CCXAP affirms Shandong Commercial Group Co., Ltd.'s long-term credit rating at BBB_g+, with stable outlook

Hong Kong, 28 August 2026 – China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") has affirmed Shandong Commercial Group Co. Ltd. ("Lushang Group" or the "Company")'s long-term credit rating at BBB_g+, with stable outlook. At the same time, CCXAP has affirmed Lushang Group's senior unsecured debt rating at A_g. The bonds (ISIN: HK0001323275) are fully supported by an irrevocable standby letter of credit ("SBLC") from Bank of Beijing Co., Ltd. ("Bank of Beijing"), Jinan Branch.

The BBB_g+ long-term credit rating is underpinned by the Company's (1) well-diversified business portfolio to diversify business risks and mitigate revenue volatility; (2) leading market position in the retail sector, with a comprehensive store portfolio; and (3) good branding in cosmetic and pharmaceutical business, with online-and-offline distribution channels.

However, the rating is constrained by the Company's (1) high geographic concentration and destock pressure in the property business; (2) high debt leverage and moderate credit metrics; and (3) moderate liquidity position.

The rating also reflects moderate support from the Shandong Provincial Government, when necessary, which is based on the Company's (1) direct and full ownership by the provincial government; (2) strategic importance in economic and social development in Shandong Province; and (3) good track record of receiving ongoing government support.

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 30 June 2026, 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. (formerly known as Shandong Guohui Investment Co., Ltd.) and Shandong Caixin Asset Management Co., Ltd. held 19.13% and 9.57% of the Company's shares, respectively.

Rating Rationale

Credit Strengths

Well-diversified business portfolio to diversify business risks and mitigate revenue volatility. According to the ranking released by Shandong SASAC, Lushang Group is one of the top 10 provincial state-owned companies based in Shandong Province. The Company has a well-diversified business portfolio, entering into industries including retail, pharmaceutical, health and wellness properties, and commodity trading businesses. The Company also expands its footprint in cultural tourism, education, healthcare, media, financial services, and e-commerce businesses. We believe that the Company can diversify its business risks and mitigate revenue volatility through synergistic operation of its multiple business segments, which is credit positive.

Leading market position in the retail sector, with a comprehensive store portfolio. Lushang Group has demonstrated a leading market position in Shandong Province's retail sector, supported by its distinct brand identity and scale advantage. According to data from the China Chain Store & Franchise Association, it ranked 3rd in 2025 among chain store operators in Shandong Province in terms of sales volume. The Company operates a comprehensive store portfolio with five major types of stores, including department stores and supermarket complexes, shopping centers, homeware stores, electrical appliance stores, and automobile franchise stores, mainly under the brand "INZONE".

Good branding in the cosmetic and pharmaceutical business, with online and offline distribution channels. Through Freda Pharmaceutical, Lushang Group engages in the research and development, production, sale and distribution of a broad range of cosmetic products, pharmaceutical, and healthcare products. Benefited by the expansion of online sales channels, Lushang Group's pharmaceutical business continues to thrive, but the growth has slowed due to factors including the slowdown of the industry growth rate.

Credit Challenges

High geographic concentration and destock pressure in the property business. Since 2021, affected by the slowdown of the property market, the Company slowed down the land investment and business expansion, and the contracted sales dramatically decreased. Considering that the real estate market has not fully recovered, we expect the Company's contracted sales will remain weak in the next 12 to 18 months.

High debt leverage and moderate credit metrics. With continuous funding for its expansion from the pharmaceutical industry and continuous investment in property projects under construction, Lushang Group's debt leverage has remained at a high level in recent years. In addition, Lushang Group's debt servicing capability remained relatively weak. Given the Company's large expenditure pressure from the construction projects in the pipelines and its acquisition appetite, we expect that its debt leverage will remain at a relatively high level in the next 12 to 18 months.

Moderate liquidity position. The Company has improved its debt maturity structure, but the short-term debt repayment pressure is still relatively high. The large amount of short-term debt has exerted high refinancing pressure on the Company.

Rating Outlook

The stable outlook on Lushang Group's rating reflects our expectation that the Company will maintain strong competitiveness in the retail sector in Shandong Province. We also expect that, as a state-owned enterprise, it will receive ongoing support from the local government.

What could upgrade the rating?

The rating could be upgraded if (1) the Company's business strength and asset quality improve; and (2) the Company's stand-alone credit profile improves significantly, such as an improvement in debt structure and leverage.

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 debt leverage or liquidity.

Rating Methodology

The methodology used in Lushang Group'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/

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.

Christy Liu
Assistant Director of Credit Ratings
+852-2860 7127
christy_liu@ccxap.com

Elle Hu
Executive Director of Credit Ratings
+852-2860 7120
elle_hu@ccxap.com

Client Services: +852-2860 7111

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