# CCXAP affirms Shandong Shipping Corporation's long-term credit rating at $A_g$-, with stable outlook.

Hong Kong, 22 September 2025 – China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") has affirmed Shandong Shipping Corporation's ("SDSC" or the "Company") long-term credit rating at $A_g$-, with stable outlook.

The $A_g$- long-term credit rating of SDSC 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.

## 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.

## Rating Rationale

### Credit Strengths

**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.

**Relatively good business stability with solid client base.** SDSC's core strategy is to focus on establishing long-term partnerships with key clients. 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.

**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. The Company has access to low-cost fundings given its strong shareholder background.

**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.

### Credit Challenges

**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.

**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. To mitigate exposure to market fluctuations, SDSC employs a strategy centered on long-term contracts with key customers and a diversified pricing structure.

**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%. The Company's credit metrics weakened in 2024 due to the decrease in profitability and the increase in total debt and financing expanses.

## Rating Outlook

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.

**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.

## Rating Methodology

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

## Regulatory Disclosures

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