



CCXAP assigns first-time BBB_g+ to Guangxi Liuzhou Dongcheng Investment and Development Group Co., Ltd. with stable outlook; and proposed US dollar-denominated unsecured notes BBB_g+

Hong Kong, 5 December 2018 -- China Chengxin (Asia Pacific) Credit Ratings (“CCXAP”) has assigned a first-time long-term credit rating of BBB_g+ to Guangxi Liuzhou Dongcheng Investment and Development Group Co., Ltd (“GLD” or the “Company”). The rating outlook is stable.

CCXAP has also assigned GLD’s proposed US dollar-denominated senior unsecured notes with an expected rating of BBB_g+. The proposed senior unsecured notes do not incorporate any notching for subordination risk. The offshore notes will be directly issued by the Company and will constitute its direct, unconditional, and unsubordinated and unsecured obligations. The notes will at all times rank pari passu and without any preference among themselves and at least equally with all of GLD’s other present and future unsecured and unsubordinated obligations. Proceeds will be used for general corporate purposes.

The final rating on the proposed US dollar-denominated notes is contingent upon the receipt of final documents conforming to information already received.

Rating Rationale

The BBB_g+ rating of Guangxi Liuzhou Dongcheng Investment Development Group Co., Ltd. (“GLD” or the “Company”) is underpinned by (1) solid parental support as its strong strategic position in the development of Liudong New District; (2) sufficient land bank; and (3) growing business diversification gives additional income sources to the Company. However, the rating also is constrained by the Company’s (1) sizable capital expenditure due to large scale of project pipelines; (2) heightened debt level and modest credit metrics; and (3) modest liquidity.

Rating Outlook

The stable outlook on GLD’s rating reflects its strong strategic role as the sole investment and construction enterprise in Liudong New District, with solid supports from its parent. We expect that the Company will maintain its monopoly position in the urban development business and adhere to its disciplined financial management.

What could upgrade the rating?

The rating could be upgraded if (1) more favorable policies impose to the Company which further strengthens its strategic important role in the development of Liudong New District; (2) the

Company's business diversification notably improves; (3) the Company improves its credit metrics such as debt leverage and liquidity.

What could downgrade the rating?

The rating could be downgraded if (1) there is indication of weakening supports from its parent; (2) increasingly sizable capital expenditure exerts pressure on its credit profile; or (3) heightened debt leverage and severely impaired liquidity position.

Rating Methodology

CCXAP's public ratings are available at www.ccxap.com (Rating Results->Corporate Ratings) 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).

Contacts of Credit Ratings

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