

## Credit Opinion

30 May 2025

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

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## Qingdao Jimo District Urban Tourism Development and Investment Co., Ltd.

### Surveillance credit rating report

**CCXAP affirms Qingdao Jimo District Urban Tourism Development and Investment 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 Jimo District Urban Tourism Development and Investment Co., Ltd. ("JMTI" or the "Company") 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 districts by gross regional product ("GRP") in Qingdao City for years, 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) key role in the urban construction operations and provision of public utility services in Jimo District; (2) solid track record of receiving government support; and (3) good access to different financing channels with relatively low financing costs.

However, the rating is constrained by the Company's (1) medium exposure to commercial activities; (2) increasing debt burden with large investment needs; and (3) high contingent risk arising from external guarantees.

The stable outlook on JMTI'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 essential role in urban construction operations and provision of public utility services will remain unchanged over the next 12 to 18 months.

## Rating Drivers

- Key role in the urban construction operations and provision of public utility services in Jimo District
- Solid track record of receiving government support
- Medium exposure to commercial activities
- Increasing debt burden with large investment needs
- Good access to different financing channels with relatively low financing costs
- High contingent risk arising from external guarantees

## Rating Sensitivities

### 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 reduced exposure to external guarantees, or 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 weakened market position, deteriorated access to fundings, or material decreased government support.

## Key Indicators

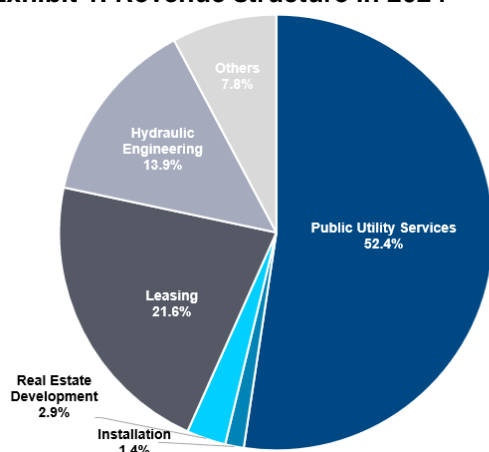
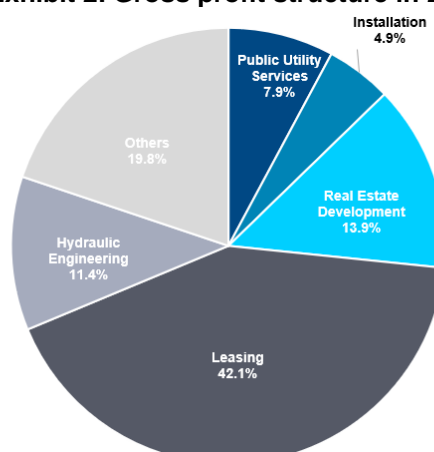
	2022FY	2023FY	2024FY	2025Q1
Total Assets (RMB billion)	40.4	46.2	51.0	50.7
Total Equity (RMB billion)	17.9	18.0	18.1	18.0
Total Revenue (RMB billion)	0.8	0.7	0.8	0.2
Total Debt/Total Capital (%)	50.7	57.2	58.5	58.8

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

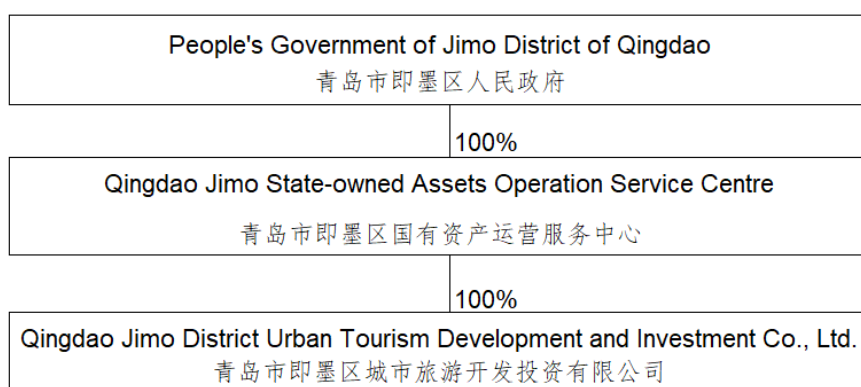
Source: Company data, CCXAP research

## Corporate Profile

Established in June 2007, JMTI is a key local infrastructure investment and financing company ("LIIFC") in Jimo District, Qingdao City, with a focus on the provision of public utility services and infrastructure construction. The Company is also engaged in commercial activities such as self-operated project construction, real estate development, as well as leasing. As of 31 March 2025, the Company was wholly owned and controlled by the Qingdao Jimo State-owned Assets Operation Service Centre, which is under the direct administration of the Jimo District Government.

**Exhibit 1. Revenue structure in 2024****Exhibit 2. Gross profit structure in 2024**

Source: Company information, CCXAP research

**Exhibit 3. Shareholding chart as of 31 March 2025**

Source: Company information, CCXAP research

## Rating Considerations

### Government's Capacity to Provide Support

We believe that the Jimo District Government has a very strong capacity to provide support, reflects Jimo District's status as one of the top three largest districts by GRP in Qingdao City for the last three years, with growing economic and fiscal strengths.

Shandong is the third largest province in China by GRP, with a solid industrial foundation in industries such as logistics, shipbuilding and marine technology, chemicals, 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 in terms of economic size and average income level. It reported a GRP of RMB1,671.9 billion in 2024, ranking first in Shandong Province. Qingdao City also has strong fiscal strength and good fiscal metrics. In the past three years, its general budgetary revenue covered over 70.0% of its general budgetary expenditure, and tax income accounted for more than 70.0% of its general budgetary revenue on average. As of end-2024, the outstanding debt of Qingdao Municipal Government increased to RMB438.3 billion, accounting for 26.2% of the GRP.

**Exhibit 4. 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

Jimo District is located in the southwest region of the Shandong peninsula, on the west coast of the Yellow Sea and the north of the Lao Mountain, with abundant supply of natural resources, such as land, sea and mineral resources. Jimo District comprises seven towns, one provincial-level economic development zone, one high-tech industrial development zone and one provincial-level tourism and resorts zone. It has formed six pillar industries, including traditional industries such as automobiles, textiles and clothing, as well as trade and logistic; emerging industries such as marine, new-generation information technology, as well as biomedicine.

Jimo District is a developing district and has shown continuous economic growth over the past three years. In 2024, Jimo District reported a GRP of RMB167.1 billion, increased by 6.0%, and ranked 3<sup>rd</sup> among all the districts and counties in Qingdao City. Also, Jimo District had a relatively strong fiscal balance as its general budgetary revenue covered around 76.1% of its general budgetary expenditure on average over the past three years. It also has good fiscal stability with tax income contributing around 69.1% of the general budgetary revenue on average over the past three years. As of 31 December 2024, the outstanding amount of local government debt amounted to RMB30.5 billion, increasing from RMB20.9 billion at end-2023 and accounting for 18.2% of its GRP.

**Exhibit 5. Key economic and fiscal indicators of Jimo District**

	2022FY	2023FY	2024FY
GRP (RMB billion)	151.3	159.5	167.1
GRP Growth (%)	2.6	6.6	6.0
General Budgetary Revenue (RMB billion)	10.0	10.6	10.6
General Budgetary Expenditure (RMB billion)	13.3	13.3	14.2
Local Government Debt (RMB billion)	16.3	20.9	30.5

Source: Jimo District Government, CCXAP research

**Government's Willingness to Provide Support****Key role in the urban construction operations and provision of public utility services in Jimo District**

JMTI is one of the core LIIFCs in Jimo District, primarily conducting urban construction and providing utility services in Jimo District. Since its establishment, the Company has played an essential role in the implementation of infrastructure construction and urban development policies, which are strategically important to Jimo District. The Company is mainly responsible for urban infrastructure projects such as pipeline network, and water-related facilities. The Company usually undertakes project construction business and receives projects payments based on the actual cost plus a markup in return upon completion. As of 31 December 2024, the Company had 4 infrastructure construction projects under construction with a total estimated investment of around RMB1.9 billion and an outstanding amount of RMB533.9 million. All these projects are expected to be

completed by 2025. The Company will increasingly adopt self-operation model for future projects and continue to undertake infrastructure projects in line with the future plans of the market-driven requirement.

JMTI is a very important entity in providing public services including provision of heat energy (in the form of hot water and steam) and sales of electricity, as well as the construction and operation of heat supply networks. Its business scope covers most of the areas in Jimo District, with strong regional franchise advantage. As at 31 December 2024, the Company's heating coverage reached over 10 million square meters, providing heat energy to over 100 enterprises and 100 residential communities with approximately 100,000 households in Jimo District. Moreover, JMTI takes part in the sale of electricity business by selling all the electricity generated from its cogeneration power plants to Qingdao Electric Power Company. As of 30 September 2024, the Company's annual power generation capacity is 225.48 million kWh, accounting for approximately 7.2% of the total electricity consumption in Jimo District. As of end-2024, the Company had 2 thermal power projects under construction, with a total investment of RMB1.1 billion and an outstanding amount of RMB927.6 million. Along with the completion of these projects, it is expected that the Company's heating capacity and coverage would be further enlarged. However, due to the increasing prices of raw materials, especially coal prices, this sector has recorded net loss in previous years.

We believe JMTI's regional position in the public services will remain strong, given its strong functional positioning to promote the regional development and improve the living quality in Jimo District. Therefore, the potential substitution is low and government support is likely in the near future.

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

In light of its strategic importance to Jimo District, JMTI has a solid track record of receiving government support mainly in equity transfer, capital injection, and operating subsidies. As one of the key LIIFCs in the area, Jimo District Government continuously increased the Company's capital base through equity transfer and operating asset injections over the past years. For instance, in 2023, the Company received equities and assets transfer from the local state-owned enterprise, increasing its capital reserve by approximately RMB5.8 million. In addition, the Company continued to receive operating subsidies from the local government with a total amount of RMB809.1 million in 2023 and RMB509.7 million in 2024, respectively.

#### **Medium exposure to commercial activities**

JMTI is also engaged in commercial activities such as self-operated project construction, leasing, and real estate development businesses. The Company's assets from commercial activities accounted for over 30.0% of its total assets as at end-2024.

At present, JMTI focuses on the construction of self-operated projects, including projects of parking lot, Nvdao Port upgrading, Nvdao Port channel anchorage, cloud computing center, as well as tourist scenic area. The construction costs of such self-operated projects will be balanced by the operating income, such as lease, after construction is completed. The Company has large construction projects and sufficient reserves. As of 31 December 2024, the Company had 5 projects under construction, with a total planned investment of approximately RMB2.3 billion and an invested amount of RMB2.1 billion. The current investment in the cloud computing center has exceeded the planned investment budget. Additional funding may be required in the future due to ongoing expansion projects. The Company also had 2 industrial park projects under planning with total investment amount of RMB2.0 billion. The relatively large investment may put more capital expenditure pressure to the Company.

JMTI's real estate development business primarily focuses on the development of resettlement housing and talent apartments, with the development of commercial housing as supplements. Under its business model, the developed projects are partially sold to resettled householders based on the resettlement compensation they received, and the remaining are covered by the selling of commercial parts at the market prices. As of 30 September 2024, the Company had one completed resettlement housing project, namely Mohe Jiayuan, with a total investment of RMB1.7 billion, with a total sales amount of RMB1.4 billion. At the same time, there was a resettlement housing project under construction, with a total investment amount of RMB1.0 billion and an outstanding amount of RMB217.0 million. Meanwhile, the Company had 2 talent apartments under construction, with a total investment amount of RMB8.2 billion an uninvested amount of RMB4.3 billion, exerting certain capital expenditure to the Company. There were no property projects under planning at 30 September 2024. Due to the volatility of China's real estate market, there is still some uncertainty about the sales and revenues of subsequent property development projects.

JMTI is also engaged in leasing business including the rental of commercial and residential properties, docks, and aquaculture farms. The Company owns several leasable assets which generate stable income of over RMB150.0 million per annum. Among them, the Eastern Aquaculture Ponds is accounts for the majority of the Company's lease income. However, the lessee of the Eastern Aquaculture Ponds has not paid the rent according to the time nodes agreed in the contract. As of the end of 2024, the Company's receivable from the lessee is RMB842.9 million, requiring attention to the payment collection progress.

Given the large amount of construction of self-operating projects and property projects, we expect the Company will increase its commercial activities exposure in the future.

#### **Increasing debt burden with large investment needs**

JMTI has had rapid debt growth over the past years due to continuous investment in urban construction and commercial activities. As of 31 March 2025, the Company's total debt increased to RMB25.6 billion from RMB24.1 billion as of end-2023; while its capitalization ratio, calculated as a ratio of total debt to total capital, also grew to 58.8% from 57.2% as of end-2023. The Company faced certain short-term debt burden, with short-term debt accounting for 24.0% of its total debt as of 31 March 2025. The cash to short-term debt ratio was around 0.2x as of the same date, indicating that its cash balance could not fully cover its short-term debt. Considering the Company's relatively large capital expenditure and financing needs, we expect the Company's debt burden will continue to grow for the next 12-18 months.

JMTI also shows moderate asset liquidity, which may undermine its financial flexibility. Inventories (mainly cost of infrastructure construction projects and cost of development projects), other receivables, investment properties, and construction in progress represent a significant portion of the Company's total assets, all of which are relatively illiquid. These illiquid assets accounted for about 68.3% of total assets as of 31 March 2025.

#### **Good access to different financing channels with relatively low financing costs**

JMTI demonstrates good access to different financing channels, of which bond issuances and bank loans are the majority of the funding resources. The Company has secured low-cost and stable funding and maintained a relatively balanced debt structure. For example, it keeps long-term relationships with several domestic banks, including policy banks, national joint-stock commercial banks, as well as large state-owned banks. As of 31 December 2024, the Company had total bank facilities of RMB23.0 billion, with the undrawn portion being RMB9.8 billion.

The Company is also an active issuer in the debt capital markets, including onshore and offshore, as its debt mainly comes from direct bond issuances. It has issued different financial products in the debt market, such as SCPs, corporate bonds, MTNs, and private placement notes. For example, in March 2025, the Company issued a tranche of 5-year corporate bonds with a coupon rate of 3.05%, raising RMB600.0 million. Moreover, JMTI has an active presence in the offshore debt capital market since 2021. In November 2024, the Company issued a tranche of 2-year offshore bonds to raise USD171.7 million, and further issued a tranche of 2-year offshore bonds raising USD110.0 million in May 2025. Bond financing accounts for a relatively high proportion of the Company's financing sources, accounting for around 52.5% of the total debt as of 31 March 2025. Among them, around RMB3.0 billion of debt instruments are due in 2025. In addition, the Company has a relatively low reliance on non-standard financing products, mainly financial leasing, accounting for less than 5.0% of the total debt as of 31 March 2025.

### **High contingent risk arising from external guarantees**

JMTI's credit profile is undermined by a large number of external guarantees, which could potentially increase its repayment obligations. As of 31 March 2025, the Company's external guarantees amounted to RMB11.4 billion, accounting for around 63.6% of net assets. The guarantees are local state-owned enterprises in Jimo District, but none guarantees have counter-guarantee measures in place, which may increase the contingent risks on JMTI.

## **ESG Considerations**

JMTI 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.

As a public services provider in Jimo District, the Company also faces social risks. Demographic changes, public awareness, and social priorities shape government's target for JMTI, or affect the government's propensity to support the Company.

JMTI's governance considerations are also material as the Company is self-governed under the supervision of the Jimo District Government and has to comply with relevant guidelines, reflecting its public policy role and status as a government-owned entity.

## **Structural Considerations**

JMTI's senior unsecured debt rating is equivalent to JMTI's long-term credit rating. We believe that government will provide support to the Company given its essential role in urban construction operations and provision of public utility services in Jimo District, thereby mitigating any differences in an expected loss that could result from structural subordination.

## **Rating Methodology**

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



## Appendix

### Exhibit 6. Peer comparison

	<b>Qingdao Jimo District Urban Tourism Development and Investment Co., Ltd.</b>	<b>Qingdao Jimo District Urban Development Investment Co., Ltd.</b>
Long-Term Credit Rating	BBB <sub>g</sub> +	BBB <sub>g</sub> +
Shareholder	Qingdao Jimo State-owned Assets Operation Service Centre (100.0%)	Qingdao Jimo State-owned Assets Operation Service Centre (100.0%)
Positioning	Key entity to focus on the provision of public utility services and infrastructure construction in Jimo District	Key entity to carry out affordable housing and infrastructure construction projects within Jimo District
Total Assets (RMB billion)	51.0	61.5
Total Equity (RMB billion)	18.1	19.3
Total Revenue (RMB billion)	0.8	1.7
Total Debt/Total Capital (%)	58.5	65.0

All ratios and figures are calculated using CCXAP's adjustments based on financial data as of 31 December 2024.

Source: Company data, CCXAP research



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