



**CCXAP affirms Dalian Deta Holding Co., Ltd.'s long-term credit rating at BBB<sub>g</sub>+, with stable outlook; and affirms the rating on the US dollar-denominated senior unsecured notes at BBB<sub>g</sub>+**

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Hong Kong, 30 July 2020 -- China Chengxin (Asia Pacific) Credit Ratings ("CCXAP") has affirmed the long-term credit rating of Dalian Deta Holding Co., Ltd. ("Deta" or the "Company") at BBB<sub>g</sub>+. The rating outlook is stable. CCXAP has also affirmed the rating on Deta's USD 300.0 million 5.95% offshore senior unsecured notes due 2022 at BBB<sub>g</sub>+

The notes are rated at the same level as Deta's senior unsecured rating, as they represent its direct, general, unsubordinated, unconditional and unsecured obligations. Proceeds will be used for project development and replacement of debt.

#### **Rating Rationale**

The BBB<sub>g</sub>+ long-term credit rating of Dalian Deta Holding Co., Ltd. ("Deta" or the "Company") is underpinned by the Company's (1) vital role in provision of utility services in the Jinpu New Area (the "Area"); (2) good track record of receiving government support; and (3) improved profitability. However, the rating is also constrained by (1) uncertainty in sustainability of the Company's infrastructure construction business; (2) high portion of account receivables and asset pledge of the Company; and (3) increase in debt burden of the Company.

#### **Rating Outlook**

The stable outlook on Deta's rating reflects our expectation that Deta will continue to receive recurring support from the local government. We expect that the Company will play an important role and support government initiatives in the provision of public services in the Jinpu New Area.

#### **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 improvement in profitability 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

with major asset transfers, 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 \(May 2020\)](#).

### **Contacts of Credit Ratings**

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