Credit Opinion

17 November 2026

Shandong Public Holdings Limited

Surveillance credit rating report

Ratings	
Category	Corporate
Domicile	China
Rating Type	Solicited Rating
Long-Term Credit Rating	A_g-
Outlook	Stable

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CCXAP upgrades Shandong Public Holdings Limited's long-term credit rating to A_g-, with stable outlook.

Summary

China Chengxin (Asia Pacific) Credit Rating Company Limited ("CCXAP") has upgraded the long-term credit rating of Shandong Public Holdings Limited. ("SDPH" or the "Company") to A_g- from BBB_g+. The rating upgrade is underpinned by the Company's solid role as the most important public service entity in Jining City, with strengthened regional exclusive position in water supply and sewage treatment. It also reflects a high likelihood of government support given the Company's leading position and strong competitive edge.

The A_g- long-term credit rating of SDPH reflects the Company's (1) dominant role in public utility services sector in Jining City; (2) leading regional contractor in engineering construction; and (3) relatively diversified business structure.

However, the rating is constrained by the Company's (1) sales execution risk of property development; (2) low yield on asset; and (3) increasing debt burden along with weak debt serving metrics.

The rating also reflects a very high likelihood of support from the Jining City Municipal Government when needed, which is based on the Company's (1) ultimate control by the Jining Municipal Government; (2) regional importance in public utility services in Jining City; and (3) good track record of receiving ongoing government support from the Jining Municipal Government, including capital injection, equity transfers and financial subsidies.

The stable outlook on SDPH's rating reflects our expectation that the Company will maintain its regional competitiveness and importance in Jining City over the next 12-18 months. We also expect that the Company will continue to receive ongoing support from the local government.

Rating Drivers

- Dominant service provider of public utility in Jining City
- Leading regional contractor in engineering construction
- Sales execution risk of property development
- Relatively stable revenue scale along with weaker profitability and low yield on asset
- Increasing debt burden along with weak debt serving metrics
- Modest liquidity position and diversified funding channels

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) the likelihood of government support for the Company increases; or (2) the Company's stand-alone credit profile improves significantly, such as improvement in debt management and credit metrics.

What could downgrade the rating?

The rating could be downgraded if (1) the likelihood of government support for the Company decreases; or (2) the Company's stand-alone credit profile weakens significantly, such as deterioration in profitability or liquidity.

Key Indicators

	2023FY	2024FY	2025FY	2026H1
Total Assets (RMB billion)	67.7	77.0	86.5	82.9
Total Equity (RMB billion)	17.9	22.1	22.2	22.9
Total Revenue (RMB billion)	15.0	15.7	16.1	7.5
Net Profits (RMB million)	314.6	361.8	37.0	111.6
EBIT Margin (%)	13.2	11.7	10.4	-
Return on Assets (%)	3.1	2.5	2.0	-
Total Debt/Total Capital (%)	65.1	62.6	66.8	64.4
Total Debt/EBITDA (x)	11.9	13.3	16.8	-
EBITDA/Interest (x)	1.6	1.7	1.6	-
FFO/Total debt (%)	6.5	6.6	5.1	-

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

Source: Company data, CCXAP research

Corporate Profile

Founded in 1993, SDPH is one of the key local state-owned enterprises ("SOEs") in Jining City. The Company has a strong position in the public utility services of Jining City, including water supply, sewage treatment, and heat supply. It also conducts other commercial businesses including product sales, engineering construction, and property development. In 2024, due to state-owned capital operation plan, the State-owned Assets Supervision and Administration Commission of Jining Municipal Government ("Jining SASAC") transferred its shares in the Company to Shandong Public Utility Industrial Development Co., Ltd. ("SPUI"). As of 30 June 2026, the Jining SASAC remained its status as the ultimate controller of the Company.

Exhibit 1. Shareholding chart as of 30 June 2026



Source: Company information, CCXAP research

Exhibit 2. Revenue structure in 2025

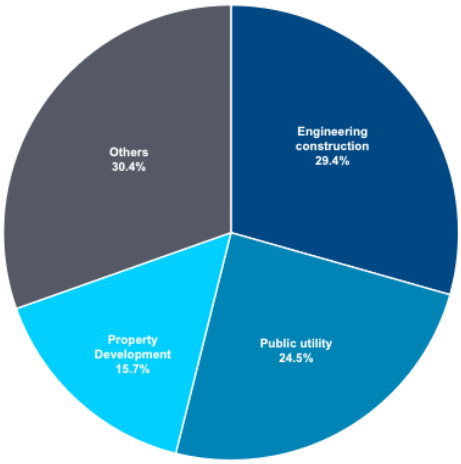
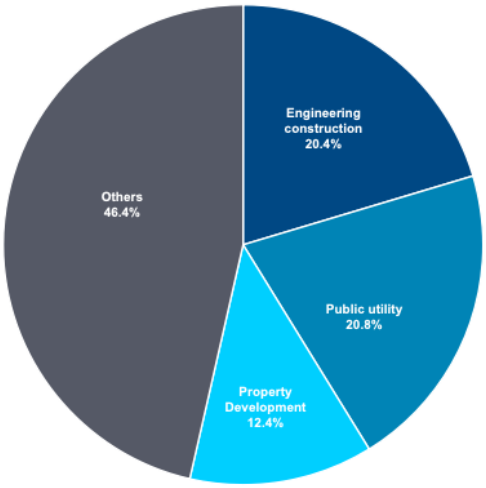


Exhibit 3. Gross profit structure in 2025



Source: Company information, CCXAP research

Rating Considerations

Business Profile

Dominant service provider of public utility in Jining City

SDPH is one of the major local SOEs in Jining City under the control of Jining Municipal Government, and has a strong position in the public utility services in Jining City, including water supply, sewage treatment, and heat supply. It has strong regional monopolistic advantages and plays a key role in the public welfare of the residents in Jining City. Over the past three years, SDPH has generated relatively stable revenue from public utility services of more than RMB3.8 billion each year.

The Company is the most important and largest water supply company in Jining City, responsible for water supply in the urban area of Jining City and the surrounding districts and counties. The water is supplied to residents in Jining City at prices set by the local government. As of 30 June 2026, the Company's total water supply capacity was 829.0 thousand cubic meters per day, servicing around 1.9 million residents within a service area of 265.2 square kilometers. At the same time, SDPH had the Yellow River West Line water pipeline project

under construction, with a total planned investment of RMB2.6 billion and an outstanding investment of RMB544.0 million. Once completed, the project will give priority to securing domestic water sources for urban and rural residents in some counties and districts of Jining City, and ease the ecological and geological environmental issues caused by groundwater overexploitation in the region. Despite facing substantial capital expenditure pressure, funding from local government special bonds can partially alleviate such pressure.

SDPH is also responsible for sewage collection and treatment in Jining City. As of 30 June 2026, the Company owned 19 sewage treatment plants, with a total sewage treatment capacity of around 1.1 million tons per day. SDPH also had one sewage treatment project under construction as of the same date, with a total investment of RMB2.3 billion and an outstanding investment of RMB282.0 million. Upon commissioning, the project will expand the Company's wastewater treatment operations to rural areas of Jining City, with revenue streams primarily consisting of wastewater treatment fees, subsidies and recycled water sales. Considering its strong regional position and the essential nature of public utility services, we expect the Company to maintain strong business stability, although its ongoing projects will continue to exert capital expenditure pressure.

SDPH has a dominant position in heat supply business in Jining City. It is the main provider of heat and industrial gas in the main urban area and the five surrounding districts and counties of Jining City. As of 30 June 2026, the Company had 923 heat exchange stations, serving a population of 470.7 thousand households over a service area of around 54.9 million square meters. In 2025, the public utility services' total revenue was RMB3.9 billion, with a gross profit margin of 12.8%, which increased significantly compared with 2024. This was mainly because the Company advanced the renewal and upgrading of urban heating networks, replaced heat sources, shut down coal-fired and gas-fired boilers, and upgraded high temperature water pipelines, resulting in a continuous decrease in costs. Moreover, the Company also constructed generator sets in Jining City for heat generation. In 2025, the Company delivered power output of 2,982 GWh and generated power sales revenue of RMB3.8 billion, sustaining a healthy 12.0% gross margin.

Leading regional contractor in engineering construction

Apart from public utility services, SDPH also engages in engineering construction business in Jining City. The Company conducts project construction mainly through its subsidiary Shandong Public Utility Construction Group Co., Ltd, and it primarily secures engineering construction projects through open market tendering and bidding, with a focus on water utility projects and municipal engineering projects. In 2025, the Company had realized RMB4.7 billion in revenue from engineering construction business, with a gross margin of 10.4%. In 2025 and the first half of 2026, the Company newly acquired engineering contracts of RMB6.7 billion. As of 30 June 2026, the Company had RMB4.7 billion of uncompleted contracts in hand, ensuring sustainable income for the upcoming years.

Moreover, SDPH is the principal builder of major public transit projects in Jining City. As of 30 June 2026, the Company had one public transportation projects under construction, which is the Elevated Road and Connecting Line Project (“Inner Ring Elevated Road”). The total investment for this project was RMB16.2 billion, and the uninvested amount is around RMB7.9 billion. The main structure of the Inner Ring Elevated Road was completed by the end of 2020, while only extension roads and supporting works remained under construction. The Company also had the Zoucheng to Jining Expressway Project (the "Zouji Expressway"). However, in the first half of 2026, the Zouji Expressway project ceased to be consolidated, as Jining Jizou Expressway Co., Ltd. was entrusted with its operation and management to a third party.

Sales execution risk of property development

SDPH also participates in property development business, which can be easily affected by the property market conditions in Jining City. Its property development business mainly focuses on development of residential properties. It conducts property development with some private-owned enterprises, and is concentrated in Jining City. In 2025, the Company's property development business generated revenues of RMB2.5 billion, with a gross margin of 11.9%, which had declined by 1.6% as compared to 2024. As of 30 June 2026, SDPH had completed 7 major real estate projects, with a total investment of RMB12.4 billion and sales paybacks around RMB11.3 billion. The average sales absorption rate for these projects was over 90%. At the same time, the Company had 1 main property projects under construction, with a total investment amount of RMB4.0 billion and an uninvested amount of RMB1.2 billion. The Company had received RMB822.7 million of sales paybacks from this project as of the same date. Meanwhile, in consideration of risk control, the company terminated the concert party agreement with Jining Public Ruima Jinyue Real Estate Co., Ltd. in 2025 and divested related property projects. However, the Company mainly relies on external financing for the construction of commercial housing, and the local government is less likely to provide direct support for these activities. This may expose the Company to certain business risks. Considering its current and future investment in property development for commercial housing construction, the Company may still face certain capital expenditure burden. As of the end of June 2026, the Company had no proposed property development· projects and held no land reserves for future property development.

Financial Profile

Relatively stable revenue scale along with weaker profitability and low yield on asset

Given its dominance in public utility services within Jining City and its relatively large scale of ongoing engineering construction and property development projects, SDPH's revenue scale remained relatively stable over the past three years. The Company recorded a total revenue of RMB16.1 billion in 2025, which slightly increased from RMB15.7 billion in 2024. Engineering construction business is the most significant contributor to SDPH's revenue, contributing 29.4% of operating revenue in 2025, followed by public utility services (24.5%), property development (15.7%), and wholesale and retail business (11.4%).

SDPH's profitability weakened in 2025, as reflected by the decline in net profit to RMB37.0 million from RMB361.8 million in 2024. This was partly driven by changes in credit impairment losses, mainly bad debt provisions made by its microfinance subsidiary on loans extended under the prudential principle, together with the discontinuation of the subsidiary's surplus land quota transfer business for policy reasons in 2025. Meanwhile, the Company's asset yield is relatively low as indicated by its 2.0% return on asset in 2025. Considering the Company's diversified business portfolio and continuous operation, we expect the Company's revenue to remain stable over the next 12 to 18 months. However, its profitability is expected to remain under pressure.

Increasing debt burden along with weak debt serving metrics

SDPH's total debt increased over the past two years as a result of its increasing investment on the ongoing construction projects in its pipeline. As of 30 June 2026, the Company's total debt increased to RMB41.5 billion from RMB37.0 billion as of end-2024, while its capitalization ratio (total debt to total capital) increased to 64.4% from 62.6% over the same period. As of 30 June 2026, the Company's short-term debt accounted for 34.2% of the total debt, and cash to short-term debt ratio was around 0.4x, indicating a relatively unbalanced debt maturity structure. However, average financing costs in mid-2026 decreased by around 60bp compared with the beginning of 2025.

In addition, SDPH's debt servicing capability is relatively weak as reflected by its weak debt serving metrics. The Company's total debt/EBITDA ratio was 16.8x in 2025, which indicates a relatively high debt leverage level. Moreover, its EBITDA interest coverage ratio was only around 1.6x over the past three years. These metrics reflect the Company's relatively weak debt repayment capability. Given the Company's large capital expenditure pressure on the property development and construction projects, we expect the Company's debt level will remain high over the next 12-18 months.

Modest liquidity position and diversified funding channels

SDPH has a modest liquidity position. The Company faces certain refinancing pressure considering its relatively high level of short-term debt. As of 30 June 2026, the Company's short-term debt accounted for 34.2% of its total debt and the cash to short-term debt ratio was relatively low at 0.4x. Moreover, the Company's receivables accounts, inventories, construction in progress, and intangible assets together accounted for 51.8% of the total assets as of the same date. These assets mainly consist of project construction costs and franchising rights in public utility sector, which are considered as illiquid assets. Besides, the Company had some assets pledged for loans, which could undermine its financial flexibility. The restricted assets include cash, inventories, fixed assets and intangible assets, with a total amount of RMB8.1 billion and accounting for around 9.8% of total assets as of 30 June 2026.

SDPH's liquidity profile could be partially alleviated by its access to diversified financing channels. Bank loans remain an important source of funding. As of 30 June 2026, SDPH had obtained total bank credit facilities of RMB38.5 billion, with an available amount of RMB15.5 billion. The Company also has access to the onshore bond market. From 2025 to August 2026, the Company issued 7 tranches of onshore bonds, raising RMB3.0 billion, with coupon rates ranging from 1.94% to 3.49%. However, external guarantees increased from RMB1.6 billion as of end-2024 to RMB8.2 billion as of mid-2026, equivalent to 35.5% of its total equity, exposing the Company to contingent liabilities.

External Support

Very high likelihood of support from Jining Municipal Government

We expect a very high likelihood of government support from the Jining Municipal Government to SDPH in times of need. Our expectation incorporates the considerations of the Company's (1) ultimate control by the Jining SASAC; (2) regional importance in public utility services in Jining City; and (3) good track record of receiving ongoing government support from the Jining Municipal Government, including capital injection, equity transfers and financial subsidies.

Jining City is located in the southern part of Shandong Province, which is one of the core cities in the Huaihai Economic Zone approved by the Shandong Provincial Government. Thanks to its diversified industrial structure such as coal mining, machinery and equipment manufacturing, paper and paper products, chemical industry goods, and textiles, Jining City's economic strength and fiscal strength steadily improved over the past three years. In 2025, it reported a GRP of RMB612.8 billion, representing a year-over-year ("YoY") growth of 5.8%. Its general budgetary revenue was recorded at RMB50.3 billion in 2025.

There are two main state-owned capital investment, construction and operation entities in Jining City under the control of the Jining SASAC, which are Jining City Investment Holding Group Co., Ltd. ("JIHG") and SPUI, respectively. Their responsibilities are well-defined with clear functional positioning. JIHG is positioned as an infrastructure investment and construction entity in Jining City, mainly focusing on infrastructure construction, property development, and airport operation. While SPUI is positioned as an industrial investment, public utility

service and engineering construction and operation entity in Jining City, and SDPH is the core subsidiary of SPUI.

The Jining Municipal Government maintains a high degree of control over SDPH's operations through SPUI, including the formulation of business strategies and the appointment of the board of directors and key management personnel. The Company is also required to report its annual budget, objectives, plans and performance to Jining SASAC. SDPH received good support from the Jining Municipal Government, given its regional importance in urban operation in Jining City. In 2025, the Company received fiscal subsidies from the local government of approximately RMB223.8 million, supporting its public utility services operations. Its capital reserves increased from RMB4.1 billion at end-2024 to RMB6.0 billion at mid-2026, which was mainly due to the government's gratuitous transfer the stake holdings of two companies to the Company in 2025.

Overall, given SDPH's regional importance in Jining City, we believe the local government will continue to support the Company in the form of financial subsidies, capital injections, or asset injections.

ESG Considerations

SDPH faces environmental risks because it has undertaken engineering construction in Jining City. Such risks could be moderated by conducting environmental studies and planning prior to the start of the projects, and close monitoring during the construction phase.

As a public services provider in Jining City, the Company also faces social risks. Demographic changes, public awareness and social priorities shape government's target for SDPH, or affect the government's propensity to support the Company.

SDPH's governance considerations are also material as the Company is subject to oversight by the Jining Municipal Government and has to meet several reporting requirements, reflecting its public-policy role and status as a government-owned entity.

Rating Methodology

The methodology used in this rating is the Rating Methodology for General Corporate (May 2026).

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