

## **CCXAP affirms Dalian Deta Holding Co., Ltd.’s long-term credit rating at BBB<sub>g</sub>+, with stable outlook**

Hong Kong, 17 August 2021 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has affirmed the long-term credit rating of Dalian Deta Holding Co., Ltd. (“Deta” or the “Company”) at BBB<sub>g</sub>+, with stable outlook. At the same time, CCXAP has affirmed Deta’s BBB<sub>g</sub>+ senior unsecured debt rating.

### **Corporate Profile**

Deta has a strategically important position in the Jinpu New Area (the “Area”), as it plays a key role in providing utility services, such as the supply of gas, heating, and water in the Area. The Company also engages in city maintenance, leasing, and property development businesses.

Deta was established in 2004 by the Administrative Committee of Dalian Economic and Technological Development Zone. In 2016, the ETDZ became one of the functional districts of the Jinpu New Area, and hence, the ownership of Deta was transferred to the Administrative Committee of Dalian Jinpu New Area. In 2020, the ownership of Deta was further transferred to the Jinpu New Area Industry Holdings Group Co., Ltd., which is wholly owned by Dalian Jinpu New Area State-owned Asset Management Bureau. As of 31 March 2021, the Jinpu New Area Industry Holdings Group Co., Ltd. Held 100% shares of Deta, and the Administrative Committee of Dalian Jinpu New Area was the Company’s ultimate controller.

### **Rating Rationale**

The BBB<sub>g</sub>+ long-term credit rating of Dalian Deta Holding Co., Ltd. is underpinned by the Company’s (1) vital role in provision of utility services in the Jinpu New Area; and (2) adequate liquidity profile.

However, the rating is also constrained by (1) uncertainties in the sustainability of the Company’s property development and infrastructure construction businesses; (2) weak asset liquidity of the Company, with a high proportion of inventories and receivables; and (3) heightened debt leverage of the Company.

We believe Deta has a high likelihood of receiving strong support from the local government in times of need. Our expectation is based on the Company’s (1) strategic importance to the development of Jinpu New Area; (2) close relationship with the local government; and (3) good track record of receiving government support.

### **Rating Outlook**

The stable outlook on Deta’s rating reflects our expectation that the Company will maintain its important role in the provision of utility services in the Jinpu New Area and will continue to receive ongoing support from the local government.

### **What could upgrade the rating?**

The rating could be upgraded if (1) the economic and fiscal performance of the Jinpu New Area improves notably; (2) the likelihood of government support for the Company increases; and (3) the Company's standalone credit profile, such as debt leverage and asset quality, improves on a sustainable basis.

### **What could downgrade the rating?**

The rating could be downgraded if (1) the economic and fiscal performance of the Jinpu New Area weakens; (2) the likelihood of government support for the Company recedes; or (3) the Company's standalone credit profile weakens materially, for instance, asset quality deteriorates, solvency weakens with restricted financing channels, or operating profitability consistently declines.

### **Rating Methodology**

The methodology used in this rating is the Rating Methodology for [China's Local Infrastructure Investment and Financing Companies \(May 2020\)](#).

### **Regulatory Disclosures**

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