

Lianhe Global has assigned ‘A+’ global scale Long-term Issuer Credit Rating with Stable Outlook to Wuxi Urban Construction Development Group Co., Ltd.

HONG KONG, 11 January 2023 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has assigned ‘A+’ global scale Long-term Issuer Credit Rating to Wuxi Urban Construction Development Group Co., Ltd. (“WUCD” or “the company”). The Outlook is Stable.

The Issuer Credit Rating reflects a high possibility that the Wuxi Municipal People's Government (“Wuxi government”) would provide strong support to WUCD if needed, in light of its full ownership of WUCD, WUCD’s strategic position as an important Local Investment and Development Company (“LIDC”) for urban construction and development in Wuxi City (“Wuxi”) and the strong linkage between the Wuxi government and WUCD including management supervision, strategic alignment, and ongoing operational and financial support. In addition, the Wuxi government may face significant negative impact on its reputation and business and financing activities should WUCD encounters any operational or financial difficulties.

The Stable Outlook reflects our expectation that WUCD’s strategic importance would remain intact while the Wuxi government will continue to ensure WUCD’s stable operation.

Key Rating Rationales

Wuxi Government’s Ownership and Supervision: WUCD is wholly owned by the Wuxi government through State-owned Assets Supervision and Administration Committee of Wuxi government (“Wuxi SASAC”). The Wuxi government has strong control and supervision over WUCD, including control of the board of directors, management supervision, decision on its strategic development and investment plan, supervision of its major funding decisions and daily operation, etc.

Strategic Importance and Strategic Alignment: As an important LIDC directly under the Wuxi government, WUCD is mainly responsible for urban and rural construction, affordable housing construction and other functions in the region. WUCD undertakes various urban and rural construction projects in Wuxi, such as hospital, school, agent construction projects and other important city-level urban renewal and rural revitalization projects, etc. WUCD’s strategic planning and development have been aligned with the local government’s economic and social policies. It carries out the directions and policies of affordable housing construction of the Wuxi government to support the local economy growth.

Ongoing Government Support: WUCD has received supports from the local government for its business operation, which are not limited to capital injections, government subsidies, allocation of equity or assets and guidance from the government in its daily management. In addition, WUCD has received financial subsidies from the local government mainly for

supporting business development. The company received a total of c. RMB19.48 million of government subsidies between 2019 and 2021. We believe WUCD is likely going to receive government support in the form of operational and/or financial subsidies in the future.

Financials and Liquidity of WUCD: The reorganization of WUCD, mainly the deconsolidation of Wuxi Taihu New City Development Group Co., Ltd., led to changes on its asset structure. WUCD's total assets decreased by c. 47% from RMB123.3 billion at end-2021 to RMB65.3 billion at end-September 2022. Nevertheless, WUCD's financial leverage improved. Its leverage ratio, measured as total liabilities over total assets, improved to 44.2% at end-September 2022 from 65.8% at end-2021, while the total debt capitalization ratio declined to 33.6% at end-September 2022 from 58.6% at end-2021. The liquidity of WUCD was relatively adequate. At end-September 2022, WUCD had a cash balance of c. RMB5.7 billion (restricted cash was approximately RMB0.1 billion) and a total credit line of RMB36.3 billion, of which approximately RMB26.3 billion was available, compared with its debt to be due within one year of c. RMB5.5 billion. WUCD has access to multiple financing channels including bank borrowings, corporate bonds and other financing channels such as trust loan and finance lease.

Economic and Fiscal Conditions of Wuxi: As a prefecture-level city in Jiangsu Province, Wuxi is one of the fifteen national economic center cities and one of the central cities in Yangtze River Delta. Wuxi realized a GDP of RMB1,400.3 billion in 2021, which ranked 3rd in Jiangsu Province. Besides, Wuxi's GDP per capita was c. RMB187 thousand in 2021, ranking 3rd among all prefecture-level cities in China. The Wuxi government's budgetary revenues recorded a constant growth with increasing growth rates in the past three years, which were 2.4%, 3.8% and 11.6% in 2019, 2020 and 2021, respectively. Its budget deficit was manageable, with relatively low deficit rates of -7.8%, -13.0% and -13.1% in 2019, 2020 and 2021, respectively. In addition, the Wuxi government's debt ratio, as measured by total government debt/aggregate revenue, was maintained at a moderate level of c.60% in the past 3 years.

Rating Sensitivities

We would consider downgrading WUCD's rating if (1) there is perceived weakening in support from the Wuxi government, particularly due to its reduced strategic importance with diminished government functions, or (2) there is a significant reduction of the Wuxi government's ownership of WUCD, or (3) there is a downgrade in our internal credit assessment on the Wuxi government.

We would consider upgrading WUCD's rating if (1) there is strengthened support from the Wuxi government, or (2) there is an upgrade in our internal credit assessment on the Wuxi government.

About Lianhe Global

Lianhe Global is an international credit rating company that provides credit ratings to corporations, banks, non-bank financial institutions, local investment and development

companies, and other asset classes around the globe. Lianhe Global also provides credit risk research and other services related to credit ratings.

Rating Methodology

The principal methodology used in this WUCD's rating is Lianhe Global's China Local Investment and Development Companies Criteria published on 5 December 2022, which can be found at the website www.lhratingsglobal.com.

Note: The above Issuer/Issuance Credit Ratings are solicited at the request of the rated entity or a related third party.

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