



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

Hong Kong, 3 August 2020 -- China Chengxin (Asia Pacific) Credit Ratings (“CCXAP”) has affirmed the long-term credit rating of Guangxi Liuzhou Dongcheng Investment Development Group Co., Ltd. (“GLD” or the “Company”) at BBB_g+. The rating outlook is stable. CCXAP has also affirmed the rating on GLD’s USD300 million 7% offshore senior unsecured notes due 2022 at BBB_g+.

The notes are rated at the same level as GLD’s senior unsecured rating, as they represent its direct, unconditional, and unsubordinated and unsecured obligations. The net proceeds are used for domestic business development, domestic debt refinancing and for general corporate purposes.

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) position as one of the key development platforms of Liudong Municipal Government with high likelihood of government support when needed; and (2) diversified business profile.

However, the rating is also constrained by the Company’s (1) large capital pressure derived from extensive project pipeline; (2) high debt leverage and large external guarantees; and (3) weak liquidity profile but mitigated by its diversified funding channels.

Rating Outlook

The stable outlook on GLD’s rating reflects its significant strategic position the development of major public facilities and infrastructure projects in the Liudong New District (“District”). It also incorporates our expectation that the Company will continue to receive solid government support from the Liuzhou State-Owned Assets Supervision and Administration Commission (“Liuzhou SASAC”) and will benefit from the 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 or 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 deteriorates; (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 or financial profile, and severely impaired impairs its liquidity position.

Rating Methodology

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

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