

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

Hong Kong, 2 January 2024 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a senior unsecured debt rating of BBB_g to the proposed USD bonds 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 Urumqi ETDZ State-owned Assets Supervision and Administration Commission.

Rating Rationale

The senior unsecured debt rating of the bonds is equal to UCDI's long-term credit rating first-time assigned by CCXAP on 14 August 2023. 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) strong capacity to provide support; and (2) extremely 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) key position in the state-owned assets operation and infrastructure construction of Urumqi ETDZ; (2) good track record of receiving government support; and (3) good access to multiple financing channels. However, the Company's rating is constrained by its (1) high exposure to commercial activities with large capital expenditure; and (2) high debt leverage and moderate asset liquidity.

Rating Outlook

The stable outlook on UCDI's rating reflects our expectation that the Company will maintain its most 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 its 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

CCXAP's Rating Symbols and Definitions are available on its website at:

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

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