

Credit Opinion

27 December 2024

Ratings

Senior Unsecured Debt Rating	A _g +
Long-Term Credit Rating	A _g +
Outlook	Stable
Category	Corporate
Domicile	China
Rating Type	Solicited Rating

Analyst Contacts

Kelly Liang +852-2860 7127

Credit Analyst

kelly_liang@ccxap.com

Amy Chen +852-2860 7127

Credit Analyst

amy_chen@ccxap.com

Elle Hu +852-2860 7120

Executive Director of Credit Ratings

elle_hu@ccxap.com

**The first name above is the lead analyst for this rating and the last name above is the person primarily responsible for approving this rating.*

Client Services

Hong Kong +852-2860 7111

Wuxi Construction and Development Investment Co., Ltd.

Surveillance credit rating report

CCXAP affirms Wuxi Construction and Development Investment Co., Ltd.'s long-term credit rating at A_g+, with stable outlook.

Summary

The A_g+ long-term credit rating of Wuxi Construction and Development Investment Co., Ltd. ("WXCD" or the "Company") reflects the Wuxi Municipal Government's excellent capacity to provide support and its very high willingness to provide support, based on our assessment of the Company's characteristics.

Our assessment of the local government's capacity to provide support reflects Wuxi City's status as a prefectural-level city with strong economic fundamentals and fiscal profile. It also has a high per capita gross regional product ("GRP") in Jiangsu Province.

The rating also reflects the local government's willingness to provide support, which is based on the Company's (1) essential role in state-owned assets operation and infrastructure construction in Wuxi City; (2) solid track record of receiving government support; and (3) strong access to diversified financing channels.

However, the rating is constrained by the Company's (1) increased risk exposure to commercial activities mainly including financial leasing and forest products; and (2) moderate debt management and increased financing needs.

The stable outlook on WXCD's rating reflects our expectation that the local government's capacity to provide support will remain stable, and the Company's characteristics such as essential roles in state-owned assets operation and infrastructure construction in Wuxi City, are expected to remain stable over the next 12-18 months.

Rating Drivers

- Essential role in state-owned assets operation and infrastructure construction in Wuxi City
- Increased risk exposure to commercial activities
- Solid track record of receiving government support
- Moderate debt management and increased financing needs
- Strong access to diversified financing channels

Rating Sensitivities

What could upgrade the rating?

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

What could downgrade the rating?

The rating could be downgraded if (1) the local 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 strategic position or deteriorated financing abilities.

Key Indicators

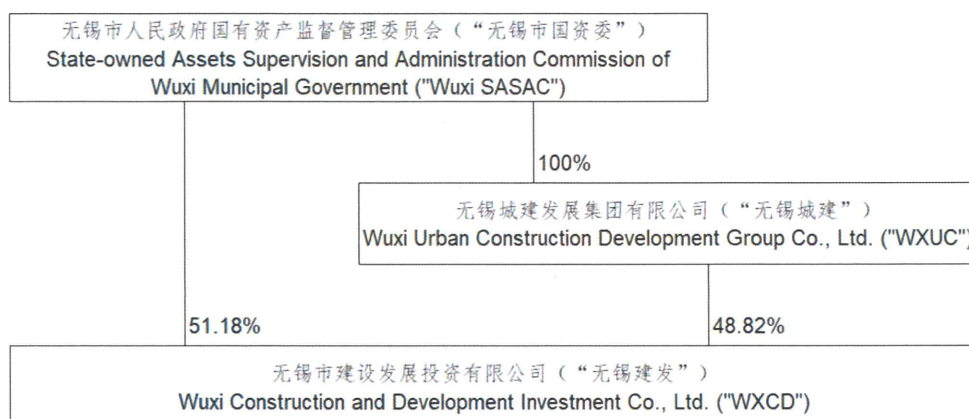
	2021FY	2022FY	2023FY	2024H1
Total Asset (RMB billion)	79.0	87.9	94.5	101.8
Total Equity (RMB billion)	26.3	27.9	32.5	33.5
Total Revenue (RMB billion)	4.3	4.4	4.5	2.6
Total Debt/Total Capital (%)	60.4	62.5	61.6	62.7

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

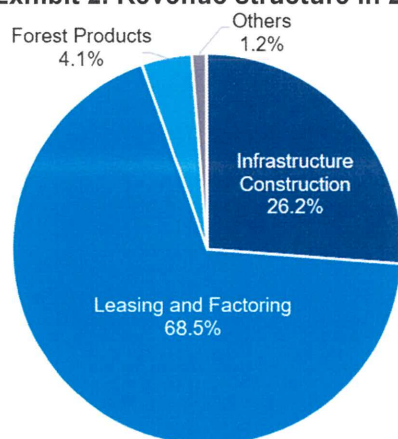
Source: Company data, CCXAP research

Corporate Profile

Established in June 1991, WXCD is a large state-owned enterprise in terms of assets for investment and urban operation in Wuxi City. In January 2022, the State-owned Assets Supervision and Administration Commission of Wuxi Municipal Government ("Wuxi SASAC") transferred 49% of its equity interest in the Company to Wuxi Urban Construction Development Group Co., Ltd. ("WXUC"), which is wholly owned by Wuxi SASAC. As of 30 June 2024, the Wuxi SASAC and WXUC held 51.18% and 48.82% stake of the Company respectively, and Wuxi SASAC's status as the ultimate owner and controller remained unchanged. The Company mainly undertakes the construction of urban infrastructure projects such as roads, water conservancy and environmental greening. The Company is also engaged in other commercial activities including financial leasing, commercial factoring and production and sales of forest products.

Exhibit 1. Shareholding chart as of 30 June 2024

Source: Company information, CCXAP research

Exhibit 2. Revenue structure in 2023

Source: Company information, CCXAP research

Rating Considerations**Government's Capacity to Provide Support**

We believe that the Wuxi Municipal Government has an excellent capacity to provide support to the Company, given its status as a prefectural-level city with strong economic fundamentals and fiscal profile. It also has a high per capita GRP of RMB206,300 in Jiangsu Province.

Jiangsu Province is one of China's most advanced and prosperous provinces. Many globally renowned companies in various industries including textiles, chemicals, and electrical equipment are based here. Jiangsu Province is the second largest province in China by GRP, after Guangdong Province. In 2023, its total GRP amounted to RMB12.8 trillion, a year-over-year ("YoY") increase of 5.8%. The per capita GRP for the same period was RMB150,487, ranking first among all provinces in China. In the first three quarters of 2024, Jiangsu Province realized a GRP of RMB9.8 trillion, up 5.7% YoY.

Located in the southern part of Jiangsu Province and on the northern shores of Taihu Lake, Wuxi City is one of the core cities of the Yangtze River Delta and the Suzhou-Wuxi-Changzhou metropolitan area. Wuxi City's economy is relatively strong with the third-highest GRP at the prefectural level in Jiangsu Province for more than 5 consecutive years. In 2023, it achieved a GRP of RMB1.5 trillion with a YoY growth rate of 6.0%. Wuxi City's pillar industries include the Internet of Things, integrated circuits, biomedicine, software, and new energy

industry. Wuxi City's fiscal profile is strong and characterized by high fiscal sufficiency and a strong revenue-generating ability. In 2023, its general budgetary revenue increased to RMB119.5 billion and an average self-sufficiency rate (general budgetary revenue/general budgetary expenditure) was above 85%. As of 31 December 2023, the local government's outstanding debt amounted to RMB217.1 billion, accounting for 14.0% of the GRP. In the first three quarters of 2024, Wuxi City achieved a GRP of RMB1.1 trillion with a YoY increase of 6.0%.

Exhibit 3. Key economic and fiscal indicators of Wuxi City

	2021FY	2022FY	2023FY
GRP (RMB billion)	1,400.3	1,485.1	1,545.6
GRP Growth (%)	8.8	3.0	6.0
General Budgetary Revenue (RMB billion)	120.1	113.3	119.5
General Budgetary Expenditure (RMB billion)	135.8	136.6	139.0
Local Government Debt (RMB billion)	160.8	187.4	217.1

Source: Statistics Bureau of Wuxi City, CCXAP research

Government's Willingness to Provide Support

Essential role in state-owned assets operation and infrastructure construction in Wuxi City

Wuxi City is one of the well-developed cities in Jiangsu Province and there are several state-owned enterprises ("SOEs") under the Wuxi Municipal Government, with different positions providing essential urban services and promoting economic development. WXCD is an important entity for infrastructure construction and industrial services in Wuxi City with a large asset scale of RMB101.8 billion as of 30 June 2024. WXUC, one of WXCD's shareholders, is a comprehensive urban and rural developer and operator, mainly responsible for urban and rural construction projects, affordable housing construction and other functions in the city.

WXCD is an essential state-owned assets investment and operation and municipal infrastructure construction entity in Wuxi municipal. As of 31 March 2024, the Company had completed 137 agent construction projects with a final cost of RMB34.4 billion, including renovation, expansion and extension projects on the urban road network, as well as the comprehensive water conservancy projects, to enhance the road network system and the surrounding environment of the Wuxi City. Under the agent construction model, WXCD signs agreements with the Wuxi Municipal People's Government and is responsible for project planning, investment management, fund management, organizing construction, auditing and acceptance according to the requirements of the local government. Generally, WXCD will entrust specialized engineering units or departments to carry out the construction. The local government will pay the Company based on the construction costs plus the project management fee, which is normally equivalent to 1.0% of the construction cost.

However, with the continuous improvement of Wuxi City's municipal infrastructure, the investment in infrastructure projects has slowed down in recent years. The Company had no major entrusted infrastructure construction projects under construction or planning as of 31 March 2024. Overall, we expect WXCD to maintain its role in undertaking infrastructure projects in Wuxi City according to the local government's planning in the next 12-18 months, given its track record of undertaking project construction and position as a large state-owned enterprise in Wuxi City.

Increased risk exposure to commercial activities

WXCD also participates in diversified commercial activities such as financial leasing, commercial factoring and forest products business. The majority of these businesses focus on building industrial carriers around urban

services and luring new investments into Wuxi City, which are associated with public policy. We estimate the Company's commercial risk is high, given the rapid expansion of the financial services and the operating pressure on the forestry products business.

Under the guidance of the local government, WXCD is an important state-owned enterprise providing financial services, including financial leasing business and factoring business, through its two subsidiaries, namely Wuxi Caitong Financial Leasing Co., Ltd. ("Caitong Leasing") and Wuxi Caixin Commercial Factoring Co., Ltd. ("Caixin Factoring"). The financial leasing business developed fast over the past three years and became the largest income contributor of the Company along with the enlarged asset scale. However, the slowdown in the macroeconomic environment raised challenges to its asset quality, especially the culture and tourism companies and engineering and construction companies. As of end-2023, Caitong Leasing's non-performing assets amounted to RMB308.0 million with a ratio of 0.79%, but the special-mentioned assets doubled to around RMB1.1 billion, accounting for 2.8% of leasing receivables. The special-mentioned assets related to the real estate industry had credit enhancement measures such as guarantees or pledges. In 2023, Caitong Leasing increased its provision for impairment of leasing receivables by 54.9% to RMB943.0 million, with the provision coverage ratio achieved at 306.2% at end-2023. Additionally, the revenue from the factoring business also increased steadily over the past three years with a high margin. In 2023, the commercial factoring revenue was RMB289.0 million, a YoY increase of 25.7%. As of 31 March 2024, the non-performing ratio of Caixin Factoring's factoring assets was zero with factoring assets of RMB4.6 billion.

WXCD has been engaging in the forestry products business through its subsidiary, Kangxin New Material Co., Ltd. ("Kangxin", stock code: 600076.SH) since 2019. Kangxin is a listed company that mainly develops high-quality wood composite materials, silviculture and high-quality seeding cultivation business. Kangxin is a leading enterprise in the production of container panels and has developed different products. However, its leading product, container floor, has a strong cyclical nature and is susceptible to the fluctuations in international shipping market, container transportation, and manufacturing industries. Revenue from forestry products continued to decline in 2023, and reported net losses in both 2023 and the first half of 2024, demonstrating significant operating pressure. WXCD has provided support to Kangxin, mainly in the form of shareholder loans and financing guarantees.

Solid track record of receiving government support

WXCD has a continued track record of obtaining government support in terms of capital injections, financial subsidies and project payments. From 2023 to the first half of 2024, the Company received a total of around RMB66.0 million in subsidies. In addition, the Company received project repayment from the Finance Bureau of Wuxi City based on the repayment schedule. In 2023, the local government paid the Company around RMB3.3 billion for its infrastructure construction. As of the end of 2023, the balance of repurchase payments received in advance from the Wuxi Municipal Finance Bureau for the entrusted construction projects was around RMB11.4 billion. As one of the key state-owned enterprises, WXCD plays an important role in infrastructure construction and industrial services in Wuxi City, and we expect that it will receive support from the local government if needed in the next 12-18 months.

Moderate debt management and increased financing needs

WXCD has had rapid debt growth over the past three years mainly due to investment in commercial activities. As of 30 June 2024, the Company's total debt (including perpetual debt) increased to RMB51.2 billion. At the same time, its total capitalization ratio, measured by total debt to total capital, remained at a high level of 62.7%. The Company's debt structure improved mainly due to the perpetual bond issuance in 2023. As of 30 June 2024,

the proportion of short-term debt decreased to 31.8% from 36.4% at end-2022. However, the cash to short-term debt ratio was low at 0.2x, indicating refinancing needs for its short-term debt. We expect WXCD to be able to refinance most of its short-term debt because of its status as one of the largest SOEs in Wuxi City and good access to diversified funding. In addition, the Company's debt leverage will remain relatively high in the next 12 to 18 months.

WXCD's asset liquidity is moderate with non-current assets accounting for more than 56.0% of the total assets. However, the return on assets was good as its high-quality assets related to equity investment and financing leasing. As of 30 June 2024, the equity investments mainly included Bank of Jiangsu Co., Ltd. (stock code: 600919.SH) and Wuxi Taihu New City Development Group Co., Ltd. In 2023, the Company received a total dividend income of RMB371.8 million from the listed investments.

Strong access to diversified financing channels

WXCD has strong banking relationships and good access to high-quality debt funding which can partially relieve the pressure on debt repayment and capital expenditure. The Company maintains good relationships with diversified large domestic banks such as the China Agricultural Development Bank, Industrial Bank Co., Ltd. and Postal Savings Bank of China Co., Ltd. As of 30 June 2024, the Company had total credit facilities of RMB34.7 billion, with an unused amount of RMB15.7 billion. The Company also has good access to both domestic and offshore debt markets to meet its financing needs. For example, the Company itself issued a CNY 2.1 billion offshore bond in 2024 with a coupon rate of 2.68%; and raised a total of RMB7.6 billion by issuing 8 tranches of onshore bonds, with coupon rates ranging from 2.06% to 3.10% during the first ten months of 2024. As of 30 June 2024, the Company had manageable exposure to non-standard financing, with exposure accounting for less than 10% of total debt. As an essential urban construction entity in Wuxi City, the Company is expected to benefit from the good financial environment of the city, which is one of the well-developed cities in China with strong economic strengths and a good financial environment.

ESG Considerations

WXCD faces environmental risks because it has undertaken infrastructure construction projects. Such risks could be moderated by conducting environmental studies and planning prior to the start of the projects, and close monitoring during the construction phase.

The Company is also exposed to social risks as its role in public services. Demographic changes, public awareness and social priorities shape the government's target for WXCD or affect the government's propensity to support the Company.

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

Structural Consideration

WXCD'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 important position in industrial development of Wuxi 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 \(July 2022\)](#).

Appendix

Exhibit 4. Peer comparison

	Wuxi Urban Construction Development Group Co., Ltd.	Wuxi Construction and Development Investment Co., Ltd.
Long-Term Credit Rating	A _g +	A _g +
Shareholder	Wuxi SASAC (100%)	Wuxi SASAC (51.18%) and WXUC (48.82%)
Positioning	Key entity in urban and rural construction and the sole entity for affordable housing in Wuxi City	Key entity for infrastructure construction, and industrial services in Wuxi City
Total Asset (RMB billion)	80.8	94.5
Total Equity (RMB billion)	44.8	29.5
Total Revenue (RMB billion)	2.4	4.5
Total Debt/Total Capital (%)	40.8	61.6

All ratios and figures are calculated using CCXAP's adjustments based on financial data in 2023.

Source: Company information, CCXAP research

Copyright © 2024 China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP"). All rights reserved.

No part of this publication may be reproduced, resold, or redistributed in any form or by any means, without prior written permission of CCXAP.

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.

Credit ratings, non-credit assessments, and other opinions included in CCXAP's publications are not recommendations for investors to buy, sell, or hold particular securities, nor measurements of market value of the rated entities or debt issues. While obtaining information from sources it believes to be reliable, CCXAP does not perform audit and undertakes no duty of independent verification or validation of the information it receives from the rated entities or third-party sources.

All information contained herein belongs to CCXAP and is subject to change without prior notice by CCXAP. CCXAP considers the information contained herein to be accurate and reliable. However, all information is provided on an "as is" and "as available" basis and CCXAP does not guarantee accuracy, adequacy, completeness, or timeliness of the information included in CCXAP's publications.

To the extent where legally permissible, CCXAP and its directors, officers, employees, agents and representatives disclaim liability to any person or entity (i) for any direct or compensatory losses or damages, including but not limited to by any negligence on the part of, and any contingency within or beyond the control of CCXAP or any of its directors, officers, employees, agents or representatives, arising from or in connection with the information contained herein or the use of or inability to use any such information; and (ii) for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if CCXAP or any of its directors, officers, employees, agents or representatives is advised in advance of the possibility of such losses or damages.

China Chengxin (Asia Pacific) Credit Ratings Company Limited

Address: Suites 1904-1909, 19/F, Jardine House,
1 Connaught Place, Central, Hong Kong

Website: www.ccxap.com

Email: info@ccxap.com

Tel: +852-2860 7111

Fax: +852-2868 0656