
CCXAP affirms Zhaoqing Gaoyao District State-Owned Assets Operation Co., Ltd.'s long-term credit rating at BBB_g-, with stable outlook.

Hong Kong, 1 September 2025 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has affirmed long-term credit rating of BBB_g- to Zhaoqing Gaoyao District State-Owned Assets Operation Co., Ltd. (“GSAO” or the “Company”), with stable outlook.

The BBB_g- long-term credit rating of GSAO is underpinned by the Company’s (1) important position in industrial development of Gaoyao District; and (2) good market position in engineering construction in Gaoyao District. However, the rating is constrained by the Company’s (1) relatively weak profitability; (2) increasing debt burden and high short-term debt repayment pressure due to relatively large capital expenditure; and (3) modest debt servicing capability with limited access to funding.

The rating also reflects a high likelihood of government support from the Gaoyao District Government when needed, which is based on the Company’s (1) ultimate control by the Gaoyao District Government; (2) strategic importance in industrial investment in Gaoyao District; and (3) solid track record of receiving support from the local government including subsidies, capital injections and asset transfers.

Corporate Profile

Founded in 1994, GSAO is a key state-owned enterprise in Gaoyao District of Zhaoqing City. The Company is mainly engaged in metal trading, property leasing, engineering construction and self-operated projects construction. At end-2024, the State-owned Assets Supervision and Administration Bureau of Gaoyao District of Zhaoqing City (“Gaoyao SASAB”) was the ultimate controlling shareholder of the Company, holding 90% of the Company’s equity interests through Zhaoqing Gaosheng Urban Investment Development Co., Ltd. (“GSCI”), while the Department of Finance of Guangdong Province held the remaining 10%.

Rating Rationale

Credit Strengths

Important position in industrial development of Gaoyao District. GSAO plays an important strategic role in supporting and promoting the urbanization and industrialization of Gaoyao District. A significant change occurred in 2024 when the Gaoyao SASAB discontinued the government purchase service agreement with the Company.

Good market position in engineering construction in Gaoyao District. GSAO also undertakes engineering construction projects through bidding in public market. GSAO is a leading local E&C company in Gaoyao District, mainly in the area of infrastructure construction and municipal construction. The Company maintains high market recognition as it participates in most projects in Gaoyao District.

Credit Challenges

Relatively weak profitability. GSAO's profitability is relatively weak as reflected by the weak return on assets and moderate EBIT margin. In 2024, the Company's EBIT margin was 18.8%, while the return on assets was 1.6%.

Increasing debt burden and high short-term debt repayment pressure due to relatively large capital expenditure. Due to relatively large capital expenditure on its construction development projects, GSAO's total debt has been growing rapidly over past few years. At end-2024, the Company's total debt increased to RMB7.8 billion from RMB6.5 billion at end-2022. The Company is exposed to high short-term debt repayment pressure as its short-term debt accounted for 64.2% of its total debt as of 31 December 2024.

Modest debt servicing capability with limited access to funding. As the Company's debt burden increased, GSAO's long-term debt servicing capability is modest. Total debt/EBITDA ratio remained at a high level of 18.8% in 2024, despite a slight improvement as compared with 20.8% in 2023. The Company shows limited access to funding, including bank loans and non-standard financing.

Rating Outlook

The stable outlook on GSAO's rating reflects our expectation that the Company will continue to receive solid support from the Gaoyao District Government. We also expect the Company to maintain its strategic role as the important industrial development platform in Gaoyao District over the next 12 to 18 months.

What could upgrade the rating?

The rating could be upgraded if (1) the local government and parent company's capacity or willingness to provide support strengthens; and (2) the Company's stand-alone credit profile improves significantly, such as stronger market position and improvement in profitability.

What could downgrade the rating? The rating could be downgraded if (1) the credit quality of local government and parent company deteriorates or parental support is expected to be weakened; or (2) the Company's standalone credit quality worsens significantly, including a material drop in credit metrics and poor debt management.

Rating Methodology

The methodology used in this rating is the Rating Methodology for [Rating Methodology for General Corporate \(April 2019\)](#).

Regulatory Disclosures

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