



CCXAP assigns first-time BBB_g to Shenyang Heping District State-owned Assets Operations Co., Ltd., with stable outlook

Hong Kong, 20 March 2018 -- China Chengxin (Asia Pacific) Credit Ratings (“CCXAP”) has assigned a first-time long-term credit rating of BBB_g to Shenyang Heping District State-owned Assets Operations Co., Ltd. The rating outlook is stable.

Rating Rationale

The BBB_g long-term credit rating of Shenyang Heping District State-owned Assets Operations Co., Ltd. (“SHDSAO” or the “Company”) is underpinned by (1) politically and strategically important role of Shenyang City and strong fiscal capacity of Heping District; (2) high level of government support given the Company’s monopoly position as the primary land developer in the district. However, the rating is also constrained by the Company’s (1) notable drop in revenue and relatively low operating profitability; and (2) growing debt level coupled with weakening debt structure and liquidity position, which may impose liquidity pressure in the coming 12-18 months.

Rating Outlook

The stable outlook on SHDSAO’s rating reflects its role as the sole provider of primary land development and city construction service in Heping District with high level of support from the government. We expect that the Company will maintain its strategically important position and further develop given its strong access to project resources.

What could upgrade the rating?

The rating could be upgraded if (1) the Company would be granted with more favorable policy support; (2) the Company improves its profitability and credit metrics.

What could downgrade the rating?

The rating could be downgraded if (1) there is reduced support from the Heping District Government; (2) the Company records weakening credit metrics in the future; (3) there are substantial constraints on the Company’s refinancing capability.

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).

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