

# Wuxi Urban Construction Development Group Co., Ltd.

## Surveillance Report

### Summary

Issuer Rating	A+
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	13 December 2023

### Key Figures of Wuxi and WUCD

(RMB billion)	2021	2022
<b>Wuxi</b>		
GDP	1,400.3	1,485.1
GDP growth rate (%)	8.8	3.0
Budgetary revenue	120.1	113.3
Government fund	122.6	112.9
Transfer payment	16.7	24.2
Budgetary expenditure	135.8	136.6
<b>WUCD</b>		
	<b>2022</b>	<b>2023.9</b>
Assets	67.1	75.1
Equity	36.5	39.1
Revenue	1.8	2.0

Source: Public information, WUCD and Lianhe Global's calculations

Lianhe Ratings Global Limited (“Lianhe Global”) has affirmed ‘A+’ global scale Long-term Issuer Credit Rating of Wuxi Urban Construction Development Group Co., Ltd. (“WUCD” or “the company”); Issuer Rating Outlook is Stable.

### Summary

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 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.

### Rating Rationale

**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 RMB25.7 million of government subsidies between 2019 and end-September 2023. 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:** WUCD's total assets reached RMB75.1 billion at end-September 2023. Following the deconsolidation of Wuxi Taihu New City Development Group Co., Ltd. in 2022, WUCD's leverage ratio, measured as total liabilities over total assets, improved to 45.7% at end-2022 from 65.8% at end-2021, and increased slightly to 47.9% at end-September

### Analysts

Sigmund Jiang, CFA, CESGA  
 (852) 3462 9587

[sigmund.jiang@lhratingsglobal.com](mailto:sigmund.jiang@lhratingsglobal.com)

Toni Ho, CFA, FRM

(852) 3462 9578

[toni.ho@lhratingsglobal.com](mailto:toni.ho@lhratingsglobal.com)

### Applicable Criteria

China Local Investment and Development Companies Criteria (5 December 2022)

2023. Similarly, WUCD's total debt capitalization ratio declined to 37.2% at end-2022 from 58.6% at end-2021, and increased slightly to 40.5% at end-September 2023.

The liquidity of WUCD was moderate. At end-September 2023, WUCD had a cash balance of c. RMB3.0 billion (restricted cash was approximately RMB0.01 billion) and a total credit line of RMB56.7 billion, of which RMB40.0 billion was available, compared with its debt to be due within one year of c. RMB4.7 billion. WUCD has access to multiple financing channels including bank borrowings, corporate bonds and other financing channels.

**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 RMB1,485.1 billion in 2022, which was ranked 3<sup>rd</sup> in Jiangsu Province. Besides, Wuxi's GDP per capita was c. RMB198.4 thousand in 2022, ranking 3<sup>rd</sup> among all prefecture-level cities in China. The Wuxi government's budgetary revenue decreased to RMB113.3 billion in 2022 from 120.1 billion in 2021, mainly due to the large-scale value-added tax credit refund policy to support the economy.

Its budget deficit widened with the increased deficit rates of -20.5% in 2022 from -13.1% in 2021, but remained at a manageable level. The Wuxi government's debt ratio, as measured by total government debt/aggregate revenue, maintained at a moderate level of c. 60% in 2020 and 2021, but surged to 74.5% in 2022, mainly to the increase in special purpose debt.

### 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.

### Company Profile

Established in 2008 by the Wuxi government, WUCD is an important LIDC directly under the Wuxi government. The Wuxi government holds 100% stake of WUCD via the Wuxi SASAC. WUCD is mainly responsible for urban and rural construction, affordable housing construction and other functions in the region.

## Disclaimer

Credit rating and research reports published by Lianhe Ratings Global Limited (“Lianhe Global” or “the Company” or “us”) are subject to certain terms and conditions. Please read these terms and conditions at the Company’s website: [www.lhratingsglobal.com](http://www.lhratingsglobal.com)

A credit rating is an opinion which addresses the creditworthiness of an entity or security. Credit ratings are not a recommendation to buy, sell, or hold any security. Credit ratings do not address market price, marketability, and/or suitability of any security nor its tax implications or consequences. Credit ratings may be subject to upgrades or downgrades or withdrawal at any time for any reason at the sole discretion of Lianhe Global.

All credit ratings are the products of a collective effort by accredited analysts through rigorous rating processes. No individual is solely responsible for a credit rating. All credit ratings are derived by a credit committee vesting process. The individuals identified in the reports are solely for contact purpose only.

Lianhe Global conducts its credit rating services based on third-party information which we reasonably believe to be true. Lianhe Global relies on information including, but not limited to, audited financial statements, interviews, management discussion and analysis, relevant third-party reports, and publicly available data sources to conduct our analysis. Lianhe Global has not conducted any audit, investigation, verification or due diligence. Lianhe Global does not guarantee the accuracy, correctness, timeliness, and/or completeness of the information. Credit ratings may contain forward-looking opinions of Lianhe Global which may include forecasts about future events which by definition are subject to change and cannot be considered as facts.

Under no circumstances shall Lianhe Global, its directors, shareholders, employees, officers and/or representatives or any member of the group of which Lianhe Global forms part be held liable to any party for any damage, loss, liability, cost, expense or fees in connection with any use of the information published by the Company.

Lianhe Global receives compensation from issuers, underwriters, obligors, or investors for conducting credit rating services. None of the aforementioned entities nor its related parties participate in the credit rating process aside from providing information requested by Lianhe Global.

Credit ratings included in any rating report are solicited and disclosed to the rated entity (and its agents) prior to publishing. Credit rating and research reports published by Lianhe Global are not intended for distribution to, or use by, any person in any jurisdiction where such use would infringe local laws and regulations. Any user relying on information available through credit rating and research reports is responsible for consulting the relevant agencies or professionals accordingly to comply with the applicable local laws and regulations.

All published credit rating and research reports are the intellectual property of Lianhe Global. Any reproduction, redistribution, or modification, in whole or part, in any form by any means is prohibited unless such user has obtained prior written consent from us.

Lianhe Global is a subsidiary of China Lianhe Credit Rating Co., Ltd. The credit committee of Lianhe Global has the ultimate power of interpretation of any methodology or process used in the Company’s independent credit ratings and research.

Copyright © Lianhe Ratings Global Limited 2023.