

Credit Opinion

17 July 2025

Ratings	
Category	Corporate
Domicile	China
Rating Type	Solicited Rating
Long-Term Credit Rating	A _g -
Outlook	Stable

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Wuxi Gaofa Investment & Development Group Co., Ltd.

Surveillance credit rating report

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

Summary

The A_g- long-term credit rating of Wuxi Gaofa Investment & Development Group Co., Ltd. ("WXGF" or the Company) 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 the local 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 districts and counties 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) large risk exposure to commercial activities; (2) moderate debt management with an increasing debt burden; and (3) medium level of contingent risks.

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.

Rating Drivers

- Essential role in infrastructure construction and park operations in Xinwu District
- Large risk exposure to commercial activities
- Solid track record of receiving government payments
- Moderate debt management with an increasing debt burden
- Good access to diversified financing channels
- Medium level of contingent risks

Rating Sensitivities

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.

Key Indicators

	2022FY	2023FY	2024FY	2025Q1
Total Assets (RMB billion)	64.5	87.8	100.9	104.1
Total Equity (RMB billion)	22.2	29.0	32.3	33.2
Total Revenue (RMB billion)	3.4	3.0	3.3	0.9
Total Debt/Total Capital (%)	62.1	64.2	66.4	67.3

All ratios and figures are calculated using CCXAP's adjustments.

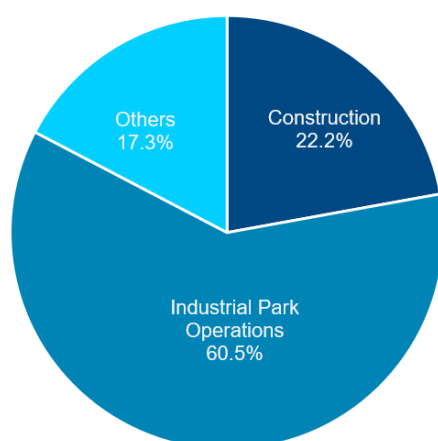
Source: Company data, CCXAP research

Corporate Profile

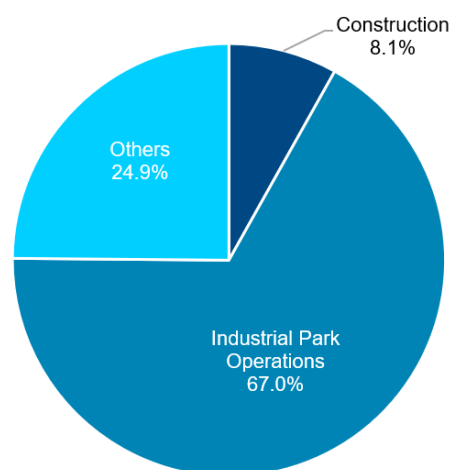
Founded in 2018, WXGF is the most important and key entity in Wuxi HIDZ (Xinwu District) for development and investment, state-owned asset operation as well as state-owned capital management. In 2022, the government transferred all holding shares of Wuxi High-Tech Zone Venture Investment Holding Group 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 2025, it was directly and wholly owned by the Xinwu District Government.

Exhibit 1. Shareholding chart as of 31 March 2025

Source: Company information, CCXAP research

Exhibit 2. Revenue structure in 2024

Source: Company information, CCXAP research

Exhibit 3. Gross profit structure in 2024**Rating Considerations****Government's Capacity to Provide Support**

We believe that the Xinwu District Government has very strong capacity to provide support to the Company, given its good economic fundamentals and fiscal profile. Xinwu District's GRP ranks second and its general budgetary revenue ranks top among districts and counties in Wuxi City. Wuxi HIDZ also ranks among China's top 20 national-level high-tech industrial development zones.

Jiangsu Province is one of China's most advanced and prosperous provinces. Many globally renowned companies in various industries including textiles, chemicals, and electrical equipment are based here. Jiangsu Province is the second largest province in China by GRP, after Guangdong Province. In 2024, Jiangsu Province's total GRP amounted to RMB13.7 trillion, a year-over-year ("YoY") increase of 5.8%.

Located in the southern part of Jiangsu Province and on the northern shores of Taihu Lake, Wuxi City is one of the core cities of the Yangtze River Delta and the Suzhou-Wuxi-Changzhou metropolitan area. Its pillar industries include the Internet of Things, integrated circuits, biomedicine, software, and new energy industries. Wuxi City's economy is relatively strong with the third-highest GRP among the prefectural level in Jiangsu Province for more than 5 consecutive years. In 2024, it achieved a GRP of RMB1.6 trillion with a YoY growth rate of 5.8%. Wuxi City's fiscal profile is strong and characterized by high fiscal sufficiency and a strong

revenue-generating ability. In 2024, its general budgetary revenue increased to RMB121.0 billion. The contribution of tax revenue has been stable, accounting for over 75% of general budgetary revenue over the past three years. In addition, Wuxi has a high average self-sufficiency rate (general budgetary revenue/general budgetary expenditure) of 86.4%. As of 31 December 2024, the local government's outstanding debt was RMB261.0 billion, accounting for 16.0% of the GRP.

Exhibit 4. Key economic and fiscal indicators of Wuxi City

	2022FY	2023FY	2024FY
GRP (RMB billion)	1,485.1	1,545.6	1,626.3
GRP Growth (%)	3.0	6.0	5.8
General Budgetary Revenue (RMB billion)	113.3	119.5	121.0
General Budgetary Expenditure (RMB billion)	136.6	139.0	134.1
Local Government Debt (RMB billion)	187.4	217.1	261.0

Source: Statistics Bureau of Wuxi City, CCXAP research

Xinwu District and Wuxi HIDZ share the scope of government administration and management. Wuxi HIDZ is a national-level high-tech industrial development zone approved by the State Council in November 1992. It ranked 17th (out of 178) in the comprehensive evaluation of national-level high-tech zones in 2024. It mainly lays out industries including the Internet of Things, integrated circuits, biomedicine, intelligent equipment, auto parts, and new energy. Xinwu District has attracted many large corporations to settle in such as Wuxi Lead Intelligent Equipment Co., Ltd. and SK Hynix Semiconductor (China) Co., Ltd., forming multi-industrial clusters. Xinwu District also has an excellent geographical location and transportation system, supporting the growth of economic activities in Xinwu District. The GRP of Xinwu District has ranked 2nd in Wuxi City over the past three years. In 2024, the GRP of Xinwu District increased by 6.0% YoY to RMB264.5 billion, and the per capita GRP ranked 1st in Wuxi City. In addition, Xinwu District Government's fiscal strength is good. In 2024, its general budgetary revenue increased to RMB26.6 billion, ranking 1st among all districts or counties in Wuxi City, with a 3-year average self-sufficiency rate of more than 100%. As of 31 December 2024, the local government's outstanding debt was RMB37.5 billion, accounting for 14.2% of the GRP.

Exhibit 5. Key economic and fiscal indicators of Xinwu District

	2022FY	2023FY	2024FY
GRP (RMB billion)	243.1	251.6	264.5
GRP Growth (%)	3.4	6.1	6.0
General Budgetary Revenue (RMB billion)	24.2	26.2	26.6
General Budgetary Expenditure (RMB billion)	19.1	20.2	20.2
Local Government Debt (RMB billion)	31.1	33.9	37.5

Source: Statistics Bureau of Xinwu District, CCXAP research

Government's Willingness to Provide Support

Essential role in infrastructure construction and park operations in Xinwu District

As the largest stated-owned development and investment entity under Xinwu District Government by total assets in Xinwu District, WXGF continues to play an essential role in implementing the local government's development plans and providing public services. WXGF contributes significantly to the regional development of Xinwu District, given its leading role in the operation of industrial parks (all industrial parks except Taikang Park), 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. Owing to its strategic importance in regional development of Xinwu District, we believe that the Company is unlikely to be replaced by other state-owned enterprises in the foreseeable future.

WXGF provides sewage treatment, bus, and power substation services in Xinwu District. As of 31 March 2025, the Company had 3 sewage treatment plants with a designed treatment capacity of 665 thousand tons per day. The Company receives payments from the Wuxi High-Tech Zone Management Committee as compensation for sewage treatment, as well as routine operation and maintenance of pipe networks and pumping stations. Meanwhile, the Company had 2 projects under construction to improve the treatment capacity, with a total investment of RMB430.0 million and an uninvested amount of RMB321.0 million. As of 31 March 2025, the Company operated 49 bus routes with a fleet of 350 buses. Considering its public nature, the business generates low revenues and is highly dependent on subsidies from the government, such as operating mileage subsidies, oil subsidies and travel subsidies. The Company also provides voltage conversion services for enterprises settled in the Singapore Park, and is responsible for the construction, operation and maintenance of the power network. The Company reported electricity supply volume of 89.9 billion kWh and revenue of RMB659.0 million in 2024, showing modest growth from 2023 and demonstrating good stability.

WXGF is an important urban construction entity in Xinwu District. It has undertaken large scale of infrastructure and public facilities in Xinwu District mainly under agency construction model, such as municipalities, roads, sewage networks, and greening works. Under the agency construction model, the Company is responsible for the financing and construction of project, and would receive payment of the actual cost plus a markup upon completion and examination. As of 31 March 2025, there were no entrusted construction projects under construction or planning. The Company has switched to an entrusted management model for implementing government projects. The Company signs an agreement with the Wuxi High-Tech Zone Management Committee, for which they are responsible for financing, while the Company is responsible for project construction and receives a management fee (generally 1.5%). The Company remains a strategic role as a key regional operator as evidenced by ongoing government mandates and the receipt of annual management fees.

Large 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.

Property development business mainly involves commercial housing and office buildings in Xinwu District. The Company mainly realizes returns through selling or leasing, which are closely related to the volatilities of regional industrial investment. As of 31 March 2025, all completed residential housing projects have been sold out and realized profit; the revenue from most of the completed office building projects have already covered the investments. There were 3 office buildings in the process of sale or leasing, with an absorption rate of around 50%. At the same time, the Company had 3 key residential housing projects under construction, with a total investment of RMB5.3 billion and an uninvested amount of RMB2.0 billion, exerting high capital expenditure pressure to the Company. In addition, the Company had large land reserves as a result of its

continued land acquisitions, with a book value of RMB15.7 billion as at end-March 2025, most of which reserves lack clear development plans. The de-stocking risk could increase if significant development began. During the slowdown in the domestic real estate market, the development of the Company's business may be under capital expenditure pressure and face certain uncertainties. The Company also owns a large portfolio of industrial properties to implement park operation business, which provides stable operating revenue and cash flow. As of 31 March 2025, the Company owned various leasable properties, mainly factories and commercial building, with a total leasable area of 258.6 thousand square meters and an occupancy rate of 80.2%. These leasable assets generated rental income of around RMB565 million in 2024, decreasing by 11.7% YoY mainly owing to the decrease in rental price.

WXGF participates in financial investment to support the industrial development of Xinwu District, including market-oriented projects and government-guided projects such as industrial guidance fund, seed capital and talent investment. WXGF has large exposure to financial investment and most of them are in the early stage, leading to relatively high investment risk. However, some investments are policy-driven and have track record of gains. As an important investment enterprise in Wuxi District, WXGF mainly invests in strategic industries that align with the industrial development of Xinwu District, and holds 100% shares of the New Dynamic Fund through WXVI and WXND, which is an industrial guidance fund aimed at promoting the development of local high-tech industries in Xinwu District, and to attract investments into its industrial parks. As of the end of March 2025, the New Dynamic Fund had invested in 44 projects through direct investment and SPVs in cooperation with well-known investment institutions, most of which have signed guarantee agreements with minimum return commitments ranging from 7% to 9%. Most of the projects have not yet reached the exit period and only 3 projects have been exited and realized returns of RMB55.5 million in total. WXVI, the subsidiary of the Company, has a diversified investment portfolio including equity participation in financial institutions, industrial direct investment and participation in different industrial development funds. WXVI yielded certain returns from exited projects but projects under investment were still in their early stage and met certain impairments. As of 31 March 2025, WXVI's industrial direct investment portfolio was around RMB354.2 million. In 2024, the Company's investment income was around RMB315.2 million. However, most of the investments require a long holding period, which may expose the Company to larger investment and execution risks.

In addition, the Company engages in self-operated construction projects related to the regional development of Xinwu District. As of 31 March 2025, the Company had 9 self-operated projects under construction with a total investment of RMB17.4 billion and uninvested amount of RMB11.8 billion, exerting large capital expenditure pressure to the Company. These projects mainly include Cultural Arts Center, Tourist Cultural Center, and affordable housing for rent. In the future, the self-operated projects may need to rely on operating income such as ticket fees and rental income to balance the initial investment, bringing more uncertainties to the Company. In addition, the Company started the engineering construction business in 2022 and generated a supplementary income of around RMB628.0 million in 2024. For the period January 2024 to March 2025, the Company newly signed several contracts with a total contract amount of RMB3.5 billion. As of 31 March 2025, all projects undertaken were within Wuxi City and most were related to the construction of industrial parks in Xinwu District.

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 capital injections, obtaining special funds for project construction, and operating subsidies. With continuous capital injections from the local government in recent years, the

Company's registered capital was fully paid up as of 31 March 2025, with paid-in capital reaching RMB18.0 billion. Meanwhile, from 2024 to the first half of 2025, the Company received subsidies totaling RMB355.0 million. The Company is also expected to receive project payments from the government as large account receivables remain, but the progress is slow. For entrusted infrastructure construction projects, the Company is no longer responsible for fundraising from 2019, and the Wuxi High-Tech Zone Management Committee pays the Company management fee, which is generally 1.5% of actual investment. Overall, we expect WXGF to receive ongoing support from the government given its strategic position in the development of Xinwu District.

Moderate debt management with an increasing debt burden

WXGF's debt has grown rapidly over the past three years, due to the continuous investments in commercial activities such as property development, self-operated projects, and financial investment. As of 31 March 2025, the Company's total debt (including perpetual debt) increased to RMB65.7 billion from RMB51.4 billion at end-2023. At the same time, its total capitalization ratio, calculated as a ratio of total debt to total capital, also grew to 67.3% from 64.2% at end-2023. Nevertheless, the Company maintains a good liquidity profile and financial flexibility. As at end-March 2025, the short-term debt accounted for around 20.9% of the total debt and the ratio of cash to short-term debt was around 0.6x. However, the Company has large future investment plan regarding to its sewage treatment, property development, and self-operated projects. 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.

As of 31 March 2025, WXGF's total assets increased to RMB104.1 billion from RMB87.8 billion in 2023, mainly due to the continued progress in the construction projects, the increase in financial assets resulting from WXVI's financial investment business expansion, and the capital injection by the local government. The Company's assets mainly comprised of large investment properties that generated recurring income, as well as land reserves to be developed as of the end of March 2025. At the same time, the restricted assets accounted for 13.5 % of total assets, which may undermine the Company's financing flexibility.

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 could partially relieve the pressure on debt repayment and capital expenditure. Bank borrowing accounted for more than half of the total debt. It maintains good relationships with policy banks, joint-stock commercial banks and large state-owned commercial banks, such as China Development Bank, China Minsheng Bank and Agricultural Bank of China. As at end-March 2025, the Company had a total credit facility of RMB67.6 billion, with an unused amount of RMB32.2 billion, providing sufficient standby liquidity.

The Company actively participates in the domestic debt market through its subsidiaries, WXVI and WXND. They have issued various bond products, such as MTNs, PPNs, and corporate bonds. For example, since 2024, WXVI has issued several tranches of long-term or extendable science and technology innovation bonds, and the coupon rates were below 3.0%. In addition, the Company's non-standard financing exposure remained moderate, accounting for approximately 15.2% of total debt as of 31 March 2025.

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. As of 31 March 2025, the total amount of external guarantees was approximately RMB5.0 billion, a slight decrease compared with the end of 2023, representing 12.9% of the Company's net assets. In case of credit event occurs, the Company may face certain contingent liability risks, which could negatively impact its credit quality. The objects of the guarantees are all state-owned enterprises in Xinwu District.

ESG Considerations

WXGF faces environmental risks because it has undertaken infrastructure construction projects. Such risks could be moderated by conducting environmental studies and planning prior to the start of the projects, and close monitoring during the construction phase.

The Company is also exposed to social risks due to its role as a public services provider. Demographic changes, public awareness and social priorities shape the government's target for WXGF or affect the government's propensity to support the Company.

WXGF's governance considerations are also material as the Company is subject to oversight by the Xinwu District Government and must meet several reporting requirements, reflecting its public policy role and status as a government-owned entity.

Rating Methodology

The methodology used in this rating is the Rating Methodology for [China's Local Infrastructure Investment and Financing Companies \(July 2022\)](#).

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