

## Credit Opinion

22 September 2025

Ratings	
Category	Corporate
Domicile	China
Rating Type	Solicited Rating
Long-Term Credit Rating	A <sub>g</sub> -
Outlook	Stable

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### Client Services

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## Shandong Shipping Corporation

### Surveillance credit rating report

**CCXAP affirms Shandong Shipping Corporation's long-term credit rating at A<sub>g</sub>-, with stable outlook.**

### Summary

The A<sub>g</sub>- long-term credit rating of Shandong Shipping Corporation ("SDSC" or the "Company") reflects the Company's (1) strong position in China's shipping industry with optimized fleet structure; (2) relatively good business stability with solid client base; (3) enhanced business diversification through the acquisition of NOF asset package; and (4) good access to funding.

However, the rating is constrained by the Company's (1) vulnerability to cyclical fluctuations in the shipping industry; (2) high debt leverage and weakened credit metrics; and (3) moderate profitability.

The rating also reflects our expectation of a high likelihood of support from SDSC's parent, namely Shandong Ocean Group Co., Ltd. ("SDOC"), given (1) SDSC's status as the core subsidiary of SDOC in Shipping Services; (2) moderate legal linkages with SDOC; and (3) reputation risk to the government. We believe that SDOC has strong capacity to support the Company by dint of SDOC's (1) ownership by the Shandong Provincial Government; (2) important strategic role in the development of marine industry of Shandong Province; and (3) good track record of strong shareholder and government support.

The stable outlook on SDSC's rating reflects our expectation that the Company's important position to its parent company is unlikely to change. We also expect the Company to maintain stable credit metrics and sufficient liquidity over the next 12 to 18 months.

## Rating Drivers

- Strong position in China's shipping industry with optimized fleet structure
- Relatively good business stability with solid client base
- Vulnerable to cyclical fluctuations in the shipping industry
- Enhanced business diversification through the acquisition of NOF asset package
- Moderate profitability
- High debt leverage and weakened credit metrics
- Good access to funding
- High likelihood of support from parent company and the government when necessary

## Rating Sensitivities

### What could upgrade the rating?

The rating could be upgraded if (1) the capacity and willingness of government support is strengthened; or (2) SDSC's standalone credit quality improves significantly, including stronger market position, diversified operating scale, and improved credit metrics.

### What could downgrade the rating?

The rating could be downgraded if (1) the government support or parental support is expected to be weakened; or (2) SDSC's standalone credit quality worsens significantly, including a material drop in market share, deterioration in credit metrics, and poor liquidity management.

## Key Indicators

	2022FY	2023FY	2024FY	2025H1
Total Assets (RMB billion)	30.9	39.5	39.6	41.4
Total Equity (RMB billion)	7.3	11.4	12.5	13.0
Total Revenue (RMB billion)	6.5	6.7	7.8	3.8
Net Profits (RMB billion)	0.8	1.0	0.7	0.5
EBIT Margin (%)	28.6	36.7	31.7	-
Return on Total Assets (%)	7.5	7.0	6.2	-
Total Debt/Total Capital (%)	77.1	68.2	67.0	67.5
Total Debt/EBITDA (x)	7.7	4.8	6.1	-
EBITDA/Interest (x)	2.7	3.6	2.5	-
FFO/ Total Debt (x)	0.1	0.2	0.1	-

All ratios and figures are calculated using CCXAP's adjustments.

Source: Company data, CCXAP research

## Corporate Profile

Established in 2010, SDSC is one of the most professional dry bulk shipping fleets in China with a leading fleet capacity. The Company is primarily engaged in shipping services, ship management, seafarer recruitment agency services and financial leasing. In May 2023, SDSC introduced a share expansion plan and privately issued new shares to SDOC and Shanghai Waigaoqiao Shipbuilding Co., Ltd. ("SWS"), raising RMB6.6 billion in total. The Company reported a paid-in capital of approximately RMB6.1 billion as of 30 June 2025. SDSC is

jointly owned by several large state-owned enterprises, including SDOC (holding 38.83% of shares), SWS (34.97%), and Shandong Hi-speed Group Co., Ltd (“SDHS”) (16.46%), as of the same date.

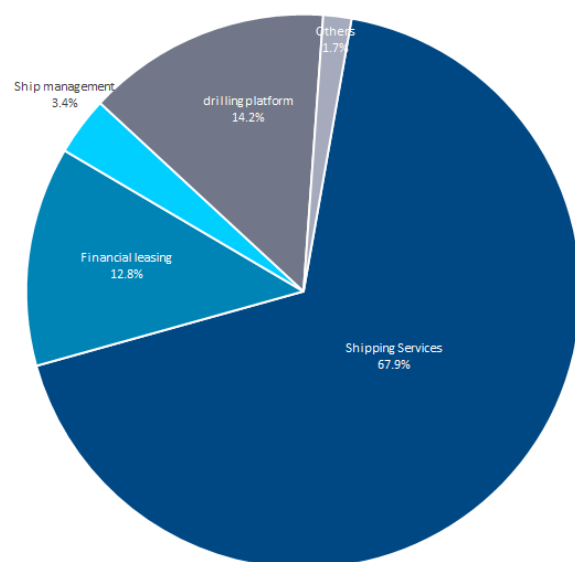
SDOC and SDHS are the key state-owned enterprises under direct supervision and control by the State-owned Assets Supervision and Administration Commission of Shandong Province (“Shandong SASAC”). SWS is one of the major shipbuilders in China and a subsidiary of China State Shipbuilding Corporation Limited, the largest shipbuilding group in the world. As of 30 June 2025, SDSC reported total assets of RMB41.4 billion, accounting for around 70.2% of SDOC’s total assets.

#### Exhibit 1. Shareholding chart as of 30 June 2025



Source: Company information, CCXAP research

#### Exhibit 2. Revenue structure in 2024FY



Source: Company information, CCXAP research

## Rating Considerations

### Business Profile

#### Strong position in China’s shipping industry with optimized fleet structure

SDSC is a leading dry bulk shipping company in China with over a decade of extensive operational experience, consistently maintaining the third-largest fleet capacity in the domestic market. Notably, the Company has optimized its fleet structure by introducing modern, fuel-efficient vessels and phasing out older, less efficient tonnage. With its young and diversified fleet, stable customer relationships, and scaled operations, the Company

is well-positioned to maintain strong competitive advantages and mitigate cyclical market risks in the global shipping industry.

The Company primarily acquires and operates vessels through construction and leasing. In recent years, it has increasingly adopted leasing strategies to rapidly expand capacity, strategically shifting toward a light-asset operational model, primarily through vessel leasing, to improve cost efficiency, mitigate risks, and enhance operational flexibility. As of 31 March 2025, the Company operated a total of 107 vessels (including those under construction) with a combined capacity of 14.6 million deadweight tonnages (“DWT”), maintaining its position as the third-largest fleet in China in terms of capacity. The dry bulk segment remains the core of its operations, with a total capacity of 12.7 million DWT across 75 vessels. Its liquid bulk fleet has also expanded, with capacity of 1.9 million DWT across 29 vessels, including two new Very Large Crude Carriers (“VLCCs”) under construction.

The average age of its core operating fleet is relatively low, enhancing operational efficiency and reducing carbon emissions, which are the Company’s key advantages amid the industry’s accelerating green transition. This growth improves the Company’s ability to serve long-term contracts.

### Exhibit 3. Company's fleet capacity as of 31 March 2025

Summary of Company's Fleet Capacity as of 31 March 2025									
Status	Vessel Type	Owned Vessels			Rental Vessels			Total Number	Total Capacity (k DWT)
		Number	Capacity (k DWT)	Avg. Age	Number	Capacity (k DWT)	Avg. Age		
Dry Bulk Fleet									
Operating	VLOC	4	1,048	10.1	4	1,609	13	8	2,658
	Newcastlemax	-	-	-	14	2,941	3.2	14	2,941
	Capesize	13	2,347	5.8	-	-	-	13	2,347
	Kamsarmax	11	900	7.6	19	1,575	2.3	30	2,475
Under Construction	Kamsarmax	-	-	-	4	328	-	4	328
	VLOC	1	325	-	5	1,625	-	6	1,950
<b>Subtotal</b>		<b>29</b>	<b>4,620</b>	<b>-</b>	<b>46</b>	<b>8,079</b>	<b>-</b>	<b>75</b>	<b>12,699</b>
Tanker Fleet									
Operating	MR	9	444	4.9	18	893	1.2	27	1,336
Under Construction	VLCC	-	-	-	2	600	-	2	600
<b>Subtotal</b>		<b>9</b>	<b>444</b>	<b>-</b>	<b>20</b>	<b>1,493</b>	<b>-</b>	<b>29</b>	<b>1,936</b>

Source: Company information, CCXAP research

### Relatively good business stability with solid client base

SDSC’s core strategy is to focus on establishing long-term partnerships with key clients, such as Vale International SA., BHP Billiton Feight Singapore Pte. (“BHP”), RWE Supply & Trading GmbH, Shell Tankers (Singapore) Private Limited (“Shell”), as well as China National Cereals, Oils and Foodstuffs Corporation (“COFCO”). This approach allows SDSC to secure stable cargo sources before acquiring or leasing corresponding capacity.

The Company signs medium or long-term contracts with these customers to ensure demand for shipping services, and then self-constructs or leases vessels according to the capacity needs of contracts. Benefiting from its high-quality client resources and continued fleet expansion, the Company has achieved ongoing volume

growth in both dry and liquid bulk segments (excluding the NOF asset package). In 2024, dry bulk and liquid bulk volumes increased by 7.3% and 32.9% YoY, respectively.

However, the customer concentration remains relatively high. In 2024, the top five clients accounted for 54.9% of ocean shipping revenue. In addition, it is important to note that some of these core contracts are set to expire in 2025 and 2026, and their renewal terms may affect future revenue stability.

### **Vulnerable to cyclical fluctuations in the shipping industry**

The shipping industry's prosperity is closely tied to global economic development, characterized by its cyclical nature and susceptibility to external shocks, including geopolitical conflicts and unforeseen events. Although global dry bulk trade volume continued to recover in 2024, its growth rate slightly decelerated. The average Baltic Dry Index ("BDI") rose by 27.4% YoY to 1,755 points. Besides, the tanker transportation market remained robust in 2024, though earnings moderated from earlier peak mainly due to slower growth of global crude oil demand. While the production expansion of OPEC+ and geopolitical risks offer some support, tanker freights are expected to stay volatile in 2025.

To mitigate exposure to market fluctuations, SDSC employs a strategy centered on long-term contracts with key customers and a diversified pricing structure. Approximately 20% of the Company's total capacity is allocated to the spot market, where freight rates fluctuate based on prevailing indices. Despite these risk-management measures, the volatility of the shipping industry continues to pose challenges to SDSC's operational, managerial, and financial performance. SDSC employs three main pricing models: fixed rate, capped floating rate, and market-based rate (pegged to indices such as C5 route average, C5TC, and P5TC). The allocation of capacity among these models has remained relatively stable in recent years, at approximately 40%, 40%, and 20%, respectively. This multi-tiered pricing strategy helps the Company mitigate freight market volatility.

### **Enhanced business diversification through the acquisition of NOF asset package**

SDSC's businesses cover both dry and liquid bulk shipping, with dry bulk serving as the core segment. The Company enhanced its business diversification through the acquisition of the NOF asset package in November 2023, expanding into offshore oilfield services, offshore wind turbine installation, and gas transportation. The acquisition strengthens the Company's market position and mitigates operational risks by broadening its service offerings. We expect the Company will continue to consolidate and strengthen its market position in the dry bulk sector, while steadily expanding its liquid bulk capacity to further diversify its operating risks.

SDSC is mainly engaged in the shipping transportation of commodities such as minerals, grain, and energy. It owns a variety of mainstream ship types. Its routes are spread all over the world, and its services cover major ports in the world. Dry bulk cargo is predominantly iron ore and coal, which together account for over 80% of total dry volume, while liquid bulk is focused mainly on oil and chemical products.

The offshore oilfield services segment, which provides drilling platform leasing services to international oil companies, had previously experienced sustained losses due to industry downturn. After the acquisition, NOF significantly reduced its debt and associated financial costs. As of 31 March 2025, NOF had 4 drilling platforms in operation. Three of these platforms commenced new contrasts between December 2023 and January 2025 with substantially higher day rates, leading to improved operational performance. Nevertheless, continuous attention will be needed regarding the profitability sustainability of the drilling platform leasing business and the effective management of the newly acquired gas transportation operations.

SDSC has established leading competitiveness in the gas shipping segment, currently operating the world's largest very large ethane carrier ("VLEC") fleet in terms of capacity and ranking top among the global leaders in very large LPG carrier ("VLGC") capacity. As of 31 March 2025, the Company's gas fleet included 8 VLGCs and 3 VLECs, with an additional 15 VLECs under construction, all backed by long-term contracts. In 2024, this segment remained stable, generating revenue of RMB1.1 billion, though with slight YoY decrease of 3.8%.

In addition, Shandong Huachen Financial Leasing Co., Ltd ("Huachen Leasing"), an 80%-owned subsidiary of SDSC since 2019, previously engaged in both finance and operating leases along with factoring. In November 2024, it transferred its vessel operating lease business to SDSC through the divestment of a subsidiary. As a result, Huachen Leasing has exited the operating leasing business and now mainly focuses on finance leasing and factoring.

## Financial Profile

### Moderate profitability

In 2024, the Company's total revenue increased by 17.0% YoY to RMB7.8 billion, primarily driven by a 4.6% growth in ocean shipping revenue and a significant rise in drilling platform revenue. Although the gross margin of ocean shipping remained stable, the overall gross margin fell because of the lower gross margins on the fast-growing drilling platform and finance leasing businesses. As a result, its gross profit margin declined to 32.5% in 2024 from 36.3% in 2023.

Additionally, financial expenses rose considerably due to the increased interest payments related to the acquisition of the NOF asset package, leading to a 21.8% decrease in operating profit and a decline in profitability. As a result, its EBIT margin fell from 36.7% in 2023 to 31.5% in 2024, and return on total asset fell from 7.0% to 6.2% during the same period.

### High debt leverage and weakened credit metrics

SDSC has high debt leverage to support its fleet and business expansion. Its total debt increased from RMB24.4 billion at the end of 2023 to RMB25.8 billion as of mid-2025, with high total capitalization ratio of 67.5%. Meanwhile, the Company faces certain short-term refinancing pressure. As of 30 June 2025, the ratio of short-term debt to total debt was 23.7% and its unrestricted cash to short-term debt ratio was around 0.3x. Nonetheless, we expect the sufficient credit facility and stable operating cashflow from its shipping business is supportive to the repayment of its short-term debts.

SDSC has a significant proportion of restricted assets, representing 51.0% of total assets as of 30 June 2025. The restricted amount of RMB21.1 billion primarily consists of vessels pledged under financing arrangements such as finance leases, along with minor cash holdings reserved for payment guarantees. This high level of restricted assets may limit the Company's operational and financial flexibility.

The Company's credit metrics weakened in 2024 due to the decrease in profitability and the increase in total debt and financing expenses. The total debt to EBITDA ratio rose from 4.8x in 2023 to 6.1x in 2024, and EBITDA interest coverage declined from 3.6x in 2023 to 2.5x in 2024, indicating increased pressure on interest servicing capacity.

### Good access to funding

SDSC maintains solid access to diverse funding sources, including bank loans, domestic bonds, and financial leasing. The Company has established long-term relationships with policy banks, state-owned commercial

banks, and joint-stock commercial banks in China and international commercial banks, including the Export-Import Bank of China, Bank of China, China Merchants Bank, BNP Paribas. As of 30 June 2025, the Company had obtained a total credit facility of USD3.0 billion and RMB14.9 billion, with a remaining credit facility of USD1.1 billion and RMB8.4 billion. Additionally, the Company also had 6 outstanding domestic bonds, including ABS, MTN, and corporate bond, with total outstanding amount of about RMB3.8 billion. The Company has access to low-cost fundings given its strong shareholder background.

## External Support

### High likelihood of support from parent company and the government when necessary

SDSC is likely to receive support from SDOC and the Shandong Provincial Government, when necessary, given its (1) status as the core subsidiary of SDOC in shipping services; (2) moderate legal linkages with SDOC; and (3) reputation risk to the government. We believe that SDOC has a very strong capacity to support the Company because of its (1) ownership by the Shandong Provincial Government; (2) strategic role in the development of marine industry of Shandong Province; and (3) good track record of strong shareholder and government support.

SDOC is an important operating entity in the Shandong Province's marine industry and its capacity to provide support is largely underpinned by Shandong Provincial Government. SDSC has a very important position in SDOC's operations as the primary operating subsidiary in shipping services business. At the same time, the Company is also the sole provincial state-owned ocean shipping enterprise in Shandong Province. In 2024, the Company contributes majority of assets and revenue for SDOC, which accounting for 69.9% and 65.7% of SDOC's total assets and revenue, respectively.

In our view, SDSC can receive solid support from SDOC for its daily operation management, business development, and fund lending. SDOC also has moderate legal incentives to provide necessary support to SDSC. A default by SDSC would trigger the cross-default provisions in the offshore bonds issued by SDOC. While the level of SDOC's offshore debt is moderate, we believe that the cross-default provisions are long-term as SDOC tends to refinance its offshore debt on an ongoing basis. A default by SDSC will pose reputation risk to the government as well. It is expected that the Shandong Provincial Government would provide support to SDSC through SDOC when necessary.

In May 2023, SDSC issued 3.0 billion additional shares through a non-public offering. SDOC subscribed for 859.0 million shares for RMB1.9 billion, while SWS, a wholly-owned subsidiary of the listed company China CSSC Holdings Limited, subscribed for 2.1 billion shares for RMB4.7 billion. SDSC's capital strength significantly enhanced due to capital increase and introduction of strategic investor. SWS is one of the large-scale shipbuilding enterprisers in China, SWS's shipbuilding business and SDSC's shipping business would contribute to business synergies.

## ESG Considerations

The Company is subject to environmental laws and regulations governing air emissions, water discharge, waste management, and other ecological matters issued by national and regional authorities. SDSC assumes environmental risks for its construction projects. Such risks could be mitigated by conducting environmental studies and detailed planning prior to the commencement of projects and close supervision during construction.

SDSC is also faces social risks as a major industrial entity in the shipping sector. Demographic changes, public awareness and social priorities shape the government's development strategy, and it will affect the

government's propensity to support the Company. In recent years, the Company has not experienced any major negative social events or major safety accidents, and it has a relatively sound employee incentive mechanism.

Governance considerations are central to SDSC's operations due to its status as a government-linked entity. It is under the oversight of Shandong SASAC and must adhere to strict reporting requirements to government stakeholders. The Company maintains regular communication with local governments and regulatory bodies through its management and representatives, ensuring ongoing compliance with all applicable rules, permits, and certifications. Major shareholders include SDOC (38.83%), SWS (34.97%), and SDHS (16.46%), all of which are state-owned enterprises reinforcing strong governance frameworks and alignment with national policies. We believe that SDSC is in material compliance with relevant regulations and executive orders in all jurisdictions where it operates.

## Rating Methodology

The methodology used in this rating is the [Rating Methodology for General Corporate \(April 2019\)](#).



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