

Credit Opinion

25 July 2025

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

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Zhaoqing Gaoyao Jiantou Investment and Development Group Co., Ltd.

Surveillance credit rating report

CCXAP affirms Zhaoqing Gaoyao Jiantou Investment and Development Group Co., Ltd.'s long-term credit rating at BBB_g-, with stable outlook.

Summary

The BBB_g- long-term credit rating of Zhaoqing Gaoyao Jiantou Investment and Development Group Co., Ltd. ("GJID" or the "Company") reflects Gaoyao District Government's (1) strong capacity to provide support, and (2) very high willingness to provide support to the Company, based on our assessment of the Company's characteristics.

Our assessment of Gaoyao District Government's capacity to provide support reflects its leading economic status in Zhaoqing City with an improving fiscal profile.

The rating also reflects the local government's willingness to provide support, which is based on the Company's (1) key strategic importance in Gaoyao District and Jinli High-tech Zone; (2) substantial pipeline of infrastructure construction projects; and (3) solid track record of receiving governmental supports.

However, the Company's rating is constrained by the Company's (1) increasing debt burden with short-term debt repayment pressure; (2) weak asset liquidity; and (3) medium contingent liability risk from external debt guarantees.

The stable outlook on GJID's rating reflects our expectation that the Company will maintain its important position in Gaoyao District. We also expect that the Company will continue to receive ongoing government support.

Rating Drivers

- Key strategic importance of Gaoyao District and Jinli High-tech Zone
- Substantial pipeline of infrastructure construction projects
- Medium exposure to commercial activities
- Solid track record of receiving governmental support
- Increasing debt burden with short-term debt repayment pressure
- Weak asset liquidity
- Multiple access to funding
- Medium contingent liability risk from external debt guarantees

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 local government's willingness to provide support, such as improvement in debt management and material reduction in external guarantee.

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 decrease the local government's willingness to provide support, such as decrease in its strategic significance or increase in commercial exposure.

Key Indicators

	2022FY	2023FY	2024FY
Total Asset (RMB billion)	17.0	21.9	26.8
Total Equity (RMB billion)	6.9	8.9	10.9
Total Revenue (RMB billion)	1.6	2.2	1.2
Total Debt/Total Capital (%)	53.7	54.1	50.0

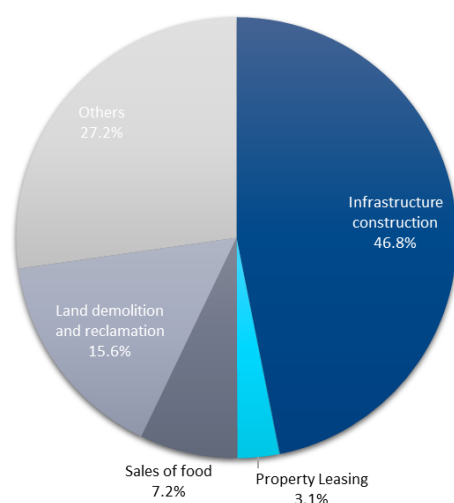
All ratios and figures are calculated using CCXAP's adjustments.

Source: Company data, CCXAP research

Corporate Profile

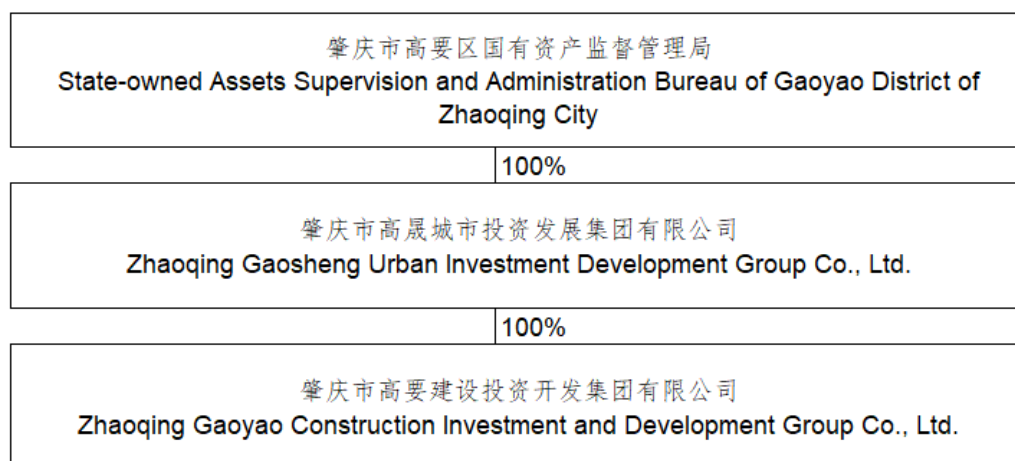
Founded in 2017, GJID is an important local infrastructure investment and financing company ("LIIFC") in Gaoyao District of Zhaoqing City. The Company primarily engages in infrastructure construction business. It is also engaged in some commercial businesses, such as trading, property leasing, and catering. As of 31 December 2024, the Company was wholly owned by Zhaoqing Gaosheng City Investment Development Co., Ltd ("GSCI"). GJID is ultimately controlled by the State-owned Assets Supervision and Administration Bureau of Gaoyao District of Zhaoqing City ("Gaoyao SASAB").

Exhibit 1. GJID's revenue structure in 2024



Source: Company information, CCXAP research

Exhibit 2. Shareholding Chart as of 31 December 2024



Source: Company information, CCXAP research

Rating Considerations

Government's Capacity to Provide Support

We believe that the Gaoyao District Government has strong capacity to provide support, given its leading economic status in Zhaoqing City with an improving fiscal profile.

Guangdong Province is one of the most economically developed provinces in China, and its comprehensive economic strength outperforms other provinces. The gross regional product ("GRP") of Guangdong Province achieved RMB14.2 trillion in 2024, ranking first among all provinces in China, with a year-on-year ("YoY") increase of 3.5%. In 2024, its general budgetary revenue reached RMB1.4 trillion, ranking first in China for more than 30 consecutive years.

Located in the western part of Guangdong Province, Zhaoqing City is the largest inland city in the Guangdong Hong Kong-Macao Greater Bay Area ("Greater Bay Area"). Zhaoqing City has a well-developed transportation

network, forming a comprehensive transportation hub with "one intercity railway, two express links, seven expressways, and one golden waterway". In recent years, Zhaoqing City has developed three industrial clusters valued over RMB100 billion, namely new energy vehicles, advanced equipment manufacturing, and energy conservation and environmental protection. Benefiting from the ongoing development of agriculture and manufacturing industries, the GRP of Zhaoqing City increased by 2.2% YoY to RMB291.8 billion in 2024, ranking 12th among 21 cities in Guangdong Province. Zhaoqing Municipal Government's fiscal strength also improved along with the economic growth, its general budgetary revenue had increased from RMB17.7 billion in 2023 to RMB18.9 billion in 2024, of which tax income accounted for 42.2% in 2024, indicating relatively weak fiscal stability. The fiscal balance of Zhaoqing City is still weak, averaging at 42.7% from 2022 to 2024. Zhaoqing City's local government had an increasing debt burden as its outstanding debt balance was RMB128.7 billion at end-2024 compared to RMB113.3 billion at end-2023, accounting for 44.1% of GRP.

Exhibit 3. Key Economic and Fiscal Indicators of Zhaoqing City

	2022FY	2023FY	2024FY
GRP (RMB billion)	270.5	279.3	291.8
GRP Growth (%)	1.1	3.7	2.2
General Budgetary Revenue (RMB billion)	16.1	17.7	18.9
General Budgetary Expenditure (RMB billion)	39.7	41.8	41.8
Local Government Debt (RMB billion)	99.6	113.3	128.7

Source: Statistics Bureau of Zhaoqing City, CCXAP research

Gaoyao District is located in the central part of Guangdong Province, belonging to the Pearl River Delta, Guangzhou-Foshan-Zhaoqing Economic Circle and Zhaoqing Economic Development Center. Gaoyao District ranked 98th by comprehensive strength among Top 100 districts in China according to the research results of High-quality Development Index of China's Small- and Medium-sized Cities in 2024. Gaoyao District has formed an industrial layout with auto parts and hardware processing industries as the core industries, supplemented by advanced equipment manufacturing, chemical industry and health and leisure industries. Affected by reduced industrial output, Gaoyao District's GRP decreased by 1.1% YoY to RMB55.9 billion in 2024, ranking second among all districts in Zhaoqing City. Due to a substantially increase in non-tax revenue generated from sale of mineral resources, Gaoyao District Government's general budgetary revenue grew rapidly to RMB4.0 billion in 2024. Moreover, its fiscal balance ratio improved to 70.2% in 2024, compared with 61.3% in 2023. Gaoyao District Government has a manageable debt profile as the outstanding debt balance of Gaoyao District Government was RMB13.8 billion at end-2024, accounting for 24.6% of GRP.

Exhibit 4. Key Economic and Fiscal Indicators of Gaoyao District

	2022FY	2023FY	2024FY
GRP (RMB billion)	54.2	56.2	55.9
GRP Growth (%)	3.5	4.5	-1.1
General Budgetary Revenue (RMB billion)	2.8	3.4	4.0
General Budgetary Expenditure (RMB billion)	5.4	5.5	5.7
Local Government Debt (RMB billion)	8.9	11.1	13.8

Source: Statistics Bureau of Gaoyao District, CCXAP research

Located in the east of Gaoyao District, Zhaoqing Jinli High-tech Industrial Development Zone ("Jinli High-tech Zone") was officially approved by the provincial government as a provincial level high-tech industrial development zone in December 2020. Jinli Town, where Jinli High-tech Zone is located, is one of the areas with

the best industrial foundation and the fastest development in Zhaoqing City. It has three major industrial clusters including auto parts, hardware, and chemical industry. With a total area of 162 square kilometers and a population of about 200,000, Jinli High-tech Zone has a transportation network that extends in all directions. According to CCID Industrial and Information Technology Research Institute, Jinli Town ranked 339th among the top 500 town in economy in 2025, which is the only town in Zhaoqing to be included in the list. With the rapid development of the Greater Bay Area, we expect the economic and fiscal strength of Zhaoqing City and Gaoyao District to be further enhanced through cooperation with major cities in the Greater Bay Area.

Government's Willingness to Provide Support

Key strategic importance of Gaoyao District and Jinli High-tech Zone

There are four main LIIFCs in Gaoyao District, each with clear positioning in the infrastructure development of Gaoyao City. GSCI is the largest and the most important infrastructure construction and state-owned asset operation entity in the region, owning the shares in the other three LIIFCs in Gaoyao District. GJID is primarily responsible for the infrastructure construction in the new urban area of Gaoyao District and Jinli High-tech Zone. As an important infrastructure construction entity in Gaoyao District and the sole infrastructure construction entity in Jinli High-tech Zone, the Company actively participates in various infrastructure projects, effectively facilitating the urbanization and regional economic development of Gaoyao District. Considering the Company's high strategic significance to the development of Gaoyao District and Jinli High-tech Zone, we believe the Company will not be easily replaced by other local state-owned enterprises in the foreseeable future.

Substantial pipeline of infrastructure construction projects

GJID mainly engages in infrastructure construction, land transfer, and demolition and reclamation of rural construction land businesses in Gaoyao District. Given the considerable construction projects in the pipeline, the infrastructure construction business has high sustainability, but bringing large capital expenditure pressure.

Entrusted by Gaoyao District Finance Bureau or relevant governmental agencies, the Company undertakes infrastructure construction projects under agency construction model through fiscal appropriation funds and self-raised funds, with a markup of 20% of the project cost incurred. As of 31 December 2024, the Company had completed 4 key infrastructure construction projects with a total investment of around RMB1.6 billion and received project repayment of RMB1.5 billion. Meanwhile, the Company had 21 infrastructure construction projects under construction with a total investment of around RMB16.0 billion and an uninvested amount of RMB12.8 billion. Furthermore, the Company had 4 projects under planning with an outstanding investment amount of RMB3.3 billion over the next three years. These projects mainly include infrastructure construction, urban renewal, roads, schools and environmental improvement projects. Although the initial investment amount is relatively large, funds from special government bonds can alleviate part of the capital pressure.

In addition, GJID also involves in land transfer business as it owns sufficient land resources obtained via public auction market. In 2024, the Company realized land transfer income of RMB308.3 million. However, the income from land transfer business is unstable as it is highly subject to the local land markets and reserve planning policy of the local government. Meanwhile, The Company's 2024 financial performance was improved by newly consolidated revenue from land demolition and reclamation projects through its subsidiary, diversifying its income and profit streams. In 2024, the Company realized a revenue of RMB822.0 million from the land demolition and reclamation, of which RMB671.0 million had been collected. The Company also had 2 demolition and reclamation projects with a total investment of RMB2.2 billion and an outstanding amount of RMB1.2 billion, reclaiming 6,396.2 mu of land, of which 2,837.1 mu has been traded. However, this business face substantial revenue fluctuations, being highly susceptible to Gaoyao land reserve policies, profit arrangements, and

regional market conditions. The Company currently has not recognized land value appreciation, warranting close monitoring of the stability and sustainability land transfer business.

Low exposure to commercial activities

GJID also has participated in commercial activities such as trading, sales of food, property leasing, advertising services businesses and self-operated project construction. Under Gaoyao District's latest SOE restructuring plan, the Company's subsidiaries engaged in construction engineering, property leasing, and human resources agency services were divested in March 2024, weakening its market-oriented operations, reducing its business diversification and diminishing asset returns. At present, we consider the Company's exposure to commercial businesses to be low, as its market-driven businesses accounted for below 15% of its total assets at end-2024.

The Company is primarily involved in sales of electrolytic copper under demand-driven model and has been engaged in sale of food since December 2022, providing food ingredients delivery service through central kitchen covering primary and secondary schools, kindergartens, and government canteens in Gaoyao District. Revenue from trading business is now presented on a net basis rather than gross proceeds, which amounted to RMB569.2 thousand in 2024. Meanwhile, the business is subject to high concentration risks. In 2024, the procurement from the top five suppliers accounted for 96.0% of the total procurement and the sales from the top five customers accounted for 83.0% of the total sales. The revenue from sale of food reached RMB83.3 million in 2024, accounting for around 7.2% of total revenue. By the end of 2024, total food supply capacity reaches 20-25 tons per day, supplying a total of about 35,000 people (about 90,000 meals).

Meanwhile, the Company also engaged in self-operated projects including cuisine variety street, green water plant, charging piles and pre-prepared food industrial park, which aims to promote local industrial development and improve people's livelihood. After these projects are completed, the Company generates profits from project operations for fund balance. As of the end of 2024, the Company had 5 self-operated projects under construction, with a total planned investment of RMB6.0 billion and an outstanding amount of RMB4.9 billion, indicating certain investment pressure. Although these self-operated projects could be a good supplement to the Company's revenue, they may bring certain operational uncertainties and financial risks to this business since these self-construction projects are highly subject to local industrial development and the progress of investment attraction.

The Company also provides property leasing, parking and advertising services in Gaoyao District. However, their relatively small operating scale limits their contribution to the Company's revenue and profit.

Solid track record of receiving governmental support

In recognition of the importance of public activities in Gaoyao District, GJID has received ongoing support from the local government in the form of capital injection, asset transfer, special funds and government subsidies. In 2024, while certain commercially operating businesses were transferred out, the Company acquired Zhaoqing Gaoyao District Kaiyuan Urban Construction Development Co., Ltd. (engaging in demolition and reclamation services) at zero consideration. These transfers of subsidiaries resulted in a RMB1.4 billion increase in the Company's capital reserve. In 2023, the Company's debt rights of RMB279.2 million were converted into capital reserves, and 100% equity interests of Zhaoqing Gaoyao District Gaoji Urban Development Co., Ltd. were transferred to the Company on a gratis base, increasing capital reserves by RMB1.6 billion, which greatly support its future investments and debt repayments. Moreover, the government has also provided support through special funds and subsidies to enhance the Company's financial flexibility. In 2024, the local government transferred its debt rights into capital reserve, which amounted to RMB1.0 billion. In 2024, the Company

received government subsidies of about RMB404.9 million. Given GJID's important strategic role in the region, we expect the Company will continue to receive support from the government in the future.

Increasing debt burden with short-term debt repayment pressure

GJID shows a rising debt burden owing to its expansion in the construction of public-policy projects. The Company's total debt increased from RMB10.5 billion at end-2023 to RMB10.9 billion at end-2024, with an improving capitalization ratio of 50.0% compared with 54.1% at end-2023. Meanwhile, the Company has a relatively high short-term debt burden, with the short-term debt accounting for 54.5% of the total debt, and low cash to short-term debt ratio of below 0.1x, after exclude restricted cash. Considering its large construction projects in the pipeline, we expect the Company will continue to rely on external financing to meet its future capital needs, and its debt leverage will remain at a relatively high level in the next 12 to 18 months.

Weak asset liquidity

The Company's asset liquidity is also weak, which may undermine its financing flexibility. At end-2024, its assets mainly consisted of inventories and receivables, accounting for 87.9% of the total assets. The inventories are comprised of land use rights, development costs for the construction projects, and forest rights assets, while receivables are mainly payments owed by entrusting parties of the construction projects, both of which are considered low liquidity. Meanwhile, the Company's significant receivables from local SOEs are constraining working capital, warranting ongoing monitoring of intercompany lending arrangements and repayment collection.

Multiple access to funding

GJID has access to various sources of funding, including bank loans, onshore bond financing and non-standard financing. At the end of 2024, around 58.7% of the Company's debt financing was provided by domestic banks, with total credit facilities of RMB8.7 billion. Although the Company had available credit facilities of RMB3.2 billion, most of them were made up of project loans, indicating a tight standby liquidity. The Company is also able to access the onshore debt market. As of 30 June 2025, it had four outstanding private corporate bonds, with outstanding amount of RMB2.8 billion in total. In addition, its non-standard financing exposure has reduced, which accounted for around 22.7% of total debt as of 31 December 2024. We expect the Company will continue to broaden its financing channels by increasing credit facilities and issuing onshore bonds and improve debt structure by reducing the proportion of non-standard debts.

Medium contingent liability risk from external debt guarantees

GJID has significant external guarantee exposures related to local SOEs, which could potentially increase its repayment obligations. As of 31 December 2024, the Company had outstanding external guarantees of RMB6.0 billion, accounting for 55.1% of its net assets. All the external guarantees are provided to local state-owned enterprises in Gaoyao District as mutual guarantees between local SOEs are common in the region. Considering that most of these local SOEs are expected to be supported by the local government when necessary, we believe contingent risk would be controllable.

ESG Considerations

GJID faces environmental risks because it has undertaken infrastructure development 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.

GJID bears social risks as it implements public policy initiatives by undertaking infrastructure construction projects in Gaoyao District. Demographic changes, public awareness and social priorities shape the Company's development targets and ultimately affect the local government's propensity to support the Company.

GJID's governance considerations are also material as the Company is subject to oversight by the Gaoyao District Government and has to 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 \(July 2022\)](#).

Appendix

Exhibit 5. Peer Comparison in 2024

	Zhaoqing Gaoyao District State-Owned Assets Operation Co., Ltd.	Zhaoqing Gaoyao Jiantou Investment and Development Group Co., Ltd.
Long-Term Credit Rating	BBB _g -	BBB _g -
Shareholder	Zhaoqing Gaosheng Urban Investment Development Co., Ltd (90%); Department of Finance of Guangdong Province (10%)	Zhaoqing Gaosheng Urban Investment Development Co., Ltd
Positioning	Responsible for engineering project construction including development of parks, infrastructure construction, and shantytown reconstruction in old urban area of Gaoyao District.	Responsible for urban public infrastructure construction; civil engineering construction and landscaping engineering construction in new town of Gaoyao District and Jinli High-tech Zone.
Total Asset (RMB billion)	23.8	26.8
Total Equity (RMB billion)	9.8	10.9
Total Revenue (RMB billion)	2.2	1.2
Total Debt/Total Capital (%)	39.4	50.0

All ratios and figures are calculated using CCXAP's adjustments based on financial statements in 2024FY.

Source: Company data, CCXAP research

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