

CCXAP assigns first-time long-term credit rating of BBB_g+ to Qingdao Jiaozhou Bay Development Group Co., Ltd., with stable outlook

Hong Kong, 26 March 2025 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned first-time long-term credit rating of BBB_g+ to Qingdao Jiaozhou Bay Development Group Co., Ltd. (“QJBD” or the “Company”), with stable outlook.

The BBB_g+ long-term credit rating of QJBD reflects the Jiaozhou Municipal 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 that Jiaozhou City’s economic status ranks top in Qingdao City. Meanwhile, the Jiaozhou Economic and Technological Development Zone (“Jiaozhou EDZ”) and the China-Shanghai Cooperation Organization Local Economic and Trade Cooperation Demonstration Area (“SCO Demonstration Area”) is gradually developing with outstanding strategic importance in Jiaozhou City.

The rating also reflects the local government’s willingness to provide support, based on the Company’s (1) status as the major entity to develop the Jiaozhou EDZ and the SCO Demonstration Area; (2) good track record of receiving government support; and (3) diversified financing channels. However, the rating is constrained by the Company’s (1) medium risk exposure to commercial activities; and (2) relatively high debt burden and moderate asset liquidity.

Corporate Profile

Founded in 2007, QJBD is an important infrastructure construction and investment and financing entity in Jiaozhou City. Since its establishment, QJBD has been engaging in the infrastructure construction and primary land development in the Jiaozhou EDZ and the SCO Demonstration Area. Meanwhile, QJBD commenced different commercial activities, such as property development, leasing, and trading.

In 2022, the State-owned Assets Service Centre of Jiaozhou City (“Jiaozhou SASC”) transferred its entire equity holding in the Company to Qingdao Shanghe Holding Development Co., Ltd. (“Qingdao Shanghe Holding”), which is the major entity responsible for investment and financing of infrastructure development in the SCO Demonstration Zone. As of 30 September 2024, QJBD is indirectly and wholly owned by Jiaozhou SASC, which has delegated the daily supervision of the Company to the Management Committee of SCO Demonstration Area, being the current actual controller of the Company.

Rating Rationale

Credit Strengths

Major entity to develop the Jiaozhou EDZ and the SCO Demonstration Area. QJBD is an important infrastructure construction and investment and financing entity in the Jiaozhou EDZ and the SCO Demonstration Area, responsible for infrastructure construction and primary land

development tasks with regional exclusive advantages. Since its establishment, the Company has undertaken and completed a large number of projects with strategic importance to the Jiaozhou EDZ and the SCO Demonstration Area, which plays an important role in regional development and is in line with the policy guidance of the local government.

Good track record of receiving government support. In recognition of the strategic importance to the Jiaozhou EDZ and the SCO Demonstration Area, QJBD has a good track of receiving various kinds of support from the Jiaozhou Municipal Government, including operating subsidies, asset injections, and equity transfer. Given the Company's important position and function role in the Jiaozhou EDZ and the SCO Demonstration Area, we believe that QJBD will continue to receive various kinds of support from the local government.

Diversified financing channels. QJBD has access to diversified financing channels to fund its project development and to ensure the indebtedness continuation, mainly including bank loans and debt issuances in domestic and international capital markets. QJBD also had small exposure to non-standard financing products, representing for 5%-10% of the total interest-bearing debt.

Credit Challenges

Medium exposure to commercial activities. QJBD has a medium exposure to commercial activities such as property development, property leasing, self-operated projects and trading. Despite these kinds of activities that contribute large revenue and profit to the Company, they have higher commercial elements and are mostly self-sustaining compared to infrastructure projects. In addition, we expect QJBD's commercial exposure to increase as investments continue.

Relatively high debt burden and moderate asset liquidity. QJBD primarily relies on external financing to satisfy its capital requirements for construction projects and it has incurred a relatively high debt burden. It's expected that the Company's debt will continue to grow and the leverage ratio will remain at a relatively high level given its continued reliance on external financing to fund business operations and to refinance the existing indebtedness. Meanwhile, the Company's asset liquidity is medium.

Rating Outlook

The stable outlook on QJBD's rating reflects our expectation that the local government's capacity to provide support will remain stable, and the Company's strategic position, such as its important role in the development of the Jiaozhou EDZ and the SCO Demonstration Area, will remain unchanged over the next 12-18 months.

What could upgrade the rating?

The rating could be upgraded if (1) the local government's capacity to support strengthens; or (2) the Company's characteristics change in a way that enhances the local government's willingness to support, such as reduced exposure to risky commercial activities, and improved debt management and asset liquidity.



What could downgrade the rating?

The rating could be downgraded if (1) the local government's capacity to support weakens; or (2) the Company's characteristics change in a way that weakens the local government's willingness to support, such as reduced strategic significance, deteriorated financing capacity, or decreased government payments.

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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