

## **CCXAP upgrades Zhuzhou Geckor Group Company Ltd.'s long-term credit rating to BBB<sub>g</sub>, with stable outlook.**

Hong Kong, 12 June 2024 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has upgraded the long-term credit rating of Zhuzhou Geckor Group Company Ltd. (“Zhuzhou Geckor” or the “Company”) to BBB<sub>g</sub> from BBB<sub>g-</sub>, with stable outlook.

The rating upgrade is based on the robust industrial development of Zhuzhou High-tech Zone, which strengthens the local government’s capacity to support the Company. It also reflects the Company’s strategic importance in the regional development of Zhuzhou High-tech Zone.

The long-term credit rating of Zhuzhou Geckor Group Company Ltd reflects (1) the local government’s 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) dominant market position in the primary land development of Zhuzhou High-tech Zone, with high business sustainability and sufficient land resources; and (2) good track record of receiving government support. However, the rating is constrained by the Company’s (1) medium exposure to commercial risks, subject to the market conditions in Zhuzhou High-tech Zone; and (2) high debt leverage and 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. Positioned to support the industrialization and urbanization of Zhuzhou High-tech Zone, the Company is mainly responsible for primary land development, property development and management, and supporting services. As of 31 March 2024, Hunan Geckor Investment Holding Group Co., Ltd. held 90% of the Company’s shares 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**

**Dominant market position in the primary land development of Zhuzhou High-tech Zone, with high business sustainability and sufficient land resources.** Zhuzhou Geckor is a dominant district-level investment and financing platform in Zhuzhou High-tech Zone operating under its holding Company Hunan Geckor Investment Holding Group Co., Ltd. The Company is 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. We believe that the Company's monopoly position in Zhuzhou High-tech Zone is unlikely to be replaced in the foreseeable future.

**Good track record of receiving government support.** Zhuzhou Geckor has a track record of receiving support from the local government in terms of subsidies, asset transfer, and capital injection. In 2020, The Administration Committee of Zhuzhou High-tech Zone has transferred the equity of Hunan Tianyi Group Co., Ltd to the Company, greatly expanding its business scope. Besides, the local government plans to transfer franchise for cultural and tourism resources to the Company, which will expand its business scope. We expect that the Company will continue to receive support from the local government given its important position in Zhuzhou High-tech Zone and close relationship with the local government.

### Credit Challenges

**Medium exposure to commercial risks, subject to the market conditions in Zhuzhou High-tech Zone.** Zhuzhou Geckor's commercial businesses include sale and leasing of properties, property management and servicing, industrial investment, trading, and engineering construction, whose assets accounted for around 35% of total assets at end-2024Q1. As most of its commercial activities are still conducted under government guidance with an aim at promoting the industrialization development of Zhuzhou High-tech Zone, we believe the Company's commercial risk is manageable.

**High debt leverage and moderate asset liquidity.** Due to the increase in investment in construction projects, Zhuzhou Geckor's debt leverage is high. As of 31 March 2024, the Company's total debt increased to RMB50.7 billion compared with RMB48.8 billion at end-2023Q1, with high total capitalization ratio of 61%. We expect that its debt leverage will maintain at a high level given the large capital needs from land development, property development and investment funds. 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.

### **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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