

## **CCXAP assigns BBB<sub>g</sub>+ to Qingdao Jiaozhou Bay Development Group Co., Ltd.'s proposed USD transition bonds**

Hong Kong, 26 March 2025 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a senior unsecured debt rating of BBB<sub>g</sub>+ to the proposed USD transition bonds to be issued by Qingdao Jiaozhou Bay Development Group Co., Ltd. (“QJBD” or the “Company”) (BBB<sub>g</sub>+ / stable).

The bonds will constitute direct, unconditional, unsubordinated and unsecured obligations of QJBD, 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 net proceeds to refinance its existing medium to long-term offshore debts in accordance with the Transition Finance Framework.

### **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 Economic and Technological Development Zone (“Jiaozhou EDZ”) and the China-Shanghai Cooperation Organization Local Economic and Trade Cooperation Demonstration Area (“SCO Demonstration Area”). Meanwhile, QJBD also 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 municipal entity responsible for investment and financing of infrastructure development in the SCO Demonstration Area. 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**

The rating of the senior unsecured bonds is equivalent to QJBD’s long-term credit rating. We believe that government support will flow through the Company given its strong strategic position in development of the Jiaozhou EDZ and the SCO Demonstration Area, thereby mitigating any differences in an expected loss that could result from structural subordination.

The BBB<sub>g</sub>+ 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 EDZ and the 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.

### **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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