

CCXAP assigns first time long-term credit rating of A_g- to Wuxi Gaofa Investment & Development Group Co., Ltd., with stable outlook.

Hong Kong, 24 July 2023 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned first time long-term credit rating of A_g- to Wuxi Gaofa Investment & Development Group Co., Ltd. (“WXGF” or the “Company”), with stable outlook.

The A_g- long-term credit rating of WXGF reflects (1) Xinwu District Government’s very strong capacity to provide support; and (2) the local government’s extremely high willingness to provide support, based on our assessment of the Company’s characteristics. Our assessment of Xinwu District Government’s capacity to provide support reflects Xinwu District’s good economic fundamentals and fiscal profile. Its gross regional production (“GRP”) exceeds RMB240 billion, ranking second among districts in Wuxi City. Wuxi High-Tech Zone is also one of the top 20 high-tech zones in China.

The rating also reflects the local government’s willingness to support, which is based on the Company’s (1) essential role in infrastructure construction and industrial park operations in Xinwu District; (2) solid track record of receiving government payments; and (3) good access to diversified financing channels. However, the rating is constrained by the Company’s (1) medium risk exposure to commercial activities; (2) moderate debt management with an increasing debt burden; and (3) medium level of contingent risks.

Corporate Profile

Founded in 2018, WXGF is the most important local infrastructure investment and financing company (“LIIFC”) in Wuxi High-tech Zone (Xinwu District). As of 31 March 2022, it was directly and wholly owned by the Xinwu District Government. In 2022, the government transferred all holding shares of Wuxi New District Technology Financial Venture Investment Group Co., Ltd. (“WXVI”) and Wuxi New District Development Group Company Limited (“WXND”) to the Company, making it the largest LIIFC by total assets in Xinwu District. WXGF plays an essential role in park operations, infrastructure construction and equity investment in Xinwu District. It also engages in engineering construction, property development, hotel operations, logistics and self-operated projects.

Rating Rationale

Credit Strengths

Essential role in infrastructure construction and park operations in Xinwu District. WXGF plays an important role in the development of Xinwu District, given its leading role in the operation of industrial parks, construction of infrastructure and provision of public services. The Company is the largest LIIFC by total assets in Xinwu District, and is responsible for all industrial parks except Taike Park.

Solid track record of receiving government payments. As the most important LIIFC in Xinwu District, WXGF has a good track record of receiving government support, such as obtaining

special funds for project construction, obtaining operating subsidies and capital injections. We expect WXGF to receive ongoing support from the government given its strategic position in the development of Xinwu District.

Good access to diversified financing channels. Both Wuxi City and Xinwu District are well-developed cities in China, with strong economic strengths and good financial environment. WXGF has good access to bank borrowing and debt capital market, which can partially relieve the pressure on debt repayment and capital expenditure.

Credit Challenges

Medium risk exposure to commercial activities. WXGF has medium risk exposure to commercial activities such as property development, property leasing, engineering construction, self-operated projects, and financial investments, based on our assessment of its assets. These activities are associated with the Company's core business of industrial park development, and the Company has a good operating track record in some of these activities.

Moderate debt management with an increasing debt burden. WXGF's debt had grown rapidly over the past three years mainly due to investment in the construction and operation of industrial parks and commercial activities. The Company had large investment plans in the future, which will be mainly used for the construction of industrial parks, sewage treatment, and self-operated projects. As project construction gradually progresses, it may rely on external financing to meet its funding gap.

Medium level of contingent risks. WXGF's credit profile is undermined by a relatively large number of external guarantees, which could potentially increase its repayment obligations. The objects of the guarantees are all state-owned enterprises in Xinwu District, and all guarantees have counter-guarantee measures. No guarantee is asked for compensation so far.

Rating Outlook

The stable outlook on WXGF rating reflects our expectation that Xinwu District Government's capacity to provide support will be stable, and the Company's characteristics such as its important role in Xinwu District will remain unchanged over the next 12 to 18 months.

What could upgrade the rating?

The rating could be upgraded if (1) Xinwu District Government's ability to provide support strengthens; and (2) the Company's characteristics change in a way that strengthens the local government's willingness to provide support, such as reduced exposure to high-risk commercial activities and improved debt management.

What could downgrade the rating?

(1) Xinwu District Government's ability to provide support weakens; or (2) the Company's characteristics change in a way that decreases the local government's willingness to provide



support, such as reduced policy significance, significantly increased exposure to risky commercial activities or increased contingent risks from external guarantees.

Rating Methodology

The methodology used in this rating is the Rating Methodology for [China's Local Infrastructure Investment and Financing Companies \(July 2022\)](#).

Regulatory Disclosures

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