

Credit Opinion

19 June 2025

Ratings

Senior Unsecured Debt Rating	BBB _g +
Long-Term Credit Rating	BBB _g +
Outlook	Stable
Category	Corporate
Domicile	China
Rating Type	Solicited Rating

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Qingdao Jimo District Urban Development Investment Co., Ltd.

Surveillance credit rating report

CCXAP affirms Qingdao Jimo District Urban Development Investment Co., Ltd.'s long term credit rating at BBB_g+, with stable outlook.

Summary

The BBB_g long-term credit rating of Qingdao Jimo District Urban Development Investment Co., Ltd. (“JMUI” 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 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.

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.

Rating Drivers

- Strategic importance in state-owned assets operations and urban construction operations in Jimo District
- Solid track record of receiving government support
- High exposure to commercial activities
- High debt leverage and tightened liquidity position
- Good access to diversified funding
- Contingent risks associated with large amounts of 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 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.

Key Indicators

	2022FY	2023FY	2024FY	2025Q1
Total Assets (RMB billion)	53.3	63.8	61.5	63.4
Total Equity (RMB billion)	18.7	19.9	19.4	19.4
Total Revenue (RMB billion)	1.8	2.4	1.7	0.4
Total Debt/Total Capital (%)	61.2	65.8	65.0	66.5

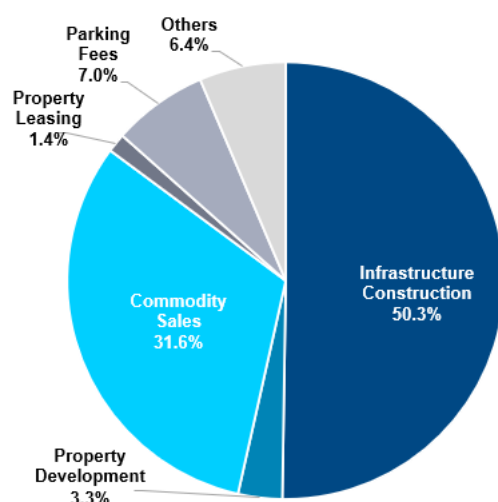
All ratios and figures are calculated using CCXAP's adjustments.

Source: Company data, CCXAP research

Corporate Profile

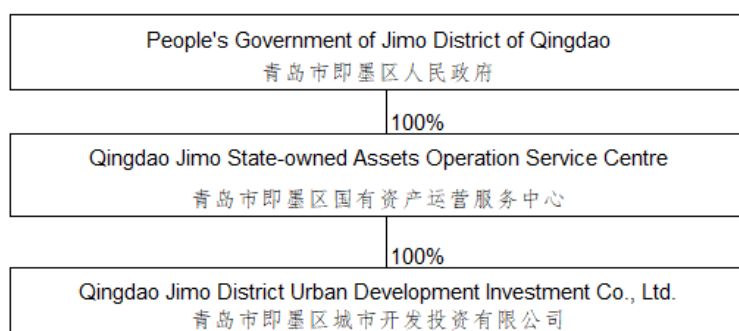
Established in September 2003, JMUI is a key local infrastructure investment and financing company ("LIIFC") in Jimo District, Qingdao City. The Company is designated by the government for infrastructure construction and affordable housing projects. It also undertakes diversified commercial activities, 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.

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 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 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

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 3rd 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 4. 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**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 the Jimo District Government to carry out affordable housing and infrastructure construction projects, with high strategic importance, effectively facilitating the urbanization and regional economic development of Jimo District. Considering its strategic significance to the development of Jimo District, we believe that the Company will not be easily replaced by other local state-owned enterprises in the foreseeable future.

JMUI is mainly responsible for building affordable housing projects by the BT model. The Company is required to use its own funds or funds raised for project construction, and the local government will purchase the project from the Company after completion, generally with a 20% mark-up. Redevelopment of Shantytowns Project

Phase I is the representative project completed by the Company, which encourages the improvement of living conditions and living standards of residents of shantytowns. As of 31 December 2024, the project's total investment amount and government repayments received were RMB4.6 billion and RMB5.0 billion, respectively. In line with the future plans of the Jimo District Government, the Company would continue to undertake affordable housing projects. However, the business model will gradually shift from the BT model to the self-operation model, in which the fund balancing will be partly achieved from market sales.

JMUI also conducts infrastructure construction mainly through the agent construction model. Since its establishment, the Company has undertaken a number of infrastructure construction projects, including public supporting facilities and landscaping works. As of 31 December 2024, the Company had 4 completed projects, with a total investment of RMB1.3 billion and government repayment of RMB347.0 million, indicating a delay in payment collections. From the perspective of project reserves, the Company also participated in the Blue Valley to Jiaodong International Airport Expressway Project. There are 3 major infrastructure construction sub-projects under construction, with an estimated total investment of RMB9.5 billion and an uninvested amount of RMB7.7 billion as of the end of 2024. This Airport Expressway project is expected to be supported by project loans, special government bonds, and government funds, which could partially alleviate the financing pressure on the Company.

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. In 2024, the local government transferred 100.0% equity interests of three local state-owned enterprises to the Company without compensation, greatly enhancing its capital strength.

Moreover, the Company's project constructions are usually supported by the government special funds. For example, the local government will provide special funds to support the future construction of Airport Expressway Project. In addition, the Company continued to receive operating subsidies from the local government. From 2024 to 2025Q1, JMUI received government subsidies totaling RMB850.5 million. 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.

High exposure to commercial activities

JMUI is also engaged in commercial activities such as property development, industrial parks development, property leasing, commodity sales, hot spring water supply, 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. These commercial activities bring additional income to the Company, but also involve higher operational and business risks than its public activities.

JMUI conducts its property development business through the sale of residual properties after relocating the original residents under a property relocation and resettlement project. The Company's shantytown renovation

projects contain part of commercial houses, shops, and parking spaces, which are sold at the market price after the resettlement ones are sold to resettled households under the coordination of the government. At the end of 2024, the Company had completed three resettlement housing projects, with a total investment of RMB5.9 billion and a total saleable area of 384.6 thousand square meters. More than 80.0% of the housing had been sold, resulting in collected payments totaling RMB3.2 billion. At the same time, there was one key self-operated property project under construction, with an estimated investment amount of around RMB1.9 billion and an outstanding amount of RMB771.9 million. However, the property development business is highly dependent on the housing market sentiment and prices, driving higher volatility in revenue and profitability, especially during the downturn of the real estate market. Due to sluggish market conditions and nearing completion of sales for the completed projects, revenue from this business sector has decreased since 2022, and the gross profit has turned negative since 2023. In 2024, the property development's revenue decreased to RMB56.8 million from RMB85.3 million in 2023.

JMUI also participates in property leasing business, including several commercial buildings, land parcels such as salt fields, and outdoor billboards, providing supplementary income of approximately RMB24.3 million in 2024. Additionally, with the completion and operation of newly developed investment properties in the future, it is expected that JMUI's rental income will continue to increase. The leasable assets under construction include some self-operated projects engaged by JMUI, such as the development of industrial parks, vocational education zone, and sports center, which will achieve fund balancing through leasing when completed. As of 31 December 2024, the Company had 4 key self-operated projects under construction, with an estimated total investment amount of RMB4.6 billion and an uninvested amount of RMB80.2 million. The Company is expected to rely on external financing for these self-operated projects, which would increase its capital expenditure burden. Nevertheless, the construction of the industrial parks is for attracting high-tech companies to settle in Jimo District and supporting the development of the traditional industry of automobile. Moreover, the Company obtained the franchise of some parking spaces and roadside parking spaces in Jimo District with a long concession of 40 years, bringing a stable annual revenue of around RMB122.6 million these two years, demonstrating certain sustainability.

Furthermore, JMUI is also involved in commodity sales business, with trading products mainly consisting of rubber and aluminum. This segment is the second largest income contributor of the Company. In 2024, its revenue increased from RMB429.2 million in 2023 to RMB550.7 million, accounting for 31.6% of the total revenue, but recording a minimal profit margin of only 1.0%. The Company's concentration risk of upstream suppliers and downstream customers remained moderate, as the top five suppliers accounted for 58.0% of the total procurement and the sales from the top five customers accounted for 64.7% of the total sales in 2024.

High debt leverage and tightened liquidity position

With continuous financing for the construction projects, JMUI's debt leverage maintained a high level. The Company's total debt has remained at a relatively stable level over the past two years, increasing slightly to RMB38.5 billion as of 31 March 2025 from RMB38.4 billion as of end-2023. Meanwhile, there was a modest rise in the total capitalization ratio, which increased from 65.8% to 66.5% over the same period, remaining at a high level. However, the Company is exposed to short-term debt repayment pressure. As of 31 March 2025, the Company's short-term debt was around RMB12.6 billion, accounting for 32.8% of total debt, indicating a relatively high refinancing requirement. Meanwhile, the Company's cash showed a net outflow, decreasing from RMB4.3 billion at the end of 2023 to RMB1.1 billion at the end of 2025Q1. The cash to short-term debt ratio was 0.1x, which could not fully cover the short-term debt. 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.

Moreover, the Company's asset liquidity was relatively weak. As of 31 December 2024, investment properties, construction in progress, inventories, and intangible assets that we considered low liquidity totally represented 63.8% of total assets, which mainly consist of land and investment costs for construction projects and sea operation right. Meanwhile, the total restricted assets were RMB20.2 billion which accounted for 32.8% of the total assets as of end-2024. The relatively large amount of restricted assets may bring certain risks to subsequent financing and asset utilization.

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, such as China Development Bank, Bank of China, and China Everbright Bank Co., Ltd., providing sufficient standby liquidity. As of 31 March 2025, the Company had total bank facilities of RMB26.3 billion, with the available portion being RMB9.4 billion.

JMUI actively participates in the debt capital markets and shows relatively high acceptance. Bond issuance accounts for around half of the Company's debt. The Company has issued various bond products, such as SCPs, MTNs, PPNs, and corporate bonds. However, bond issuance accounted for a relatively high proportion of the Company's total debt, and its refinancing is easily affected by the changes in capital market conditions. 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. From January 2024 to May 2025, the Company issued several tranches of domestic bond products, raising around RMB13.5 billion, with coupon rates ranging between 1.95% and 3.98%. In May 2025, the Company also issued a tranche of offshore bonds, raising USD125.0 million. In addition, the Company's exposure to non-standard financing is relatively low, accounting for less than 10.0% of total debt as of 31 March 2025.

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. As of 31 December 2024, the Company had outstanding external guarantees of RMB9.2 billion, representing 47.6% of its net assets. 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. The Company provided external guarantees to a LIIFC in Jimo District, namely Qingdao Jimo District Dingziwan Investment Development Co. Ltd. ("JMDI"), with an outstanding amount of RMB4.6 billion at end-2024. Apart from that, JMUI has provided debt investment in JMDI to support its business operation and refinancing. In case of credit event occurs, the Company may face certain contingent liability risks, which could negatively impact its credit quality. We consider JMUI's contingent liabilities risks to be medium as there is no clear mechanism for the Company to be adequately compensated if these entities fail to repay.

ESG Considerations

JMUI bears environmental risks through its affordable housing and 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.

JMUI bears social risks as it implements public policy initiatives by building public infrastructure in Jimo 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.

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

Structural Consideration

JMUI's senior unsecured debt rating is equivalent to JMUI's long-term credit rating. We believe that government support will flow through the Company given its strategic importance in state-owned assets operations and urban construction operations 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 5. Peer comparison

	Qingdao Jimo District Urban Tourism Development and Investment Co., Ltd.	Qingdao Jimo District Urban Development Investment Co., Ltd.
Long-Term Credit Rating	BBB _g +	BBB _g +
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	19.4
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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