

CCXAP affirms Wuxi Gaofa Investment & Development Group Co., Ltd.'s long-term credit rating at A_g-, with stable outlook.

Hong Kong, 19 July 2024 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has affirmed the long-term credit rating of Wuxi Gaofa Investment & Development Group Co., Ltd. (“WXGF” or the Company) at A_g-, 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 very 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 RMB250 billion, ranking second among county-level cities in Wuxi City. Wuxi High-Tech Industrial Development Zone (“Wuxi HIDZ”) also ranks among China’s top 20 national-level high-tech industrial development zones.

The rating also reflects the local government’s willingness to provide 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) increased 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 and key entity in Wuxi HIDZ (Xinwu District) for development and investment, state-owned asset management as well as state-owned capital management. In 2022, the government transferred all holding shares of Wuxi High-Tech Zone Venture Investment Holding Group Co., Ltd. (“WXVI”) and Wuxi New District Development Group Company Limited (“WXND”) to the Company, making it the largest state-owned enterprise under Xinwu District Government by total assets in Xinwu District. WXGF plays an essential role in park operations, infrastructure construction and equity investment in Xinwu District. It is also engaged in engineering construction, property development, hotel operations, logistics and self-operated projects in Xinwu District. As of 31 March 2024, it was directly and wholly owned by the Xinwu District Government.

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. Its subsidiary, WXVI, is the sole wholly state-owned venture capital enterprise of Xinwu District Government, carrying capital venture and related business around high-tech and strategic emerging industries. WXGF is the largest state-owned development and investment entity

under Xinwu District Government 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 investment and development entity in Xinwu District, WXGF has a good track record of receiving government support, such as obtaining special funds for project construction, operating subsidies and capital injections. In 2022, the local government injected all the shares of WXVI and WXND into the Company, making it the largest state-owned enterprise under Xinwu District Government by total assets.

Good access to diversified financing channels. Both Wuxi City and Xinwu District are well-developed cities with strong economic strengths and good financial environment, which we expect to be supportive for WXGF to maintain its good financing channels. 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

Increased risk exposure to commercial activities. WXGF's exposure to commercial activities has increased in recent years along with ongoing investment which mainly includes 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 promoting 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 has grown rapidly over the past three years due to investments in commercial activities such as property development, self-operated projects, and financial investment. As project construction gradually progresses, it may rely on external financing to meet its funding gap. We expect the Company's debt leverage to remain at a relatively high level in the next 12 to 18 months.

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.

Rating Outlook

The stable outlook on WXGF's rating reflects our expectation that the local government's capacity to provide support will remain stable, and the Company will maintain its important position in the development of Xinwu District over the next 12-18 months.

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 reduced exposure to high-risk 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 policy significance 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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