

Credit Opinion

16 July 2025

Ratings	
Category	Corporate
Domicile	China
Rating Type	Solicited Rating
Long-Term Credit Rating	A _g
Outlook	Stable

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Suzhou SND Group Company Limited

Surveillance credit rating report

CCXAP affirms Suzhou SND Group Company Limited's long-term credit rating at A_g, with stable outlook.

Summary

The A_g long-term credit rating of Suzhou SND Group Company Limited ("SNDG" or the "Company") reflects (1) Suzhou New District ("SND") Government's very strong 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 the SND Government's capacity to support reflects SND's good economic and fiscal strengths with steady growth. SND ranked among China's top 20 national high-tech zones for years, with gross regional production ("GRP") exceeding RMB180 billion.

The rating also reflects the local government's willingness to support, which is based on the Company's (1) full ownership and direct management by the SND Government; (2) strong strategic importance in the development of SND; (3) solid government support such as ongoing capital injections and subsidies; and (4) good access to low-cost and stable funding.

However, the rating is constrained by the Company's (1) large exposure to commercial activities, which mainly includes property development and financial investment; and (2) fast expansion on the debt scale that exerts management pressure.

The stable outlook on SNDG'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 SND.

Rating Drivers

- Strong strategic role in the development of SND
- Large exposure to commercial activities
- Solid government support such as ongoing capital injections and subsidies
- Moderate debt management with fast expansion on the debt scale
- Good access to low-cost and stable funding
- Medium exposure to contingent risk

Rating Sensitivities

What could upgrade the rating?

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

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 reduced regional significance or deteriorated refinancing ability.

Key Indicators

	2022FY	2023FY	2024FY
Total Assets (RMB billion)	146.6	158.1	175.2
Total Equity (RMB billion)	35.6	37.7	43.0
Total Revenue (RMB billion)	14.4	13.3	14.0
Total Debt/Total Capital (%)	76.8	77.8	77.7

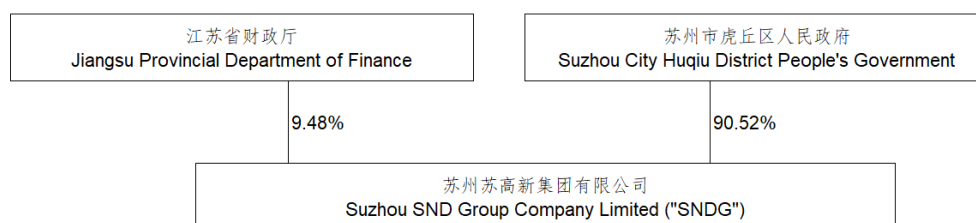
All ratios and figures are calculated using CCXAP's adjustments.

Source: Company data, CCXAP research

Corporate Profile

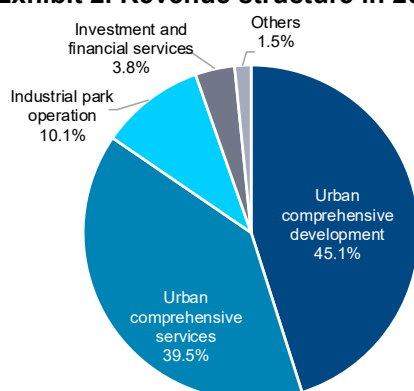
Established in 1990, SNDG is the largest and most important investment, financing and operating entity for the municipal development in Suzhou New District (Huqiu District), primarily focusing on infrastructure construction, affordable housing, water supply and sewage treatment within and surrounding the SND. The Company's business scope mainly classified into four sectors, urban comprehensive development, urban comprehensive services, industrial park operation, and investment and financial services. It carries out businesses mainly through its subsidiaries, including listed companies Suzhou New District Hi-tech Industrial Co., Ltd. ("SNDH", Stock Code: 600736.SH) and Suxin Joyful Life Services Co., Ltd. ("SJLS", Stock Code: 2152.HK). As of 31 March 2025, Suzhou City Huqiu District People's Government ("Huqiu District Government") held 90.52% of the Company's stakes, and the Jiangsu Provincial Department of Finance held the remaining 9.48%.

Exhibit 1. Shareholder structure as of 31 March 2025



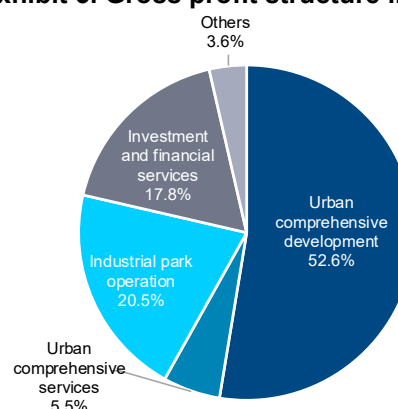
Source: Company information, CCXAP research

Exhibit 2. Revenue structure in 2024



Source: Company information, CCXAP research

Exhibit 3. Gross profit structure in 2024



Rating Considerations

Government's Capacity to Provide Support

We believe the local government has a very strong capacity to provide support given SND's good economic and fiscal strengths and steady growth. In 2024, SND ranked among the top 20 national high-tech zones in China in terms of comprehensive strengths.

Jiangsu Province is one of the leading and well-developed provinces in China. It is home to many of the world leading enterprises of electronic equipment, chemicals, and textiles. Jiangsu Province is the second largest province in China by GRP, after Guangdong Province. In 2024, its total GRP amounted to RMB13.7 trillion, a year-over-year ("YoY") increase of 5.8%. The GRP per capita for the same period was RMB160,694, ranking top among all provinces in China.

Suzhou City is a prefecture-level city located in the southeast of Jiangsu Province and is regarded as one of the top Chinese cities for its advanced economic and social developments. Suzhou City has a rich historical background and is known for its canals, classical gardens and bridges. Suzhou City owns 14 national-level development zones, and the number ranks first among all cities in China. Supported by its good location advantages, completed industrial chain and intensive layout of national-level carriers, Suzhou City's economic strength has also long been ranked first by GRP in Jiangsu Province. In 2024, Suzhou City achieved a GRP of RMB2,672.7 billion with a YoY growth rate of 6.0%, and the general budgetary revenue increased to RMB245.9 billion from RMB245.7 billion in 2023. During the first quarter of 2025, the GRP of Suzhou City rose by 6.0% YoY to around RMB609.6 billion, indicating its economic strength with strong resilience. The contribution of tax revenue in Suzhou City has been stable, accounting for over 80% of general budgetary revenue over the past three years. Suzhou City also has a strong fiscal balance and good debt profile with a self-sufficiency ratio (general budgetary revenue/general budgetary expenditure) of over 90% in the past three years. As of the end

of 2024, Suzhou Municipal Government's outstanding direct debt amounted to RMB365.8 billion, accounting for 13.7% of its GRP.

Exhibit 4. Key economic and fiscal indicators of Suzhou City

	2022FY	2023FY	2024FY
GRP (RMB billion)	2,395.8	2,465.3	2,672.7
GRP Growth (%)	2.0	3.1	6.0
General Budgetary Revenue (RMB billion)	232.9	245.7	245.9
General Budgetary Expenditure (RMB billion)	258.9	262.1	260.2
Local Government Debt (RMB billion)	177.2	204.6	365.8

Source: Suzhou Municipal Government, CCXAP research

Established in 1992 and located in the west of Suzhou City, SND was one of the first National High-tech Industrial Development Zones approved by the State Council of China. After years of development, SND Government and Huqiu District Government merged into one organization with their respective names retained. SND covers an area of around 2.2 million sq.km. and focuses on the construction of three featured functional areas, namely Shishan Business Innovation Area, Xushuguan Advanced Manufacturing Area and Taihu Science City Area. SND has developed two pillar industries, new generation information technology and high-end equipment manufacturing, and other emerging industries including photon, medical device, integrated circuits as well as green low carbon have developed rapidly in recent years.

SND has demonstrated ongoing economic growth over the past year, with its GRP increased to RMB194.6 billion in 2024, representing a YoY increase of 5.6%. Moreover, SND's general budgetary revenue increased to RMB19.5 in 2024. SND Government also has a good fiscal and debt profile. Over the past three years, the average tax revenue contributed 85.6% to general budgetary revenue and the average self-sufficiency ratio was above 130%. As of the end of 2024, the local government's outstanding debt increased to RMB21.9 billion from RMB10.8 billion, mainly driven by the increase in special-purpose bonds, accounting for 11.3% of GRP.

Exhibit 5. Key economic and fiscal indicators of Suzhou New District (Huqiu District)

	2022FY	2023FY	2024FY
GRP (RMB billion)	176.6	182.7	194.6
GRP Growth (%)	3.0	5.1	5.6
General Budgetary Revenue (RMB billion)	18.2	19.3	19.5
General Budgetary Expenditure (RMB billion)	13.3	14.3	14.9
Local Government Debt (RMB billion)	8.7	10.8	21.9

Source: Suzhou City New District (Huqiu District) Government, CCXAP research

Government's Willingness to Provide Support

Strategic role in the development of SND

SNDG is the largest investment, financing and operating entity for municipal development in SND. The Company has been designated to undertake major infrastructure construction projects, construction of resettlement housing, and provision of water supply and sewage treatment services in SND, with a strong regional monopoly position. The Company also plays a vital role in promoting industrial development through financial investment as well as industrial park construction and operation. In view of SNDG's strategic role in the development of local industries and social development, we believe that the potential substitution from other state-owned enterprises is relatively low and government support is very likely in the near future.

SNDG has undertaken and completed a number of strategically important infrastructure construction and resettlement housing projects in SND since its establishment, including the construction of roads, bridges, drainage systems and other public facilities. Such projects are undertaken mainly through agency construction, Public-Private Partnership (“PPP”) and self-operate mode. Shishan Square project is the only PPP project under Build-Operate-Transfer (“BOT”) mode that relies on operation revenue and government subsidies to balance its initial investment. The total investment of Shishan Square is RMB3.6 billion, with collected repayments of RMB633.0 million as of 31 March 2025. Meanwhile, the Company had 4 key infrastructure projects under construction, including campus and industrial and commercial carriers, with a total planned investment of RMB13.8 billion and an uninvested amount of RMB8.6 billion. Among them, the Suzhou Campus of Nanjing University (West Campus) project with a total investment of around RMB7.0 billion is one of the key agent construction projects and will be pre-funded by the Suzhou Municipal Government and SND Government.

SNDG is the sole entity that provides water and sewage treatment in SND, which has a quasi-public attribute and a regional monopoly status. Operating 2 water plants with a daily designed capacity of 540 thousand tons, the Company saw an increase in the length of its pipeline, the number of serving customers and sales volume in 2024. Meanwhile, the Company has a daily sewage processing capacity of 340 thousand tons and is responsible for the management and maintenance of 32 sewage pumping stations in SND and 85.0 kilometers of sewage pipelines in the central urban area of Suzhou City. In 2024, the Company processed 120.0 million tons of wastewater, achieving a nearly 10% YoY increase.

Large exposure to commercial activities, with operating risk in commercial property development

SNDG diversified into other business segments such as property development, industrial park leasing, financial investments, financial services, tourism, commercial product sales and vibration testing equipment production. Based on our assessment, its exposure to commercial activities is relatively large. Considering some activities that are associated with the Company’s strategic role in local industrial investment and economic development and its good operating track record, its risk to commercial activities is considered medium.

Property development business in particular accounts for a large proportion of the Company’s commercial activities. It mainly involves constructing and selling of commercial housing within SND and Suzhou Industrial Park mainly through its subsidiary, SNDH. Most commercial housing projects are cooperated with other property developers and SNDH mostly maintains the financial control over the project companies. Amid the structural changes in the real estate market, the Company’s contracted sales amount and newly constructed area have continued to decline in recent years. As of 31 December 2024, around 65.2% of the key completed residential housing projects were sold, with a total collected payment of RMB21.3 billion. The Company also had 11 projects under construction with an uninvested amount of RMB12.2 billion. At the same time, the Company had 1 plot of land reserve with a total area of 25,000 square meters, which is located in SND. The Company maintains a considerable exposure to real estate, which is expected to pose funding pressure associated with future investment requirements and execution risk. The Company is also engaged in industrial property development within and outside SND such as Changzhou City, Zhangjiagang City and Changshu City in Jiangsu Province. While industrial park sales revenue experienced a decrease from RMB300.0 million to RMB115.0 million in 2024, the recurring rental income steadily increased to RMB269.0 million. The Company maintains a leading position in industrial park operations, underpinned by comprehensive property leasing and supporting services with sound operational performance.

SNDG’s investment and financial services business mainly serve to cultivate strategic emerging industries in the region, with stable profit contributions over the past two years. The Company’s investment portfolio is large

and includes debt instruments, equity instruments and funds with assets of approximately RMB31.8 billion as of 31 December 2024. Direct equity investments mainly include financial institutions such as the Bank of Hangzhou and Xiamen International Bank, and associates or joint ventures related to its core business such as construction. The Company engages in industrial investment mainly through Suzhou New District Financial Holdings Corporation (“SNDFH”) with net assets of RMB10.8 billion as of 31 December 2024. SNDFH mainly acts as a LP to invest in different private equity funds, aiming to promote the development of local emerging industries including new generation information technology, biomedicine and medical instruments, green and low carbon as well as the digital finance industry. In 2023 and 2024, the Company recorded an investment income of RMB1.4 billion and RMB1.2 billion, respectively. Besides, SNDG’s risk exposure to financial services remained manageable which are mainly small loan lending, commercial factoring, loan guarantee and financial leasing. However, the financial services business brings higher risks to the Company, particularly in small-scale enterprises.

SNDG’s comprehensive urban services mainly include property management, tourism, human resources, commodity sales and public utilities businesses. The Company primarily runs the business within SND and owns good market shares. For example, for the property management business, the Company’s subsidiary SJLS ranked 33rd among the 2024 Top 100 Property Management Companies by China Index Academy (“CIA”) in terms of overall strength. As of 31 December 2024, the Company’s total managed area increased to 170,500 square meters. Revenue for commodity sales business mainly comes from cross-border trade of commodities with state-owned enterprises, and steadily increased as the scale of increase. Moreover, the Company takes part in vibration test equipment manufacturing and vibration testing service business. This business has a relatively low capital occupation, as the Company mainly produces based on sales contracts due to the high degree of customization of vibration detection devices, and receives some payments in advance.

Solid government support such as ongoing capital injections and subsidies

As the most important urban and industrial investment, construction and operation entity in SND, the Company has good track record of receiving government support in various forms such as project allocation, operating subsidies, capital injections and government payments for construction projects. The local government entrusted the Company with important projects that aligned with the economic development of SND. In addition, from 2023 to 2024, the Company continued to receive financial subsidies from the government with a total amount of RMB421.9 million. In 2024, the local government provided the Company with a cash injection of RMB150.0 million, increasing its paid-in capital to RMB8.7 billion. Furthermore, since 2019, the Zhenhu Street Government has allocated construction funds for new projects in Western Ecological Tourism Resort on monthly basis, so that the Company no longer raised funds itself. Given its strategic position in the development of SND, we expect the Company will continue to receive government support in the next 12-18 months.

Increasing debt scale compounded by moderate liquidity

SNDG has moderate debt management because of rapid debt growth mainly in its infrastructure construction and property development. Its total debt (including perpetual debts) increased by 13.6% YoY to RMB121.6 billion as of 31 December 2024 from RMB107.0 billion at end-2023. The Company’s total capitalization ratio (measured as total debt to total capital) maintained relatively high at 77.7% as of end-2024 due to the enlarged capital scale. Meanwhile, it has increasing short-term debt pressure, which accounted for around 24.3% of the total debt; the cash to short-term debt ratio was 0.3x, indicating that its cash balance could not be able to fully cover its short-term debt. We expect that SNDG’s financial leverage will remain at a relatively high level owing to the ongoing investment in its projects.

SNDG's liquidity profile is moderate, as evidenced by significant allocations to inventories, receivables, investment properties and equity investments. The Company's inventories are mainly costs of real estate and infrastructure projects, and receivables are mainly from local SOEs and government units, forming a drain on the Company's fund. Meanwhile, the Company has large scale of equity investments and investment properties, while these could bring adequate recurring income despite low liquidity. The Company's restricted assets amounted to RMB21.3 billion, accounting for around 12.2% of total assets at end-2024, which reduces its financial flexibility to a certain extent.

Good access to low-cost and stable funding

SNDG has multiple low-cost financing channels including bank loans and bond issuances. Bank loans and bond issuances accounted for the majority of its total debt, representing 56.8% and 42.7% as of 31 December 2024, respectively. The Company maintains a good relationship with state-owned commercial banks and large joint-stock commercial banks. As of 31 December 2024, the Company obtained total bank facilities of RMB108.2 billion with an unused portion of RMB44.6 billion. SNDG has a good track record in both offshore and onshore debt capital markets and actively issues innovative financial products. It has issued different financial products in the bond market, such as SCPs, CPs, MTNs, PPNs, and perpetual instruments. Meanwhile, its declining coupon rates in the domestic bond market supports debt refinancing capacity and funding flexibility, benefiting from good financing environment in Suzhou City. The Company also has access to the offshore capital market and issued a tranche of 3-year sustainable bonds in December 2023 to raise USD330 million. However, the large portion of direct financing exposes the Company more to the change in the debt market. Additionally, the Company had limited non-standard financing exposure, which accounted for less than 1% of its total debts as of 31 December 2024.

Medium exposure to contingent risk

The Company had certain contingent risks regarding its external guarantees and guarantee business, which could potentially increase its repayment obligations. As of 31 March 2025, the total amount of external guarantee (excluding the exposure to its guarantee business) reduced to RMB3.2 billion, accounting for around 9.2% of its net assets (excluding perpetual debts). All guarantees were provided to the local important state-owned enterprises.

The Company is also engaged in guarantee businesses through its subsidiary. The outstanding balance of the guarantee business, mainly in loan guarantees, amounted to RMB3.6 billion as of 31 December 2024, and the provision coverage ratio, as measured by provisions divided by gross non-performing assets, was 569.5%. The high provision coverage ratio shows that the Company could buffer against losses if the non-performing assets materially increase. The guarantee business's clients cover diversified industries, including services, trading, technology, light industry, and building materials.

ESG Considerations

SNDG is exposed to environmental risks because it has undertaken construction projects. Such risks could be moderated by conducting environmental studies and planning before the commencement of projects, and close monitoring during the construction phase. In December 2023, the Company issued a sustainable bond in the offshore debt capital market which is an important example of the Company's commitment to ESG initiatives and encouraging sustainable development.

SNDG bears social risks as it plays a crucial role in the social welfare of the residents in SND. Demographic

changes, public awareness and social priorities shape the Company's development targets and ultimately affect the local government's propensity to support the Company.

SNDG's governance considerations are also material as the Company is subject to oversight and reporting requirements to the SND Government and has to meet several reporting requirements, reflecting its public-policy role and status as a government-owned entity.

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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