



CCXAP assigns first-time BBB_g- to Qiannan Dongsheng Development Co., Ltd and A_g-3 to its USD short-term senior notes, outlook stable

Hong Kong, 18 October 2017 -- China Chengxin (Asia Pacific) Credit Ratings (“CCXAP”) has assigned a first-time long-term credit rating of BBB_g- to Qiannan Dongsheng Development Co., Ltd. (“QDD”), and a short-term credit rating of A_g-3 to its USD short-term senior notes. The rating outlook is stable.

Rating Rationale

The long-term credit rating of BBB_g- on Qiannan Dongsheng Development Co., Ltd (“QDD” or the “Company”) is underpinned by (1) increasing economic and financial strength of Qiannan Prefectural Government; (2) high level of government support given the Company’s strong strategic position; and (3) steady revenue generation due to the improvement of business diversification. However, the rating also is constrained by (1) high dependency of financial subsidies from higher-tier government, resulting in relatively weak self-sufficiency in fiscal strength of Qiannan Prefectural Government; and (2) the Company’s sizable capital expenditure due to large scale of project construction.

CCXAP has assigned the short-term credit rating of A_g-3 to QDD’s short-term senior notes.

Rating Outlook

The stable outlook on QDD’s rating reflects its strong position in Duyun Economic Development Zone with high level of support from the Qiannan Prefectural Government. We expect that the Company will maintain its significant position in infrastructure construction and generate increasing revenue from different segments.

What could upgrade the rating?

The rating could be upgraded if (1) there are favorable regulatory framework changes to the Company; and (2) the Company improves its profitability and credit metrics.

What could downgrade the rating?

The rating could be downgraded if (1) there is weakening support from the Qiannan Prefectural Government; or (2) increasingly sizable capital expenditure weighs on its credit profile.

Rating Methodology

CCXAP's public ratings are available at www.ccxap.com (Rating Results) and may be distributed through media and other means. The methodology used in this rating is Rating Methodology for China's Local Government Financing Vehicles dated June 2017, available at www.ccxap.com (Rating Process -> Rating Methodology).

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