

## **CCXAP affirms Qingdao Jimo District Urban Development Investment Co., Ltd.'s long-term credit rating at BBB<sub>g</sub>+, with stable outlook.**

Hong Kong, 19 June 2025 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has affirmed Qingdao Jimo District Urban Development Investment Co., Ltd.’s (“JMUI” or the “Company”) long-term credit rating at BBB<sub>g</sub>+, with stable outlook. At the same time, CCXAP has affirmed JMUI’s senior unsecured debt rating at BBB<sub>g</sub>+.

The BBB<sub>g</sub>+ long-term credit rating of JMUI reflects Jimo District 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 Jimo District Government’s capacity to support reflects Jimo District’s status as one of the top three largest districts by gross regional product (“GRP”) in Qingdao City, with growing economic and fiscal strengths.

The rating also reflects the local government’s willingness to support, which is based on the Company’s (1) strategic importance in state-owned assets operations and urban construction operations in Jimo District; (2) solid track record of receiving government support; and (3) good access to diversified fundings. However, the rating is constrained by the Company’s (1) high exposure to commercial activities, especially in property development business; (2) high debt leverage and tightened liquidity position; and (3) contingent risks associated with large amounts of external guarantees.

### **Corporate Profile**

Established in September 2003, JMUI is a key local infrastructure investment and financing company (“LIIFC”) in Jimo District, Qingdao City. The Company is designated by the government for infrastructure construction and affordable housing projects. It also undertakes diversified commercial activities, such as property development, industrial parks development, property leasing, hot spring water supply, commodity sales, as well as the provision of external guarantees. As of 31 March 2025, the Company was wholly owned by the Qingdao Jimo State-owned Assets Operation Service Centre, which is under the direct administration of the Jimo District Government.

### **Rating Rationale**

#### **Credit Strengths**

**Strategic importance in state-owned assets operations and urban construction operations in Jimo District.** JMUI is one of the core LIIFCs in Jimo District and the main entity delegated by Jimo District Government to carry out affordable housing and infrastructure construction projects, with high strategic importance. Overall, JMUI has a large development scope in Jimo District and a strong capability for business sustainability. The Company maintains its responsibility in the investment and construction of important projects in the region, although the business model is gradually shifting from agency construction to self-operation.

**Solid track record of receiving government support.** In recognition of the regional importance in Jimo District, JMUI has a good track record of receiving support from the local government in the form of asset injections, project payments, and operating subsidies to support its investments and the operation of its businesses. Moreover, the Company's project constructions are usually supported by the government special funds. We expect that the Company will maintain its strategically important position in state-owned assets operations and urban construction operations in Jimo District, and the local government will continue to support its development when necessary.

**Good access to diversified funding.** JMUI has good access to diversified funding channels, including bank loans, domestic and offshore bond financing. The Company maintains long-term close relationships with policy banks, state-owned commercial banks, and joint-stock commercial banks, providing sufficient standby liquidity. JMUI actively participates in debt capital markets and shows relatively high acceptance. As JMUI's credit profile has been recognized by financial institutions and investors, allowing its existing bonds to be renewed when they are due or repaid through the acquisition of new bank loans. In addition, the Company's exposure to non-standard financing is relatively low.

#### **Credit Challenges**

**High exposure to commercial activities.** JMUI is also engaged in commercial activities such as property development, industrial parks development, property leasing, hot spring water supply, commodity sales, as well as provision of external guarantees. We consider the Company's exposure to commercial activities to be high, as its commercial assets accounted for more than 30.0% of total asset at end-2024.

**High debt leverage and tightened liquidity position.** With continuous financing for the construction projects, JMUI's debt leverage maintained a high level. Moreover, the Company is exposed to short-term debt repayment pressure. Meanwhile, the Company's cash showed a net outflow. We estimate the Company would continue to rely on external financing such as bank loans and bond issuance to support its further development, while its total capitalization ratio would remain relatively high over the next 12-18 months.

**Contingent risks associated with large amounts of external guarantees.** JMUI's credit profile is constrained by its external guarantees, which could potentially increase its repayment obligations. Most of them were provided to local state-owned enterprises. The Company's contingent liabilities are subject to regional risks due to the mutual guarantee situation in Jimo District. In case of credit event occurs, the Company may face certain contingent liability risks, which could negatively impact its credit quality.

#### **Rating Outlook**

The stable outlook on JMUI's rating reflects our expectation that the Jimo District Government's capacity to provide support will be stable, and the Company's characteristics such as its strategic importance in state-owned assets operations and urban construction operations will remain unchanged over the next 12 to 18 months.

**What could upgrade the rating?**

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

**What could downgrade the rating?**

The rating could be downgraded if (1) Jimo District Government's capacity to support weakens; or (2) the Company's characteristics change in a way that weakens the local government's willingness to provide support, such as reduced regional significance or deteriorated assess to fundings.

**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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