

Qingdao Jiaozhou Bay Development Group Co., Ltd.

Lianhe Ratings Global Limited (“Lianhe Global”) has affirmed ‘BBB+’ global scale Long-term Issuer and Issuance Credit Rating of Qingdao Jiaozhou Bay Development Group Co., Ltd. (“JZBD”); Issuer Rating Outlook is Stable.

Summary

The Issuer Credit Rating reflects a high possibility that the People’s Government of Jiaozhou City would provide strong support to JZBD if needed. This mainly considers its indirectly full ownership of JZBD and JZBD’s strategic importance as a key local investment and development company in Qingdao’s Jiaozhou City (“Jiaozhou”), especially in China-SCO Local Economic and Trade Cooperation Demonstration Area (“SCODA”). In addition, the linkage between the Local government and JZBD is strong, including management supervision, strategic alignment, and ongoing operational and financial support. We believe the local government has a strong willingness to prevent JZBD from encountering any operational or financial difficulties in order to safeguard its reputation and financing activities.

Lianhe Global has also affirmed ‘BBB+’ global scale Long-term Issuance Credit Rating of the senior unsecured bonds issued by JZBD at the same time. A full list of affirmed issuance rating is included in this report.

Jiaozhou is a county-level city under the jurisdiction of Shandong’s Qingdao City, one of five municipalities with independent planning status in China. Jiaozhou’s GDP grew steadily by 5.1% to RMB179.6 billion in 2025, while the government’s budgetary revenue increased by 1.8% to RMB11.3 billion.

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

Rating Rationale

Government’s Ownership and Supervision: The Management Committee of SCODA (“SCODA MC”), as the actual controller, holds 100% shares of JZBD through Qingdao Shanghe Holding Development Group Co., Ltd. (“Shanghe Holding”). SCODA MC is an administrative body dispatched by the Qingdao government. The local government has strong control and supervision over the company, including the appointment of its senior management, decisions on its strategic development, investment plan and major funding decisions. In addition, the local government has assessment mechanisms over the company and appoints auditors to supervise the operating performance and financials regularly.

Strategic Importance and Alignment: JZBD is an important LIDC in Jiaozhou, mainly responsible for the investment and development of SCODA, which is a national strategy aiming at promoting international trade, two-way investment and business tourism culture exchange between SCO countries. The company undertakes major infrastructure construction and land consolidation projects in the core area of SCODA. It also develops and operates industrial parks, business complex and conference center within the area. JZBD’s development plan has been aligned with the local government’s economic and social policies.

Strong Government Support: The local government provides ongoing support to JZBD. The local government injected cash capital of RMB350 million into JZBD through its shareholder in 2024. The company also received operational subsidies of RMB350 million

Summary

Issuer Rating	BBB+
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	30 March 2026

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Applicable Criteria

[China Local Investment and Development Companies Criteria \(31 July 2025\)](#)

and RMB175 million in 2024 and the first nine months of 2025, respectively. We expect that the local government's support to JZBD would remain intact given its strategic importance.

JZBD's Financial and Liquidity Position: As the company actively participated in the development of SCODA in the past three years, JZBD's total assets increased to RMB112.7 billion at end-September 2025 from RMB84.1 billion at the end of 2022. The company relied on both borrowings and government's capital injections to fund its expansion. Its financial leverage ratio, measured as total debt to capitalization stayed at c. 50% level.

In addition, JZBD's short-term debt servicing pressure remained very high. At end-September 2025, the company had RMB3.8 billion in cash, including RMB2.4 billion of restricted cash, against RMB16.6 billion of short-term debt. JZBD also recorded several bill payment overdue since 2025, indicating elevated liquidity stress.

Nevertheless, the company retained access to multiple funding channels, including bank loans, bond markets and other financing sources. At end-September 2025, total credit facilities were RMB58.1 billion, with RMB22.2 billion undrawn. We also expect the local government to provide timely support to JZBD if needed.

Rating Sensitivities

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

We would consider upgrading JZBD'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 Jiaozhou government.

Full List of Issuance Rating

A full list of issuance rating is included below. Any rating action on JZBD's rating would result in a similar rating action on the bonds:

- CNY800 million 5.5% senior unsecured Bonds due 2026 affirmed at 'BBB+'
- USD200 million 7.9% senior unsecured Bonds due 2027 affirmed at 'BBB+'
- CNY1,200 million 6.0% senior unsecured Sustainability Bonds due 2027 affirmed at 'BBB+'
- USD400 million 7.0% senior unsecured Bonds due 2027 affirmed at 'BBB+'
- USD200 million 6.95% senior unsecured Transition Bonds due 2028 affirmed at 'BBB+'

Operating Environment

Economic Condition of Jiaozhou

Jiaozhou is a county-level city under the jurisdiction of Shandong's Qingdao City, one of five municipalities with independent planning status in China. It is an important processing and manufacturing base in the Jiaodong Peninsula with a strong industrial foundation. Jiaozhou's GDP grew steadily by 5.1% to RMB179.6 billion in 2025, while its fixed asset investment dropped 8.1%.

Jiaozhou is focusing on the development SCODA, which has become an increasingly important platform for local economic and trade cooperation with SCO countries,

underpinned by implemented industrial projects with aggregate investment of over RMB150 billion and average annual trade growth of 56% since 2018.

Jiaozhou's Economic Condition			
(RMB billion)	2023	2024	2025
GDP	164.3	172.8	179.6
-Primary industry (%)	4.1	4.0	4.0
-Secondary industry (%)	46.2	44.2	44.2
-Tertiary industry (%)	49.7	51.8	51.8
GDP growth rate (%)	6.8	5.9	5.1
Fixed asset investment growth rate (%)	2.1	1.9	-8.1*
Population (million)	1.04	1.04	1.05

Source: Statistical bureau of Jiaozhou and Lianhe Global's calculations
**The first 11 months in 2026*

Fiscal Condition of Jiaozhou

Jiaozhou's budgetary revenue recovered to RMB11.3 billion in 2025. However, its fiscal position remained weak, with a budget deficit ratio of 17.5%. In addition, sharp declines in government fund income and transfer payments led aggregate fiscal revenue to fall further to RMB15.4 billion at end-2025, from RMB17.2 billion at end-2024 and RMB18.1 billion at end-2023.

Meanwhile, outstanding government debt continued to increase, driven by new special bond issuance to support local public projects and address existing hidden debt. As a result, Jiaozhou's government debt ratio, measured as total government debt outstanding to aggregate fiscal revenue, surged to 358.2% at end-2025 from 201.4% at end-2023.

Jiaozhou's Fiscal Condition			
(RMB billion)	2023	2024	2025
Budgetary revenue	11.6	11.1	11.3
Budgetary revenue growth rate (%)	3.0	-4.8	1.8
Tax revenue	8.3	7.4	7.0
Tax revenue (% of budgetary revenue)	71.8	66.5	62.1
Government fund income	3.0	3.0	1.2
Transfer payment	3.4	3.2	2.9
Aggregate revenue	18.1	17.2	15.4
Budgetary expenditure	13.4	12.9	13.2
Budget balance ¹ (%)	-15.1	-16.2	-17.5
Government debt ratio (%)	201.4	262.3	358.2

¹ Budget balance = (1 - budgetary expenditure / budgetary revenue) * 100%
Source: Financial Bureau of Jiaozhou and Lianhe Global's calculations

Company Profile

JZBD was established in November 2007 with an initial registered capital of RMB20.0 million. After an array of capital injections and equity transfers, the company's registered and paid-in capital increased to RMB2.0 billion at the end-September 2025. SCODA MC, the ultimate controller of JZBD, indirectly holds a 100% equity interest in the company through Shanghe Holding, which serves as a major development and operating platform in the area and consolidates JZBD together with other LIDCs.

JZBD is mainly responsible for infrastructure construction and land consolidation in Jiaozhou, especially in the core area of SCODA. The company also engages in leasing, property sales and trading activities. The total operating revenue of JZBD stayed at approximately RMB3.3

billion in 2023 and 2024. In the first nine months of 2025, the company realized revenue of RMB1,960 million with a decent gross margin of 19.2%.

JZBD's Key Financial Data (RMB million)	2022	2023	2024	2025.9
Total Assets	84,127	94,678	106,660	112,714
Equity	40,857	41,834	39,821	40,522
Debt	39,189	42,462	42,060	42,053
Debt / (Debt + Equity) (%)	49.0	50.4	51.4	50.9
Unrestricted cash/ST Debts (x)	0.1	0.1	0.1	0.1
Debt/EBITDA (x)	44.5	42.7	35.4	-
Revenue	2,793	3,338	3,359	1,960
Operation Profit	539	608	773	270
Gross Margin (%)	13.8	12.7	14.1	19.2
Cash from sales or services/ Revenue (%)	115.0	85.7	92.8	120.1

Source: JZBD and Lianhe Global's calculations

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