

CCXAP affirms Zhuzhou Geckor Group Company Ltd's long-term credit rating at BBB_{g-}, with stable outlook.

Hong Kong, 19 June 2023 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has affirmed the long-term credit rating of Zhuzhou Geckor Group Company Ltd (“Zhuzhou Geckor” or the “Company”) at BBB_{g-}, The rating outlook is stable.

The BBB_{g-} long-term credit rating of Zhuzhou Geckor reflects (1) the local government's relatively strong capacity to provide support, and (2) the local government's extremely high willingness to provide support, based on our assessment of the Company's characteristics. Our assessment of the local government's capacity to provide support reflects Zhuzhou High-tech Zone's status as the only state-level High-tech Zone in Zhuzhou City, with ongoing economic growth and good fiscal balance.

The rating also reflects the local government's willingness to provide support, which is based on the Company's (1) monopoly market position in the primary land development of Zhuzhou High-tech Zone; (2) high business sustainability and sufficient land resources; and (3) track record of receiving government payments. However, the Company's rating is constrained by its (1) medium exposure to commercial risks; (2) high debt leverage and short-term debt servicing pressure; and (3) moderate asset liquidity.

Corporate Profile

Established in 1999, Zhuzhou Geckor is the sole primary land developer for the Hexi Demonstration Park of Zhuzhou High-tech Zone. After its acquisition of Hunan Tanyes Group Co., Ltd. (“Hunan Tanyes”) in 2020, the Company is positioned to support the industrialization and urbanization of Zhuzhou High-tech Zone, and is mainly responsible for primary land development, property development and management, and supporting services. In December 2022, 90% of the Company's shares were transferred to Hunan Geckor Investment Holding Group Co., Ltd., and Hunan State-owned Investment Management Co., Ltd. held the remaining 10% of the shares. The Administration Committee of Zhuzhou High-tech Zone is the ultimate controlling shareholder of the Company.

Rating Rationale

Credit Strengths

Monopoly market position in the primary land development of Zhuzhou High-tech Zone, with high business sustainability and sufficient land resources. Zhuzhou Geckor is the sole district-level investment and financing platform in Zhuzhou High-tech Zone, engaging in industrial park development and services, and urban and rural development through its subsidiaries, with a purpose to provide optimal conditions for attracting new investments. Commissioned by the Administration Committee of Zhuzhou High-tech Zone to undertake land acquisition and demolition, levelling, and road pavement, Zhuzhou Geckor is the sole primary land developer for Hexi Demonstration Park (including Tanyes Technology Park) of Zhuzhou High-tech Zone.

Track record of receiving government payments. Zhuzhou Geckor has a track record of receiving support from the local government in terms of subsidies, asset transfer, and capital injection. From 2020 to 2022, the Company had received government subsidies of over RMB600 million, including special funds for projects and tax refunds. Over the same period, it had been transferred assets of RMB77.1 million and injected capital of RMB109.2 million, including fiscal special funds and debt swap funds. As the local government will make project payments after completion of land projects within two years, the Company regularly receives project payments from the local government, and is expected to receive payments of about RMB8.2 billion from the completed projects in the next three years. We expect that the Company will continue to receive support from the local government given its important position and their close relationship.

Good access to funding. Zhuzhou Geckor has a good access to funding. The Company has maintained good relationship with large domestic commercial banks and policy banks. As of 31 March 2023, it had obtained a total bank credit facilities of RMB57.8 billion, with the unutilized portion of RMB13.2 billion, indicating sufficient standby liquidity. The Company is also a frequent issuer in bond market. From 2020 to March 2023, the Company had issued various bond products, including CPs, MTNs, corporate bonds, and USD bonds, raising RMB18.6 billion and USD50 million. However, the proportion of indirect financing is relatively high, accounting for about 55% of its total debt, indicating that its financing may be susceptible to debt capital market. In addition, the Company's exposure to non-standard financing is manageable, accounting for about 15% of total debts.

Credit Challenges

Medium exposure to commercial risks, subject to the market conditions in Zhuzhou High-tech Zone. Zhuzhou Geckor's commercial businesses include sales and leasing of properties, property management and servicing, industrial investment, trading, and engineering construction, whose assets accounted for about 30% of total assets at end-2023Q1. Although the proportion of its commercial assets is relatively high, we believe the Company's commercial risk is manageable, as most of its commercial activities are still conducted under government guidance with an aim to better facilitate the industrialization of and attract talents to Zhuzhou High-tech Zone.

High debt leverage and short-term debt servicing pressure. Due to the increase in investment in construction projects, Zhuzhou Geckor has high debt leverage and short-term debt servicing pressure. As of 31 March 2023, the Company's total debt amounted to RMB48.8 billion, with high total capitalization ratio of 60.3%. Besides, its debt structure needs to be improved as the short-term debt has continued to increase, accounting for about 40% of total debt at end-2023Q1. We expect that its debt leverage will maintain at a high level given the large capital needs from construction projects.

Moderate asset liquidity. Zhuzhou Geckor's asset liquidity is moderate, which may undermine its financing flexibility. The Company's total assets are mainly inventories and investment properties with weak liquidity. As of 31 March 2023, the inventories mainly consisted of



construction costs from the land and property development projects, accounting for 60.4% of total assets, while the investment properties mainly consisted of leased industrial premises and office buildings, accounting for 13.6% of total assets. Furthermore, as of 31 March 2023, the Company had pledged assets of RMB15.2 billion for loans, accounting for 16.3% of total assets.

Rating Outlook

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

What could upgrade the rating?

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

What could downgrade the rating? The rating could be downgraded if (1) the local government's capacity to provide support weakens; or (2) the Company's characteristics change in a way that weakens the local government's willingness to support, such as decrease in government payments or weakened funding capabilities.

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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