

## **CCXAP assigns BBB<sub>g</sub>+ to Qingdao Jimo District Urban Development Investment Co., Ltd.'s proposed offshore bonds**

Hong Kong, 26 February 2024 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned an expected senior unsecured debt rating of BBB<sub>g</sub>+ to the proposed offshore bonds to be issued by Qingdao Jimo Huitong (Hong Kong) Development Company Limited (“JMHT”), a wholly-owned subsidiary of Qingdao Jimo District Urban Development Investment Co., Ltd. (“JMUI” or the “Company”) (BBB<sub>g</sub>+/stable), or other offshore subsidiaries.

The bonds are expected to be unconditionally and irrecoverably guaranteed by JMUI, or carry keepwell deeds and equity interest purchase undertakings from JMUI. The Company intends to use the proceeds for project construction and replenishment of working capital.

### **Corporate Profile**

Established in September 2003, JMUI is a key state-owned enterprise (“SOE”) and an important core operator of urban resources in Jimo District, Qingdao City. The Company’s main business focuses on infrastructure construction, affordable housing projects, and commodity sales. It has also developed a diversified business, such as hot spring water supply, leasing business, provision of external guarantees as well as consulting. As of 30 September 2023, the Company has been wholly owned by the Qingdao Jimo State-owned Assets Operation Service Centre, which is under the direct administration of the Jimo District Government. As of 30 September 2023, the total assets of the Company amounted to RMB59.2 billion.

### **Rating Rationale**

The senior unsecured debt rating of the proposed bonds is equal to JMUI’s long-term credit rating. JMUI is expected to either provide unconditionally and irrevocably guarantee or keepwell deed to the bonds. Under the unconditional and irrevocable guarantee, the bonds will constitute direct, unconditional, unsubordinated, and unsecured obligations of JMUI, which shall at all times at least rank pari passu with all its other present and future unsubordinated and unsecured obligations. Alternatively, JMUI will provide a keepwell deed, liquidity support, and deed of equity interest purchase undertaking to JMHT or other offshore subsidiaries, which shows JMUI’s strong willingness to support JMHT or other offshore subsidiaries in meeting its debt obligations. A default by JMHT or other offshore subsidiaries would have significant negative impact on JMUI’s reputation and future offshore funding activities, which underpins JMUI’s intention to support the repayment of the bonds. However, there could be some difficulties in enforcing the keepwell deed, which is not as strong as the guarantee.

We believe that related support will flow through the Company given its strategic importance in the Jimo District, thereby mitigating any differences in an expected loss that could result from structural subordination.



## 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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