Qingdao China Prosperity State-owned Capital Investment Operation Group Co., Ltd.

Summary	
Issuer Rating	A+
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
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Applicable Criteria
China Local Investment and Development Companies Criteria (31 July 2025)

Lianhe Ratings Global Limited ("Lianhe Global") has affirmed 'A+' global scale Long-term Issuer and Issuance Credit Rating of Qingdao China Prosperity State-owned Capital Investment Operation Group Co., Ltd. ("QCP"); Issuer Rating Outlook Stable

Summary

The Issuer Credit Rating reflects a high possibility that the Qingdao Municipal Government ("Qingdao government") would provide strong support to QCP if needed, in light of its full ownership of QCP, QCP's strategic importance as the key local investment and development company ("LIDC") that is responsible for state-owned capital investment and operation and industrial development in Qingdao City ("Qingdao"), and the linkage between the Qingdao government and QCP, including appointment and supervision of the senior management, strategic alignment, major investment and financing plan decisions and ongoing government support. In addition, we believe that the Qingdao government has a strong willingness to ensure QCP's business and financial viability in order to safeguard its reputation and local financing activities.

Qingdao is a municipality with an independent planning status enjoying provincial-level economic authority. Qingdao's GDP grew by 5.4% year-over-year to reached RMB1,756.1 billion in 2025, while the budgetary revenue of Qingdao for the year amounted to RMB134.1 billion.

The Stable Outlook reflects our expectation that QCP's strategic importance would remain intact while the Qingdao government will continue to ensure QCP's stable operation.

Lianhe Global has also affirmed 'A+' global scale Long-term Issuance Credit Rating of the senior unsecured USD bonds issued by QCP's wholly-owned subsidiary, Huatong International Investment Holdings Co., Limited ("Huatong International") at the same time. A full list of affirmed issuance rating is included in this report.

Rating Rationale

Government's Ownership and Supervision: The Qingdao government holds 100% shares of QCP via the State-owned Assets Supervision and Administration Commission of Qingdao ("Qingdao SASAC"). The Qingdao government has strong control over the company, including appointment and supervision of the senior management, strategic alignment, major investment and financing planning decisions. In addition, the Qingdao government formulates a performance assessment policy for the company, and regularly appoints auditors to review the company's operating performance and financial position.

Strategic Importance and Strategic Alignment: As a key state-owned capital investment and operation and industrial development entity in Qingdao, QCP is positioned as the pioneer to promote the reform of state-owned enterprises on behalf of the Qingdao government. QCP is involved in the management and operation in a variety of industries, including manufacturing, information technology and light industries. QCP strengthened its strategic role in state-owned capital operation in recent years. For instance, QCP established the Qingdao Data Group Co., Ltd. in February 2025, which is responsible for the construction of data infrastructure, the operation of public data authorization, the integration of data resources, etc. in Qingdao. QCP plays an important role in promoting the economic and social development of the region. Its business operation and development have been aligned with the government's development plans.

Ongoing Government Support: QCP continues to receive capital and asset injections from the Qingdao government. The injections include but not limited to cash, equity capital, right-of-use assets or other fixed assets. Between 2023 and 2025, the company received asset and capital injections of RMB332.4 million from the Qingdao government. Over the same period, QCP receives various governmental subsidies of RMB188.8 million. We believe QCP is likely going to receive government support in the future.

QCP's Financial Matrix and Liquidity Position: QCP's total assets decreased slightly to RMB49.9 billion at end-2025 from RMB51.4 billion at end-2024, mainly due to the equity transfer of Qingdao Shipyard Co., Ltd. The asset structure remained stable, with long-term equity investments, investment properties, financial assets held for trading, cash at bank and on hand, and construction in progress, accounting for about 53% of total assets at end-2025.

QCP's financial leverage, as measured by the debt to capitalization ratio, decreased steadily to 41.4% at end-2025 from 45.2% at end-2024. The total debt of the company dropped to RMB17.3 billion at end-2025 from RMB19.3 billion at end-2024, with the proportion of short-term debt reduced to 46.7% from 60.6% over the same period.

The short-term debt servicing pressure of QCP was moderate. At end-2025, the company had cash balance of RMB2.8 billion (including restricted cash of RMB1.0 billion) and unused credit facilities of RMB33.2 billion, while its debt due within one year was RMB8.1 billion. Besides, the company has access to various financing channels, including bank borrowings, bond issuances and non-traditional financing, to support its debt repayments and business operations.

Rating Sensitivities

We would consider downgrading QCP's rating if (1) there is perceived weakening in support from the Qingdao government, particularly due to its reduced strategic importance, or or (2) commercial-oriented operations may significantly jeopardize QCP's overall credit profile, or (3) there is a significant reduction of the Qingdao government's ownership of QCP, or (4) there is a downgrade in our internal credit assessment on the Qingdao government.

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

Full List of Issuance Rating

A full list of issuance ratings is included below. Any rating action on QCP's rating would result in a similar rating action on its USD bonds:

- USD280 million 6.8% senior unsecured bonds due 2027 affirmed at 'A+'

Operating Environment

Economic Condition of Qingdao

Qingdao's GDP size reached RMB1,756.1 billion in 2025, representing a year-over-year growth rate of 5.4%, slightly lower than 5.7% recorded in 2024. The GDP scale of Qingdao was ranked 1st among all jurisdictions of Shandong Province in 2025. The tertiary sector accounted for 63.6% of local GDP in 2025, up from 62.8% in 2024. Fixed asset investment in Qingdao dropped by 18.7% in 2025, compared with a growth of 0.8% in 2024.

Qingdao's Economic Condition (RMB billion)	2023	2024	2025
GDP	1,597.3	1,671.9	1,756.1
-Primary industry (%)	4.1	3.0	2.9
-Secondary industry (%)	33.4	34.2	33.5
-Tertiary industry (%)	63.4	62.8	63.6
GDP growth rate (%)	5.9	5.7	5.4
Fixed asset investment growth rate (%)	5.0	0.8	-18.7
Population (million)	10.4	10.4	10.5

Source: Statistics Bureau of Qingdao and Lianhe Global's calculations

Fiscal Condition of Qingdao

Qingdao government's budgetary revenue grew slightly by 0.1% to RMB134.1 billion in 2025, with the contribution of tax revenue elevated slightly to 70.9% from 70.0% in 2024. The fiscal self-sufficiency of Qingdao government remained stable, with its budget deficit narrowed slightly to 28.2% in 2025 from 28.5% in 2024. Government fund income increased to RMB32.5 billion in 2025, while transfer payments from higher government decreased slightly RMB41.6 billion.

The outstanding debt of the Qingdao government continued to grow in the past few years. At end-2025, the Qingdao government's outstanding debt increased to RMB526.1 billion from RMB438.3 billion at end-2024, mainly due to the issuance of special purpose debts. Its government debt ratio, as measured by total government debt to aggregate revenue ratio, was further elevated to 250.6% at end-2025 from 211.3% at end-2024.

Qingdao's Fiscal Condition (RMB billion)	2023	2024	2025
Budgetary revenue	133.8	133.9	134.1
Budgetary revenue growth rate (%)	5.1	0.1	0.1
Tax revenue	100.6	93.8	95.1
Tax revenue (% of budgetary revenue)	75.2	70.0	70.9
Government fund income	53.1	29.9	32.5
Transfer payment	35.5	41.9	41.6
Aggregate revenue	224.4	207.4	209.9
Budgetary expenditure	171.9	172.0	171.9
Budget balance[1] (%)	-28.5	-28.5	-28.2

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

Company Profile

QCP was established in February 2008 under the approval of the Qingdao government. The Qingdao SASAC is the sole shareholder with 100% ownership of QCP. The Qingdao government is the ultimate controller of the company.

In 2020, the Qingdao government approved to transfer its ownership of Hisense Company Limited, which was held by the Qingdao SASAC, to QCP gratis. QCP is a key state-owned capital investment and operation and industrial development entity in Qingdao. QCP is positioned as the pioneer to promote the reform of state-owned enterprises on behalf of the Qingdao government. QCP plays an important role in promoting the economic and social development of the region. The company recognized revenue of RMB8.0 billion in 2025 with a gross margin of 16.9%.

Key Financial Data (RMB million)	2023	2024	2025
Total Assets	50,539	51,353	49,939
Equity	22,255	23,411	24,456
Debt	19,409	19,337	17,259
Debt / (Debt + Equity) (%)	46.6	45.2	41.4
Unrestricted cash/ST Debts (x)	0.1	0.1	0.2
Debt/EBITDA (x)	7.8	8.2	9.2
Revenue	9,539	9,705	7,997
Operation Profit	1,472	1,335	999
Gross Margin (%)	17.0	15.7	16.9
Cash from sales or services/ Revenue (%)	116.6	116.3	117.6

Source: QCP and Lianhe Global's calculations

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