CCXAP affirms the long-term credit rating of Zhaoqing Gaoyao District Gaohong Industrial Investment Development Group Co., Ltd. at BBB_g-, with stable outlook.

Hong Kong, 22 July 2026 – China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") has affirmed the long-term credit rating of Zhaoqing Gaoyao District Gaohong Industrial Investment Development Group Co., Ltd. ("GIID" or the "Company") at BBB_g-, with stable outlook.

The BBB_g- long-term credit rating of GIID is underpinned by the Company's (1) status as an important industrial investment platform in Gaoyao District; (2) good market position and competitiveness in engineering construction and product sales in Gaoyao District; and (3) diversified business mix which provides supplementary sources of revenue. However, the rating is constrained by the Company's (1) relatively weak profitability with a relatively high reliance on non-recurring gains; (2) rapid debt growth and high short-term debt repayment pressure; and (3) modest credit metrics with moderate 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) direct ownership and ultimate control by the Gaoyao District Government; (2) significance in promoting the industrial development and integration of state-owned assets in Gaoyao District; and (3) solid track record of receiving support from the local government including subsidies, capital injections and asset transfers.

Corporate Profile

Established in 2000, formerly known as Gaoyao Gaojian State-owned Assets Management Co., Ltd., GIID is positioned as an important industrial investment and state-owned assets operation platform in Gaoyao District and mainly engages in industrial investment, engineering construction, product sales and human services businesses. In 2025, Zhaoqing Gaoyao District State-owned Assets Supervision and Administration Bureau ("Gaoyao SASAB") transferred all its shares of the Company into Guangdong Gaohua Industrial Investment Development Group Co., Ltd. ("GGII"), without consideration. As of 31 March 2026, GIID was wholly owned by GGII, with Gaoyao SASAB remaining as its ultimate controller.

Rating Rationale

Credit Strengths

Important industrial investment platform in Gaoyao District. As an important industrial investment platform in Gaoyao District, GIID is of great significance in promoting the development of strategic emerging industries in Gaoyao District. The Company engages in industrial investment business by ways of equity investment and project investment and its investment portfolio is aligned with the government policies and economic development.

Good market position and competitiveness in engineering construction and product sales in Gaoyao District. GIID is a leading local E&C company in Gaoyao District, mainly in the area of water conservancy and municipal construction. The Company maintains high market recognition as it participates in most water conservancy, municipal, and housing construction projects in Gaoyao District. GIID also has maintained strong regional competitiveness in the sales business sector in Gaoyao District, supported by its regional advantages.

Diversified business mix which provides supplementary sources of revenue. In addition to engineering construction and product sales businesses, the Company has also diversified into different business segments, mainly including leasing, services, and water supply, forming a well-diversified business portfolio. We believe that the Company can diversify its business risks and mitigate revenue volatility through the synergistic operation of its multiple business segments, which is credit-positive.

High likelihood of support from the Gaoyao District Government and its parent company. We expect GIID has a high likelihood of receiving support from the local government and its parent company in times of need. This expectation incorporates our considerations of the Company's (1) ultimate control by the Gaoyao SASAB; (2) significance in promoting the industrial development and integration of state-owned assets in Gaoyao District; and (3) solid track record of receiving support from the local government including subsidies, capital injections and asset transfers.

Credit Challenges

Relatively weak profitability with a relatively high reliance on non-recurring gains. GIID's profitability is relatively weak as reflected by the weak return on assets and EBIT margin. Meanwhile, there is certain uncertainties to the stability of the Company's profitability as investment income and gains from fair value change have made great contribution to its total profit over the past few years, accounting for 45.1% and 28.2% of its total profit in 2025.

Rapid debt growth and high short-term debt repayment pressure. Due to relatively large capital expenditure on its self-operated construction projects, GIID's total debt has been growing rapidly over past few years. At end-2025, the Company's adjusted total debt increased to RMB8.7 billion from RMB4.3 billion at end-2024. The Company is exposed to relatively high short-term debt repayment pressure as its short-term debt accounted for 28.2% of its total debt as of 31 December 2025.

Modest credit metrics with moderate access to funding. Its EBITDA interest coverage ratio descended from 3.0x in 2024 to 2.6x in 2025 and total debt/EBITDA ratio increased from 18.5% to 21.8% over the same period. The Company shows diversified access to funding, including bank loans and onshore bond market, accounting for 48.6% and 30.0% of its total debt at end-2025, respectively. However, as of 31 December 2025, the non-standard debts accounted for around 21.4% of the total debt, which would bring higher refinancing pressure to the Company.

Rating Outlook

The stable outlook on GIID'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 likelihood of support from the Gaoyao District Government increases; (2) the quality of the Company's investment portfolio materially improves, such as having a higher level of asset liquidity and generating better recurring cash flow from investees; or (3) 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 likelihood of support from the Gaoyao District Government decreases; (2) the performance of the Company's investment portfolio deteriorates; or (3) the Company shows weakened access to funding and eroded liquidity profile.

Rating Methodology

The methodology used in this rating is the Rating Methodology for General Corporate (May 2026).

Regulatory Disclosures

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