

## Credit Opinion

11 February 2025

Ratings	
Category	Corporate
Domicile	China
Rating Type	Solicited Rating
Long-Term Credit Rating	A <sub>g</sub> -
Outlook	Stable

### Analyst Contacts

Peter Chong +852-2860 7124  
Assistant Director of Credit Ratings  
[peter\\_chong@ccxap.com](mailto:peter_chong@ccxap.com)

Jonathan Kwong +852-2860 7132  
Credit Analyst  
[Jonathan\\_kwong@ccxap.com](mailto:Jonathan_kwong@ccxap.com)

Elle Hu +852-2860 7120  
Executive Director of Credit Ratings  
[elle\\_hu@ccxap.com](mailto:elle_hu@ccxap.com)

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

### Client Services

Hong Kong +852-2860 7111

## Gansu Province Electric Power Investment Group Co., Ltd.

### Surveillance credit rating report

**CCXAP affirms Gansu Province Electric Power Investment Group Co., Ltd.'s A<sub>g</sub>- long-term credit rating, with stable outlook.**

### Summary

The A<sub>g</sub>- long-term credit rating of Gansu Province Electric Power Investment Group Co., Ltd. ("Gansu Power" or the "Company") is underpinned by the Company's (1) strong regional market position in the power generation sector of Gansu Province; (2) diversified power structure, with good operating efficiency and increased installed capacity; (3) improving profitability due to decreased fuel costs and increased power generation; and (4) good access to diversified funding channels.

However, the rating is constrained by the Company's (1) vulnerability to electricity tariffs and coal prices; and (2) moderate debt leverage with high capital expenditure pressure.

The rating also reflects our expectation of a high likelihood of support from the Gansu Provincial Government, given Gansu Power's (1) direct ownership by the Gansu Provincial State-owned Asset Investment Group Co., Ltd and ultimate control by the Gansu SASAC; (2) high strategic importance in the regional economic development and power supply; and (3) solid track record of receiving government support, including project support and financial subsidies.

The stable outlook on Gansu Power's rating reflects our expectation that the willingness and ability of the local government to provide support to the Company is unlikely to change, and that the Company will sustain its solid market position in the power sector of Gansu Province in the next 12 to 18 months.

## Rating Drivers

- High likelihood of government support from Gansu Provincial Government
- Strong regional market position in the power generation sector of Gansu Province
- Diversified power structure, with good operating efficiency and increased installed capacity
- Vulnerability to environmental protection policies and coal prices
- Improving profitability due to decreased fuel costs and increased power generation
- Moderate debt leverage with high capital expenditure pressure
- Good access to diversified funding channels

## Rating Sensitivities

### What could upgrade the rating?

The rating could be upgraded if (1) the business environment further improves as supported by preferential government policies; (2) the Company strengthens business profile in terms of scale and diversification; (3) the Company's operating profitability continues to improve; and (4) the Company lowers its debt leverage and improves its liquidity position.

### What could downgrade the rating?

The rating could be downgraded if (1) the business environment is adversely changed and the current preferential policies are no longer effective; (2) the Company's revenue declines and profitability deteriorates significantly; (3) the Company's liquidity buffer squeezes; or (4) there is material increase in capital expenditure which erodes the Company's credit metrics.

## Key Indicators

	2021FY	2022FY	2023FY	2024Q3
Total Assets (RMB billion)	79.7	85.3	88.5	86.0
Total Equity (RMB billion)	34.9	37.2	37.6	38.0
Total Revenue (RMB billion)	9.3	11.7	12.6	9.9
Net Profits (RMB billion)	-0.5	0.1	2.0	0.2
EBITDA / Revenue (%)	32.6	32.0	47.3	-
ROA (%)	1.8	2.5	4.9	-
Total Capitalization Ratio (%)	54.0	54.1	55.2	53.0
RCF / CAPEX (X)	0.3	0.2	0.4	-
EBITDA / Interest (X)	1.5	1.9	2.8	-
Debt / EBITDA (X)	13.6	11.7	7.7	-

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

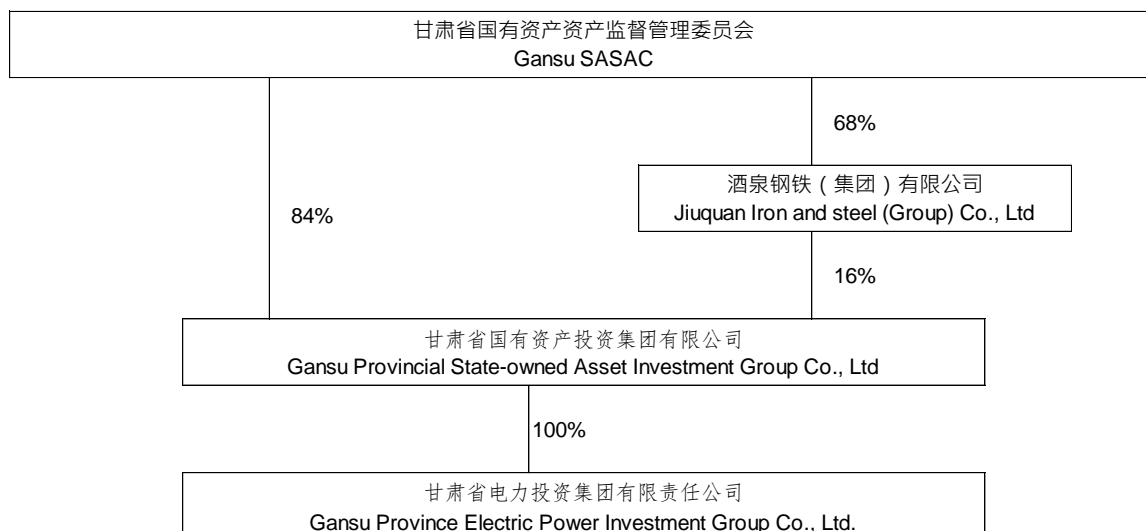
Source: Company information; CCXAP research

## Corporate Profile

Founded in 1990, Gansu Power is a leading electric power investment enterprise in Gansu Province. The Company was established with the initial aim of providing electricity power and easing the power shortage in Gansu Province through the construction and operation of power plants and power projects. Gansu Power's other businesses mainly include public welfare business and data information. As of 30 September 2024, Gansu Provincial State-owned Assets Investment Group Co., Ltd directly held 100% of the Company's shares and

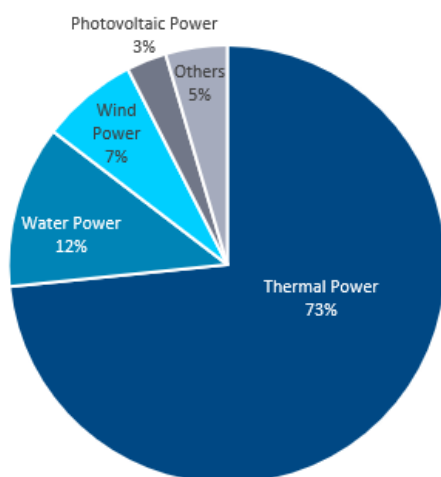
Gansu State-owned Assets Supervision and Administration Commission (“Gansu SASAC”) was its ultimate controlling shareholder.

#### Exhibit 1. Shareholding chart as of 30 September 2024



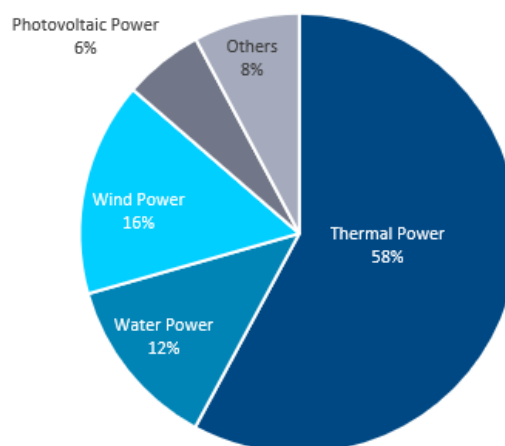
Source: Company information, CCXAP research

#### Exhibit 2. Revenue structure in 2023



Source: Company information, CCXAP research

#### Exhibit 3. Gross profit structure in 2023



## Rating Considerations

### Strong regional market position in the power generation sector of Gansu Province

Gansu Power is one of the most important state-owned power suppliers in Gansu Province, with strong market position in the power sector of the region. Gansu Province is a major province of energy in China. In 2024, Gansu Province's electricity consumption amounted to 174.6 billion kilowatt-hour (“KWh”), a year-on-year increase of 6.18%. The Company is responsible for the investment, financing, construction, and management

of provincial power generation projects, with the second largest total installed capacity in Gansu Province. Benefited by the completion of thermal power and hydropower construction projects, the Company's operating scale has further increased. The Company's total installed capacity increase from 8,365.7 megawatts ("MW") as of 30 September 2023 to 10,335.7 MW as of 30 September 2024, accounting for 10.9% of total installed capacity in Gansu Province. The Company's power generation increased from 32,926 gigawatt-hours ("GWh") in 2022 to 35,533 GWh in 2023, accounting for 16.8% of total power generated in Gansu Province. We believe the Company will maintain a strong market position in the region in the foreseeable future.

### **Diversified power structure, with good operating efficiency and increased installed capacity**

Gansu Power's electric power investment mainly focuses on thermal power and hydropower projects, and the Company has also strategically diversified its power structure to include other clean energy such as wind power and solar power, with an aim of increasing power generated from clean and renewable sources. Diversified power structure can hedge industry risks and operation risks arising from environment changes and industry fluctuations. In addition, Gansu Power's thermal power generation has good operating efficiency, with average utilization hours higher than national average. Moreover, the completion of thermal power plants projects significantly increased the Company's installed capacity and thereby improved its power generation capacity.

Thermal power generation accounts for a major portion of Gansu Power's power generation business. Its thermal power plants locate in Jinchang, Zhangye, Wuwei and Changle. Due to the completion of Changle Power Plant No.3 and No.4 Thermal Power Unit project, the installed capacity of thermal power significantly increased. As of 30 September 2024, the Company had 5 thermal power plants, with installed capacity of 6,670 MW (2023Q3: 4,670MW), accounting for 64.5% of its total installed capacity. With the increasing installed capacity, the Company's total thermal power generation also increased from 25,247 GWh in 2022 to 26,430 GWh in 2023. However, its average utilization hours slightly decreased from 5,406 hours to 5,346 hours during the same period, still higher than the national average.

Gansu Power's hydropower plants mainly distribute in the Bailongjiang, Heihe, Datong River, Taohe and Yellow River basins in Gansu Province. As of 30 September 2024, the Company had 24 hydropower plants, with installed capacity of 1,792 MW, accounting for 17.3% of its total installed capacity. The Company's hydropower generation and equipment utilization levels have increased, mainly due to increased rainfall in Taohe and Bailong River basins. From 2022 to 2023, the average utilization hours for hydropower increased from 3,290 hours to 3,426 hours, while the hydropower generation rose from 5,981 GWh to 6,226 GWh.

Gansu Power's wind power plants locate in the Jiuquan City. As of 30 September 2024, the Company had 7 wind power plants, with installed capacity of 1,104 MW, accounting for 10.7% of its total installed capacity. With the improving wind condition in the area, the Company's wind power generation and equipment utilization levels increased in 2023. From 2022 to 2023, the average utilization hours for wind power increased from 1,648 hours to 1,951 hours, while the wind power generation increased from 1,354 GWh to 2,053 GWh.

Gansu Power also constructs and operates solar power projects in Gansu Province, which contribute a relatively small portion towards its total installed capacity. As of 30 September 2024, the Company's 17 solar power plants mainly located in Jiuquan, Wuwei and Zhangye, with installed capacity of 770 MW. In 2023, the Company's solar power generation increased from 345 GWh in 2022 to 826 GWh due to increased installed capacity. However, from 2022 to 2023, the average utilization hours for solar power slightly decreased from 1,795 hours to 1,726 hours.

**Exhibit 4. Gansu Power's total installed capacity, average utilization hours and power generation from 2021 to 2024Q3**

	2021FY	2022FY	2023FY	2024Q3
<b>Total Installed Capacity (MW)</b>	<b>7,465.7</b>	<b>7,715.7</b>	<b>10,335.7</b>	<b>10,335.7</b>
Thermal Power	4,670.0	4,670.0	6,670.0	6,670.0
Hydropower	1,822.2	1,822.2	1,792.2	1,792.2
Wind Power	803.5	1,003.5	1,103.5	1,103.5
Solar Power	170.0	220.0	770.0	770.0
<b>Average Utilization Hour (Hours)</b>	<b>4,279</b>	<b>4,389</b>	<b>4,286</b>	<b>2,829</b>
Thermal Power	5,030	5,406	5,346	3,279
Hydropower	3,668	3,290	3,426	2,844
Wind Power	1,828	1,648	1,951	1,288
Solar Power	1,644	1,795	1,726	1,099
<b>Power Generation (GWh)</b>	<b>31,771</b>	<b>32,926</b>	<b>35,533</b>	<b>29,239</b>
Thermal Power	23,491	25,247	26,430	21,874
Hydropower	6,532	5,981	6,226	5,098
Wind Power	1,469	1,354	2,053	1,421
Solar Power	279	345	826	847

Source: Company information, CCXAP research

**Vulnerability to electricity tariffs and coal prices**

Gansu Power's power generation businesses mainly focus on thermal power, which has known negative effects on the environment. In recent years, the central government has enhanced environmental protection policies and heightened clean development of thermal power. Accordingly, the Company is subject to extensive and stricter environmental protection laws and regulations that impose fees for the discharge of pollutants and waste substances, and impose fines for serious environmental violations. A violation of environmental regulations or over-emissions during the construction and operation of thermal power projects may impact the Company's normal operations and profitability.

Furthermore, a majority of the Company's power plants are fueled by coal. Therefore, its operations and profitability are also directly affected by the availability and coal costs. Due to the decreasing demand of coal and the rapid development of sustainable energy, the coal prices have drop since 2023, decreasing the Company's cost of sales. Given the continuous promotion of sustainable energy by the central government, we expect the coal price might further decreased in the future.

Besides, since the on-grid tariffs for renewable energy are determined by the government authorities and the utilization of renewable fuels is encouraged by the central government, clean power plants enjoy higher on-grid tariffs and the profitability level of clean power generation is higher than that of thermal power. Affected by the decreasing coal price, the price of thermal power slightly decreased. In addition, the increasing supply of solar power also leads to the fall of solar electricity price.

**Improving profitability due to decreased fuel costs and increased power generation**

Due to the sound growth of thermal power generation, the total revenue for Gansu Power increased from RMB11.7 billion in 2022 to RMB12.6 billion in 2023, which the revenue from thermal power and hydropower accounted for 73.4% and 12.0% of total revenue, respectively. Benefited by the decreased fuel costs and increased power generation, the Company's profitability improved. The Company's EBITDA margin increased

from 32.0% in 2022 to 47.3% in 2023, while its return on assets increased from 2.5% to 4.9% over the same period. We expect that the Company's revenue and earnings will maintain moderate growth in the next 12 to 18 months, given the continuous increase in operating scale and efficiency from the construction projects.

### **Moderate debt leverage with high capital expenditure pressure**

Gansu Power's debt leverage maintains at a moderate level, although its debt burden has slightly reduced due to the intensified repayment of debt. The Company's total debt decreased from RMB43.8 billion at end-2022 to RMB43.0 billion at as of 30 September 2024, while its total capitalization ratio decreased from 54.1% to 53.0% over the same period. Nonetheless, the Company has reasonable debt structure. As of 30 September 2024, the Company had a total short-term debt of RMB4.3 billion, accounting for 10.0% of the total debt. In addition, the Company's debt and interest repayment capability improved due to the increase in earnings. From 2022 to 2023, the Company's Debt/EBITDA ratio decreased from 11.7x to 7.7x and EBITDA/Interest ratio rose from 1.9x to 2.8x.

As of 30 September 2024, the Company had 2 thermal power generation projects under construction, with total a planned investment of RMB15.0 billion and an uninvested amount of RMB8.5 billion. In addition, the Company has several projects under planning, such as Wuwei Minqin 1 million-kilowatt wind power and photovoltaic project, Tengger Desert Base new energy project, and Qingyang Data Center Cluster Green Power Aggregation Pilot Project. The projects under construction or planning can enhance its operating scale and efficiency after completion of construction, but also exert certain level of capital expenditure pressure to the Company. Given high future capital needs from the construction project reserves, we believe that the Company's debt burden will continue to grow for the next 12 to 18 months.

### **Good access to diversified funding channels**

Gansu Power has diversified sources of funding including bank loans, onshore and offshore bonds, and equity financing. The Company maintains good relationship with policy banks such as China Development Bank and large domestic banks such as China Construction Bank. As of 30 September 2024, the Company's total credit facilities were RMB95.1 billion, of which the unutilized amount was about RMB57.9 billion, indicating sufficient standby liquidity. The Company also has access to debt capital markets. In 2024, the Company issued 2 onshore bonds, with total issuance amount of RMB4.0 billion, with average coupon rate of about 2.5%.

Besides, Gansu Power has equity financing channels by holding the equity interests of GEPIC Energy Development Co., Ltd. ("GEPIC Energy", Stock code: 000791.SZ). In December 2024, GEPIC Energy raised RMB6.5 billion via equity issuance to purchase the 66% equity of Gansu Power Investment Changle Power Generation Co., Ltd. Given that Gansu Power maintains ultimate control of the Changle subsidiary, we believe the purchase has no material effect to the Company.

### **External Support**

#### **High likelihood of government support from Gansu Provincial Government**

We expect a high likelihood of government support from the Gansu Province Government provided to Gansu Power. This expectation incorporates our considerations of the Company's (1) direct ownership by the Gansu Provincial State-owned Asset Investment Group Co., Ltd and ultimate control by the Gansu SASAC; (2) high strategic importance in the regional economic development and power supply; and (3) solid track record of receiving government support, including project support and financial subsidies.

Located in the northwest part of China and serving as key energy base, Gansu Province has very strong

capacity to support Gansu Power. As one of the fast-growing areas of China, GRP of Gansu Province increased from RMB1,120.1 billion in 2022 to RMB1,186.4 billion in 2023. Besides, Gansu Power has large scale and important position among all the state-owned enterprises of Gansu Province.

As the sole electric industrial investment entity under the Gansu SASAC for both traditional energy like thermal power and clean energy like wind power, Gansu Power is established with the aim of providing power to Gansu Province through the construction and operation of power plants and power projects throughout Gansu Province. Gansu Power has great importance in promoting electric industry development and ensuring power supply in Gansu province.

Gansu Power has very tight relationship with the local government and has solid track record of receiving support from local government. As the ultimate controlling shareholder of Gansu Power, the Gansu SASAC appoints most of the board members, and has decision rights on the Company's material decisions. Furthermore, Gansu Provincial Government provides financial subsidies to the Company every year, as the support for ensuring power supply and promoting clean energy. We expect the local government's willingness to support the Company is high, which is unlikely to change in the foreseeable future.

## Rating Methodology

The methodology used in this rating is the [Rating Methodology for Electric Utilities Industry \(April 2018\)](#).



Copyright © 2025 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