

Qingdao Ocean Investment Group Co., Ltd.

Lianhe Ratings Global Limited (“Lianhe Global”) has affirmed ‘BBB+’ global scale Long-term Issuer Credit Rating of Qingdao Ocean Investment Group Co., Ltd. (“QOIG” or “the company”); Issuer Rating Outlook Stable

Summary

Issuer Rating	BBB+
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	3 November 2025

Summary

The Issuer Credit Rating reflects a high possibility that the People’s Government of West Coast New Area, Qingdao City (“the West Coast New Area government”) would provide strong support to QOIG if needed, in light of its indirect full ownership of QOIG and QOIG’s strategic importance as an important local investment and development company (“LIDC”) in Qingdao’s West Coast New Area, Qingdao City (“West Coast New Area”). The linkage between the local government and QOIG is strong, including management supervision, strategic alignment and ongoing operational and financial support. In addition, the local government may face significant negative impact on its reputation and financing activities if QOIG encounters any operational and financial difficulties.

West Coast New Area is a national-level new area under the administration of Qingdao. Its GDP grew steadily by 5.8% to RMB526.1 billion in 2024, while its budgetary revenue increased by 1.2% to RMB27.2 billion.

The Stable Outlook reflects our expectation that QOIG’s strategic importance would remain intact while the local government will continue to ensure QOIG’s stable operation.

Rating Rationale

Government’s Ownership and Supervision: The Qingdao West Coast New Area State-owned Assets Administration Bureau (“SAAB”) holds 98.98% shares of QOIG through Qingdao West Coast New Area Ocean Holdings Group Co., Ltd. (“Ocean Holdings”), and is the company’s actual controller. The West Coast New Area government has the final decision-making authority and supervision over the company, including appointments of senior management, strategic planning and major funding decisions. In addition, the West Coast New Area government has assessment mechanism over the company and appoints auditors to supervise the operating performance and financials on a periodic basis.

Strategic Importance and Strategic Alignment: QOIG undertakes major infrastructure construction and affordable housing development projects West Coast New Area, playing an important role in promoting local urban development. Its business operation and strategic planning have been aligned with the government’s social and economic development plans.

Strong Government Support: QOIG receives ongoing support from the local government. In 2023, the local government injected cash capital of RMB293 million into the company. Between 2022 and the first six months of 2025, QOIG received financial subsidies of totally about RMB867 million from the local government. We expect QOIG to receive timely support from the local government in the coming years considering its strategic importance in West Coast New Area.

QOIG’s Financial and Liquidity Position: QOIG’s total assets increased to RMB24.4 billion at end-June 2025 from RMB19.0 billion at end-2022, as the company continuously participated in the project construction in West Coast New Area. The company mainly relied on borrowings to support its asset expansion. Its total debt rose to RMB14.5 billion at end-

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Applicable Criteria

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

June 2025 from RMB11.4 billion at end-2022. The company's financial leverage, as measured by debt to capitalization, was 64.4% (unadjusted). Yet the company also had renewable corporate bonds of RMB2.0 billion booked as equity.

QOIG's short-term debt servicing pressure is moderately high. At end-June 2025, QOIG had unrestricted cash balance of RMB2.2 billion, compared with its debt to be due within one year of RMB5.8 billion. Yet QOIG has access to various channels of financing, including bank loans, bonds issuance and non-traditional financing channels, to support its debt repayments and business operations. It had unused credit facilities of RMB9.2 billion at end-March 2025.

Rating Sensitivities

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

We would consider upgrading QOIG's rating if (1) there is strengthened support from the local 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'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
<i>Source: Financial Bureau of West Coast New Area, Statistical Bureau of West Coast New Area and Lianhe Global's calculations</i>			

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

QOIG was established on August 7, 2003 with an initial registered capital of RMB12.0 million and a paid-in capital of RMB12.0million. After a series of capital replenishments and equity transfers, the company's registered and paid-in capital were both RMB1.6 billion at end June 2025. As the actual controller, SAAB holds 98.98% equity of QOIG through Ocean Holdings, one of two major LIDC in West Coast New Area.

QOIG's primary sources of the company's operating revenue are infrastructure construction, agency services, material sales, while the company also engages in affordable housing and commercial housing sales, and other businesses. The total revenue of QOIG was RMB3.1 billion, RMB3.0 billion, RMB3.1 billion and RMB1.5 billion in 2022, 2023, 2024 and the first half of 2025, respectively. The gross profit margin ranged between c. 3% and 4% over the same period.

Key Financial Data				
(RMB million)	2022	2023	2024	2025.6
Total Assets	19,039	20,948	22,537	24,440
Equity	6,098	6,537	6,799	7,820
Debt	11,420	12,702	13,346	14,176
Debt / (Debt + Equity) (%)	65.2	66.0	66.3	64.4
Unrestricted cash/ST Debts (x)	0.2	0.2	0.1	0.3
Debt/EBITDA (x)	30.6	37.8	44.8	-
Revenue	3,058	2,995	3,132	1,472
Operation Profit	224	243	175	27
Gross Margin (%)	3.1	4.0	3.9	3.2
Cash from sales or services/Revenue (%)	96.8	99.2	103.6	105.1

Source: QOIG and Lianhe Global's calculations

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