CCXAP assigns A_g to Shandong Commercial Group Co., Ltd.'s SBLC-supported CNY bonds.

Hong Kong, 14 July 2026 – China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") has assigned a debt rating of A_g to the proposed CNY bonds to be issued by Shandong Commercial Group Co., Ltd. ("Lushang Group" or the "Company") (BBB_g+/stable).

The bonds are fully supported by an irrevocable standby letter of credit ("SBLC") from Bank of Beijing Co., Ltd., Jinan Branch ("Bank of Beijing" or the "LC Bank"). The Company intends to use the net proceeds for refinancing Lushang Group's existing medium and long-term offshore indebtedness maturing in August 2026.

Corporate Profile

Founded in 1992, Lushang Group is a state-owned capital investment platform in Shandong Province. The Company mainly engages in retail, health and wellness properties, pharmaceutical, and trading businesses. The Company has three publicly listed subsidiaries, Inzone Group Co., Ltd. ("Inzone Group", Stock Code: 600858.SH), Lushang Freda Pharmaceutical Co., Ltd. ("Freda Pharmaceutical", Stock Code: 600223.SH), and Lushang Life Services Co., Ltd. ("LSFW", Stock Code: 2376.HK). As of end-2025, the Shandong Provincial State-owned Assets Supervision and Administration Commission ("Shandong SASAC") directly held 71.30% of the Company's shares and was its ultimate controller, while Shandong Development Investment Holding Group Co., Ltd. and Shandong Caixin Asset Management Co., Ltd. held 19.13% and 9.57% of the Company's shares, respectively.

Rating Rationale

The rating of the bonds is based on our assessment of Bank of Beijing's credit quality. The bonds are fully supported by an irrevocable CNY-denominated SBLC from Bank of Beijing, which is considered unsecured and unsubordinated obligations of the LC Bank. The payment obligations of the LC Bank under the SBLC shall at all times rank pari passu with all of its other present and future unsecured and unsubordinated obligations.

Our analysis of the transaction is based on Bank of Beijing to support the payment of the bonds through the SBLC. Investors will have the benefit of the irrevocable SBLC issued by the LC Bank. In the event of a default by the issuer, the LC Bank would be obligated to the investors for the outstanding principal and interest payable.

Founded in 1996, Bank of Beijing is a commercial bank with a mix of domestic and foreign shareholders' capital. It was listed in the Shanghai Stock Exchange in 2007 (Stock code: 601169.SH). As one of the domestic systemically important banks, Bank of Beijing mainly operates in Beijing and more than ten major cities with diversified businesses. In recent years, Bank of Beijing has recorded a continuous decline in its non-performing loan ratio, maintained sufficient loan loss provisions and sound quality of credit assets. However, the contraction of its interest spread has weighed on profitability, creating certain pressure in replenishing core capital in the future. Our analysis of the transaction is contingent upon Bank of Beijing to support the payment of the bonds through the SBLC.

Rating Sensitivities

Any change to the credit quality of Bank of Beijing could lead to a corresponding change in the rating of the bonds.

Rating Methodology

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

The methodology used in Bank of Beijing's assessment is the Rating Methodology for Banks (November 2021).

Regulatory Disclosures

CCXAP's Rating Symbols and Definitions are available on its website at:
http://www.ccxap.com/en/rating_services/category/6/

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

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