

Qingdao West Coast New Area Ronghe Holding Group Co., Ltd.

Summary

Issuer Rating	A-
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	3 September 2025

Lianhe Ratings Global Limited (“Lianhe Global”) has assigned ‘A-’ global scale Long-term Issuer Credit Rating with Stable Outlook to Qingdao West Coast New Area Ronghe Holding Group Co., Ltd. (“QWRH” or “the company”)

Summary

The Issuer Credit Rating reflects a high possibility that the People’s Government of West Coast New Area, Qingdao City (“West Coast New Area government”) would provide strong support to QWRH if needed. This mainly considers the West Coast New Area government’s direct full ownership of QWRH, QWRH’s strategic importance as the key local investment and development company (“LIDC”) that is responsible for infrastructure construction and industry development in West Coast New Area, Qingdao City (“West Coast New Area”). In addition, the linkage between the West Coast New Area government and QWRH is strong, including appointment and supervision of the senior management, strategic alignment, major investment and financing plan decisions and ongoing operational and financial support. Moreover, the West Coast New Area government may face significant negative impact on its reputation and financing activities if QWRH encounters any operational and financial difficulties.

West Coast New Area is a district under the administration of Qingdao City. Its GDP grew steadily by 5.8% to RMB526.1 billion in 2024. Its budgetary revenue also increased by 1.2% to RMB27.2 billion in 2024.

The Stable Outlook reflects our expectation that QWRH’s strategic importance would remain intact while the West Coast New Area government will continue to ensure QWRH’s stable operation.

Rating Rationale

Government’s Ownership and Supervision: The West Coast New Area government directly holds 100% ownership of QWRH through the Qingdao West Coast New Area State-owned Assets Administration (“West Coast New Area SAA”). The West Coast New Area SAA is the actual controller of the company. The West Coast New Area government has the final decision-making authority and supervises the company, including management appointment, decision on its strategic development and investment plan and supervision of its major funding decisions. In addition, the West Coast New Area government has assessment mechanism over the company and it appoints auditors to supervise the operating performance and financial position on a periodic basis.

Strategic Importance and Strategic Alignment: QWRH, as one of the two flagship LIDCs directly administered by the West Coast New Area SAA, is the main implementation entity for infrastructure construction and innovative industries integration in West Coast New Area. It serves as a key driver for regional development, undertaking critical responsibilities including infrastructure construction, modern industrial development, urban renewal projects, asset management, capital operations and industrial park development and operation, with strong regional advantages. QWRH plays an important role in promoting the economic

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Applicable Criteria

China Local Investment and Development Companies Criteria (31 July 2025)

development and innovation integration of the region. Its business operation and development have been aligned with the government's development plans.

Strong Government Support: QWRH continued to receive financial subsidies and asset/capital injections from the local government to support its business operations. Between 2022 and the first three months of 2025, the West Coast New Area government provided operational subsidies amounting to RMB1.7 billion to the company. Meanwhile, QWRH received capital and asset injections in the form of cash, equities of other LIDCs, buildings and other assets over the same period. We expect QWRH to receive ongoing support from the West Coast New Area government in the coming years considering its strategic importance in the region.

QWRH's Financial Matrix and Liquidity Position: QWRH's asset size continued to grow, reaching RMB284.7 billion at end-March 2025, up from RMB234.9 billion at end-2023, as the company actively participated in West Coast New Area's project development. The company relied on external borrowings to fund its asset expansion. QWRH's total debt increased by 21.0% and reached RMB173.6 billion at end-March 2025. Its financial leverage, as indicated by the total debt/capitalization ratio, stayed at 65%-70% level.

QWRH's short-term debt servicing pressure was high. At end-March 2025, QWRH had an unrestricted cash balance of RMB14.8 billion, compared to its debt due within one year of RMB77.0 billion. However, QWRH has access to various financing channels, including bank loans, bond issuances, and other non-traditional financing methods, to support its debt repayments and business operations. The company had unused bank facilities totaling RMB43.7 billion at end-March 2025.

Rating Sensitivities

We would consider downgrading QWRH's rating if (1) there is perceived weakening in support from the West Coast New Area government, particularly due to its reduced strategic importance with diminished government functions, or (2) there is a significant reduction of the West Coast New Area government's ownership of QWRH, or (3) there is a downgrade in our internal credit assessment on the West Coast New Area government.

We would consider upgrading QWRH's rating if (1) there is strengthened support from the West Coast New Area government, or (2) there is an upgrade in our internal credit assessment on the West Coast New Area government.

Operating Environment

Economic Condition of West Coast New Area

West Coast New Area, also known as Huangdao District, is an administrative district of Qingdao City. It is located in the southwest of Qingdao. West Coast New Area's GDP increased to RMB526.1 billion in 2024 from RMB500.3 billion in 2023, with its economic growth rate decreasing to 5.8% from 6.0% over the same period. West Coast New Area's economic growth was mainly fueled by the tertiary industries, which accounted for 64.3% of West Coast New Area's GDP in 2024. The fixed asset investment growth rate decreased to -1.5% in 2024 from 5.2% in 2023.

West Coast New Area's Economic Condition			
(RMB billion)	2022	2023	2024
GDP	469.2	500.3	526.1
-Primary industry (%)	2.0	1.9	1.8
-Secondary industry (%)	35.9	34.0	33.8

-Tertiary industry (%)	62.1	64.1	64.3
GDP growth rate (%)	4.8	6.0	5.8
Fixed asset investment growth rate (%)	5.1	5.2	-1.5
Population (million)	2.0	2.0	2.0

Source: Financial Bureau of West Coast New Area, Statistical Bureau of West Coast New Area and Lianhe Global's calculations

Fiscal Condition of West Coast New Area

The budgetary revenue of West Coast New Area government increased by 1.2% to RMB27.2 billion in 2024 from RMB26.9 billion in 2023. The contribution of tax revenue increased to 76.1% in 2024 from 67.7% in 2023. The fiscal self-sufficiency rate of West Coast New Area government remained good, with its budget surplus widening to 19.3% in 2024 from 12.4% in 2023. The government managed fund income continued to decrease to RMB3.3 billion in 2024, down from RMB14.0 billion in 2023.

The outstanding debt of West Coast New Area government continued growing in past few years. The local government's outstanding debt increased to RMB67.4 billion at end-2024 from RMB61.4 billion at end-2023, mainly due to the increase in special debt. The government debt ratio, as measured by the total government debt/aggregate revenue, increased to 180.3% at end-2024 from 126.0% at end-2023.

West Coast New Area's Fiscal Condition			
(RMB billion)	2022	2023	2024
Budgetary revenue	27.6	26.9	27.2
Budgetary revenue growth rate (%)	-14.4	3.8	1.2
Tax revenue	15.4	18.2	20.7
Tax revenue (% of budgetary revenue)	55.7	67.7	76.1
Government fund income	21.1	14.0	3.3
Transfer payment	8.2	7.5	6.8
Aggregate revenue	57.1	48.7	37.4
Budgetary expenditure	25.2	23.6	22.0
Budget balance ¹ (%)	8.8	12.4	19.3
Government debt ratio (%)	93.3	126.0	180.3

¹ Budget balance = (1-budgetary expenditure / budgetary revenue) * 100%

Source: Financial Bureau of West Coast New Area, Statistical Bureau of West Coast New Area and Lianhe Global's calculations

Company Profile

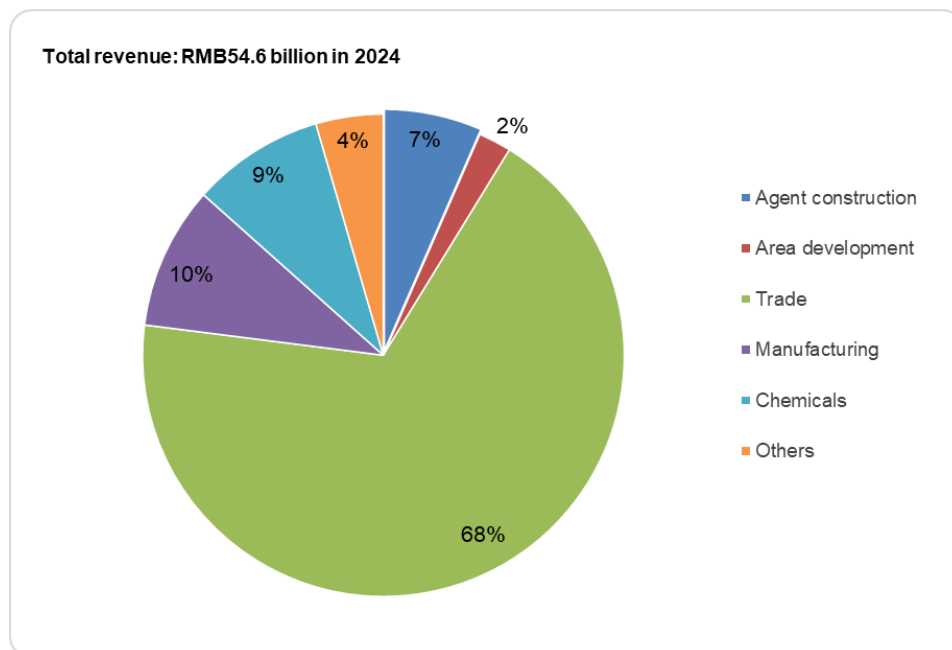
Ownership Structure

QWRH was established in 2018 with initial registered capital of RMB500 million. Since 2020, the West Coast New Area SAA has been making phased capital contributions. The company's registered capital reached RMB5.0 billion at end-March 2025, while the paid-in capital reached RMB1.25 billion. The West Coast New Area SAA is the sole shareholder and actual controller of the company.

Revenue Breakdown

QWRH operates across multiple sectors, including infrastructure, real estate, trade, manufacturing, and chemicals. Trade remains its largest revenue source in the past few years, accounting for more than 60% of the total revenue. However, its low margins (1.03% in 2024) drag down overall profitability. While total revenue grew in 2024, real estate development declined, whereas manufacturing and chemicals expanded. The revenue in

the first three months of 2025 rose 14.89% YoY, but the gross margin fell to 4.9%, compared to 7.7% and 6.1% in 2023 and 2024, respectively. Infrastructure projects face slow repayments, and real estate struggles with weak market demand, raising concerns about future cash flows.



Source: QWRH and Lianhe Global's calculations

The company's infrastructure construction business covers agency-built infrastructure projects, education infrastructure development, urban village renovation, and general construction services. Infrastructure projects, including urban development and education facilities, require significant capital, with RMB38.4 billion in planned investments at end-March 2025. However, repayments lag, with only RMB2.7 billion recouped from RMB15.5 billion in recognized revenue at end-March 2025. Education projects, funded via government leases, face extended payback periods. Village renovation projects are near completion, but road construction remains small-scale. The company's heavy infrastructure commitments increase financial strain, especially with additional planned projects.

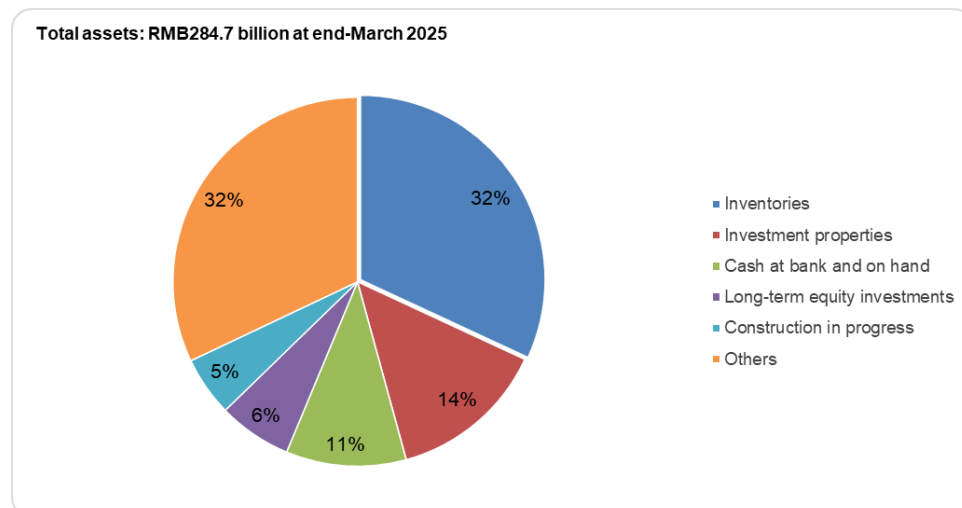
The company's real estate projects are all in the West Coast New Area, sold through market-based sales. From 2022-2024, impacted by the property market downturn and near sell-out of completed projects, the revenue from this sector declined with shrinking gross margins. The major completed projects had received RMB5.6 billion in investment with RMB5.4 billion recouped from sales at end-2024, nearly covering costs. It had 12 ongoing/planned projects which require RMB4.0 billion investment at end-2024, indicating certain capital expenditure pressure.

Trade revenue grew to RMB37.2 billion in 2024 from RMB33.6 billion in 2023 but with low profit margins. Coal and chemicals dominate sales, but the business relies on advance payments to suppliers, straining liquidity. Some trade receivables have turned delinquent, necessitating bad debt provisions. Supplier and customer concentration is moderate, but dealings with private firms increase credit risks.

The company's diversified model supports revenue growth but exposes it to sector-specific risks—infrastructure's slow repayments, real estate's downturn, trade's low margins, and chemicals' cyclicity. High leverage and liquidity pressures necessitate careful monitoring, especially as trade's rising share further squeezes profitability. Strategic shifts toward

manufacturing and energy-related chemicals may offer long-term stability but require successful execution.

Assets Breakdown



Source: QWRH and Lianhe Global's calculations

QWRH's asset liquidity was moderately weak. At end-March 2025, QWRH had inventories (mainly construction costs) of RMB90.9 billion, accounting for 31.9% of its total assets. These assets usually take a long time to be converted to cash due to the protracted construction, revenue recognition and receivable collection periods. At the same time, QWRH had investment properties of RMB39.4 billion, which mainly consisted of office buildings, hotels, and public rental housing in West Coast New Area. These properties are all designated for leasing purposes, ensuring a stable rental income. The company's investment assets were mainly equity of SOEs injected by the local government.

Key Financial Data				
(RMB million)	2022	2023	2024	2025.3
Total Assets	199,324	234,909	268,917	284,706
Equity	60,308	63,882	75,924	76,687
Debt	115,462	143,520	160,688	173,602
Debt / (Debt + Equity) (%)	65.7	69.2	67.9	69.4
Unrestricted cash/ST Debts (x)	0.3	0.2	0.1	0.2
Debt/EBITDA (x)	41.4	42.6	53.8	-
Revenue	38,619	49,524	54,557	13,598
Operation Profit	828	212	427	74
Gross Margin (%)	7.2	7.7	6.1	4.9
Cash from sales or services/ Revenue (%)	107.3	103.8	104.9	420.8

Source: QWRH and Lianhe Global's calculations

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