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

Hong Kong, 20 November 2026 – 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; and (3) 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 September 2026. 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.** SDOC is an important operating entity in the Shandong Province's marine industry and its capacity to provide support is largely underpinned by Shandong Provincial Government. SDSC has a very important position in SDOC's operations as the primary operating subsidiary in shipping services business. At the same time, the Company is also the sole provincial state-owned ocean shipping enterprise in Shandong Province. A default by SDSC will pose reputation risk to the government as well. It is expected that the Shandong Provincial Government would provide support to SDSC through SDOC when necessary.

### Credit Challenges

**Moderate profitability.** In 2025, the Company's total revenue increased slightly. Meanwhile, the gross margin of the marine transportation segment improved, supported by volume growth in the relatively higher yield oil and chemical transportation business. However, the financial leasing segment's gross margin declined amid falling interest rates and business adjustments. Consequently, the Company's overall gross margin recorded a slight increase.

**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. As of 30 September 2026, its total debt (including perpetual bonds) increased compared with the end of 2024, with a high total capitalization ratio. Meanwhile, SDSC has a proportion of restricted assets. The Company's credit metrics weakened in 2025 due to the increase in total debt and decrease in depreciation and amortization.

## 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 General Corporate (May 2026).

## Regulatory Disclosures

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