

CCXAP affirms Shouguang City Construction Investment Development Co., Ltd.'s long-term credit rating at BBB_g-, with stable outlook.

Hong Kong, 15 December 2025 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has affirmed Shouguang City Construction Investment Development Co., Ltd.’s (“SGCC” or the “Company”) long-term credit rating at BBB_g-, with stable outlook.

The BBB_g- long-term credit rating of SGCC reflects Shouguang City Government’s (1) strong capacity and (2) high willingness to provide support to the Company, based on our assessment of the Company’s characteristics. Our assessment of the local government’s capacity to provide support reflects Shouguang City’s status as one of the top 100 counties in China, with rapid economic growth and good fiscal metrics.

The rating also reflects the local government’s willingness to provide support, which is based on the Company’s (1) dominant role in local infrastructure construction, operation of land resources, and provision of essential public services; (2) track record of receiving government payments; and (3) access to diversified funding channels. However, the rating is constrained by the Company’s (1) high exposure to commercial activities; (2) increasing short-term debt pressure and moderate asset liquidity; and (3) high contingent liability risk resulting from external guarantees.

Corporate Profile

Founded in February 2008, SGCC is one of the key local infrastructure investment and financing companies (“LIIFCs”) in Shouguang City, Weifang City, Shandong Province. The Company engages in the public policy projects, including infrastructure construction, affordable and resettlement housing development, operation of land resources, as well as the provision of heat energy services. The Company also has commercial operations, including residential housing development, property leasing, production and sales of commercial concrete, engineering construction, as well as grain sales. As of 30 September 2025, SGCC was wholly-owned by Shouguang City Investment Holding Group Co., Ltd. (“SGIG”) and was ultimately controlled by the Shouguang City State-owned Assets Operation Center.

Rating Rationale

Credit Strengths

Dominant role in local infrastructure construction, operation of land resources, and provision of essential public services. SGCC is one of the major LIIFCs in Shouguang City that undertakes the role of city development and public construction as well as provision of utility services. The Company is commissioned to carry out various key infrastructure construction and land resource operation projects that are crucial to local economic development and to provide public utility services that benefit the general public.

Track record of receiving government payments. SGCC has a proven track record of receiving recurring support from the Shouguang City Government, such as capital injections,

proceeds from government bond issuance, free injections of operating state-owned assets, and subsidies. Given the Company's strategic importance in the region, we expect the Company will continue to receive government cash payments and allocations from proceeds of the provincial government's special purpose bonds to support its capital expenditure in public policy-related investments.

Access to diversified funding channels. SGCC has access to various sources of funding, including bank loans and onshore and offshore bond financing. The Company maintains good long-term relationships with large domestic banks such as Agricultural Development Bank of China, China Construction Bank, Evergrowing Bank Co., Ltd., etc. Meanwhile, SGCC had low exposure to shadow banking lending, as the Company has been actively reducing its reliance on non-standard products. Its proportion in non-standard products reduced to less than 5%.

Credit Challenges

High exposure to commercial activities. Apart from public-related activities, SGCC also engages in diversified commercial activities including real estate development, property leasing, production and sales of commercial concrete, engineering construction, and grain sales. As the majority of the Company's commercial businesses are subject to changes in the property market, subsequent project development and relevant income may experience higher volatility, particularly during the downturn of China's property market. Considering the difficulty in obtaining direct support from the government for commercial activities, the commercial activities may constrain the Company's credit profile and will inevitably expose the Company to more operational and financial risks.

Increasing short-term debt pressure. SGCC's total debt has decreased over the past two years. However, the Company is facing increasing short-term debt pressure. As of 30 September 2025, its short-term debt amounted to RMB4.4 billion, accounting for 41.4% of its total debt, and its cash was insufficient to cover its debt obligations. Therefore, this may bring certain refinancing pressure to the Company in the near term.

Moderate asset liquidity. The Company's asset quality and liquidity profile are moderate. As of 31 December 2024, account receivables, investment properties, inventories, and long-term equity investment together accounted for 63.0% of the Company's total assets. These assets mainly consist of receivables from relevant government entities, land reserves, project construction costs and equity investment in other local state-owned enterprises ("SOEs"), which are considered to have low liquidity.

High contingent liability risks resulting from external guarantees. SGCC's credit profile is constrained by its relatively large external guarantees relative to its net assets. As of 30 September 2025, the Company's outstanding external guarantees increased to RMB9.3 billion, accounting for 91.9% of its net assets, of which the majority were provided to local SOEs. Moreover, the Company also provided guarantees for two private-owned enterprises ("POEs"), which are considered high-risk due to their heightened propensity for triggering compensatory events.

Rating Outlook

The stable outlook on SGCC's rating reflects our expectation that Shouguang City Government's capacity to provide support will remain stable, and the Company's characteristics, such as its business profile and financial risks and controls will remain unchanged over the next 12 to 18 months.

What could upgrade the rating?

The rating could be upgraded if (1) the local government's capacity to provide support strengthens; or (2) the Company's characteristics change in a way that strengthens the local government's willingness to provide support, such as materially lowered exposure to risky commercial activities and increased public policy status.

What could downgrade the rating?

The rating could be downgraded if (1) the local government's capacity to provide support weakens; or (2) the Company's characteristics change in a way that weakens the local government's willingness to provide support, such as reduced strategic significance or deteriorated debt management.

Rating Methodology

The methodology used in this rating is the Rating Methodology for [China's Local Infrastructure Investment and Financing Companies \(July 2022\)](#).

Regulatory Disclosures

CCXAP's Rating Symbols and Definitions are available on its website at:

http://www.ccxap.com/en/rating_services/category/6/

This rating is solicited. Please refer to CCXAP's Policy for designating and assigning Solicited and Unsolicited Credit Ratings available on its website at:

http://www.ccxap.com/en/rating_services/category/9/

The rating has been disclosed to the rated entity or its related party prior to publication, and issued with no amendment resulting from that disclosure.

CCXAP considers a rated entity or its related party to be participating when it maintains an overall relationship with CCXAP. Unless specifically noted in the Regulatory Disclosures as a non-participating entity, the rated entity or its related party is participating and the rated entity or its related party generally provides CCXAP with information for the purposes of its rating process.

Regulatory disclosures contained here apply to press release, rating report, and if applicable, the related rating outlook or rating review.



CCXAP's public ratings are available at www.ccxap.com (Rating Results) and may be distributed through media and other means.

The first name below is the lead rating analyst for this rating and the last name below is the person primarily responsible for approving this rating.

Cherry Chau

Credit Analyst

+852-2860 7128

cherry_chau@ccxap.com

Elle Hu

Executive Director of Credit Ratings

+852-2860 7120

elle_hu@ccxap.com

Client Services: +852-2860 7111



Copyright © 2025 China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP"). All rights reserved.

No part of this publication may be reproduced, resold, or redistributed in any form or by any means, without prior written permission of CCXAP.

A credit rating is the analytical result of current credit worthiness and forward-looking opinion on the credit risk of a rated entity or a debt issue. Credit ratings issued by CCXAP are opinions on the current and relative future credit risk of the rated entities or debt issues, but do not address any other risks, including but not limited to liquidity risk, market price risk, and interest rate risk.

Credit ratings, non-credit assessments, and other opinions included in CCXAP's publications are not recommendations for investors to buy, sell, or hold particular securities, nor measurements of market value of the rated entities or debt issues. While obtaining information from sources it believes to be reliable, CCXAP does not perform audit and undertakes no duty of independent verification or validation of the information it receives from the rated entities or third-party sources.

All information contained herein belongs to CCXAP and is subject to change without prior notice by CCXAP. CCXAP considers the information contained herein to be accurate and reliable. However, all information is provided on an "as is" and "as available" basis and CCXAP does not guarantee accuracy, adequacy, completeness, or timeliness of the information included in CCXAP's publications.

To the extent where legally permissible, CCXAP and its directors, officers, employees, agents and representatives disclaim liability to any person or entity (i) for any direct or compensatory losses or damages, including but not limited to by any negligence on the part of, and any contingency within or beyond the control of CCXAP or any of its directors, officers, employees, agents or representatives, arising from or in connection with the information contained herein or the use of or inability to use any such information; and (ii) for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if CCXAP or any of its directors, officers, employees, agents or representatives is advised in advance of the possibility of such losses or damages.

China Chengxin (Asia Pacific) Credit Ratings Company Limited

Address: Suites 1904-1909, 19/F, Jardine House,
1 Connaught Place, Central, Hong Kong

Website: www.ccxap.com

Email: info@ccxap.com

Tel: +852-2860 7111

Fax: +852-2868 0656