

Jinan Hongqiao Industrial Development Co., Ltd.

Lianhe Ratings Global Limited (“Lianhe Global”) has assigned ‘BBB+’ global scale Long-term Issuer Credit Rating with Stable Outlook to Jinan Hongqiao Industrial Development Co., Ltd. (“JHID” or “the company”)

Summary

The Issuer Credit Rating reflects a high possibility that the People’s Government of Tianqiao District, Jinan City (“Tianqiao government”) would provide strong support to JHID if needed, in light of its indirect full ownership of JHID, JHID’s strategic importance as an important local investment and development company that is responsible for state-owned asset management and market-oriented industrial operation in Tianqiao District, Jinan City (“Tianqiao”), and the linkage between the Tianqiao government and JHID, including approval of the senior management appointment, strategic alignment, supervision of major investment and financing plan decisions and ongoing operational and financial support. In addition, the Tianqiao government may face significant negative impact on its reputation and financing activities if JHID encounters any operational and financial difficulties.

Tianqiao achieved a GDP of RMB84.4 billion in 2024 with a growth rate of 3.0%. Meanwhile, the Tianqiao government’s budgetary revenue increased by 3.0% to RMB4.2 billion in 2024.

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

Rating Rationale

Government’s Ownership and Supervision: The Tianqiao government indirectly holds the full ownership of JHID through the Finance Bureau of Tianqiao District, Jinan City (“Tianqiao FB”)’s wholly-owned subsidiary, Jinan Tianqiao Industry Development Group Co., Ltd. (“JTID”). The local government has the final decision-making authority and supervision over the company through JTID, including approval and supervision of the senior management, strategy alignment and major investment and financing plan decisions, etc.

Strategic Importance and Strategic Alignment: JHID, as a key market-oriented industrial platform under JTID, is mainly responsible for commercial and industrial property operations, as well as environmental sanitation and property services within the region, with prominent advantages in independent and market-oriented operations. JHID also engages in concrete production, asset management, land activation, and other businesses. It plays a crucial role in advancing JTID’s market-oriented transformation and industrial upgrading. Its business operation and strategic planning have been aligned with the JTID’s development goals and the Tianqiao government’s industrial layout.

Ongoing Government Support: JHID continues to receive non-operating asset injections, equity transfers, and capital contributions from the Tianqiao Government through JTID. In 2023, such support included free transfers of land plots, public service-related assets and residential properties, as well as a capital contribution of RMB150 million. In 2024, it obtained multiple additional free transfers, covering commercial properties, building units, long-term parking space operation rights and equity interests in affiliated companies. Besides, the company received ongoing financial subsidies from the local government. We

Summary

Issuer Rating	BBB+
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	27 January 2026

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Applicable Criteria

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

believe the government support for JHID to remain intact, given the company's strategic importance in Tianqiao.

JHID's Financial Matrix and Liquidity Position: JHID's total assets increased steadily from RMB1.5 billion at end-2023 to RMB5.8 billion at end-September 2025, driven by ongoing asset injections from the local government and expansion of its business scale. JHID's total debt has been on an upward trend over the past few years, increasing to RMB1.0 billion at end-September 2025 from RMB118.7 million at end-2023. The company's financial leverage, as measured by the debt-to-capitalization ratio, increased to 20.7% from 8.7% during this period, remaining relatively low.

JHID's short-term debt servicing pressure was moderate. At end-September 2025, the company had a cash balance of RMB106.6 million, while its debt due within one year was RMB147.7 million. JHID mainly relies on external financing and has access to various financing channels, including bank loans and non-traditional financing, to support its debt repayments and business operations. Nevertheless, the company has a relatively limited available credit line.

Rating Sensitivities

We would consider downgrading JHID'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 JHID, or (3) there is a downgrade in our internal credit assessment on the Tianqiao government.

We would consider upgrading JHID'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 Tianqiao government.

Operating Environment

Economic Condition of Tianqiao

Tianqiao is a municipal district of Jinan City, the provincial capital of Shandong, and located in the northern part of Jinan's urban areas. It is an important transportation hub and logistics center. At end-2024, Tianqiao had a total area of 259 square kilometers and resident population of 0.7 million, with an urbanization rate of 98.6%.

Tianqiao achieved a GDP of RMB84.4 billion in 2024, with its GDP growth rate decelerating to 3.0% from 6.3% in 2023. The district's economy was primarily driven by the secondary and tertiary industries, which accounted for 25.4% and 74.5% of its total GDP in 2024, respectively. Meanwhile, the district's fixed asset investment dropped by 2.3% year-on-year in 2024, mainly attributed to sluggish real estate development momentum.

Tianqiao's Economic Condition			
(RMB billion)	2022	2023	2024
GDP	71.3	76.6	84.5
-Primary industry (%)	0.2	0.2	0.2
-Secondary industry (%)	34.2	33.8	25.4
-Tertiary industry (%)	65.6	65.9	74.5
GDP growth rate (%)	0.3	6.3	3.0
Fixed asset investment growth rate (%)	15.1	14.1	-2.3
Population (million)	0.7	0.7	0.7

Source: Financial Bureau of Tianqiao, Statistical Bureau of Tianqiao and Lianhe Global's calculations

Fiscal Condition of Tianqiao

The Tianqiao government's budgetary revenue increased to RMB4.2 billion in 2024 from RMB4.1 billion in 2023. The fiscal balance indicates a deteriorating trend, with the budget surplus of 21.3% in 2023 shrinking to 16.7% in 2024. However, the Tianqiao government's government-fund income increased to RMB112 million from RMB54 million over the same period, mainly due to the recovery in the transfer of state-owned land use rights.

The outstanding debt of the Tianqiao government kept growing in past few years. At end-2024, the Tianqiao government's outstanding debt expanded to RMB3.8 billion from RMB3.3 billion at end-2023, mainly due to the issuance of special debts to support local public projects. Its government debt ratio, as measured by the total government debt/aggregate revenue, was up to 50.2% at end-2024 from 49.2% at end-2023.

Tianqiao's Fiscal Condition			
(RMB billion)	2022	2023	2024
Budgetary revenue	3.0	4.1	4.2
Budgetary revenue growth rate (%)	-19.9	35.3	3.0
Tax revenue	2.6	3.8	3.7
Tax revenue (% of budgetary revenue)	86.4	91.7	86.4
Government fund income	0.0	0.1	0.1
Transfer payment	3.1	2.6	3.3
Aggregate revenue	6.2	6.8	7.6
Budgetary expenditure	3.0	3.2	3.5
Budget balance ¹ (%)	2.7	21.3	16.7

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

Source: Financial Bureau of Tianqiao, Statistical Bureau of Tianqiao and Lianhe Global's calculations

Company Profile

Ownership Structure

JHID was established in October 2021 with an initial registered capital of RMB10.0 million. After an array of capital injections and equity transfers, JHID's registered capital and paid-in capital were RMB100.0 million and RMB70.0 million at end-September 2025, respectively. Currently, JHID is 100% owned by JTID and ultimately controlled by the Tianqiao government.

Revenue Breakdown

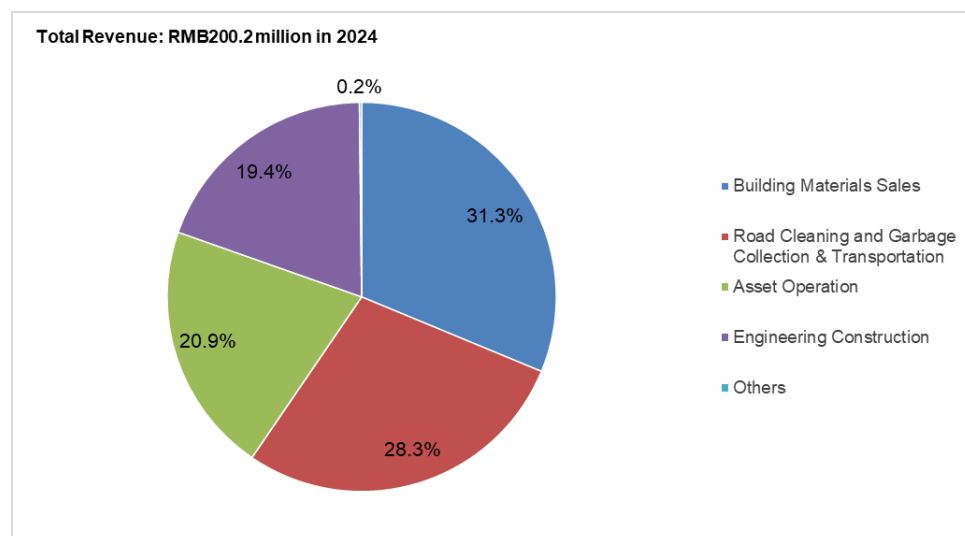
JHID is primarily engaged in commercial and industrial property operations, as well as environmental sanitation and property services in Tianqiao, boasting substantial regional franchise advantages. The company's total revenue reached RMB93.2 million, RMB200.2 million and RMB154.1 million in 2023, 2024, and the first nine months of 2025, respectively, with gross margin fluctuating between 16% and 25% during the same period.

Building materials sales serve as JHID's largest revenue source, generating RMB62.6 million and RMB42.2 million in 2024 and the first nine months of 2025 respectively, and maintaining the largest share of total revenue. Leveraging its own mineral product manufacturing capabilities and supply chain advantages, JHID focuses on meeting infrastructure needs in the local and surrounding areas for this segment. It mainly offers core product categories such as building decoration materials and non-metallic minerals & products, while supplying supporting specialty building materials. Operated on a fully market-oriented model, this segment maintained a stable gross margin of around 25% during the aforementioned periods, delivering steady profitability.

The environmental sanitation services segment maintained stable business scale, with revenues of RMB58.1 million, RMB56.6 million and RMB44.1 million in 2023, 2024 and the first nine months of 2025 respectively, and a gross margin ranging from 3.6% to 5.2%. As a supporting force for regional municipal services, the segment covers basic services such as road cleaning and garbage collection and transportation, while extending to supporting work including the installation and maintenance of environmental sanitation public facilities and pipeline dredging. With service coverage across Tianqiao and surrounding areas, the business boasts strong stability, though its gross margin remains at a relatively low level due to the pricing mechanism of municipal services.

The asset operation segment demonstrated high profitability through an asset-light operation model, achieving revenues of RMB30.0 million, RMB41.8 million and RMB31.8 million from 2023 to the first nine months of 2025, with a high gross margin of 36% to 68%. Aligned with the company's business layout, this segment focuses on its own real estate assets. By activating existing assets to support regional industrial supporting services, it has formed a stable stream revenue under the instruction of the Tianqiao government.

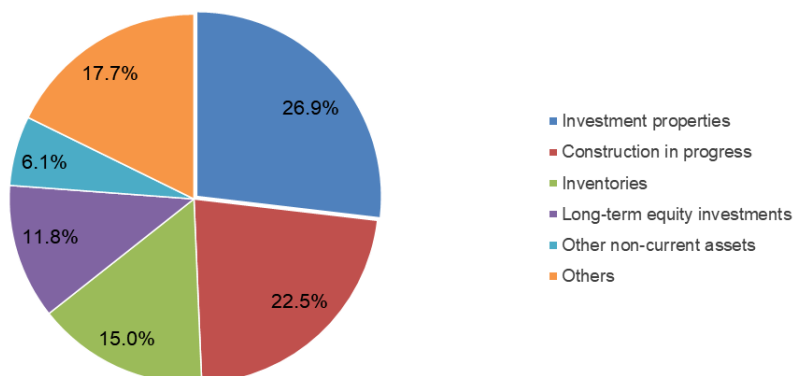
The engineering construction segment achieved leapfrog growth, with revenue surging from RMB3.5 million in 2023 to RMB38.9 million in 2024, and maintaining a high level of RMB35.8 million in the first nine months of 2025. Its gross margin remained relatively stable at around 10%. Backed by qualifications in municipal public works, the company focuses on regional infrastructure and supporting projects, covering road and bridge supporting works, building reinforcement, and landscaping projects. Benefiting from the release of local infrastructure demand, the segment has expanded rapidly in scale while maintaining stable profitability.



Assets Breakdown

JHID's asset-side liquidity was weak, as it has a large part of investment properties, construction in progress and inventories. Investment properties, mainly properties injected by the Tianqiao government, accounted for 26.9% of the total assets at end-September 2025, of which a large amount had not yet obtained property ownership certificates. Its construction in progress book value surged from RMB259.6 million at end-2023 to RMB1.3 billion at end-September 2025, while inventories jumped to RMB872.7 million from RMB147.4 million over the same period, mainly driven by increased development costs. These assets with long cycles and high illiquidity further constrain the company's asset-side liquidity.

Total assets: RMB5.8 billion at end-September 2025



Source: The company's financial reports and Lianhe Global's calculations

Key Financial Data

(RMB million)	2023	2024	2025.9
Total Assets	1,474	5,371	5,805
Equity	1,238	3,982	4,008
Debt	118.7	836	1,049
Debt / (Debt + Equity) (%)	8.7	17.3	20.7
Unrestricted cash/ST Debts (x)	0.4	0.5	0.7
Debt/EBITDA (x)	15.1	27.1	-
Revenue	93	200	154
Operation Profit	8	31	27
Gross Margin (%)	15.5	22.9	25.0
Cash from sales or services/ Revenue (%)	62.7	100.5	103.7

Source: JHID and Lianhe Global's calculations

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