

## **CCXAP assigns first time long-term credit rating of A<sub>g</sub>+ to Wuxi Construction and Development Investment Co., Ltd., with stable outlook.**

Hong Kong, 22 December 2023 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned first time long-term credit rating of A<sub>g</sub>+ to Wuxi Construction and Development Investment Co., Ltd. (“WXCD” or the “Company”), with stable outlook.

The A<sub>g</sub>+ long-term credit rating of WXCD reflects the Wuxi Municipal Government’s very strong capacity to provide support and its extremely 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 payments; and (3) strong access to diversified financing channels. However, the rating is constrained by the Company’s (1) medium risk exposure to commercial activities mainly including financing leasing and forest products; and (2) moderate debt management and increased financing needs.

### **Corporate Profile**

Established in June 1991, WXCD is a large state-owned enterprise in terms of assets for investment and urban operation in Wuxi municipal. 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 September 2023, 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. Meanwhile, the Company is also engaged in other commercial activities including financial leasing, commercial factoring and production and sales of forest products.

### **Rating Rationale**

#### **Credit Strengths**

**Essential role in state-owned assets operation and infrastructure construction in Wuxi City.** WXCD is an essential state-owned assets investment and operation and municipal infrastructure construction entity in Wuxi municipal. The Company’s construction projects include 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. However, with the continuous improvement of Wuxi

City's municipal infrastructure, the investment in infrastructure projects has slowed down in recent years.

**Solid track record of receiving government payments.** WXCD has a solid track record of obtaining government support in terms of asset injection, capital injection and continuous subsidies provision. In addition, the Company has received timely project payments from the Finance Bureau of Wuxi City based on the repayment schedule. 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 ongoing support from the local government in the next 12-18 months.

**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. The Company also has good access to both domestic and offshore debt markets to meet its financing needs. The Company has manageable exposure to non-standard financing, with exposure accounting for less than 5% of total debt.

#### **Credit Challenges**

**Medium risk exposure to commercial activities.** WXCD also participates in diversified commercial activities such as financing leasing, commercial factoring and forest products business. Most of these businesses are based on the construction of industrial carriers around urban services, and assisting in attracting investments in Wuxi City, which are related to public policy businesses. We estimate the Company's commercial risk is moderate, reflecting the Company's prudent measures in managing such businesses.

**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 the Company is expected to continue to rely primarily on external financing, we expect the Company's debt leverage will remain at a relatively high level in the next 12 to 18 months. WXCD has high-quality assets with high profitability related to equity investment and financing leasing.

#### **Rating Outlook**

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.

#### **What could upgrade the rating?**

The rating could be upgraded if (1) the local 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 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 significantly increased exposure to risky commercial activities or deteriorated in financing abilities.

### **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**

CCXAP's Rating Symbols and Definitions are available on its website at:

[http://www.ccxap.com/en/rating\\_services/category/6/](http://www.ccxap.com/en/rating_services/category/6/)

This rating is solicited. Please refer to CCXAP's Policy for designating and assigning Solicited and Unsolicited Credit Ratings available on its website at:

[http://www.ccxap.com/en/rating\\_services/category/9/](http://www.ccxap.com/en/rating_services/category/9/)

The rating has been disclosed to the rated entity or its related party prior to publication, and issued with no amendment resulting from that disclosure.

CCXAP considers a rated entity or its related party to be participating when it maintains an overall relationship with CCXAP. Unless specifically noted in the Regulatory Disclosures as a non-participating entity, the rated entity or its related party is participating and the rated entity or its related party generally provides CCXAP with information for the purposes of its rating process.

Regulatory disclosures contained here apply to press release, rating report, and if applicable, the related rating outlook or rating review.

CCXAP's public ratings are available at [www.ccxap.com](http://www.ccxap.com) (Rating Results) and may be distributed through media and other means.

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

Kelly Liang

*Credit Analyst*

+852-2860 7127

[kelly\\_liang@ccxap.com](mailto:kelly_liang@ccxap.com)

Elle Hu



*Executive Director of Credit Ratings*

+852-2860 7120

[elle\\_hu@ccxap.com](mailto:elle_hu@ccxap.com)

Client Services: +852-2860 7111



Copyright © 2023 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](http://www.ccxap.com)

Email: [info@ccxap.com](mailto:info@ccxap.com)

Tel: +852-2860 7111

Fax: +852-2868 0656