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

Hong Kong, 6 August 2026 – China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") has affirmed the long-term credit rating of Zhaoqing Gaoyao District State-Owned Assets Operation Co., Ltd. ("GSAO" or the "Company") at BBB$_g$-, 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) modest asset profitability, with profits highly dependent on subsidies; (2) moderate debt leverage and high short-term debt repayment pressure; and (3) weak debt servicing metrics.

The rating also reflects a high likelihood of receiving support from the Gaoyao District Government when needed, which is based on the Company's (1) ultimate control by the State-owned Assets Supervision and Administration Bureau of Gaoyao District ("Gaoyao SASAB"); (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. As of 31 March 2026, 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., 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. Currently, the Company mainly undertakes self-operated projects, such as construction of industrial parks, to attract enterprises and investments settling in Gaoyao District.

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. In 2025, the revenue from engineering construction significantly increased from RMB162.5 million in 2024 to RMB749.5 million, due to large increase in construction contracts at hand.

High likelihood of receiving support from the local government. We anticipate the Company has a high likelihood of receiving support from the Gaoyao District Government when needed, which is based on the Company's (1) ultimate control by the Gaoyao SASAB; (2) strategic importance in industrial investment in Gaoyao District; and (3) solid track record of receiving support from the local government including subsidies, capital injection and asset transfer. In 2025, the local government provided subsidies of RMB0.4 billion for the Company to support its operations.

Credit Challenges

Modest asset profitability, with profits highly dependent on subsidies. GSAO's asset profitability is modest as reflected by its return on assets of 4.1% in 2025. The Company's total assets are mainly inventories and receivables, both with weak liquidity and profitability. The Company's profits are highly dependent on subsidies. In 2025, the Company received government subsidies of RMB0.4 billion, accounting for 119.6% of total profits.

Moderate debt leverage and high short-term debt repayment pressure. At end-2025, the Company's adjusted total debt decreased from RMB7.8 billion at end-2024 to RMB7.1 billion, with moderate total capitalization ratio of 43.2%. The Company is exposed to high short-term debt repayment pressure as its short-term debt accounted for 76.9% of its total debt as of 31 December 2025.

Weak debt servicing metrics. As the Company's debt burden increased, GSAO's long-term debt servicing capability is weak, as reflected by total debt/EBITDA ratio of 7.5x and EBITDA interest coverage ratio of 1.5x in 2025, slightly improved from 7.7x and 1.4x in 2024, respectively.

Rating Outlook

The stable outlook on GSAO's rating reflects our expectation that, for the next 12 to 18 months, the Company will maintain its strategic role as the important industrial development platform in Gaoyao District, and continue to receive solid support from the local government.

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 General Corporate (May 2026).

Regulatory Disclosures

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

Peter Chong
Associate Director of Credit Ratings
+852-2860 7124
peter_chong@ccxap.com

Elle Hu
Executive Director of Credit Ratings
+852-2860 7120
elle_hu@ccxap.com

Client Services: +852-2860 7111

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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
Email:	info@ccxap.com
Tel:	+852-2860 7111
Fax:	+852-2868 0656