Government ("Wuhan SASAC").

Exhibit 1. Revenue structure in 2025

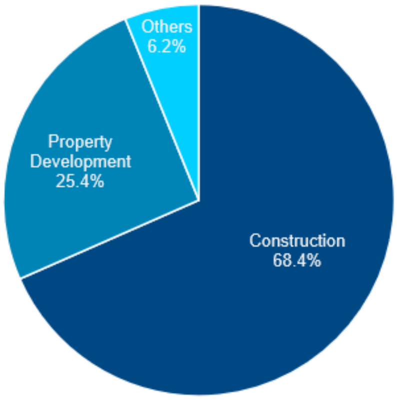
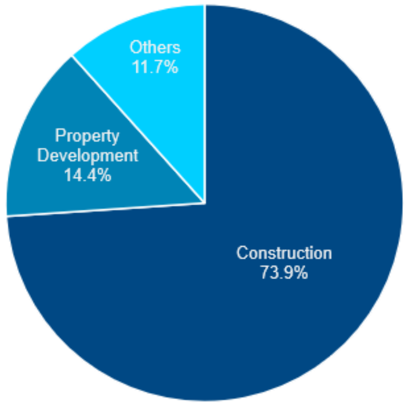
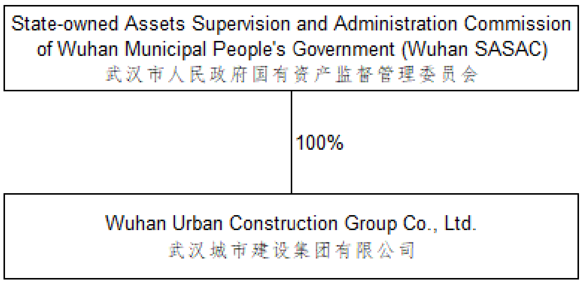


Exhibit 2. Gross profit structure in 2025



Source: Company information, CCXAP research

Exhibit 3. Shareholding structure as of 31 March 2026



Source: Company information, CCXAP research

Rating Considerations

Government's Capacity to Provide Support

We believe that Wuhan Municipal Government has an excellent capacity to provide support as reflected by its status as the capital of Hubei Province, with good economic growth and outstanding fiscal quality.

Located at the geographic and logistics core of the Yangtze River Economic Belt, Hubei Province is a vital economic hub in central China. Hubei Province possesses a solid foundation in different industries such as metallurgy, automobiles, chemicals, building materials, food, machinery manufacturing, textiles, electronics, and shipbuilding. Hubei Province ranks as China's seventh-largest provincial economy. In 2025, its GRP reached RMB6.3 trillion, representing a year-on-year (YoY) growth rate of 5.5%. Concurrently, its fiscal strength improved steadily, with general budgetary revenue increasing from RMB393.7 billion in 2024 to RMB421.1billion in 2025. As of end-2025, Hubei provincial government's direct debt was RMB2.2 trillion, accounting for 34.5% of its GRP.

Exhibit 4. 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

As the capital city of Hubei Province, Wuhan City is the most economically developed city in Hubei Province, ranking first regionally in both GRP and fiscal revenue. Wuhan has breakthrough development of five key industries, including optoelectronics information, new energy and intelligent connected vehicles, life and health, high-end equipment manufacturing, and the Beidou satellite navigation and airborne information ecosystem. In addition, Wuhan City possesses a diversified economic structure that demonstrates robust risk-resistance capabilities. Driven by an accelerated expansion in high-tech industrial production and a resilient service-based tertiary sector, Wuhan City’s GRP reached RMB2.2 trillion in 2025, a YoY increase of 5.6%, maintaining its rank as 9th largest municipal economy in China. Wuhan City displays strong revenue quality and solid fiscal self-sufficiency. Over the past three years, tax revenue accounted for an average of around 75% of the general budgetary revenue, underscoring a stable tax base. Besides, its fiscal self-sufficiency ratio (defined by general budgetary revenue to general budgetary expenditure) averaged a resilient 70.0%. The outstanding direct government debt of Wuhan City was RMB889.6 billion at end-2025, accounting for 40.2% of its GRP.

Exhibit 5. Key Economic and Fiscal Indicators of Wuhan City

	2023FY	2024FY	2025FY
GRP (RMB billion)	2,001.2	2,110.6	2,214.7
GRP Growth (%)	5.7	5.2	5.6
General Budgetary Revenue (RMB billion)	160.1	166.7	174.3
General Budgetary Expenditure (RMB billion)	220.4	248.1	252.1
Local Government Debt (RMB billion)	684.6	780.6	889.6

Source: Statistics Bureau of Wuhan City, CCXAP research

Government’s Willingness to Provide Support

Strategic positioning as Wuhan City’s primary infrastructure platform

As one of the primary urban construction enterprises under Wuhan Municipal Government, WUCG plays a crucial strategic role in executing the city's urbanization and economic development initiatives. The Company has occupied a leading position among the municipal state-owned enterprises (“SOEs”) in Wuhan City in terms of annual investment in infrastructure construction since its establishment. WUCG has undertook the construction of critical public-sector projects and landmark buildings, including municipal road networks, elevated bridges spanning administrative regions, cultural and arts centers, and affordable housings. In addition, the local government has exclusively designated the Company as the financing platform for all urban shantytown redevelopment projects in the city.

WUCG’s infrastructure development and construction activities are primarily executed under cost compensation model and leasing model. As of the end of 2025, all projects constructed under the lease model have been completed. Under this model, relevant government authorities pay the Company an annual rent of 7.75% of the total investment, with the lease tenors typically spanning 15-20 years. Meanwhile, the Company manages infrastructure projects under cost compensation model, for which the Wuhan Municipal Finance Bureau will allocate special fiscal funds through land transfer revenue to offset construction costs. As of end-2025, projects under construction represented a total planned investment of RMB26.3 billion and the remaining investment amount of RMB753.0 million. In addition, certain constructed assets are managed directly by competent government departments, which utilize earmarked operational surpluses to settle WUCG’s related expenses and balance construction funds. Although WUCG has a massive volume of unsettled project assets with substantial capital deployment, this robust project pipeline underpins the Company's long-term operational stability.

In addition, WUCG also participates in affordable housing projects. As of 31 December 2025, the Company had completed 6 public rental housing projects, with a total investment of RMB3.6 billion, of which RMB3.2 billion was funded through fiscal allocation. The Company operates and manages these public rentals housing units, with accumulated rental revenue of about RMB811.0 million. For the shanty-town renovation projects, the Company mainly uses two models: government procurement of services and entrusted construction. Under the government procurement of services model, the subsidiaries act as suppliers to execute shanty-town renovation projects, with all funding directly provided through municipal fiscal budget of the local government. As of 31 December 2025, the investment for all the shantytown renovation projects under construction has accumulated to RMB72.9 billion.

High exposure to commercial activities, with shrinking margins result from property development

WUCG's commercial activities mainly include engineering construction and commercial property development. We consider the Company’s exposure to commercial activities to be high, with core inventory and contract assets accounting for more than 30% of its total assets. The commercial activities generally undertake higher business risks than public policy projects. Direct government support flow is less likely for WUCG’s commercial activities. Due to changes in real estate market demand, the Company faces pressure on capital expenditures and sales in commercial real estate development.

WUCG maintains a leading position among local commercial property development, ranking 28th on the 2025 China’s Top 100 Real Estate Enterprises list and holding No.1 sales position in Wuhan for six consecutive years. The Company is primarily focusing on the development and sale of residential properties and commercial properties, mainly concentrating in Wuhan City and expanded into key cities in the Yangtze River Delta and the Greater Bay Area. In 2025, macroeconomic headwinds and a sluggish domestic real estate market have continued to constrain the segment's profitability and operating cash flows. In 2025, the Company’s property development gross margin experienced substantial compression, dropping to 4.7% from 10.4% in 2024. At the same time, revenue from real estate development in 2025 was RMB13.6 billion, a significant decrease from the RMB28.9 billion recorded in 2024. In addition, the Company may face risks of inventory write-downs and impairment of contract assets, which could affect the stability of its operations. As of 31 December 2025, the Company has completed 72 property projects with a total invested amount of RMB175.1 billion and collected project sales totaling RMB142.6 billion. Besides, it had 17 major property projects under construction with a total planned investment of RMB69.9 billion, as well as 8 property projects under planning with total planned investment amount over RMB28.3 billion. Notably, the Company accelerated its land banking activities in 2025, acquiring 21 land parcels in Wuhan for a total transaction price of RMB13.9 billion. While this land bank underpins long-term development, the capital deployment amplifies near-term capital expenditure pressures and exposes the Company to inventory write-down and asset impairment risks.

Engineering construction is the primary driver of revenue and profitability of WUCG. The Company maintains a strong competitive position in engineering construction business in Wuhan City, with steady revenue growth and a robust project pipeline that provides solid support for future performance. Operating mainly under EPC and PPP models, the Company undertakes projects primarily in Wuhan City, where critical municipal mandates are historically designated to leading state-owned operators. In 2025, the engineering construction segment generated RMB36.7 billion in revenue, with the gross profit margin stabilizing at around 10%. As of 31 December 2025, the Company had 7 EPC engineering construction projects under construction, with a total contract amount of RMB8.8 billion and has achieved total project payments of RMB2.0 billion. Meanwhile, as of the end of March 2026, the Company had outstanding contracts totaling RMB26.4 billion. Under the PPP model, the Company managed 4 projects with a planned investment of RMB11.7 billion and slow project payments of

RMB2.5 billion. All PPP projects have been included in the project management database of the Ministry of Finance.

Good track record of receiving ongoing government support

As a key state-owned enterprise directly administered and monitored by the Wuhan SASAC, WUCG has an established track record of receiving municipal government financial support through multiple channels, including capital injections, fiscal subsidies, project funding, and operational asset transfers. In 2025, the local government provided cash capital injections totaling RMB3.3 billion to strengthen the Company capital base. Concurrently, government fiscal subsidies allocated for urban construction and project-balancing purposes increased significantly, amounting to RMB10.5 billion in 2025.

Beyond direct fiscal funding, the local government routinely bolsters the Company’s balance sheet through asset injections. In 2025, the Wuhan Municipal Government transferred public rental housing assets with a book value of RMB754.0 million to the Company. In addition, a free-of-charge equity transfer of a municipal subsidiary was completed, which expanded WUCG's capital reserves by RMB644.0 million. Considering its strategic role in Wuhan City, we expect the local government will provide ongoing support to the Company in the near to medium future.

Decreasing debt amount, but moderate asset liquidity

Benefiting from the allocation of government debt-resolution funds and the implementation of proactive liability management initiatives, WUCG’s debt burden continued to decline in 2025. The Company’s total debt decreased from RMB131.5 billion at end-2024 to RMB123.2 billion at end-2025. Despite the contraction in debt volume, the Company’s leverage remains relatively high, characterized by a total capitalization ratio (total debt to total capital) of 51.1% at end-2025. Concurrently, the Company faces intensifying short-term debt servicing and refinancing pressures, with short-term debt representing 29.2% of total debt at end-2025. While WUCG maintains substantial commitments to public policy infrastructure and commercial real estate investments, the ongoing fiscal support for policy-driven capital expenditures and debt obligation contain further leverage expansion. We expect the Company’s debt level to remain stable over the next 12-18 months.

WUCG’s asset liquidity is weak, constrained by a substantial portion of illiquid and long-term assets. As of 31 March 2026, inventories accounted for 25.1% of the Company’s total assets, primarily comprising of property development costs and land primary development cost. Other non-current assets largely consisted of infrastructure construction projects and affordable housings, totally accounting for 27.5% of total assets. The weak liquidity asset may undermine the Company’s financing flexibility. Additionally, in 2025, affected by the changes in market demand for real estate market, the Company continued to accrue RMB500.0 million in inventory impairment provisions. Given its substantial property development costs and large-scale properties for sale, the Company still faces inventory write-down risks amid market uncertainty. As of end-2025, the Company pledged RMB21.7 billion in assets as loan collateral, representing for 5.5% of its total assets.

Strong access to capital with diversified funding channels

WUCG’s diversified funding channels effectively alleviate its immediate short-term debt servicing and refinancing pressures. The Company maintains robust financing capabilities through an extensive network of domestic policy and commercial bank credit streams. It also demonstrates active access to public debt capital markets. The Company has sufficient standby liquidity. As of the end of 2025, it obtained total credit facilities of RMB294.2 billion from diversified domestic policy banks and commercial banks, with an available amount of

RMB159.7 billion. The Company demonstrates strong access to debt capital markets. Since 2025, WUCG has successfully issued multiple tranches of onshore debt instruments, including corporate bonds, MTNs, SCPs, and PPNs, benefiting from a clear downward trend in financing costs and coupon rates. Supplementing its domestic funding, the Company also has established channels to offshore capital market, with USD500.0 million in outstanding offshore bonds. In 2025, WUCG significantly reduced its reliance on high-cost non-standard financing. As of 31 December 2025, outstanding non-standard financing contracted to RMB17.4 billion, representing for less than 15.0% of its total interest-bearing debt.

Medium contingent liability risk from external guarantees provided to local SOEs

The Company is exposed to a medium contingent liabilities risk. At end-2025, the Company had an external guaranteed balance of RMB53.2 billion, accounting for 45.0% of its total equity. Those guaranteed entities are the SOEs in Wuhan City. The credit risk of the Company and other local SOEs might be heightened if one guaranteed entity suffers from credit issues. However, we believe the overall risk of contingent liabilities is manageable as the government is highly likely to provide the necessary support when needed.

ESG Considerations

WUCG assumes environmental risks through its urban infrastructure projects. Such risks could be moderated through environmental studies and detailed planning prior to the start of the projects and close supervision during construction.

In terms of social awareness, WUCG has played a crucial role in the social welfare of Wuhan City by involving the construction of public projects and indemnificatory housing projects in Wuhan City.

In terms of corporate governance, WUCG's governance considerations are also material as the Company is subject to local government oversight and reporting requirements, reflecting its public-policy role and status as a government-owned entity.

Structural Consideration

WUCG'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 strategic position in the development of Wuhan City, 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).

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.

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