

CCXAP affirms Guangxi Liuzhou Dongcheng Investment Development Group Co., Ltd's long-term credit rating at BBB_g+, with stable outlook

Hong Kong, 21 July 2021 -- China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") has affirmed the long-term credit rating of Guangxi Liuzhou Dongcheng Investment Development Group Co., Ltd. ("GLD" or the "Company") at BBB_g+, with stable outlook. At the same time, CCXAP has affirmed GLD's BBB_g+ senior unsecured debt rating.

Corporate Profile

Found in 2004, GLD is directly and wholly owned by the Liuzhou State-Owned Assets Supervision and Administration Commission ("Liuzhou SASAC"). The Company is one of the key investment and financing platforms of the Liuzhou Municipal Government. The Company mainly engages in urban construction and development (such as primary land development and government-supported housing constructions) in the Liudong New District. It also undertakes the role of local state-owned asset management, urban service and finance business. In 2020, Liuzhou SASAC completed the capital injection to the Company and its paid-in capital increased from RMB0.8 billion to RMB2.0 billion.

Rating Rationale

The BBB_g+ long-term credit rating of Guangxi Liuzhou Dongcheng Investment Development Group Co., Ltd ("GLD" or the "Company") is underpinned by the Company's (1) strategic position as one of the key investment and development platforms in Liuzhou City and sole entity in Liudong New District (the "District"); and (2) diversified business profile.

However, the rating is constrained by the Company's (1) large capital expenditure; (2) high debt leverage and large external guarantees; and (3) weak liquidity profile with short-term refinancing pressure.

We believe GLD has a high likelihood of receiving strong support from Liuzhou Municipal Government in times of need. Our expectation is based on the Company's (1) important role in Liuzhou City and the District; (2) close relationship with local government; and (3) solid track record of receiving support.

Rating Outlook

The stable outlook on GLD's rating reflects our expectation that the Company will maintain its strong strategic position. We also expect that the Company will continue to receive solid government support and benefit from the ongoing economic development of the District.

What could upgrade the rating?

The rating could be upgraded if (1) Liuzhou City's economic and fiscal strengths noticeably improve; (2) the likelihood of government support provided to GLD further increases; and (3) the Company's stand-alone credit profile improves, such as growing operating profitability and improved asset quality, on a sustainable basis.

What could downgrade the rating?

The rating could be downgraded if (1) Liuzhou City's economic and fiscal strengths significantly deteriorate; (2) the likelihood of government support provided to GLD declines; or (3) the Company's stand-alone credit profile weakens, such as material deterioration in its business and financial profile or its liquidity position severely impairs.

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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