



CCXAP affirms Guangxi Liuzhou Dongcheng Investment and Development Group Co., Ltd.'s long-term credit rating at BBB_g+, with stable outlook; and affirms the expected rating on the proposed US dollar-denominated senior unsecured notes at BBB_g+

Hong Kong, 24 September 2019 -- China Chengxin (Asia Pacific) Credit Ratings (“CCXAP”) has affirmed the 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 affirmed 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. The net proceeds will be used for domestic business development, domestic debt refinancing and 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 the Company's (1) strong strategic role in the District with high likelihood of support from SASAC; (2) dominant position in the District's primary land development and public facility construction projects; and (3) diversified business profile that provides it with additional cash flow stream. However, the rating is also constrained by the Company's (1) large capital pressure given its extensive project pipelines; and (2) weak stand-alone financial profile and liquidity position.

Rating Outlook

The stable outlook on GLD's rating reflects its significant strategic position as the largest state-owned entity (“SOE”) that undertakes major public facility and infrastructure projects in the District. The outlook also incorporates our expectation that GLD will continue to receive solid support from Liuzhou SASAC and benefit from the ongoing economic development of the District.

What could upgrade the rating?

GLD's rating could be upgraded if (1) the Liuzhou City's economic and fiscal strengths noticeably improve; or (2) the Company receives stronger support from the upper level government or the central government of China.

What could downgrade the rating?

GLD's rating could be downgraded if (1) Liuzhou City's economic and fiscal strengths are weaker than our estimate; (2) the likelihood of support for GLD from Liuzhou SASAC declines; or (3) GLD's stand-alone credit profile weakens meaningfully such as material deterioration in its business or financial profile 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

The first name below is the lead rating analyst for this rating and the last name below is the person primarily responsible for approving this rating.

Vincent Tong
Credit Analyst -- Credit Ratings
vincent_tong@ccxap.com

Tel: +852-2860 7121

Guo Zhang
Director -- Credit Ratings
guo_zhang@ccxap.com

Tel: +852-2860 7111

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CCXAP has distributed and disclosed this solicited credit rating report to the rated entity prior to the publication date.

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China Chengxin (Asia Pacific) Credit Ratings Company Limited

Address: Suites 805-808, Jardine House, 1 Connaught Place, Hong Kong

Website: www.ccxap.com

Email: info@ccxap.com

Tel: +852-2860 7111

Fax: +852-2868 0656