
Issuer Comment: CCXAP's comments on the equity transfer of Shandong Luqiao Group Co., Ltd.'s subsidiaries

Hong Kong, 21 October 2024 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) is concerned about the equity transfer of several subsidiaries of Shandong Luqiao Group Co., Ltd. (“SDLQ” or the “Company”) (A₉/stable).

Directly owned and controlled by Shandong Hi-Speed Road & Bridge Group Co., Ltd. (“Shandong Road & Bridge”, stock code: 000498.SZ), SDLQ is one of the leading engineering and construction (“E&C”) company in Shandong Province that is an expert in the construction of roads and bridges.

On 16 October 2024, SDLQ announced that in order to optimize resource allocation and simplify business structure, the Company plans to transfer its 67.9% equity in Shandong Hi-Speed Engineering Construction Group Co., Ltd., 76.8% equity in Shandong Provincial Highway and Bridge Construction Group Co., Ltd., and 53.5% equity in Shandong High Speed Maintenance Group Co., Ltd. to Shandong Road & Bridge.

After the equity transfer of the subsidiaries, compared with the end-2023, the Company's consolidated total assets will decrease by RMB27.2 billion, a decrease of 30.6%; net assets will decrease by RMB8.8 billion, a decrease of 45.1%, as of the end of September 2024. Compared with the same period in 2023, the Company's consolidated operating income will decrease by RMB13.2 billion from January 2024 to September 2024.

On 17 October 2024, in order to promote business development and enhance comprehensive competitiveness, Shandong Road & Bridge intends to introduce external investors to increase equity capital of SDLQ, with the scale not exceeding RMB3.0 billion. At present, the party and the amount of capital injection have not yet been determined.

We believe that the equity transfer has resulted in a significant decline in the Company's business scale and capital strength, which could have a certain negative impact on its credit profile. CCXAP will continue to monitor subsequent changes in SDLQ, and further assess the impact of the equity transfer on its rating.

Rating Methodology

The methodology used in this rating is the Rating Methodology for [Engineering and Construction Companies \(December 2016\)](#).

Regulatory Disclosures

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