

## Credit Opinion

16 January 2026

Ratings	
Senior Unsecured	BBB <sub>g</sub> +
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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## Pingdu City Development Group Co., Ltd.

### Surveillance credit rating report

**CCXAP affirms Pingdu City Development Group 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 Pingdu City Development Group Co., Ltd. ("PDCD" or the "Company") reflects Pingdu City Government's (1) strong capacity and (2) extremely 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 the status of Pingdu City as the advanced manufacturing base in northern part of Qingdao City and the continued economic growth of Pingdu City, but constrained by moderate fiscal metrics.

The rating also reflects the local government's willingness to provide support, which is based on the Company's (1) pivotal role in infrastructure construction and state-owned asset operation in Pingdu City; (2) good track record of receiving government support; and (3) good access to funding.

However, the rating is constrained by the Company's (1) moderate risk to commercial activities; (2) increasing debt burden driven by capital expenditures on construction projects; and (3) relatively weak asset liquidity and profitability.

The stable outlook on PDCD's rating reflects our expectation that the local government's capacity to provide support will be stable, and that the Company will maintain its important role in infrastructure construction and state-owned asset operation of Pingdu City over the next 12 to 18 months.

## Rating Drivers

- Pivotal role in infrastructure construction and state-owned asset operation in Pingdu City
- Good track record of receiving government support
- Moderate risk to commercial activities
- Increasing debt burden driven by capital expenditures on construction projects
- Good access to funding

## Rating Sensitivities

### What could upgrade the rating?

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

### What could downgrade the rating?

The rating could be downgraded if (1) the local government's capacity to provide 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 strategic significance, decreased government support, or weakened financing capabilities.

## Key Indicators

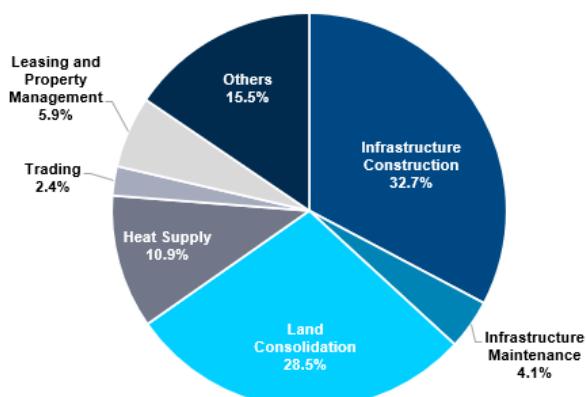
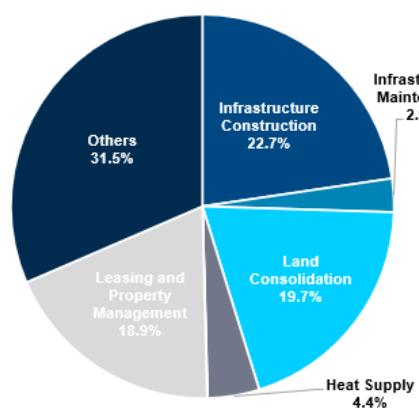
	2022FY	2023FY	2024FY	2025Q3
Total Assets (RMB billion)	53.5	57.3	64.7	66.9
Total Equity (RMB billion)	41.8	42.2	44.4	44.3
Total Revenue (RMB billion)	2.3	2.4	2.4	1.8
Total Debt/Total Capital (%)	17.3	21.5	26.6	29.3

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

Source: Company data, CCXAP research

## Corporate Profile

Founded in June 2018, PDCD is one of the key local infrastructure investment and financing companies ("LIIFCs") in Pingdu City. The Company is mainly responsible for infrastructure construction and maintenance, land consolidation, urban renewal in the southern new area and western new city of Pingdu City. The Company also provides essential public services in Pingdu City, such as water supply, heat supply, and bus operation. In addition, PDCD is involved in commercial businesses including industrial parks construction, property leasing, as well as trading. As of 30 September 2025, the Company was directly and wholly owned by Pingdu State-owned Assets Management Service Centre.

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

Source: Company information, CCXAP research

## Rating Considerations

### Government's Capacity to Provide Support

We believe the Pingdu City Government has a strong capacity to provide support given the status of Pingdu City as the advanced manufacturing base in northern part of Qingdao City and the continued economic growth of Pingdu City, but constrained by moderate fiscal metrics.

Shandong Province is the third largest province in China by gross regional products (“GRP”), with a solid industrial foundation in industries such as logistics, shipbuilding, marine technology, chemical, 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 RMB1.7 trillion in 2024, increasing by 5.7% year-over-year (“YoY”) and ranking 1<sup>st</sup> among all prefecture-level cities in Shandong Province and 13<sup>th</sup> among all municipalities in China. In the first three quarters of 2025, Qingdao City's GRP amounted to RMB1.3 trillion, with a YoY growth rate of 5.4%. Qingdao City also has strong fiscal strength and good fiscal metrics. In the past three years, its general budgetary revenue covered over 75% of its general budgetary expenditure, and tax incomes accounted for more than 70% of its general budgetary revenue on average. As of end-2024, the local government's direct debt increased to RMB438.3 billion, accounting for 26.2% of 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

Pingdu City is the largest county-level city in Shandong Province by area, accounting for around 30% of the total area of Qingdao City. As the advanced manufacturing base in northern part of Qingdao City, Pingdu City has established four pillar industries, including intelligent home appliances, high-end chemicals, food and beverages, as well as high-end equipment; three strategic emerging industries, including new energy, new materials, and biotechnology. Supported by its solid industrial foundation, Pingdu City recorded a continuous

economic growth over the past three years. In 2024, Pingdu City's GRP increased by 5.5% YoY to RMB95.0 billion. In the first three quarters of 2025, Pingdu City's GRP amounted to RMB76.0 billion, a YoY growth rate of 6.3%. However, Pingdu City's fiscal metrics remained moderate. The local government's general budgetary revenue remained at RMB6.6 billion in 2024, while tax revenue decreased to RMB3.8 billion from RMB4.2 billion in 2023. Tax revenue represented a moderate proportion of its revenue, accounting for around 58.9% on average of its general budgetary revenue over the past three years. Its fiscal balance also remained at a moderate level, with general budgetary revenue covered around 54.6% of its general budgetary expenditure on average, indicating a high reliance on high-tier government support. As of end-2024, Pingdu City Government's outstanding direct debt increased to RMB22.9 billion, accounting for about 24.1% of GRP.

#### **Exhibit 4. Key economic and fiscal indicators of Pingdu City**

	2022FY	2023FY	2024FY
GRP (RMB billion)	84.6	87.6	95.0
GRP Growth (%)	2.3	5.2	5.5
General Budgetary Revenue (RMB billion)	6.1	6.6	6.6
General Budgetary Expenditure (RMB billion)	11.3	12.3	11.7
Local Government Debt (RMB billion)	13.2	15.5	22.9

Source: Pingdu City Government, CCXAP research

#### **Government's Willingness to Provide Support**

##### **Pivotal role in infrastructure construction and state-owned asset operation in Pingdu City**

As one of the core LIIFCs in Pingdu City, PDCD is the main infrastructure construction entity in the western and southern new areas of Pingdu City. The Company undertakes infrastructure projects under agency construction model by signing construction agreements with the local government or relevant local state-owned enterprises ("SOEs"). As of 30 September 2025, the Company had completed 7 main infrastructure projects with a total investment of RMB11.7 billion, mainly including water conservancy projects, industrial park infrastructure support projects, and infrastructure upgrading projects, benefiting the social welfare of the citizens. However, the Company has lagged in revenue recognition progress and payment collection, with realized income of RMB6.6 billion and payments received of RMB4.9 billion as of 30 September 2025. As of the same date, the Company had 5 projects under construction with a total investment of approximately RMB1.6 billion and an uninvested amount of RMB1.3 billion, exerting capital expenditure pressure to the Company. Meanwhile, the Company had no projects under planning.

PDCD also participated in the infrastructure maintenance business in Pingdu City, covering 217 infrastructure items with a total value of RMB2.6 billion as of 30 September 2025, including water conservancy facilities, watercourses, and roads. The management period runs from 1 August 2018 to 31 August 2028, with an annual management fee of RMB100.0 million. As of 30 September 2025, the infrastructure maintenance business had received repayments totaling RMB475.0 million, bringing supplementary revenue to the Company.

Moreover, PDCD also undertakes land consolidation projects through agent construction model and is responsible for the resettlement housing construction on the consolidated land parcels. Under the agent construction model, the Company signs agreements with the Finance Bureau of Pingdu City or relevant SOEs, the entrusting parties will pay the total cost plus generally 15% markups after examining the projects. As at 30 September 2025, the Company had 7 land consolidation projects (including resettlement housing construction) under construction, with a total estimated investment of approximately RMB11.5 billion and an outstanding amount of RMB4.1 billion. As of the same date, these projects realized income of RMB3.5 billion and received

payments of RMB2.2 billion. Overall, PDCD's land consolidation business is relatively sustainable given its sufficient project reserves. However, the income and profit from the land consolidation business are largely susceptible to the land market conditions and government's budget, which may result in delay in repayment progress.

### **Importance role in provision of essential public services**

PDCD provides essential public services in Pingdu City such as water supply, bus operation, and heat supply. The Company holds concession-based advantages in delivering these public services. PDCD acquired the majority of the water supply business in Pingdu City through acquisitions and government asset transfers in 2021. In December 2024, the local government further transferred water tariff rights and 100% equity interest of a local SOE, namely Qingdao Pingdu Shunchang Waterworks ("Shunchang Waterworks"), to the Company. Thereby, the Company has become the dominant water supplier in Pingdu City, serving all areas of the city. As of 30 September 2025, the Company had 12 water plants with a total water supply capacity of 310.0 thousand tons per day. In addition, there is one water plant expansion project under construction with an estimated investment of RMB480.0 million and an outstanding amount of RMB200.0 million as of 30 September 2025. After completion, this project will further increase the Company's water supply capacity by 60 thousand tons per day. In 2024, PDCD further expanded its business scope by adding sewage treatment business, which mainly covers the urban area of Pingdu City, but no revenue has been generated yet. As of 30 September 2025, the Company was constructing the first phase of sewage treatment plant, with a planned daily sewage capacity of 40.0 thousand tons, a total investment of RMB463.0 million and an uninvested amount of RMB175.0 million. At the same time, the second phase of the project was under planning, with planned capacity of 60.0 thousand tons and estimated total investment of RMB533.0 million.

The Company is also engaged in the bus operation business, serving as the sole bus operator in Pingdu City currently and holding a strong monopoly position. As of 30 September 2025, the Company operated 324 buses across 14 urban bus routes and 28 custom bus routes serving the civic center, with a total route length of 382.6 kilometers. Due to the public welfare nature of the bus operation business, the Company has experienced fluctuations in revenue, and relied on government subsidies to achieve the break-even point. The Company received government subsidies for bus operations totaling RMB93.9 million in 2024 and RMB48.8 million in the first three quarters of 2025. We expect that the Company will continue to receive relevant government subsidies to support its public services in the future.

In addition, the Company began participating in the heat supply business after the local government transferred the heating franchise rights to it in 2024. The heating service covers parts of the old town area and the new urban district of Pingdu City, with a total supported area of 14.1 million square meters and an actual heated area of 7.7 million square meters as of 30 November 2025. In 2024, the heat supply business recognized revenue of RMB259.9 million with a gross profit margin of 6.0%.

Overall, PDCD has a large scope for development and a strong capacity for business sustainability in Pingdu City, as well as an essential role in the provision of public services. In our view, the Company is unlikely to be replaced by other local SOEs in the foreseeable future.

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

As a pivotal entity for infrastructure construction and state-owned asset operations in Pingdu City, PDCD has a good track record of receiving government support in various forms, including cash injections, asset and equity transfers, operating subsidies and project payments. From 2024 to 2025Q3, the local government injected

RMB221.0 million of cash into the Company, increasing its paid-in capital to RMB1.3 billion at end-September 2025; the local government also transferred assets and equities of RMB591.6 million into the Company during the same period, including the heating franchise rights, water tariff rights and equity of Shunchang Waterworks. Over the same period, the Company continuously received subsidies from the local government with a total amount of RMB243.6 million. Meanwhile, from 2024 to 2025Q3, the Company received special bond from local government with a total amount of around RMB1.2 billion to support its infrastructure construction business. In addition, PDCD received ongoing project repayments from local government, with a total amount of RMB7.1 billion for infrastructure construction and land consolidation projects as of 30 September 2025. Given PDCD's strong public policy role and large scale of public projects under construction and planning, we expect local government would continue to provide support to the Company over the next 12 to 18 months.

### **Moderate risk to commercial activities**

Apart from public activities, PDCD is also involved in commercial activities such as property leasing and trading, which may involve higher operational and business risks than public policy activities. At the same time, self-operated projects will lead to capital expenditure pressure. Although the Company's commercial activities accounted for 30-40% of its total assets, we consider PDCD's business risk to be moderate because some of its commercial assets are transferred by the government, such as sand mining rights, and the majority of its commercial activities are policy-driven, aimed at promoting local industry and economic development.

PDCD engaged in leasing and property management business mainly through its self-construction projects and purchased leasehold assets. The main leasable assets are industrial parks, schools, office buildings, as well as welfare center. The lessees are mainly enterprises related to the pillar industries of Pingdu City to promote local urban development, as well as local government agencies. As of 30 September 2025, the Company owned leasable assets with a total available area for rent of 701.5 thousand square meters and a comprehensive occupancy rate of around 62.0%. The revenue of leasing and property management business increased from RMB110.6 million in 2023 to RMB139.2 million in 2024, owing to the increase in rental area. As of 30 September 2025, there was one leasable project under construction and one under planning, with a total investment amount of approximately RMB1.6 billion and an uninvested amount of RMB612.0 million, imposing certain capital expenditure pressure to the Company. We expect the leasing revenue to continue to grow as the number of leasable assets increases. However, the operating income of leasing business is closely related to local economic development and is subject to the fluctuation of property leasing market demand.

In addition, the Company adopts demand-on-purchase mode to conduct trading business. Under demand on purchase mode, the Company confirms the volumes and prices with downstream customers before placing orders from upstream customers. The main trading products include aluminum ingots, coal, plastic pipes, tubing, and white sugar, among which aluminum ingots accounted for 46.7% of total trading revenue in 2024. However, this business faces high concentration risk from upstream and downstream, as its top 5 suppliers and customers accounted for 85.2% and 100% of the total procurement and total sales, respectively, in 2024. In addition, the profit margin of the trading business is thin, with a gross profit margin of 0.3% in 2024.

### **Increasing debt burden driven by capital expenditures on construction projects**

PDCD's debt has grown rapidly over the past years due to continuous investment in infrastructure construction and self-construction projects. As of 30 September 2025, the Company's total debt increased to RMB18.4 billion from RMB11.5 billion at end-2023, and its capitalization ratio raised from 21.5% to 29.3% over the same period. Meanwhile, the Company faced short-term debt pressure, as its short-term debt accounted for 40.0% of its total debt as of 30 September 2025, and the cash to short-term debt ratio was 0.4x, indicating that its cash balance

was insufficient to cover its short-term debt. Considering the relatively slow revenue recognition progress for completed projects and prolonged payment progress, as well as the ongoing capital expenditure pressure, we estimate the Company will continue to rely on external financing to support its business and that its total debt will further increase over the next 12-18 months.

In addition, PDCD's asset liquidity remained relatively weak. As of 30 September 2025, PDCD's intangible assets, inventories, investment properties, and other receivables accounted for 79.9% of the total assets. Among them, intangible assets accounted for 33.4% of the total assets, primarily comprising heating franchises, water tariffs, parking-lot fees, land-use, and sand-mining rights. The Company's inventory mainly consisted of the development costs of infrastructure construction and land consolidation projects, while investment properties mainly include rental properties for leasing and property management business; other receivables were outstanding payments primarily from SOEs in Pingdu City. Meanwhile, PDCD's restricted assets totaled at RMB8.9 billion, mainly pledged for loans, accounting for 13.3% of total assets as of 30 September 2025.

### Good access to funding

PDCD has good access to financing channels such as bank loans, onshore and offshore bond issuance, and non-standard financing. Bank loans contribute the most of the debt, which accounted for more than half of the debts as of 30 September 2025. The Company maintains good and long-term relationships with large domestic banks such as Agricultural Development Bank of China, Industrial and Commercial Bank of China Limited, and Agricultural Bank of China Limited. As of 30 September 2025, the Company had total bank facilities of RMB11.3 billion, with the available portion being around RMB1.9 billion. In addition, the Company and its subsidiary have an active track record for fund-raising activities in onshore and offshore debt capital markets. From 2024 to 2025, the Company issued 7 tranches of onshore bonds and 3 tranches of offshore bonds raising RMB3.0 billion and RMB1.7 billion respectively. In addition, PDCD's exposure to non-standard financing was controllable, accounting for less than 10% of total debt as of 30 September 2025.

### ESG Considerations

PDCD assumes environmental risks through its infrastructure construction projects. Such risks could be moderated through environmental studies and detailed planning prior to the start of the projects and close supervision during construction.

PDCD bears social risks in implementing public policy initiatives through the building of public infrastructure in Pingdu City. 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.

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

### Structural Consideration

PDCD's senior unsecured debt rating is equivalent to its long-term credit rating. We believe that government support will flow through the Company given its important role in infrastructure construction and state-owned asset operation of Pingdu City, 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 \(July 2022\)](#).

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