CCXAP upgrades Shandong Public Holdings Limited's long-term credit rating to A_g-, with stable outlook.

Hong Kong, 17 November 2026 -- China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") has upgraded the long-term credit rating of Shandong Public Holdings Limited ("SDPH" or the "Company") to A_g- from BBB_g+, with stable outlook.

The A_g- long-term credit rating of SDPH reflects the Company's (1) dominant role in public utility services sector in Jining City; (2) leading regional contractor in engineering construction; and (3) relatively diversified business structure. However, the rating is constrained by the Company's (1) sales execution risk of property development; (2) low yield on asset; and (3) increasing debt burden along with weak debt serving metrics.

The rating also reflects a very high likelihood of support from the Jining City Municipal Government when needed, which is based on the Company's (1) ultimate control by the Jining Municipal Government; (2) regional importance in public utility services in Jining City; and (3) good track record of receiving ongoing government support from the Jining Municipal Government, including capital injection, equity transfers and financial subsidies.

Corporate Profile

Founded in 1993, SDPH is one of the key local state-owned enterprises ("SOEs") in Jining City. The Company has a strong position in the public utility services of Jining City, including water supply, sewage treatment, and heat supply. It also conducts other commercial businesses including product sales, engineering construction, and property development. In 2024, due to state-owned capital operation plan, the State-owned Assets Supervision and Administration Commission of Jining Municipal Government ("Jining SASAC") transferred its shares in the Company to Shandong Public Utility Industrial Development Co., Ltd. ("SPUI"). As of 30 June 2026, the Jining SASAC remained its status as the ultimate controller of the Company.

Rating Rationale

Credit Strengths

Dominant role in public utility services sector in Jining City. SDPH is one of the major local SOEs in Jining City under the control of Jining Municipal Government, and has a strong position in the public utility services in Jining City, including water supply, sewage treatment, and heat supply. It has strong regional monopolistic advantages and plays a key role in the public welfare of the residents in Jining City. Over the past three years, SDPH has generated relatively stable revenue from public utility services of more than RMB3.8 billion each year.

Leading regional contractor in engineering construction. Apart from public utility services, SDPH also engages in engineering construction business in Jining City. The Company conducts project construction mainly through its subsidiary Shandong Public Utility Construction Group Co., Ltd, and it primarily secures engineering construction projects through open market tendering and bidding, with a focus on water utility projects and municipal

engineering projects. Moreover, SDPH is the principal builder of major public transit projects in Jining City.

Very high likelihood of support from Jining Municipal Government. SDPH is one of the major local SOEs in Jining City under the control of Jining Municipal Government. It has strong regional monopolistic advantages and plays a key role in the public welfare of the residents in Jining City. The Jining Municipal Government maintains a high degree of control over SDPH's operations through SPUI, including the formulation of business strategies and the appointment of the board of directors and key management personnel. Meanwhile, SDPH received good support from the Jining Municipal Government, given its regional importance in urban operation in Jining City.

Credit Challenges

Sales execution risk of property development. SDPH also participates in property development business, which can be easily affected by the property market conditions in Jining City. Its property development business mainly focuses on development of residential properties. It conducts property development with some private-owned enterprises, and is concentrated in Jining City. Considering its current and future investment in property development for commercial housing construction, the Company may still face certain capital expenditure burden. As of the end of June 2026, the Company had no proposed property development· projects and held no land reserves for future property development.

Low yield on asset. Given its dominance in public utility services within Jining City and its relatively large scale of ongoing engineering construction and property development projects, SDPH's revenue scale remained relatively stable over the past three years. However, SDPH's profitability weakened in 2025, while its asset yield remained relatively low. Considering the Company's diversified business portfolio and continuous operation, we expect the Company's revenue to remain stable over the next 12 to 18 months. However, its profitability is expected to remain under pressure.

Increasing debt burden along with weak debt serving capability. SDPH's total debt increased over the past two years as a result of its increasing investment on the ongoing construction projects in its pipeline. In addition, SDPH's debt servicing capability is relatively weak as reflected by its weak debt serving metrics such as total debt/EBITDA and EBITDA interest coverage ratio. These metrics reflect the Company's relatively weak debt repayment capability.

Rating Outlook

The stable outlook on SDPH's rating reflects our expectation that the Company will maintain its regional competitiveness and importance in Jining City over the next 12-18 months. We also expect that the Company will continue to receive ongoing support from the local government.

What could upgrade the rating?

The rating could be upgraded if (1) the likelihood of government support for the Company increases; or (2) the Company's stand-alone credit profile improves significantly, such as improvement in debt management and liquidity.

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 profitability or liquidity.

Rating Methodology

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

Regulatory Disclosures

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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

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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