Credit Opinion

20 April 2026

Ratings	
Category	Corporate
Domicile	China
Rating Type	Solicited Rating
Long-Term Credit Rating	BBB_g
Outlook	Stable

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Shandong Quanhui Industrial Development Co., Ltd.

Surveillance credit rating report

CCXAP affirms Shandong Quanhui Industrial Development Co., Ltd.'s long-term credit rating at BBB_g, with stable outlook.

Summary

The BBB_g long-term credit rating of Shandong Quanhui Industrial Development Co., Ltd. ("QHID" or the "Company") reflects the Company's (1) important role in the development of blower industry in Zhangqiu District; and (2) supplementary income benefited from a relatively diversified business structure.

However, the rating is constrained by the Company's (1) relatively weak profitability with low return on assets; (2) rising debt level with weak credit metrics; and (3) medium contingent liability risk associated with large external debt guarantees.

The rating also reflects a high likelihood of support from its parent company when needed, given the Company's (1) ultimate control by the Finance Bureau of Zhangqiu District; (2) status as the core subsidiary in industrial investment of Jinan Zhangqiu Holding Group Co., Ltd. ("ZQHG"); (3) important role in industrial development in Zhangqiu District; and (4) good track record of receiving ongoing parental support.

The stable outlook on QHID's rating reflects our expectation that the Company will maintain its regional competitiveness and importance in the industrial development of Zhangqiu District over the next 12 to 18 months. We also expect that the Company will continue to receive ongoing support from ZQHG.

Rating Drivers

- Important role in the development of blower industry in Zhangqiu District
- Supplementary income benefited from a relatively diversified business structure
- Relatively weak profitability with low return on assets
- Rising debt level with weak credit metrics
- Modest liquidity position with reliance on debt capital markets
- Medium contingent liability risk associated with large external debt guarantees
- High likelihood to receive support from the parent company

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) the Company's business strength improves, such as stable operating cash flow from more diversified business segments; or (2) the Company's stand-alone credit profile improves significantly, such as improvement in asset liquidity and profitability.

What could downgrade the rating?

The rating could be downgraded if (1) the likelihood of parental support for the Company decreases; or (2) the Company's stand-alone credit profile weakens significantly, such as a deterioration in financial leverage or weakened liquidity position.

Key Indicators

	2022FY	2023FY	2024FY	2025Q3
Total Assets (RMB billion)	17.6	18.4	17.2	22.5
Total Equity (RMB billion)	10.8	10.9	9.8	9.7
Total Revenue (RMB billion)	2.2	2.3	2.4	1.8
Net Profit (RMB million)	295.4	108.9	88.2	40.8
EBIT Margin (%)	16.5	8.3	5.3	-
Return on Assets (%)	2.2	1.1	0.7	-
Total Debt/Total Capital (%)	17.8	20.6	37.4	53.4
Total Debt/EBITDA (x)	5.2	10.1	26.4	-
EBITDA/Interest (x)	9.2	3.9	2.7	-
FFO/Total Debt (%)	6.2	4.6	3.7	-

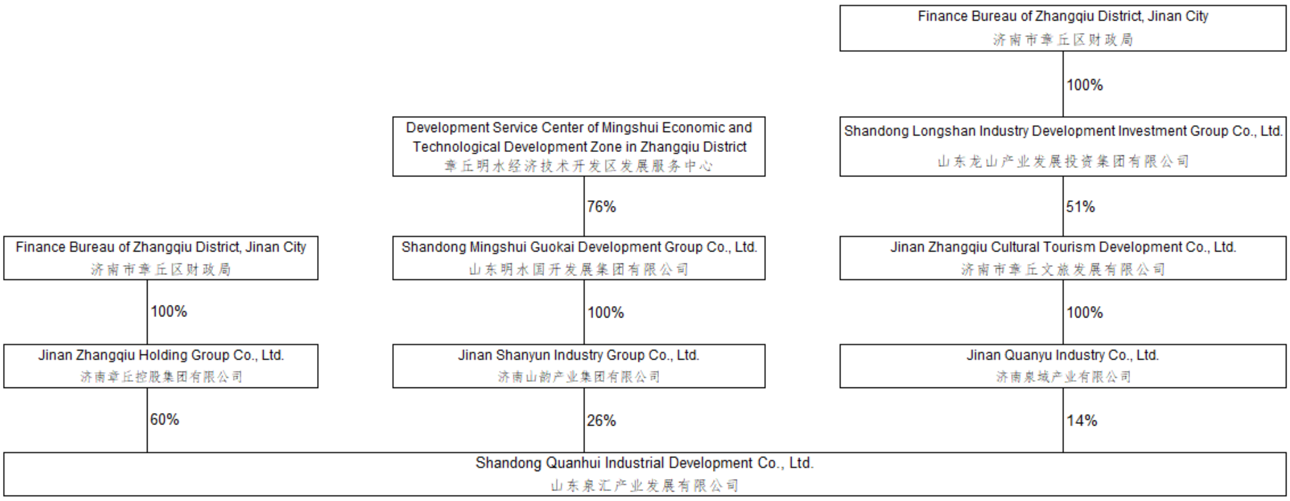
All ratios and figures are calculated using CCXAP's adjustments. Indicators marked with "-" are not applicable or not comparable.

Source: Company data, CCXAP research

Corporate Profile

Founded in 2019, QHID became an important comprehensive state-owned enterprise in Zhangqiu District after the consolidation of some local state-owned enterprises in 2023. The Company's diversified businesses scope covers production and sales of blowers, industrial parks development and operation, engineering services, equity investment, guarantee business, as well as hotel management in Zhangqiu District. In August 2024, the Company's equity holding in Zhangqiu Huinong New Rural Construction Investment and Development Co., Ltd. ("Huinong New Rural"), which was mainly responsible for resettlement housing construction, was transferred out for the purpose of strengthening the Company’s position in industrial development in Zhangqiu District. In November 2024, ZQHG transferred 20% of QHID’s shares to Jinan Shanyun Industry Group Co., Ltd. (“SYIG”). In December 2025, ZQHG further transferred 6% of QHID’s shares to SYIG and 14% of QHID’s shares to Jinan Quanyun Industry Co., Ltd. (“JNQY”). SYIG and JNQY are state-owned enterprises in Zhangqiu Mingshui Economic and Technological Development Zone of Zhangqiu District. As of 30 September 2025, the controlling shareholder of the Company was ZQHG, who is the largest local infrastructure investment and financing company (“LIIFC”) in Zhangqiu District, and the ultimate controller remained to be the Zhangqiu District Government.

Exhibit 1. Shareholding chart as of 31 December 2025



Source: Company information, CCXAP research

Exhibit 2. Revenue structure in 2024

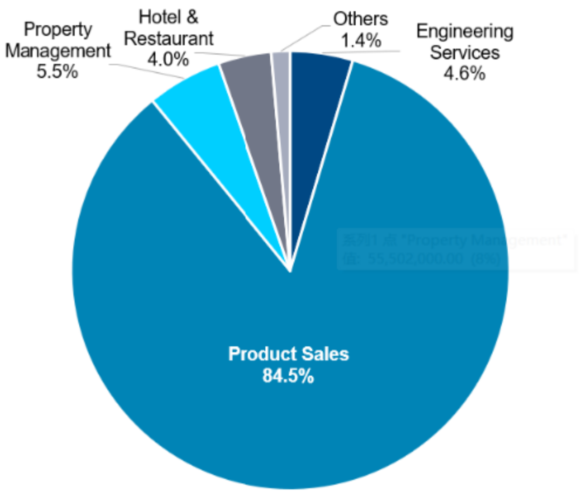
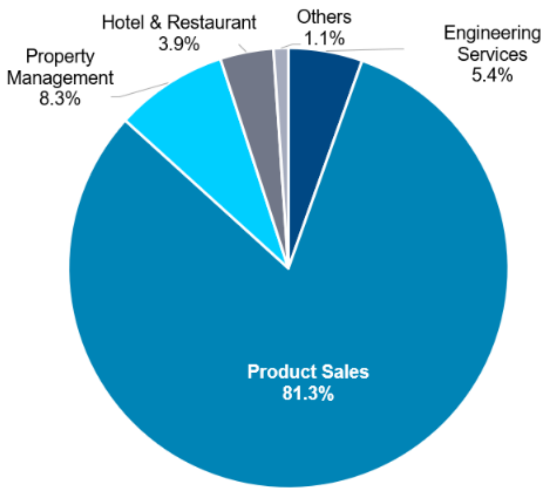


Exhibit 3. Gross profit structure in 2024



Source: Company information, CCXAP research

Rating Considerations

Business Profile

Important role in the development of blower industry in Zhangqiu District

QHID conducts production and sales of blowers through its subsidiary Shandong Zhangqiu Blower Co., Ltd.

(“Zhangqiu Blower”, Stock Code: 002598.SZ). After the consolidation of some local state-owned enterprises in Zhangqiu District, QHID indirectly holds 29.81% shares of Zhangqiu Blower. Zhangqiu Blower has a relatively strong industry position and technical strength in the field of roots blower. However, the Chinese roots blower market is relatively competitive, the products are mainly concentrated in low-end areas with low technical barriers and profitability levels. The customer structure of Zhangqiu Blower is relatively scattered, composed of mainly private-owned enterprises nationwide. Moreover, the production and sales of blowers have been increasing over the past three years. In 2024, Zhangqiu Blower recorded a total revenue of RMB2.1 billion, contributing around 84.5% to the total revenue of QHID. As of 30 September 2025, Zhangqiu Blower's main product, blowers, has a production capacity of 15,000 units per year, with a relatively high production and sales rate of 99.0%. Zhangqiu Blower’s newly signed blower orders kept increasing over the same period, and reached RMB1.4 billion in 2024. We expect the future production of Zhangqiu Blower will generate stable revenue to the Company.

In addition, in recent years, Zhangqiu Blower has successfully researched and developed new technologies for producing ceramic slurry pumps and intelligent slurry pumps. As of 30 September 2025, Zhangqiu Blower's slurry pump production capacity was 5,000 units per year, with a production and sales rate of 92.7%. With the rich resources accumulated through the blower business in the field of industrial water treatment application, Zhangqiu Blower has actively expanded its water treatment business, and has formed a whole process of water treatment service system integrating investment, construction, core equipment provision and third-party operation. In 2024, Zhangqiu Blower’s slurry pump and water treatment business recorded a revenue of RMB831.3 million, enhancing the overall competitiveness of Zhangqiu Blower.

Zhangqiu Blower's profitability is easily affected by the changes in demand and raw material price fluctuations due to the competitive nature of the blower industry. According to Zhangqiu Blower's preliminary annual performance in 2025, Zhangqiu Blower’s net profit attributable to shareholders was recorded at RMB72.0 million to RMB80.0 million, a year-on-year (“YoY”) increase of around 0.65% to 11.83%.

Supplementary income benefited from a relatively diversified business structure

QHID engages in hotel management business including accommodation, catering, as well as conferences. The Company has two hotels, which were acquired through local government transfer and outside purchase. The operation of hotels is vulnerable to the local economic environment and population mobility, and has experienced fluctuations in revenue for the past three years. The revenue of the Company’s hotel management business slightly decreased from RMB23.7 million in 2023 to RMB22.4 million in 2024. The Company also provides catering services to schools, enterprises and institutions in Zhangqiu District. The payment from customers were settled on monthly basis. In 2024, QHID's catering business revenue also declined to RMB74.9 million from RMB79.6 million in 2023.

Moreover, QHID engages in engineering services with relevant qualifications, including engineering construction, surveying, mapping and engineering design. The main clients are state-owned construction enterprises. Affected by the real estate market downturn, the volume and revenue of the surveying, mapping and design business have experienced fluctuations. In 2024, the Company’s engineering services business recorded revenue of RMB113.3 million, an YoY increase of approximately 19.0% from RMB95.2 million in 2023.

According to its strategic plan, QHID engages in industrial parks development and operation to promote the development of local industries. The Company undertakes the responsibilities of financing, construction, operation of industrial parks and is expected to achieve fund balance through leasing and sales. As of 30 September 2025, there were 4 projects under construction, with a total investment of RMB2.5 billion and an uninvested amount of RMB489.0 million. However, the Company's investment recovery cycle of industrial parks is long, making it more difficult to achieve fund balancing in short period of time and may expose the Company to larger investment and execution risks.

The Company's property management and leasing business comprises residential property management and industrial park leasing. Revenue from property management has continued to grow in recent years as the number of properties under management has increased. As at the end of September 2025, the Company had one industrial park under leasing, with an occupancy rate of 70.5%. In 2024, the Company's property management and leasing revenue recorded RMB135.4 million.

The Company shoulders the responsibilities of state-owned assets investment and operation, as well as the attraction of industrial investment in Zhangqiu District. QHID conducts financial investment business through equity investment and fund investment. According to the strategy plan of Zhangqiu District Government and the Company, the investment profile includes different industries such as high-tech, health medicine, as well as high-end manufacture. As of 30 September 2025, the book value of the investment profile was around RMB2.3 billion. From January 2024 to September 2025, the Company achieved an investment return of RMB3.3 million through disposal of the shares. However, the contribution of financial investment business to the Company's revenue is relatively low, and is easily affected by the performance of invested companies and the changes in economic conditions.

Financial Profile

Relatively weak profitability with low return on assets

QHID has maintained a revenue growth over the past three years with increased revenue from hotel management and blower products. From 2023 to 2024, the Company's total revenue slightly increased from RMB2.3 billion to RMB2.4 billion, but remaining comparatively small. The blower production and sales business is the main contributor, accounting for 84.5% of the Company's total revenue in 2024, followed by property management and leasing (5.5%). The profitability of QHID is relatively weak, indicated by the low EBIT margin and return on asset ratio. The Company's EBIT margin decreased from 8.3% in 2023 to 5.3% in 2024, while the return on assets also dropped from 1.1% to 0.7% over the same period. The decrease in EBIT margin and return on assets was mainly due to the Company's decreased investment income from Huinong New Rural and non-income producing assets such as land.

Considering the Company's diversified business portfolio and continuous expansion, we expect the Company's revenue to retain stable over the next 12 to 18 months. However, the profitability is expected to remain relatively weak and volatile as affected by market-driven demands.

Rising debt level with weak credit metrics

Due to the continuing investment in its construction projects, QHID's total debt has increased over the past years. As of 30 September 2025, the Company's total debt increased to RMB11.2 billion from RMB2.8 billion as of end-2023, while the total capitalization ratio measured by total debt to total capital increased from 20.6% to 53.4%. The Company also demonstrated a relatively large short-term debt pressure. As of 30 September 2025, the Company's short-term debt accounted for 35.2% of total debt.

QHID's stand-alone debt servicing metrics are relatively weak given its moderate profitability. The Company's three-year average EBITDA coverage ratio (EBITDA/interest expense) was relatively low at around 5.3x, and the three-year average total debt/EBITDA ratio was around 13.6x. Moreover, the Company's FFO/total debt ratio decreased to 3.7% in 2024 due to its ongoing investment in project construction. Considering the future investment in industrial park construction, its debt scale may further increase in the future.

Modest liquidity position with reliance on debt capital markets

The Company’s asset liquidity was moderate, as its total assets mainly consist of inventories, account receivables and other receivables. As of 30 September 2025, the Company’s inventories (31.4% of total assets) are mainly land assets acquired through auction and intended to be used for commercial development, which are considered low liquidity. On top of that, QHID’s accounts receivables and other receivables accounted for 9.7% of its total assets, in aggregate, as of 30 September 2025. The Company had receivables of RMB63.7 million from Jinan Zhongsen Machinery Manufacturing Co., Ltd. (“ZSMM”), which was arising from the Company’s guarantee business. ZSMM was listed as a dishonest judgement debtor for several times. All the receivables from ZSMM were subject to bad debts provision. Moreover, some assets of QHID are restricted for loans including land and fixed assets, which could reduce the Company's financial flexibility. As of 30 September 2025, the Company had restricted assets with a total amount of RMB8.6 billion, accounting for 38.3% of its total assets.

QHID has a relatively good access to different funding channels such as bank loans, bond issuance, and non-standard financing. Bank loans and bond issuance contribute the majority of total debt. The Company maintains long-term and close relationships with state-owned commercial banks and joint-stock commercial banks. As of 30 September 2025, the Company had total bank facilities of RMB3.6 billion, with an unutilized portion of RMB1.1 billion, indicating moderate liquidity buffer. QHID has good track record of issuing different bond instruments in both onshore and offshore debt markets such as corporate bonds and PPNs. For example, in 2024 and 2025, QHID issued 6 tranches of offshore bonds, raising RMB2.2 billion. The Company’s bond financing accounted for around 60% of the total debt. The relatively high reliance on bond financing makes QHID vulnerable to fluctuations in bond market. As the major shareholder of Zhangqiu Blower, the Company also pledged some shares of Zhangqiu Blower for loans. As of 30 September 2025, QHID pledged around 30.5 million shares of Zhangqiu Blower, accounting for 32.8% of its total holdings. The Company’s exposure to non-standard financing was manageable, accounting for less than 10% of its total debt.

Medium contingent liability risk associated with large external debt guarantees

The credit profile of QHID is constrained by its large amount of external guarantees, which could potentially increase its repayment obligations. As of 30 September 2025, the Company had outstanding amount of external guarantees of RMB4.4 billion, accounting for 43.3% of the net assets, of which RMB521.9 million was arising from the Company’s guarantee business. The Company conducts guarantee business through its subsidiary Shandong Tongsheng Financing Guarantee Co., Ltd. (“TSFG”), which was transferred by the local government in 2023. TSFG cooperates with domestic banks to provide loan guarantees for micro and small scaled enterprises, agricultural entities, entities in rural areas, and farmers in Jinan City. Given its business nature, the compensation rate of TSFG’s guarantee business was relatively high, which was 2.1% as of 30 September 2025. TSFG also had compensation receivables of RMB19.1 million as of the same date. TSFG is expected to increase the recovery of compensation and reduce the compensation rate by strengthening counter-guarantee measures and due diligence procedures on the guaranteed companies.

External Support

High likelihood to receive support from the parent company

We expect a high likelihood of parental support from the ZQHG in times of need. Our expectation incorporates the considerations of the Company's (1) ultimate control by the Finance Bureau of Zhangqiu District; (2) status as the core subsidiary in industrial investment of ZQHG; (3) important role in industrial development in Zhangqiu District; and (4) good track record of receiving ongoing parental support.

Zhangqiu District is in the east of Jinan City and is the sub-central city of Jinan. Zhangqiu District has a strong industrial foundation and a complete industrial system. Mingshui Economic and Technological Development Zone ("Mingshui ETDZ"), under the jurisdiction of Zhangqiu District, is the sole state-level ETDZ in Jinan City. Mingshui ETDZ has been recognized as a national new industrialization industry demonstration base, a national advanced machinery manufacturing industry base, a national characteristic industry base for heavy-duty vehicles, and a national organic polymer material base. In recent years, the economic strength of Zhangqiu District has continued to increase. In 2024, the GRP of Zhangqiu District amounted to RMB130.1 billion, representing a YoY increase of 6.0%. In 2024, the local government's general budgetary revenue increased to RMB6.1 billion from RMB6.0 billion in 2023.

ZQHG maintains a high degree of control over the operations of QHID, including the formulation of business strategies and the appointment of the Board of Directors and key management personnel. The Company is also required to report its annual budget, objectives, plans and performance to ZQHG and the Finance Bureau of Zhangqiu District.

Given its regional significance in the industrial development of Zhangqiu District, QHID has a good track record of receiving support from its parent company ZQHG, including equity transfer, financial subsidies, and loan guarantee. As the primary operating subsidiary of ZQHG, the Company contributes a large portion of assets and profits to ZQHG, accounting for 27.4% of ZQHG's total assets as of 30 September 2025 and 54.9% of total revenue in 2024. In 2023, ZQHG transferred its equity interests in more than 20 wholly-owned, controlling and holding companies to the Company. In addition, in 2024, ZQHG converted its net debt receivable from the Company of around RMB2.3 billion into a capital injection to the Company. Moreover, ZQHG further increased the Company's paid-in capital by RMB387.7 million from 2024 to 2025. ZQHG also provides loan and bond guarantees to QHID, with a total guaranteed amount of RMB1.2 billion, accounting for 11.0% of the Company's total debt. We believe that QHID will receive ongoing support from its parent company ZQHG, given its important position in local economic and industrial development.

ESG Considerations

The Company is subject to environmental laws and regulations governing air pollution, noise emissions, hazardous substances, water and waste discharge, and other environmental matters issued by the national governmental authorities. QHID assumes environmental risks for its construction projects and blower manufacturing business. Such risks could be mitigated by conducting environmental studies and detailed planning prior to the commencement of projects and close supervision.

QHID is also exposed to social risks. QHID entails strong social responsibilities—including product safety, data privacy, and community well-being. Its social license to operate depends on fair labor practices, employee welfare, service quality, and local economic contributions. Shifting consumer preferences, demographic changes, and public health trends directly affect both demand and public perception.

QHID's governance considerations are also material as the Company is subject to oversight by the local government and has to meet several reporting requirements, reflecting its status as a government-owned entity. However, the company has certain issues in its internal control and governance. On 3 April 2026, Zhangqiu

Blower received an administrative penalty for suspected violations of information disclosure laws and regulations and understatement of profits. We expect the company will strengthen its business monitoring and financial management in the future, strictly comply with relevant laws and regulations, and improve the quality of its information disclosure.

Rating Methodology

The methodology used in this rating is the Rating Methodology for General Corporate (April 2019).

A credit rating is the analytical result of current credit worthiness and forward-looking opinion on the credit risk of a rated entity or a debt issue. Credit ratings issued by CCXAP are opinions on the current and relative future credit risk of the rated entities or debt issues, but do not address any other risks, including but not limited to liquidity risk, market price risk, and interest rate risk.

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