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## **CCXAP upgrades Huzhou Wuxing Talent Industrial Investment & Development Group Co., Ltd.'s long-term credit rating to BBB<sub>g</sub>, with stable outlook.**

Hong Kong, 29 November 2023 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has upgraded the long-term credit rating of Huzhou Wuxing Talent Industrial Investment & Development Group Co. Ltd. (“WIID” or the “Company”) to BBB<sub>g</sub> from BBB<sub>g-</sub>, with stable outlook.

The rating upgrade is based on the Company’s enhanced regional importance and higher policy role in Wuxing District after undertaking talent attraction responsibility. It also reflects the local government's willingness to provide support to the Company has increased.

The long-term credit rating of WIID reflects Wuxing District Government’s strong capacity and extremely high willingness to provide support to the Company. Our assessment of Wuxing District Government’s capacity to provide support reflects Wuxing District’s good economic fundamentals, ranking first by gross regional product (“GRP”) in Huzhou City.

The rating also reflects the local government’s willingness to provide support, which is based on the Company’s (1) leading position in public projects and park development of Wuxing District; (2) good track record of receiving government payments; and (3) good funding access with multiple financing channels. However, the Company’s rating is constrained by its (1) medium exposure to commercial activities; (2) high debt growth and short-term debt burden; and (3) medium contingent liability risk from external guarantees.

### **Corporate Profile**

Established in June 2013, WIID, formerly known as Huzhou Wuxing Industrial Investment Development Group Co., Ltd., has developed into an important investment and construction platform in Wuxing District and serves as the core operating entity responsible for infrastructure construction, land consolidation and development, as well as the sale of resettlement housing in Huzhou Modern Logistics Equipment High-tech Industrial Park (“Huzhou High-tech Park”), formerly known as Huzhou Southern Taihu High-tech Industrial Park. The Company also engages in commercial business such as trading, property leasing and financial leasing. Talent service business will also be added in 2023. As of 30 June 2023, Huzhou Wuxing State-owned Capital Supervision and Administration Service Centre (“Wuxing District SCSASC”) held 100% shares of WIID. The Company is ultimately governed by the Finance Bureau of Wuxing District, Huzhou City.

### **Rating Rationale**

#### **Credit Strengths**

**Leading position in public projects and park development of Wuxing District.** There are four major local infrastructure investment and financing companies (“LIIFCs”) supporting the development of Wuxing District. WIID is one of the most important industrial investment and infrastructure construction platforms in Wuxing District, making outstanding contributions to the

urbanization and sustainable economic development of Huzhou High-tech Park. Given the Company's important role in the local economic development, we expect WIID is unlikely to be replaced by other local SOEs in the foreseeable future.

**Good track record of receiving government payments.** WIID has a proven track record of receiving government support in the form of capital injection, asset injection, special purpose bonds and financial subsidies. In 2022 and mid-2023, the Company received government subsidies of RMB24.8 million and RMB11.4 million, respectively. In 2022, the Company received special purpose bonds of RMB545.4 million from the local government as capital reserve.

**Good funding access with multiple financing channels.** WIID has access to multiple financing channels, including bank loans and bond issuances. As of 30 June 2023, the Company has obtained a total of RMB30.8 billion in bank credit facilities, with an available undrawn amount of RMB9.1 billion, indicating a sufficient liquidity buffer. In terms of direct financing, the Company had issued 4 private notes in the onshore debt market, with an outstanding amount of RMB3.4 billion as of 30 June 2023, with a coupon rate between 3.7% and 4.4%. The Company also has an outstanding amount of USD389.0 million in the offshore bond market.

#### **Credit Challenges**

**Medium exposure to commercial activities.** WIID's commercial businesses mainly include trading and property development. The Company's exposure to commercial businesses is moderate, accounting for around 20% of its total assets. In addition, according to the local government plan, the Company will be engaged in talent service business, mainly responsible for labor dispatch in Huzhou High-tech Park. The Company plans to acquire 300 acres of land to build projects related to talent service business, such as talent apartments.

**High debt growth and moderate asset liquidity.** Due to continued financing for construction projects, WIID has demonstrated high debt growth in the past three years. Its total debt increased from RMB21.6 billion at end-2021 to RMB34.8 billion at mid-2023, with a total capitalization ratio of 65.4% as of 30 June 2023. As of 30 June 2023, the Company had a number of restricted assets such as land and properties, with a total amount of RMB6.9 billion, accounting for around 34.3% of its net assets.

**Medium contingent liability risk from external guarantees.** WIID has medium exposure to contingent liabilities. As of 30 June 2023, the Company's external guarantee amount was RMB5.5 billion, accounting for 26.8% of its net assets, decreasing from 30.8% as of 30 June 2022. All of the external guarantees are provided to local state-owned enterprises in Huzhou City. The local state-owned enterprises have a strong ability to avoid liability risks, because most of these local state-owned enterprises are likely to be supported by the local government when necessary, and therefore contingent risk would be controllable.

### Rating Outlook

The stable outlook on WIID's rating reflects our expectation that the Wuxing District Government's capacity to provide support will be stable, and that the Company will maintain its strategic role in local infrastructure construction and land development in Wuxing District over the next 12 to 18 months.

#### What could upgrade the rating?

The rating could be upgraded if (1) Wuxing District Government's capacity 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 decreased commercial activities and improved debt management.

#### What could downgrade the rating?

The rating could be downgraded if (1) Wuxing District Government's capacity to provide support weakens; or (2) the Company's characteristics change in a way that weakens the local government's willingness to provide support, such as reduced strategic significance, decreased government payments, or weakened funding capabilities.

### 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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