

## **CCXAP assigns BBB<sub>g</sub>- to Qihe Urban Investment Construction Group Co., Ltd's proposed offshore bonds**

Hong Kong, 11 March 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 Qicheng International Co., Limited (“QCIC”), an indirect and wholly-owned subsidiary of Qihe Urban Investment Construction Group Co., Ltd (“QUIC” or the “Company”) (BBB<sub>g</sub>-/stable).

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

### **Rating Rationale**

The senior unsecured debt rating of the proposed bonds is equal to QUIC’s long-term credit rating. QUIC 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 QUIC, which shall at all times at least rank pari passu with all its other present and future unsubordinated and unsecured obligations. Alternatively, QUIC will provide a keepwell deed, liquidity support, and deed of equity interest purchase undertaking to QCIC, which shows QUIC’s strong willingness to support the issuer in meeting its debt obligations. A default by QCIC would have significant negative impact on QUIC’s reputation and future offshore funding activities, which underpins QUIC’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 government support will flow through the Company given its important strategic position of infrastructure construction and public utility services in Qihe County, 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**

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

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The rating has been disclosed to the rated entity or its related party prior to publication, and issued with no amendment resulting from that disclosure.

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