

## Credit Opinion

29 September 2025

Ratings	
Senior Unsecured	
Debt Rating	A <sub>g</sub> -
(SBLC-supported)	
Long-Term Credit	
Rating	BBB <sub>g</sub> +
Outlook	Stable
Category	Corporate
Domicile	China
Rating Type	Solicited Rating

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## Qingdao Bullet Train Town Investment Group Co., Ltd.

### Surveillance credit rating report

**CCXAP affirms Qingdao Bullet Train Town Investment Group Co., Ltd.'s long-term credit rating at BBB<sub>g</sub>+, with stable outlook.**

### Summary

The BBB<sub>g</sub>+ long-term credit rating of Qingdao Bullet Train Town Investment Group Co., Ltd. ("QBTI" or the "Company") reflects Chengyang 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 the local government's capacity to provide support reflects Chengyang District's ongoing economic growth and sound fiscal profile, with good industrial development.

The rating also reflects the local government's willingness to support, which is based on the Company's (1) ultimate control by Chengyang District Government; (2) important position in infrastructure construction in Chengyang District, particularly in the Qingdao Rail Transit Industry Demonstration Zone ("QRTIDZ"); and (3) solid track record of receiving government support.

However, the rating is constrained by the Company's (1) high exposure to commercial activities with relatively large capital expenditure needs; (2) increasing debt burden with moderate asset liquidity; and (3) medium contingent liability risk resulting from external guarantees.

The stable outlook on QBTI's rating reflects our expectation that the Chengyang District Government's capacity to provide support will be stable, and the Company will maintain its important role in local infrastructure construction in Chengyang District over the next 12 to 18 months.

## Rating Drivers

- Important position in infrastructure construction in Chengyang District, particularly in the QRTIDZ
- Solid track record of receiving government support
- High exposure to commercial activities with relatively large capital expenditure needs
- Increasing debt burden with moderate asset liquidity
- Access to diversified funding channels
- Medium contingent liability risk resulting from external guarantees

## Rating Sensitivities

### What could upgrade the rating?

The rating could be upgraded if (1) Chengyang 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 risky commercial activities and improved debt management.

### What could downgrade the rating?

The rating could be downgraded if (1) Chengyang 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 access to fundings.

## Key Indicators

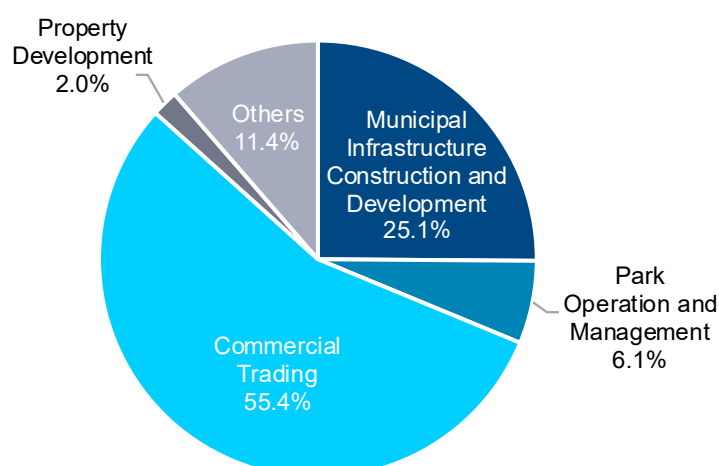
	2022FY	2023FY	2024FY	2025Q1
Total Assets (RMB billion)	39.7	49.2	55.4	58.1
Total Equity (RMB billion)	15.2	15.4	15.2	15.5
Total Revenue (RMB billion)	2.4	2.9	4.1	0.9
Total Debt/Total Capital (%)	57.1	62.0	63.6	63.4

All ratios and figures are calculated using CCXAP's adjustments.

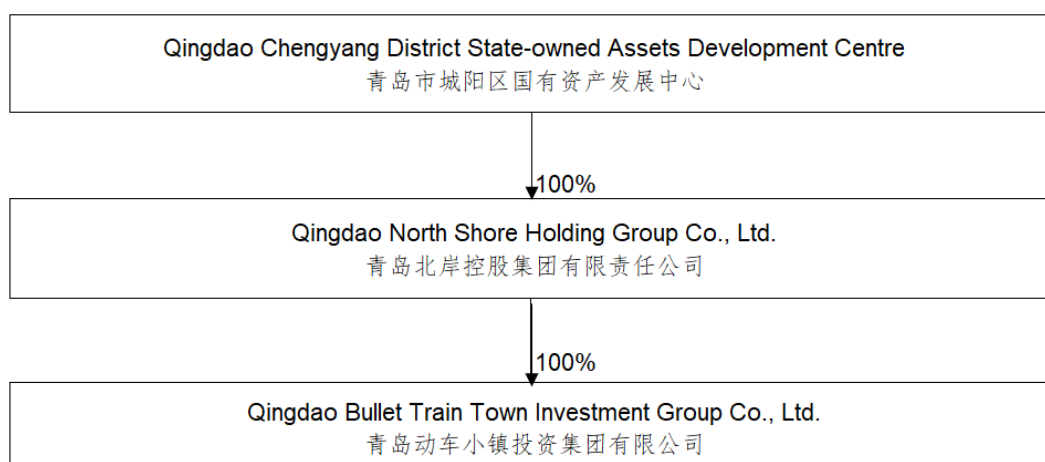
Source: Company data, CCXAP research

## Corporate Profile

Established in March 2017, QBTI is an important local infrastructure investment and financing company ("LIIFC") in Chengyang District. As a key state-owned platform for the construction, operation, and management of park infrastructure in Chengyang District, particularly in the QRTIDZ, the Company has actively participated in a number of municipal infrastructure construction and development projects, as well as major park infrastructure projects in the QRTIDZ in Chengyang District. It also undertakes diversified commercial activities, such as commercial trading, park operation and management, and property development. As of 31 March 2025, the Company was indirectly and wholly owned by the Qingdao Chengyang District State-owned Assets Development Centre through Qingdao North Shore Holding Group Co., Ltd. ("QNSG"), which is a key LIIFC in Chengyang District.

**Exhibit 1. Revenue structure in 2024**

Source: Company information, CCXAP research

**Exhibit 2. Shareholding chart as of 31 March 2025**

Source: Company information, CCXAP research

**Rating Considerations****Government's Capacity to Provide Support**

We believe that the Chengyang District Government has very strong capacity to provide support, reflects its ongoing economic growth and sound fiscal profile, with good industrial development.

Shandong Province is the third largest province in China by gross regional products ("GRP"), with a solid industrial foundation in industries such as logistics, shipbuilding, marine technology, chemical, automotive and agri-food. Qingdao City is one of the five cities in China that are under separate state planning and is the strongest city in Shandong Province in terms of economic size and average income level. It reported GRP of RMB1,671.9 billion in 2024, ranking first in Shandong Province. In the first half of 2025, the GRP of Qingdao City increased by 5.3% year-on-year ("YoY") to RMB858.7 billion. Qingdao City also has strong fiscal strength and good fiscal metrics. In the past three years, its general budgetary revenue covered over 75% of its general budgetary expenditure, and tax income accounted for more than 70% of its general budgetary revenue on

average. As of end-2024, the outstanding government debt of Qingdao City increased to RMB438.3 billion, accounting for 26.2% of the GRP.

### Exhibit 3. Key economic and fiscal indicators of Qingdao City

	2022FY	2023FY	2024FY
GRP (RMB billion)	1,492.1	1,576.0	1,671.9
GRP Growth (%)	3.9	5.9	5.7
General Budgetary Revenue (RMB billion)	127.3	133.8	133.9
General Budgetary Expenditure (RMB billion)	169.6	171.9	172.0
Local Government Debt (RMB billion)	308.0	362.0	438.3

Source: Qingdao Municipal Government, CCXAP research

Chengyang District is located on the north coast of Qingdao, with well-developed high-speed and railroad networks, providing convenient access to the downtown of Qingdao and other major transportation hubs. It focuses on several industries, including high-end equipment, new-generation information technology, new energy and new materials, as well as biomedicine industries. Chengyang District's GRP has been ranking top five among all the districts or counties in Qingdao City over the past three years. The GRP of Chengyang District increased by 5.8% YoY to RMB150.2 billion in 2024. In the first half of 2025, Chengyang District achieved GRP of RMB77.5 billion, representing a YoY increase of 6.0%. Moreover, the general budgetary revenue of Chengyang District was recorded at RMB10.6 billion in 2024, ranking 4<sup>th</sup> in Qingdao City. Chengyang District had a strong fiscal balance as its general budgetary revenue covered over 100% of its general budgetary expenditure for the past three years. It also has a good fiscal stability with tax income contributing around 70.1% of the general budgetary revenue on average over the same period. As of end-2024, the outstanding amount of local government debt amounted to RMB45.0 billion, accounting for 30.0% of its GRP.

### Exhibit 4. Key economic and fiscal indicators of Chengyang District

	2022FY	2023FY	2024FY
GRP (RMB billion)	134.8	139.7	150.2
GRP Growth (%)	1.1	5.3	5.8
General Budgetary Revenue (RMB billion)	11.5	11.6	10.6
General Budgetary Expenditure (RMB billion)	10.3	9.8	10.0
Local Government Debt (RMB billion)	34.1	41.5	45.0

Source: Chengyang District Government, CCXAP research

Chengyang District has developed Qingdao Rail Transit Industry Demonstration Zone ("QRTIDZ"), focusing on the development of rail transit industry. QRTIDZ was established in November 2018, with a planned area of 83.02 square kilometers and a current population of 110 thousand. It was selected as the first batch of the national strategic emerging industrial clusters and awarded as one of the top ten characteristic industrial clusters in Shandong Province. It is the only industrial cluster in China that integrates the production of complete high-speed rail and metro vehicles, R&D and manufacturing of core rail transit systems, and a national collaborative innovation platform for basic applied technologies. Many leading enterprises in rail transit equipment industry have settled in QRTIDZ, such as CRRC Qingdao Sifang Co., Ltd. and Bombardier Sifang (Qingdao) Transportation Ltd. The QRTIDZ will also support the development of rail transit industry in Chengyang District.

### Government's Willingness to Provide Support

#### Important position in infrastructure construction in Chengyang District, particularly in the QRTIDZ

There are three major LIIFCs in Chengyang District, each of them is responsible for infrastructure construction in different areas in Chengyang District. QNSG is a key LIIFC in Chengyang District, which was established at the end of 2022 with the consolidation of state-owned enterprises in Chengyang District. QNSG is mainly engaged in infrastructure construction and park operation in QRTIDZ and Jiaozhou Bay Comprehensive Bonded Area. As a major subsidiary of QNSG, QBTI is mainly responsible for municipal infrastructure construction and development in QRTIDZ and Shangma Street. The Company plays a vital role in the social and economic development of Chengyang District, with a policy mandate to undertake major construction projects, along with the development blueprint of the local government. Thereby, we believe that the replacement cost for the Company's role is high.

The Company is designated to carry out a variety of park infrastructure and supporting facilities construction projects ranging from shantytown renovation projects, road, public utility construction projects, and park facilities construction within QRTIDZ. The Company undertakes construction projects under the agency construction model and receives project repayments based on the total cost plus a markup (generally 10%-15%). As of 31 December 2024, the Company had completed a number of major projects, including roads and public facilities, with a total investment of approximately RMB608.0 million. The Company had received RMB674.0 million of paybacks as of the same date. Additionally, the Company had 13 major projects under construction with a total investment of RMB16.9 billion and an outstanding amount of RMB1.0 billion. At the same time, the Company had 2 shantytown renovation projects under planning, with a total investment of RMB5.1 billion. Most of the funding for ongoing and planned projects is self-raised, requiring attention to the subsequent funding situation and payment collection progress. The sufficient project reserves ensure the sustainability of the Company's business, but also bring certain capital expenditure pressure to the Company.

#### **Solid track record of receiving government support**

In light of its importance to the regional development of Chengyang District, QBTI has a good track record of receiving support from the local government in the form of operating subsidies, special project funds, project payments, and asset injections to support its investments and the operation of its businesses. For instance, the Company received special project funds of RMB80.0 million for its construction projects in 2024. From 2024 to 2025Q1, the Company continued to receive government subsidies with a total amount of around RMB368.9 million. In addition, as of the end of 2024, the Company had received government repayments totaling RMB3.5 billion for municipal construction projects. We expect the Company will continue to receive government support over the next 12 to 18 months, given its important policy role in Chengyang District and the large number of public policy projects under construction.

#### **High exposure to commercial activities with relatively large capital expenditure needs**

QBTI participates in different commercial activities, including industrial park operation and management, property development, and commercial trading. These commercial activities generate supplementary revenue to the Company, but also entail higher operational and business risks than its public activities. At the same time, the Company's large number of self-built projects will exert higher investment pressure on the Company. We consider QBTI's commercial business exposure is high, which accounted for more than 30% of its total assets by our estimation.

QBTI takes the responsibility to attract investments and promote the development of local industries by participating in the industrial park operation and management under the local government's guidance. It primarily involves the construction, operation, and management of standard factories, research laboratories, and major park facilities in QRTIDZ. The Company also undertakes the construction of supporting facilities such

as roads, water pipelines, as well as telecommunications in accordance with the overall planning of QRTIDZ. QBTI acquired leasable properties through outside purchase and self-construction using self-raised funds, and is expected to generate income through sales, leasing, and management fees. As of 31 December 2024, the Company owned a large portfolio of leasable assets with a total leasable area of around 716.6 thousand square meters and a comprehensive occupancy rate of around 66.9%, which provides recurring operating revenue and cashflow to the Company. However, there were cases where some lessees terminated their leases due to struggling businesses, requiring attention to the future leasing situation of properties with low occupancy rates. Meanwhile, there were 11 projects under construction with a total investment of around RMB10.6 billion and an uninvested amount of RMB6.5 billion. The Company also had an industrial park project under planning with total investment amount of RMB178.0 million. These leasing assets would be leased to government institutions and enterprises attracted to settle in QRTIDZ. However, the relatively large future investment exerts certain capital expenditure pressure on the Company. Additionally, the future operating performance is affected by the progress of regional investment promotion and commercial development, requiring attention to the fund balancing progress in the future. In 2024, the revenue from park operation and management amounted to RMB251.3 million, representing a YoY increase of 56.3%, primarily due to the continuous growth of leasable properties. The gross profit margin also rose from 44.3% to 46.8% over the same period.

QBTI is also engaged in the property development business, focusing on the construction and sales of residential property projects. As of 31 December 2024, the Company had one completed residential housing project, with a total investment of RMB982.0 million, and around 61.5% of the properties were sold. This project has recognized RMB613.0 million in revenue, all of which has been collected. Meanwhile, the Company had 3 key property projects under construction, with a total investment of RMB2.0 billion and an uninvested amount of RMB1.2 billion. However, the fund balancing of property development business would suffer from high volatility due to the uncertainties of construction and sales progress during the downturn in China's property market. In 2024, the Company's real estate business revenue scale contracted, mainly due to the continued slowdown in the local real estate market. The revenue decreased from RMB203.0 million in 2023 to RMB80.0 million in 2024, and its gross profit margin also turned negative.

Additionally, QBTI is involved in commodity sales business, including steel, electrolytic copper, rubber, crude oil, and frozen meat. The Company mainly adopts demand-on-purchase mode and receives certain percentage of prepayments from downstream customers before procurement. The commodity sales business represents large portion of the Company's revenue but generates a minimal profit margin. In 2024, the trading revenue surged by 95.1% YoY to RMB2.3 billion from RMB1.2 billion in 2023, accounting for 55.4% of the total revenue. However, owing to the low gross profit margin of commodity trading, its gross profit margin decreased to 0.07% in 2024, reflecting weak profitability. Moreover, the concentration of suppliers and customers in the commodity sales business remained high in 2024, which may lead to lower pricing and bargaining power of the Company. In 2024, the top five suppliers and customers accounted for approximately 93% and 69% of the total procurement and total sales, respectively.

### **Increasing debt burden with moderate asset liquidity**

Due to the ongoing financing for its infrastructure construction and industrial park projects in recent years, QBTI demonstrates rapid debt growth. As of 31 March 2025, QBTI's total debt increased to RMB26.9 billion from RMB24.6 billion as of end-2023. Meanwhile, the Company maintained a relatively high debt leverage level, and its total capitalization ratio increased to 63.4% from 62.0% over the same period. The Company's short-term debt accounted for 38.7% of total debt as of 31 March 2025, indicating relatively high short-term debt pressure. Meanwhile, the cash to short-term debt ratio was 0.2x, which could not fully cover its short-term debt. We



estimate that the Company would continue to rely on external financing such as bank loans and bonds issuance to support its further development, while its total capitalization ratio would remain relatively high over the next 12-18 months.

In addition, the Company's asset liquidity remained moderate. As of 31 March 2025, inventories, accounts receivable, other receivables, investment properties and construction in progress accounted for 76.6% of total assets. The inventories and construction in progress are mainly cost of infrastructure construction, property development, and self-construction projects, which were considered low liquidity. The receivables mainly consist of project construction costs and outstanding payments owed by local state-owned enterprises, which are considered to be less liquid. The relatively low asset liquidity may undermine the Company's financial flexibility. Apart from that, other receivables contain loans provided to a private-owned enterprise, namely Qingdao Saixin Ruixiang Real Estate Co., Ltd. ("Saixin Ruixiang"), which defaulted on commercial notes, and its ultimate controller has been listed as a dishonest judgement debtor. As of 31 December 2024, the Company had receivables from this enterprise with a total amount of around RMB468.9 million, which may expose the Company to certain recovery risk. Moreover, as of same date, the Company had restricted assets of RMB6.5 billion, accounting for 11.7% of the total assets, mainly including restricted cash, investment properties and construction in progress, which may reduce the Company's financial flexibility.

#### **Access to diversified funding channels**

QBTI has access to diversified funding sources such as bank loans, domestic and offshore bond financing, as well as non-standard financing. The majority of the debts were bank loans, which accounted for more than half of the total debt. The Company maintains long-term close relationships with policy banks, state-owned commercial banks, and joint-stock commercial banks, such as China Development Bank, Industrial and Commercial Bank of China Ltd. and Bank of Qingdao Co., Ltd., providing sufficient standby liquidity. As of 31 December 2024, the Company had total bank facilities of RMB22.3 billion, with the available portion being RMB8.3 billion.

The Company also actively participates in the debt capital markets, including domestic and offshore bond markets. From January 2024 to August 2025, the Company issued 10 tranches of domestic bonds, raising around RMB5.1 billion, with coupon rates ranging from 2.68% to 3.45%. The Company also issued 3 tranches of offshore bonds during the same period, raising RMB400.0 million and USD110.0 million. However, the Company has certain exposure to non-standard financing, which accounts for around 10-15% of its total debt, mainly from financial leasing companies. Non-standard financing products generally have higher financing costs and shorter maturities, which could increase the Company's refinancing pressure. Considering the Company's essential role in the local development of Chengyang District, we expect the Company to maintain access to stable funding sources from the local banks and the debt capital market.

#### **Medium contingent liability risk resulting from external guarantees**

QBTI's credit profile is constrained by its relatively large external guarantees, which could potentially increase its repayment obligations. As of 31 March 2025, the Company had outstanding external guarantees of RMB4.0 billion, representing 26.0% of its net assets. Most of them were provided to local state-owned enterprises. In case a credit event occurs, the Company may face certain contingent liability risks, which could negatively impact its credit quality. Moreover, the Company provided guarantees to a private-owned enterprise that defaulted on its commercial notes, with a total risk exposure of RMB141.1 million, which may also expose the Company to certain contingent liability risks. We consider QBTI's contingent liability risk to be medium as there is no clear mechanism for the Company to be adequately compensated if these entities fail to repay.

## ESG Considerations

QBTI bears environmental risks through its infrastructure construction projects. Such risks could be mitigated by conducting environmental studies and detailed planning before the commencement of the projects and close supervision during construction.

QBTI bears social risks as it implements public policy initiatives by building public infrastructure in Chengyang District. Demographic changes, public awareness and social priorities shape the Company's development targets and ultimately affect the local government's propensity to support the Company.

QBTI's governance considerations are also material as the Company is subject to oversight by Chengyang District Government and must meet several reporting requirements, reflecting its public-policy role and status as a government-owned entity.

## Credit Enhancements

QBTI's senior unsecured debt rating is based on our assessment of Bank of Qingdao Co., Ltd.'s ("Bank of Qingdao") credit quality, as the bonds (ISIN: XS2937150170) are fully supported by an irrevocable standby letter of credit ("SBLC") from Bank of Qingdao. Founded in 1996 and headquartered in Qingdao City, Bank of Qingdao is the largest urban commercial bank in Shandong Province by total assets. It was listed in the Hong Kong Stock Exchange in 2015 and the Shanghai Stock Exchange in 2019 (Stock code: 03866.HK & 002948.SZ). Any change to the credit quality of Bank of Qingdao could lead to a corresponding change in the rating of the bonds.

## Rating Methodology

The methodology used in this rating is the Rating Methodology for [China's Local Infrastructure Investment and Financing Companies \(July 2022\)](#).

The methodology used in Bank of Qingdao's assessment is the Rating Methodology for [Banks \(November 2021\)](#).



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