

CCXAP assigns first-time long-term credit rating of BB_g+ to Zhuzhou Geckor Development Co., Ltd, with stable outlook

Hong Kong, 29 September 2022 -- China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a first-time long-term credit rating of BB_g+ to Zhuzhou Geckor Development Co., Ltd (“Geckor Development” or the “Company”), with stable outlook.

The BB_g+ long-term credit rating of Geckor Development reflects (1) Zhuzhou High-tech Zone Government’s 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 Zhuzhou High-tech Zone Government’s capacity to provide support reflects Zhuzhou High-tech Zone’s status as the only national-level high-tech zone in Zhuzhou City, with modest economic and fiscal strength, and a moderate debt profile.

The rating also reflects the local government’s willingness to provide support, which is based on the Company’s (1) important position in the industrial park development in Zhuzhou High-tech Zone; (2) good track record of receiving government payments; and (3) good asset liquidity. However, the rating is constrained by the Company’s (1) high exposure to commercial business activities; (2) reliance on high-cost nonstandard financing channels; and (3) moderate debt growth.

Corporate Profile

Founded by Zhuzhou Geckor Group Company Ltd (“Zhuzhou Geckor”) in 2009, Geckor Development is mainly responsible for the construction of industrial plants, commercial office buildings and residential buildings within Zhuzhou High-tech Industrial Development Zone (“Zhuzhou High-tech Zone”). In 2020, the Company was integrated into Hunan Tanyes Group Co., Ltd. (“Hunan Tanyes”). As of 30 June 2022, the Company was wholly owned by Hunan Tanyes and Zhuzhou Geckor, and was ultimately controlled by the Administration Committee of Zhuzhou High-tech Zone, with a registered capital of RMB1.3 billion.

Rating Rationale

Credit Strengths

Important position in the park development in Zhuzhou High-tech Zone. Geckor Development is an important subsidiary of Zhuzhou Geckor, and Zhuzhou Geckor is the sole primary land developer for Hexi Demonstration Park of Zhuzhou High-tech Zone. The Company is positioned as an important industrial park developer in the High-tech Zone, mainly responsible for the local investment promotion by providing industrial plants, office buildings, public rental housing, and supporting commercial properties to settled enterprises.

Good track record of receiving government payments. Geckor Development has a good track record of receiving cash payments from the local government to support its operations. From 2019 to 2021, the Company received government subsidies of more than RMB267 million. Overall, we expect the Company will continue to receive ongoing support from the local



government, given Geckor Development's important role in the industrial park development of the Zhuzhou High-tech Zone.

Good asset liquidity. The Company has a large number of assets such as public rental houses, office buildings and industrial plants available for rent, most of which were unrestricted. We believe that the good asset liquidity of the Company can enhance its financing flexibility.

Credit Challenges

High exposure to commercial business activities. Geckor Development's commercial exposure is high, accounting for more than 30% of its total assets. The Company's commercial business mainly includes sale of commercial properties and engineering construction, accounting for about 60% of the Company's total revenue.

Reliance on high-cost nonstandard financing channels. The Company highly relied on high-cost non-standard financing such as trust and financial leasing, which accounted for more than 25% of total debt. Such risk is mitigated by the fact that about 90% of its total debts were guaranteed by Zhuzhou Geckor. We expect that the Company will gradually replace its non-standard financing exposure over the next few years with more bond issuances and bank credit facilities, which could diversify its financing channels and reduce financing costs

Moderate debt growth. Geckor Development's total debt has increased from RMB1.9 billion at end-2019 to RMB3.5 billion at mid-2022, with a total capitalization ratio of 46.6%, due to continued financing of construction projects. The moderate debt growth of the Company is mainly related to the rapid development of the High-tech Zone, including industrial property investments that have attracted many enterprises to settle in the Zone.

Rating Outlook

The stable outlook on Geckor Development's rating reflects our expectation that the local government's capacity to provide support will remain stable, and the Company will maintain its important role in park development in Zhuzhou High-tech Zone.

What could upgrade the rating?

The rating could be upgraded if (1) the local government's capacity to support strengthens; or (2) the Company's characteristics change in a way that strengthens the local government's willingness to support, such as improvement in debt management and decrease in exposure to commercial activities.

What could downgrade the rating?

The rating could be downgraded if (1) the local government's capacity to support weakens; or (2) the Company's characteristics change in a way that weakens the local government's willingness to support, such as deterioration in market position or decrease in government payments.



Rating Methodology

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

Regulatory Disclosures

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