

CCXAP assigns first time long-term credit rating of BBB_g+ to Qingdao Bullet Train Town Investment Group Co., Ltd. , with stable outlook.

Hong Kong, 30 April, 2024 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned first time long-term credit rating of BBB_g+ to Qingdao Bullet Train Town Investment Group Co., Ltd. (“QBTI” or the “Company”), with stable outlook.

The BBB_g+ long-term credit rating of QBTI reflects Chengyang District Government’s very strong capacity and 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 status as one of the top three largest districts by general budgetary revenue in Qingdao City for the last three years, with relatively good economic fundamentals and fiscal profile.

The rating also reflects the local government’s willingness to support, which is based on the Company’s (1) important position in infrastructure construction in Chengyang District, particularly in the Qingdao Rail Transit Industry Demonstration Zone (“QRTIDZ”); and (2) 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 future investment needs; (2) increasing debt burden with moderate asset liquidity; and (3) medium exposure to contingent liabilities.

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 property development, park operation and management, and commercial trading. As of 30 September 2023, the Company was indirectly and wholly owned by the State-owned Assets Development Centre of Chengyang District through Qingdao North Shore Holding Group Co., Ltd. (“QNSG”), which is a key LIIFC in Chengyang District.

Rating Rationale

Credit Strengths

Important position in infrastructure construction in Chengyang District, particularly in the QRTIDZ. QNSG is a key LIIFC in Chengyang District, which was established at the end of 2022 as part of the consolidation of state-owned enterprises in Chengyang District. As a major subsidiary of QNSG, QBTI is mainly responsible for municipal infrastructure construction and development in QRTIDZ and Shangma Street. 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.

Solid track record of receiving government support. QBTI has a good track record of receiving support from the local government in the form of project payments, asset injections, and operating subsidies to support its investments and the operation of its businesses. 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.

Credit Challenges

High exposure to commercial activities with relatively large future investment needs. The Company participates in different commercial businesses, including industrial park operation and management, commercial trading, and property development. These commercial activities can contribute part of the Company's revenue, 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 to the Company. We consider QBTI's commercial business exposure high, which accounted for more than 30% of its total assets by our estimation.

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 a rapid debt growth. Meanwhile, the Company has a relatively high debt leverage. 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 liquidity of the Company's assets was relatively weak.

Medium exposure to contingent liabilities. QBTI'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, mainly were mutual guarantees between local state-owned enterprises in Chengyang District. In case a credit event occurs, the Company may face certain contingent liability risks, which could negatively impact its credit quality.

Rating Outlook

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.

What could upgrade the rating?

The rating could be upgraded if (1) Chengyang 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 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.

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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