

CCXAP affirms Dezhou Deda City Construction Investment Operation Co., Ltd.'s long-term credit rating at BBB_g+, with stable outlook

Hong Kong, 23 June 2021 -- China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") has affirmed the long-term credit rating of Dezhou Deda City Construction Investment Operation Co., Ltd. ("Deda" or the "Company") at BBB_g+. The rating outlook is stable.

Corporate Profile

The Company, formerly known as Dezhou Defa City Construction Investment Co., Ltd. ("Defa"), was founded in October 2006 by the Dezhou Finance Bureau with a registered capital of RMB300.0 million. In July 2009, Defa merged with the former Dezhou Deda City Construction Investment Operation Co., Ltd., and changed its name to Deda. As of 31 May 2021, State-owned Assets Supervision and Administration Commission of Dezhou Municipal ("Dezhou SASAC"), the ultimate controlling shareholder of the Company, directly held 75% of the Company's shares and indirectly held 16.67% via Dezhou Caijin Investment Holding Group Co., Ltd. ("Caijin"); while Shandong Provincial Department of Finance held the remaining 8.33% via Shandong Caixin Assets Operation Co., Ltd. ("Caixin"). Deda has an important strategic position in Dezhou City and is primarily engaged in city construction, primary land development, and provision of utility services.

Rating Rationale

The BBB_g+ long-term credit rating of Deda is underpinned by the Company's (1) key role in infrastructure construction and utility services in Dezhou City; (2) manageable debt leverage; and (3) improved liquidity profile.

However, the rating is also constrained by the Company's (1) uncertainties in primary land development and property development businesses; and (2) weak cash collection.

We believe that Deda 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 Dezhou Municipal Government; (2) close relationship with the local government; and (3) good track record of receiving government support.

Rating Outlook

The stable outlook on Deda's rating reflects our expectation that the Company will maintain its key role in infrastructure construction and utility services in Dezhou City. We also expect that the Company will continue to receive strong support from the local government.

What could upgrade the rating?

The rating could be upgraded if (1) the economic and fiscal strength of Dezhou City improves notably; (2) the likelihood of government support for the Company increases; and (3) the



Company's standalone credit profile improves significantly, such as improvement in the stability and sustainability of its businesses.

What could downgrade the rating?

The rating could be downgraded if (1) the economic and fiscal strength of Dezhou City deteriorates; (2) the likelihood of government support for the Company decreases; or (3) the Company's standalone credit profile weakens, such as deterioration in asset quality and debt leverage.

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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http://www.ccxap.com/en/rating_services/category/6/

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The first name below is the lead rating analyst for this rating and the last name below is the person primarily responsible for approving this rating.

Peter Chong

Credit Analyst – Credit Ratings

peter_chong@ccxap.com

Elle Hu

Director – Credit Ratings



elle_hu@ccxap.com

Tel: +852-2860 7111



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China Chengxin (Asia Pacific) Credit Ratings Company Limited

Address: Suites 1904-1909, 19/F, Jardine House,
1 Connaught Place, Central, Hong Kong

Website: www.ccxap.com

Email: info@ccxap.com

Tel: +852-2860 7111

Fax: +852-2868 0656