Credit Opinion

13 July 2026

Ratings	
Category	Corporate
Domicile	China
Rating Type	Solicited Rating
Long-Term Credit Rating	A_g
Outlook	Stable

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Qingdao Shibei Construction Investment Group Co., Ltd.

Surveillance credit rating report

CCXAP upgrades Qingdao Shibei Construction Investment Group Co., Ltd.'s long-term credit rating to A_g, with stable outlook.

Summary

CCXAP has upgraded the long-term credit rating of Qingdao Shibei Construction Investment Group Co., Ltd. ("SBCI" or the "Company") to A_g from A_g-, reflecting the stronger capacity to provide support from Shibei District Government, driven by Shibei District's ongoing economic growth and good fiscal quality, which will translate into enhanced support for the Company.

The A_g long-term credit rating of SBCI reflects Shibei District Government's (1) very strong capacity to provide support, and (2) extremely high willingness to provide support, based on our assessment of the Company's characteristics. Our assessment of Shibei District Government's capacity to provide support reflects Shibei District's sound economic and fiscal strength, with a gross regional product ("GRP") exceeding RMB130.0 billion.

The rating also reflects the local government's willingness to provide support, which is based on the Company's (1) important policy role as an urban operator of Shibei District; (2) good track record of receiving government support; and (3) good access to diversified funding sources. However, the rating is constrained by the Company's (1) medium exposure to commercial activities; and (2) high debt leverage level and weak asset liquidity.

The stable outlook on SBCI's rating reflects our expectation that Shibei District Government's capacity to provide support will be stable; and the Company will maintain its important policy role as an urban operator in Shibei District over the next 12 to 18 months.

Rating Drivers

- Important policy role as an urban operator of Shibei District
- Medium exposure to commercial activities
- Good track record of receiving government support
- High debt leverage and weak asset liquidity
- Good access to diversified funding sources

Rating Sensitivities

What could upgrade the rating?

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

What could downgrade the rating?

The rating could be downgraded if (1) Shibei 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 support, such as a reduction in the importance of its policy role, weakened government payments, or a deterioration in its financing ability.

Key Indicators

	2023FY	2024FY	2025FY	2026Q1
Total Assets (RMB billion)	52.2	57.6	59.9	64.5
Total Equity (RMB billion)	16.1	17.6	19.3	19.3
Total Revenue (RMB billion)	9.8	23.7	23.0	6.2
Total Debt/Total Capital (%)	66.0	68.5	68.7	69.5

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

Source: Company data, CCXAP research

Corporate Profile

Established in 2016, SBCI is one of the primary local infrastructure investment and financing companies ("LIIFCs") that focuses on urban operations and investment in Shibei District, Qingdao City. SBCI plays an important role in public activities in Shibei District, such as land consolidation and development, affordable housing, and urban renewal projects. The Company also undertakes commercial activities such as property development, property leasing and trading. As of 31 March 2026, SBCI was directly and wholly owned by the State-owned Assets Operation and Development Center of Qingdao Shibei District ("Shibei SAODC").

Exhibit 1. Revenue structure in 2025

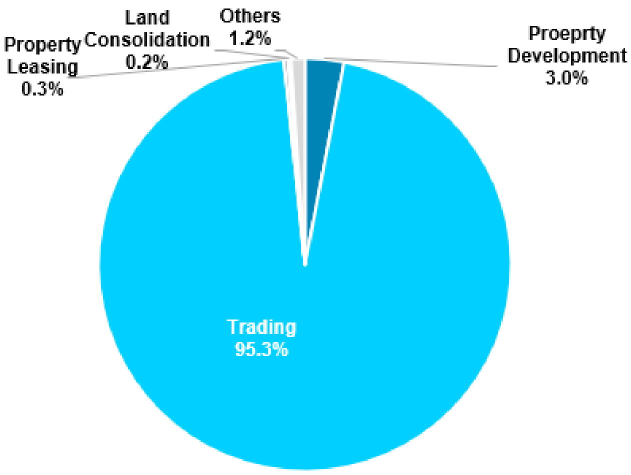
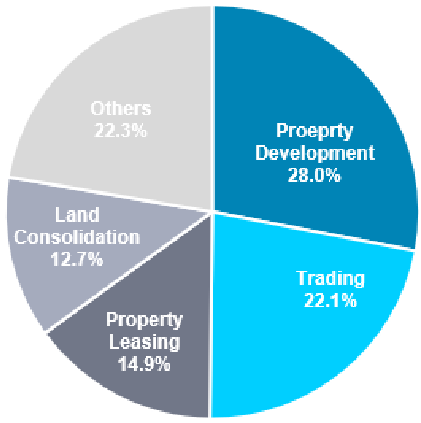


Exhibit 2. Gross profit structure in 2025



Source: Company information, CCXAP research

Rating Considerations

Government's Capacity to Provide Support

We believe that Shibei District Government has a very strong capacity to provide support, based on its sound economic fundamentals and fiscal strength.

Shandong is the third largest province in China by gross regional product ("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. In 2025, Qingdao City's GRP increased by 5.4% YoY to RMB1,756.1 billion, 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 77.9% of its general budgetary expenditure on average, and tax income accounted for 72.0% of its general budgetary revenue on average. As of end-2025, the Qingdao Municipal Government's outstanding debt increased to RMB526.1 billion, accounting for 30.0% of the GRP.

Exhibit 3. Key economic and fiscal indicators of Qingdao City

	2023FY	2024FY	2025FY
GRP (RMB billion)	1,567.0	1,671.9	1,756.1
GRP Growth (%)	5.9	5.7	5.4
General Budgetary Revenue (RMB billion)	133.8	133.9	134.1
General Budgetary Expenditure (RMB billion)	171.9	172.0	171.2
Local Government Debt (RMB billion)	362.0	438.3	526.1

Source: Qingdao Municipal Government, CCXAP research

Located along the coast of Jiaozhou Bay, Shibei District is one of the main urban areas of Qingdao, and the core area for promoting the construction of an international shipping, trade, and financial innovation center. Benefited from its abundant human resources and a vast consumer market, tertiary industries such as the beer and textiles industries have developed rapidly and contributed significantly to the local economy. With good business environment for privately-owned companies, the number of listed companies in Shibei District ranks first among districts and counties in Qingdao City, such as Tsingtao Brewery Company Limited, Qingdao

Eastsoft Communication Technology Co., Ltd. and Qingdao Guolin Technology Group Co., Ltd. In recent years, Shibei Distict focused on key industries to attract investment, mainly including artificial intelligence, urban industry, port and shipping services, commerce and trade, medical and health care, and distinctive cultural tourism. Meanwhile, it introduced 125 projects worth over RMB100 million throughout 2025, including Guangte Haizhi Marine Technology (Qingdao) Co., Ltd. and Hubei Xinqing Technology Co., Ltd.

In 2025, Shibei District achieved a GRP of RMB131.8 billion, representing a YoY growth rate of 5.0%. Moreover, Shibei District Government remains good fiscal metrics. Over the past three years, the fiscal balance ratio (general budgetary revenue/general budgetary expenditure) has exceeded 100.0%, indicating strong fiscal self-sufficiency. The tax income is a stable and important source of Shibei District Government's general budgetary revenue. In 2025, tax income accounts for 89.2% of its general budgetary revenue, ranking 1st among all counties/districts in Qingdao City. Its average fiscal stability ratio over the past three years was 90.4%. As of the end of 2025, its outstanding direct government debt reached RMB17.1 billion, accounting for 13.0% of its GRP.

Exhibit 4. Key economic and fiscal Indicators of Shibei District

	2023FY	2024FY	2025FY
GRP (RMB billion)	121.8	125.7	131.8
GRP Growth (%)	6.2	4.8	5.0
General Budgetary Revenue (RMB billion)	9.6	8.6	9.1
General Budgetary Expenditure (RMB billion)	7.2	5.2	5.3
Local Government Debt (RMB billion)	10.4	13.6	17.1

Source: Shibei District Government, CCXAP research

Government's Willingness to Provide Support

Important policy role as an urban operator of Shibei District

SBCI is one of the primary LIIFCs in Shibei District, with a strong strategic position under the local government's planning. There are other LIIFCs in Shibei District, including Qingdao Ronghui Fortune Investment Holding Group Co., Ltd. ("QDRH") and Qingdao Huanhaiwan Investment and Development Group Co., Ltd. ("Huanhaiwan Group"). QDRH mainly undertakes financial investment, industrial investment, as well as urban development and construction in Shibei District. Huanhaiwan Group is responsible for infrastructure construction and operation in the Cruise Port Core Area. SBCI is positioned as the primary urban operator specializing in urban renewal, investment, and operations. It plays an important role in land consolidation, affordable housing, shantytown, and urban renewal projects, and its government-related assets, such as shantytown, land, and affordable housing, account for a relatively large proportion of the Company's total assets.

SBCI is mandated by the local government to engage in primary land development business through its subsidiaries, including house demolition, residents' relocation, land clearing and levelling. Upon completion of the land transfer and receipt of the government payment, the Company recognizes total revenue for the projects within the Shibei Central Business District ("Shibei CBD"), while for projects outside the Shibei CBD, only the predetermined management fee is recognized. Revenue from land consolidation projects in Shibei CBD will decrease as the work is completed and the projects await settlement. In 2025, the Company recognized RMB50.3 million in land consolidation. As of 31 March 2026, the Company had 3 major land development projects under consolidation, with an outstanding investment of RMB453.3 million, including the east and west of the Dagangwei Fourth Road Project and the Zhengzhou Road Project. The planned repayment amount for these projects was RMB 12.3 billion, with RMB 1.3 billion received as of end-March 2026. At the same time, the Company had no land development projects under planning.

In line with the urban planning of Shibei District, SBCI actively undertakes affordable housing, urban renewal, and dilapidated housing renovation projects to improve people’s livelihoods and enhance the city's image. For example, the Company has completed the 2017 Shantytown Project, which was one of the national shantytown renovation plans and annual shantytown renovation projects. As of end-March 2026, all shantytown projects, low-cost housing projects, and resettlement housing projects have been completed, and there are no similar projects under construction or in planning. However, the collection of payments for completed projects was relatively slow. The planned repayment amount in these projects was RMB35.2 billion, of which RMB8.0 billion has been received as of end-March 2026.

Medium exposure to commercial activities

SBCI also engages in commercial activities, including commodity transactions, property development, and property leasing, which provide supplemental revenue for the Company. However, such activities may expose the Company to certain business risks, and the local government seldom provides direct support for these activities. Based on our analysis, the Company is exposed to medium business risks, with commercial assets accounting for less than 30.0% of total assets as of 31 March 2026.

SBCI’s property development business includes development of commercial housing, shops, and office building. As of 31 March 2026, the Company has completed 9 property development projects, of which approximately 69.5% of the commercial housing has been sold, and the unsold commercial buildings will be used for leasing purposes in the future. At the same time, the Company had 2 property development projects under construction, with a total investment of RMB2.2 billion and outstanding investment of RMB350.9 million. The cash inflows and the return on investment of these property development projects are uncertain, especially during the downturn in the real estate market. The Company is also engaged in the property leasing business, including office buildings and shops. As of end-March 2026, the Company had investment properties with a book value of RMB3.2 billion. The Company generally sets rent prices according to the market guidance price. Under the guidance of the local government to attract investment, the rent may be lower than the market price, and the government will subsidize the portion below the market price. As of end-March 2026, there were 7 key self-operated projects under construction, including urban renewal projects such as the Taidong Pedestrian Street and the Historical Memory Cultural Area, with a total investment of RMB5.8 billion. With the continuous investment in these projects, SBCI’s scale of leasable assets is expected to increase further, generating additional cash flow for the Company. However, the investment recovery cycle of these projects is relatively long and subject to operating uncertainties such as the investment attraction process.

Leveraging the advantages of the port resources in Shibei District, SBCI also engages in trade. In recent years, the Company has continued to expand its trading product range, which includes agricultural, steel, aluminum, and petrochemical products. In 2025, the Company’s trading revenue increased further to RMB22.0 billion from RMB20.9 billion in 2024, mainly due to expansion in the trading product range and client sources. The trading business accounts for a large portion of its revenue but generates minimal profit, with a gross profit margin of 1.0% in 2025. The Company conducted credit evaluation on its customers in advance. The business maintained a manageable concentration risk, as the top 5 customers and suppliers accounted for 30.6% of total sales and 24.9% of total procurement in 2025, respectively. Its clients include central state-owned enterprises, local state-owned enterprises, and large privately owned companies. SBCI’s trading business has low price risk as most orders are fulfilled on an on-demand basis and prices are fixed at a certain level.

Good track record of receiving government support

As a major entity undertaking public activities in Shibei District, SBCI has a proven track record of receiving government support in various forms, such as capital injection, financial subsidies, asset injection, and government payment for construction projects. For instance, SBCI received shareholdings of 7 state-owned enterprises from QDRH under the government's guidance in 2023, aiming to focus on urban operational business in the future. In 2025, the Company received government special bonds of RMB60.0 million, which increased its capital reserve. In addition, from 2024 to 2025, the local government has continued to provide operating subsidies totaling around RMB3.3 million to support the Company's operations.

The Company's public projects are expected to receive government payments on an ongoing basis, with the total payment and annual payment becoming visible when payment contracts are signed. The payment will be arranged in the annual financial budget of Qingdao City. For example, for the 2017 Shantytown Project, the Company signed a government repurchase agreement with the Real Estate Development Management Bureau of Qingdao City, under which annual repayments are due from 2020 to 2041. As of 31 March 2026, the Company has received government payments of RMB1.3 billion and RMB7.8 billion for its primary land development and shantytown projects, respectively.

High debt leverage and weak asset liquidity

SBCI's debt leverage remains relatively high due to its continuous investment in land consolidation and shantytown projects, as well as long government repayment periods. From 2024 to 2026Q1, the Company's total debt (including perpetual debt) increased from RMB36.1 billion to RMB39.3 billion, and its total capitalization ratio rose from 68.5% to 69.5%. Most of its total debt arose from shantytown projects that it undertook in the past, especially the 2017 Shantytown project. The Company raised approximately RMB12.6 billion from China Development Bank for the 2017 Shantytown project and began repaying the loan in 2020. The source of debt repayment is secured by the payment of government service purchases. The Company maintained a relatively high short-term debt burden, with short-term debt accounting for 40.4% of its total debt as of end-March 2026, and its cash-to-short-term debt ratio was around 0.3x as of the same date, indicating that its cash balance could not fully cover its short-term debt. Given its ongoing capital expenditure pressure, we expect the Company's total debt leverage to remain high over the next 12 to 18 months.

In addition, the asset liquidity of SBCI remained relatively weak. As of 31 March 2026, inventories, construction in progress, account receivable and other receivables accounted for 74.0% of SBCI's total assets. The Company's inventories mainly include the cost of land development and shantytown renovation, while construction in progress mainly consist of the cost of self-operated projects, all of which are considered to have low liquidity. Account receivable is mainly from the trading business and the other receivables are mainly from other state-owned enterprises in Shibei District. Furthermore, the Company had pledged a certain amount of its assets, mainly including cash, investment properties, and inventories, accounting for 1.3% of total assets as of 31 March 2026.

Good access to diversified funding sources

SBCI has good access to various sources of funding, including banks and the bond market, which could help it refinance and meet capital expenditure needs. Bank loans contribute more than half of the total debt as of 31 March 2026. The Company has maintained good relationships with large domestic banks including national joint-stock commercial banks and state-owned large commercial banks. China Development bank, a Chinese policy bank, has provided long-term bank loans to the Company to undertake the public activities, accounting for most of its bank borrowing. As of 31 March 2026, it had total credit facilities of approximately RMB15.6 billion with an increased unused portion of around RMB4.9 billion, which were provided by various commercial banks. Moreover, SBCI and its subsidiary also had good access to debt capital market. For instance, in 2025, the Company issued 5 tranches of onshore bonds, raising around RMB3.1 billion. In addition, SBCI's exposure to non-standard channels remained manageable, accounting for less than 10.0% of total debt as of end-March 2026.

ESG Considerations

SBCI bears environmental risks through its land consolidation, infrastructure, and property development projects. Such risks could be moderated by conducting environmental studies and detailed planning before the commencement of projects and close supervision during the construction phase.

The Company is also exposed to social risks as a public services provider in Shibei District. Demographic changes, public awareness, and social priorities shape government targets for SBCI, which can affect the government's propensity to support the Company.

SBCI's governance considerations are also material as the Company is subject to oversight and reporting requirements of the local government, reflecting its public-policy role and status as a government-owned entity.

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 Ronghui Fortune Investment Holding Group Co., Ltd.	**Qingdao Shibei Construction Investment Group Co., Ltd.**
Long-Term Credit Rating	A_g	A_g
Shareholder	State-owned Assets Operation and Development Center of Qingdao Shibei District (90%) and Shandong Caixin Asset Operating Co., Ltd. (10%)	State-owned Assets Operation and Development Center of Qingdao Shibei District (100%)
Positioning	Key entity in the industrial and urban development in Shibei District	Key urban operator, focusing on urban investment and operations in Shibei District
Total Assets (RMB billion)	76.5	59.9
Total Equity (RMB billion)	28.5	19.3
Total Revenue (RMB billion)	7.4	23.0
Total Debt/Total Capital (%)	59.5	68.7

All ratios and figures are calculated using CCXAP's adjustments based on financial data as of 31 December 2025.

Source: Company information, CCXAP research

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