

## Credit Opinion

15 September 2025

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

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## Shandong Hesheng Investment Co., Ltd.

### Surveillance credit rating report

**CCXAP affirms the long-term credit rating of Shandong Hesheng Investment Co., Ltd. at BBB<sub>g</sub>+, with stable outlook.**

### Summary

The BBB<sub>g</sub> long-term credit rating of Shandong Hesheng Investment Co., Ltd. ("SHIC" 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) full ownership by the Jimo District Government; (2) strategic important role for the infrastructure construction and economic development in Jimo District, especially in the Economic Development Zone of Jimo District ("Jimo EDZ"); and (3) solid track record of receiving government support.

However, the rating is constrained by the Company's (1) moderate risk exposure to commercial activities; (2) higher investment needs which lead to increasing debt level; and (3) relatively high funding cost.

The stable outlook on SHIC's rating reflects our expectation that the Jimo District Government's capacity to provide support will be stable, and the Company will maintain its importance in the development of Jimo EDZ over the next 12 to 18 months.

## Rating Drivers

- Strategic important role for the infrastructure construction and economic development in Jimo EDZ
- Solid track record of receiving government support
- Moderate risk exposure to commercial activities
- Increasing debt level due to higher investment needs
- Moderate asset liquidity
- Access to different fundings with relatively high funding cost

## Rating Sensitivities

### What could upgrade the rating?

The rating could be upgraded if (1) Jimo 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 access to fundings.

### 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, deteriorated debt management, or deteriorated assess to fundings.

## Key Indicators

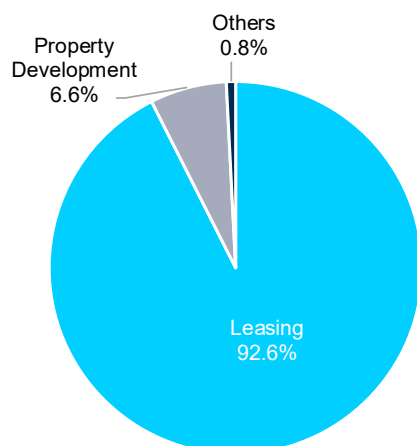
	2022FY	2023FY	2024FY	2025Q1
Total Assets (RMB billion)	48.3	40.9	42.8	43.1
Total Equity (RMB billion)	39.8	31.8	31.8	31.8
Total Revenue (RMB billion)	2.2	2.2	2.3	0.5
Total Debt/Total Capital (%)	9.0	12.2	13.6	14.1

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

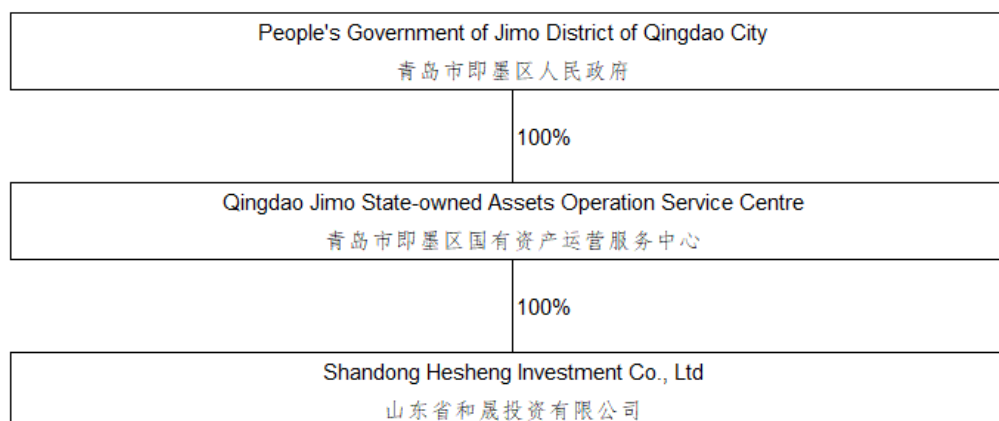
Source: Company data, CCXAP research

## Corporate Profile

Established in January 2020, SHIC is one of the major local infrastructure investment and financing companies ("LIIFCs") in Jimo District, Qingdao City. It is positioned as the key entity for infrastructure construction and state-owned assets operation in Jimo District, and is mainly responsible for infrastructure construction and leasing in Jimo EDZ. The Company is also diversified into other businesses, including self-operated construction and property development. 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 very strong capacity to provide support, which reflects Jimo District's status as one of the top three largest districts by GRP in Qingdao City, 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. In the first half of 2025, the GRP of Qingdao City increased by 5.3% 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 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 3<sup>rd</sup> among all the districts and counties in Qingdao City. In the first half of 2025, Jimo District recorded a GRP of RMB85.3 billion, representing a YoY increase of 5.7%. 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	159.7	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

Jimo EDZ is located in the east of Jimo District, and is a provincial-level economic development zone established with the approval of the Shandong Provincial Government in May 1992. It is aiming to develop core industries such as new generation of information technology, healthcare, and modern finance. The local government has implemented investment promotion policies to attract more companies to settle in Jimo EDZ, and thereby promote the development of strategic emerging industries and high-tech industries in Jimo District as a whole.

**Government's Willingness to Provide Support****Strategic important role for the infrastructure construction and economic development, especially in the Jimo EDZ**

SHIC is one of the key LIIFCs in Jimo District and has contributed significantly to the urban and economic development of Jimo EDZ. It is mainly responsible for infrastructure construction and state-owned assets

operation in Jimo EDZ. Given its essential role in the Jimo EDZ's regional development, we believe the Company is expected to maintain its high importance for the Jimo District Government and is unlikely to be replaced by other state-owned enterprises in the short-to-medium term.

SHIC undertakes infrastructure construction business mainly by signing construction agreements with local government and carrying out the construction work accordingly. The local government would make payments to the Company based on the actual cost plus a markup in return upon completion. As of 31 March 2025, the Company had completed 14 key infrastructure construction projects, including construction of road and public supporting facilities, schools, and renovation of old residential areas, with a total investment amount of RMB1.6 billion. However, the government repayment progress is relatively lagging, which may result in a high reliance on external financing to support the construction work of the new projects. At the same time, the Company had 2 major projects under construction, with a total investment amount of RMB830.0 million and an uninvested amount of RMB690.0 million. In the future, the Company is expected to undertake more public-policy roles and projects in Jimo EDZ according to the government planning, which could ensure the sustainability of Company's development. However, the business model will gradually shift from the agency construction model to the self-operation model, in which the fund balancing will be partly achieved from market-driven operating income.

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

To promote investment attraction and industry development, SHIC engaged in leasing, property development, and self-operated construction projects. While the commercial activities generate supplemental income, they may also pose higher operational and business risks than its infrastructure construction businesses. Although the Company's commercial assets accounted for more than 30% of its total assets as of 31 March 2025, the Company's risk exposure to commercial activities is considered medium according to our assessment, as most of the commercial assets are leasable assets transferred by the government that are highly compatible with local industrial development.

As the main state-owned assets operator in Jimo EDZ, SHIC possesses relatively large amount of leasing assets transferred by the local government, including aquaculture right of tidal flats, sea area usage right, parking lots, sewage pipelines, and schools to the Company, which have generated additional recurring income to the Company. Most of the rent preferential policies have ended in 2023, and owing to the increase in rental prices, the Company's rental income increased from RMB1.7 billion in 2023 to RMB2.1 billion in 2024. However, the rent payment collection is relatively weak, requiring attention to the payment collection progress. The schools were leased out to the Education and Sports Bureau of Jimo District for 10 years, and the rent is included in the annual fiscal budget of the local government. Most of the other leasing assets, including industrial parks, commercial buildings and medical centers, were leased to private-owned enterprises at relatively high prices but with high concentration risk. However, the leasing status will highly subject to the local economic environment and the pace of investment promotion in the region, bringing higher operation uncertainty to the Company, and the Company may face some uncertainties during contract renewal.

Meanwhile, the Company undertakes self-operated construction projects, including rural revitalization project, kindergarten, and medical service center. As of 31 March 2025, the Company had 4 self-operated projects under construction, with a total investment of RMB1.9 billion and an outstanding amount of RMB1.9 billion. The construction costs of such self-operated projects will be balanced by the operating income, such as leasing income, after construction is completed. With the completion and operation of newly developed projects in the future, the Company's total revenue is expected to increase. However, there is uncertainty on the future returns of these self-operated projects.

SHIC also engages in property development business. As of 31 March 2025, the Company had completed one residential housing project, with a total investment amount of RMB1.0 billion. With a sale rate of 68.3%, the Company had recognized revenue of RMB677.0 million with RMB640.0 million being collected. However, the Company's property development business primarily faces de-stock challenges as the property sales are easily affected by the market conditions, especially during the downturn of the China's real estate market. In recent years, the Company has slowed down its investment in real estate development, and there is no property development projects under planning in the next 12-18 months.

Furthermore, SHIC began participating in the trading of agricultural products, mainly including eggs and live pigs, following the establishment of its operating subsidiary in Guangzhou in 2024. However, the agricultural trading business is subject to concentration risks due to its relatively high reliance on top 5 customers and suppliers, accounting for 100.0% and 94.5% of the total sales and total procurements in 2024.

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

In recognition of the importance of SHIC's businesses to the development of Jimo EDZ, the Company has constantly received comprehensive support from the local government, in terms of asset injections, project repayments, and operating subsidies. From 2024 to 2025Q1, the Company continued to receive operating subsidies of RMB93.3 million from the local government. In addition, the Company also continued to receive government special purpose bonds for its infrastructure construction projects. In accordance with the terms of the construction agency agreement, the Company is also expected to receive repayments from the local government for its infrastructure construction projects. Considering the vital position of SHIC, we expect the Company to receive ongoing government support from the local government when necessary.

### **Increasing debt level due to higher investment needs**

SHIC shows rising debt burden owing to its debt-driven business expansion in construction projects over the past few years. As of 31 March 2025, SHIC's total debt grew to RMB5.2 billion from RMB4.4 billion at end-2023. Its total capitalization ratio, as measured by total debt to total capital, which increased from 12.2% to 14.1% over the same period, remaining at a relatively low level. Meanwhile, the Company's short-term debt pressure has been alleviated, with the proportion of short-term debt declining from 42.4% at end-2023 to 31.9% as of 31 March 2025. However, the cash to short-term debt ratio remained low at around 0.2x, indicating a relatively high refinancing need. Additionally, the Company is planning further investment to support the construction of key projects in the region over the next few years. As the Company's operating cash flow and projects repayments are insufficient to fully support the future capital expenditure plan, the continuous investments in these projects will rely on external financing, we expect the Company's debt burden and leverage will continue to increase in the next 12 to 18 months.

In addition, SHIC's credit profile is constrained by its external guarantees in certain extent, which could potentially increase its repayment obligations. As of 31 March 2025, the Company had external guarantees of RMB720.9 million, accounting for around 2.3% of its net assets. The guarantees are all provided to other state-owned enterprises but no counter-guarantee measures in place.

### **Moderate asset liquidity**

Besides, SHIC's asset liquidity was moderate, which may undermine its financial flexibility. The Company's assets consist mainly of fixed assets and intangible assets, accounting for around 68.7% of total assets as of 31 March 2025. The fixed assets primarily comprise buildings and machinery, while the intangible assets mainly

include sea area use rights and parking lot operating rights, which were considered to have low liquidity. Moreover, the Company pledged a number of assets for loans, including cash, inventories, and investment properties, with a total restricted amount of RMB2.2 billion, accounting for 5.1% of total assets, which reduces its financial flexibility to a certain extent.

### **Access to different fundings with relatively high funding cost**

SHIC has good access to diversified funding channels, including bank loans, offshore bond financing, and non-standard financing products. Bank borrowing accounts for more than half of the total debt. The Company has maintained good relationships with large domestic banks, such as large state-owned banks and joint-stock commercial banks. As of 29 August 2025, the Company has obtained total credit facilities of RMB6.2 billion, with an unutilized amount of RMB2.0 billion. In addition, the Company has tapped into the offshore bond capital market since 2024. However, the cost of offshore bonds is relatively high. From June to December 2024, the Company issued 5 tranches of offshore bonds, raising total amount of RMB2.0 billion, with the coupon rate ranging from 6.95% to 7.8%. Moreover, the Company's exposure to non-standard financing is relatively low, accounting less than 5% of total debt as of 31 March 2025.

### **ESG Considerations**

SHIC 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.

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

SHIC'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.

### **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

	Shandong Hesheng Investment Co., Ltd.	Qingdao Jimo District Urban Development Investment Co., Ltd.	Qingdao Jimo District Urban Tourism Development and Investment Co., Ltd.
Long-Term Credit Rating	BBB <sub>g</sub> +	BBB <sub>g</sub> +	BBB <sub>g</sub> +
Shareholder	Qingdao Jimo State- owned Assets Operation Service Centre (100%)	Qingdao Jimo State-owned Assets Operation Service Centre (100%)	Qingdao Jimo State-owned Assets Operation Service Centre (100%)
Positioning	Key entity in infrastructure construction and state- owned assets operation in Jimo EDZ	Key entity to carry out affordable housing and infrastructure construction projects within Jimo District	Key entity to focus on the provision of public utility services and infrastructure construction in Jimo District
Total Assets (RMB billion)	42.8	61.5	51.0
Total Equity (RMB billion)	31.8	19.4	18.1
Total Revenue (RMB billion)	2.3	1.7	0.8
Total Debt/Total Capital (%)	13.6	65.0	58.5

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

Source: Company information, CCXAP research



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