

CCXAP assigns BBB_g+ to UETD Construction & Development State-owned Capital Investment Operation (Group) Co., Ltd.'s proposed USD social bonds

Hong Kong, 21 August 2024 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a senior unsecured debt rating of BBB_g+ to the proposed USD social bond (ISIN: XS2809017846) to be issued by UETD Construction & Development State-owned Capital Investment Operation (Group) Co., Ltd. (“UCDI” or the “Company”) (BBB_g+ /stable).

The bonds constitute direct, unconditional, unsubordinated, and unsecured obligations of UCDI, which shall at all times rank pari passu with all the Company's other present and future unsecured and unsubordinated obligations. The Company intends to use the proceeds for project construction and working capital replenishment.

Corporate Profile

Founded in 1992, UCDI is an important local infrastructure investment and financing company (“LIIFC”) in Urumqi Economic and Technological Development Zone (“Urumqi ETDZ”). The Company mainly engages in landscape maintenance, shantytown redevelopment, as well as part of the infrastructure construction in Urumqi ETDZ. It is also engaged in commercial businesses such as property development, property leasing, and trading. The Company is wholly owned and directly controlled by the State-owned Assets Supervision and Administration Commission of Urumqi Economic and Technological Development Zone (Toutunhe District) (“Urumqi ETDZ SASAC”).

Rating Rationale

The senior unsecured debt rating of the bonds is equivalent to UCDI's long-term credit rating. We believe that government support will flow through the Company given its important role in state-owned assets operation and infrastructure construction in Urumqi ETDZ, thereby mitigating any differences in an expected loss that could result from structural subordination.

The BBB_g+ long-term credit rating of UCDI reflects Urumqi ETDZ Government's (1) very strong capacity to provide support; and (2) very high willingness to provide support, based on our assessment of the Company's characteristics. Our assessment of the local government's capacity to provide support reflects Urumqi ETDZ's strong economic and fiscal position in Urumqi City, with good fiscal stability and fiscal self-sufficiency.

The rating also reflects the local government's willingness to provide support, which is based on the Company's (1) important entity of state-owned assets operation and infrastructure construction in Urumqi ETDZ; (2) good track record of receiving government support; and (3) diversified financing channels. However, the Company's rating is constrained by its (1) high exposure to commercial activities; (2) high debt leverage with capital expenditure pressure; and (3) moderate asset liquidity.

Rating Outlook

The stable outlook on UCDI's rating reflects our expectation that the Company will maintain its important policy role in Urumqi ETDZ. We also expect that the Company will continue to receive ongoing government support.

What could upgrade the rating?

The rating could be upgraded if (1) the local government's capacity to provide support strengthens; and (2) the Company's characteristics change in a way that strengthens the local government's willingness to provide support, such as materially decrease in its exposure to commercial activities.

What could downgrade the rating?

The rating could be downgraded if (1) the local government's capacity to provide support weakens; or (2) the Company's characteristics change in a way that weakens the local government's willingness to provide support, such as decrease in regional importance, materially decrease in government payments, or deteriorated debt management.

Rating Methodology

The methodology used in this rating is the Rating Methodology for [China's Local Infrastructure Investment and Financing Companies \(July 2022\)](#).

Regulatory Disclosures

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