

## Credit Opinion

24 July 2025

Ratings	
Senior Unsecured Debt Rating	A <sub>g</sub> +
Long-Term Credit Rating	A <sub>g</sub> +
Outlook	Stable
Category	Corporate
Domicile	China
Rating Type	Solicited Rating

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## Shanghai Lingang Economic Development (Group) Co., Ltd.

### Surveillance credit rating report

**CCXAP affirms Shanghai Lingang Economic Development (Group) Co., Ltd.'s long-term credit rating at A<sub>g</sub>+, with stable outlook.**

### Summary

The A<sub>g</sub>+ long-term credit rating of Shanghai Lingang Economic Development (Group) Co., Ltd. ("Lingang Group" or the "Company") reflects the Shanghai Municipal Government's excellent capacity and high willingness to provide support based on our assessment of the Company's characteristics.

Our assessment of the Shanghai Municipal Government's capacity to provide support reflects Shanghai City's status as the largest direct-administered municipality by gross regional production ("GRP") among the four municipalities in China. It also has a strong economic and fiscal foundation, and good debt profile.

The rating also reflects the local government's willingness to support, which is based on the Company's (1) full ownership and direct management by the Shanghai Municipal Government; (2) strategic importance in the development of Shanghai City's industrial parks; (3) solid government support through ongoing capital injection and subsidies; and (4) strong access to low-cost and stable fundings.

However, the rating is constrained by the Company's (1) large exposure to industrial property development, which is typically subject to the volatilities of regional industrial investments; and (2) fast expansion on the debt scale that exerts debt management pressure.

The stable outlook on Lingang Group's rating reflects our expectation that Shanghai Municipal Government's capacity to provide support will be stable given its strong economic fundamentals, and the Company's characteristics such as its primary role in developing and operating industrial parks will remain unchanged over the next 12 to 18 months.

## Rating Drivers

- Shanghai Municipal Government's excellent capacity to provide support
- Strategic importance in the development of industrial parks in Shanghai City
- Large recurring rental income moderate risks in the property development business
- Solid government support through ongoing capital injection and subsidies
- Increased debt management pressure but mitigated by strong access to funding

## Rating Sensitivities

### 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 support such as increasing strategical importance, increasing public-related project reserves, materially reducing exposure to commercial activities.

### 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 support, such as decreasing strategical importance, reducing access to funding, or materially increasing contingent liability risk.

## Key Indicators

	2022FY	2023FY	2024FY	2025Q1
Total Assets (RMB billion)	179.3	218.4	235.3	243.2
Total Equity (RMB billion)	57.0	69.2	79.3	79.6
Total Revenue (RMB billion)	11.1	13.3	23.0	35.3
Total Debt/Total Capital (%)	60.2	60.3	61.3	63.3

All ratios and figures are calculated using CCXAP's adjustments.

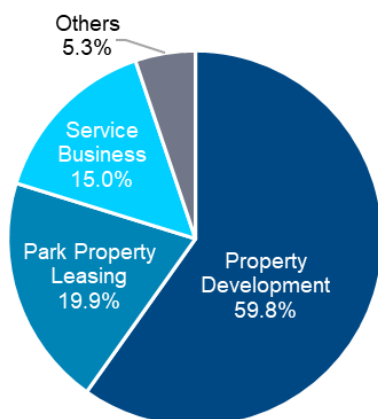
Source: Company data, CCXAP research

## Corporate Profile

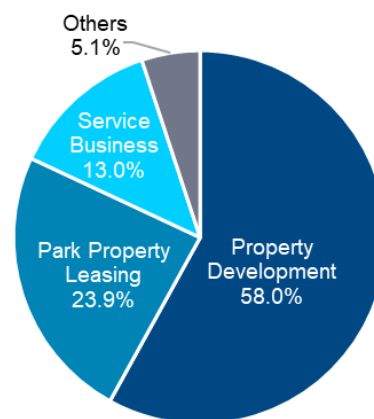
Lingang Group is a large state-owned enterprise that focuses on the investment promotion and operation of industrial parks, professional enterprise services and sci-tech industrial investment. The Company has been the main force in the development and construction of Lingang Special Area of China (Shanghai) Pilot Free Trade Zone ("Lingang Special Area"), and gradually become an important participant in the industrial upgrading and urban renewal of key areas in Shanghai City. After more than 40 years of development, Lingang Group owns four major brands, namely "Lingang", "Caohejing Hi-tech Park", "Innovation Galaxy" and "Lingang Industry Clusters". It is a major construction entity in the Lingang Special Area and a new force in the transformation and development of key areas in Shanghai City including the Caohejing Hi-Tech Park. The Company helps attract investments and provides different kinds of buildings such as factories, office buildings, storehouses, affordable rental housing and R&D centers in industrial parks. It is also responsible for the construction of public infrastructure projects in the Lingang Special Area.

In 2024, the State-Owned Assets Supervision and Administration Commission of Shanghai Municipal Government ("Shanghai SASAC") increased Lingang Group's paid-in capital to RMB16.8 billion through a combination of equity transfer from other state-owned enterprises and capital injection in cash, which had not been completed in the official alteration of registration by 31 March 2025. After the official alteration, Shanghai SASAC's direct ownership would increase to 63.81% and the remaining 36.19% of shares would be held by other large state-owned enterprises under Shanghai SASAC or the State-Owned Assets Supervision and Administration Commission of Pudong New Area, Shanghai City. As of 31 March 2025, Shanghai SASAC remained the ultimate owner and controller of the Company.

**Exhibit 1. Revenue structure in 2024**

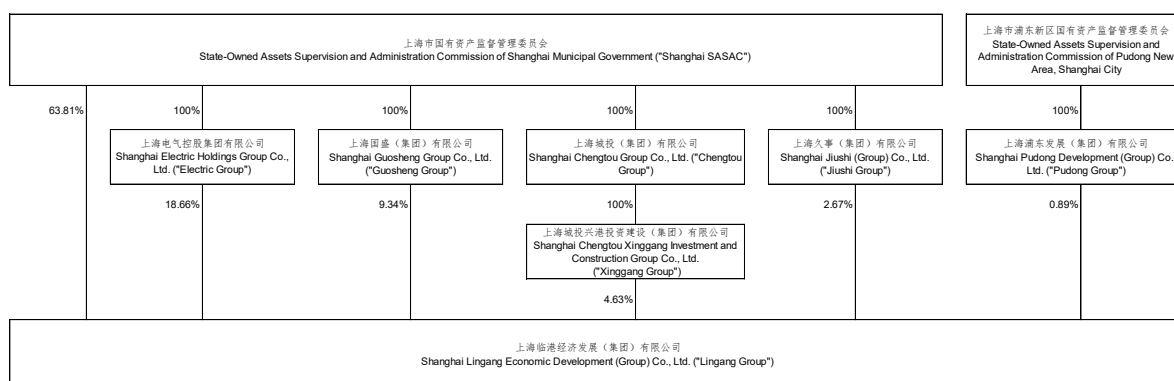


**Exhibit 2. Gross profit structure in 2024**



Source: Company information, CCXAP research

**Exhibit 3. Shareholding chart of Lingang Group as of 31 March 2025**



Source: Company information, CCXAP research

## Rating Considerations

### Government's Capacity to Provide Support

We believe Shanghai Municipal Government has an excellent capacity to provide support, given its strong economic fundamentals and fiscal strength. As one of the major business centers in China and around the world, Shanghai City excels in economic development, finance and business, research and technology, transportation, as well as culture and tourism.

Shanghai City is one of the four direct-administered municipalities of China. It is located in eastern China, at the mouth of the Yangtze River, and faces the Pacific Ocean. The strong strategic position and superior

geographical environment make it the largest economic and financial center of China and an important international shipping center, with the world's busiest container port — the Port of Shanghai. Shanghai City has a very strong economic foundation with diversified and well-developed industries. In 2024, the economic scale of three pilot industries, integrated circuits, biomedicine and artificial intelligence, amounted to RMB1.8 trillion. The industrial strategic emerging industries accounted for around 43.6% of the total industrial output value above the designated size. In 2024, its GRP increased by a year-over-year (“YoY”) rate of 5.0% to RMB5.4 trillion, which is the largest GRP among the direct-administered municipalities. Its GRP per capita increased to around RMB217,000, second to Beijing City.

Supported by its economic growth and good industrial structure, Shanghai City's fiscal strength is strong with good fiscal self-sufficiency and high proportion of tax revenue. In 2024, its general budgetary revenue increased to RMB837.4 billion from RMB831.3 billion in 2023. Tax revenue in Shanghai City has been stable, accounting for over 80% of general budgetary revenue over the past three years. Shanghai City also has a strong fiscal balance and good debt profile with a self-sufficiency ratio (general budgetary revenue/general budgetary expenditure) of over 80% in the past three years and a low debt/GRP ratio of 16.9% as of the end of 2024.

#### **Exhibit 4. Key economic and fiscal indicators of Shanghai City**

	2022FY	2023FY	2024FY
GRP (RMB billion)	4,480.9	4,721.9	5,392.7
GRP Growth (%)	-0.1	5.0	5.0
General Budgetary Revenue (RMB billion)	760.8	831.3	837.4
General Budgetary Expenditure (RMB billion)	939.3	963.9	987.5
Local Government Debt (RMB billion)	853.9	883.2	909.1

Source: Bureau of Statistics of Shanghai City, CCXAP research

The development of industrial parks is one of the engines of Shanghai City's economy and also helps increase the competitiveness of the city's advanced technology and industries. There are more than 50 featured industrial parks in Shanghai City, including Caohejing Hi-tech Park and Lingang Special Area, where Lingang Group mainly develops. Caohejing Hi-tech Park is one of the first-class industrial parks in Shanghai and nationwide. It is one of the first-around national-level economic and technological development zones approved by the State Council of China. After years of development, it has attracted lots of well-known domestic and foreign companies to invest, forming the densest and largest high-tech industrial clusters in Shanghai in terms of information technology, new materials and high-end equipment. Caohejing Hi-tech Park ranked 13<sup>th</sup> among national-level economic development zones in 2024.

The Lingang Special Area was established with the approval of the State Council in 2019. Positioned as an economic function area for Shanghai City with high international influence and competitiveness, it targets to reach RMB600 billion in economic scale by 2025. It has attracted investment from large enterprises such as Tesla, Inc. and SAIC Motor Corporation Limited. Over the past five years, the economic and fiscal development of Lingang Special Area roared, seeing the GRP rising at an annual average rate of 19.8% and the tax revenue increasing at an annual average rate of 17.4%, faster than most areas in China.

#### **Government's Willingness to Provide Support**

##### **Strategic importance in the development of industrial parks in Shanghai City**

Lingang Group is strategically important to the Shanghai Municipal Government, given its dominant role in industrial park development, enterprise services and industrial investment in Shanghai City. Lingang Group is

the largest industrial zone developer and manager by area in Shanghai City and manages 14 featured industrial parks, primarily located in the Lingang Special Area and the Caohejing Hi-tech Park, which are economically and strategically important to Shanghai City and meet the national development strategy of the Yangzi River Economic Belt. Since its establishment, Lingang Group has undertaken a series of functions in align with the strategic planning of the local government, including park construction and operation, investment attraction, supporting facilities construction and enterprise services, to promote the comprehensive development of industrial parks in Shanghai City.

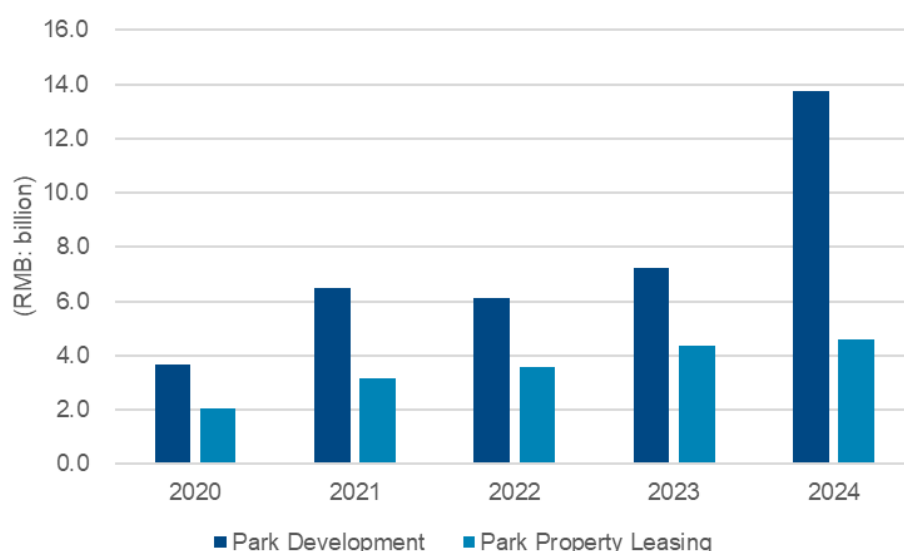
In addition, Lingang Group also undertakes certain public infrastructure projects entrusted by the government in the Lingang Special Area, carrying out urban engineering and river improvement work nearby, while the scale remains relatively small. As of 31 March 2025, the Company had undertaken infrastructure construction projects of approximately RMB1.8 billion in planned investment and was expected to invest approximately RMB800.0 million. The infrastructure projects under planning had a planned investment of around RMB200.0 million.

As of 31 March 2025, Shanghai SASAC remained the ultimate owner and controller of the Company. The Company's status as an important municipal-level state-owned enterprise in Shanghai remained intact. In view of Lingang Group's strategic role in the development of local industry and economic development, we believe that the potential substitution is relatively low and government support is very likely in the near future.

### **Large recurring rental income with moderate risks in the property development business**

Lingang Group has a large exposure to commercial activities such as park property development, park property leasing, services business and financial investments. Despite these kinds of activities being associated with the Company's core business of industrial park development, they have higher commercial elements and are mostly self-sustaining.

The property development of industrial parks accounts for a large proportion of the Company's commercial activities, accounting for 59.8% of total revenue in 2024. It involves constructing and selling properties within the industrial parks including standard factories, customized factories, warehouses, storage yards, office buildings and social housing, which are subject to the volatilities of regional industrial investment. In 2024, Lingang Group's revenue from property development increased by 90.0% from RMB7.2 billion to RMB13.7 billion, mainly driven by the revenue recognition in supporting residential property sales within the park. Large rental income helps mitigate the business risks and high volatility in the property sales. Lingang Group's leasing properties mainly consisted of factories, office buildings and warehouses with good location attributes. In 2024, the rental income was around RMB4.6 billion, accounting for 19.9% of total revenue, an increase of 4.6% from the previous year. Depending on the type of leasing properties, the lease term is generally 3-5 years. As of 31 March 2025, Lingang Group had 28 major park development projects under construction with a total investment amount of RMB105.5 billion and an uninvested amount of RMB51.3 billion, and it also had 2 main projects under planning with a total investment amount of RMB2.2 billion. The Company has demonstrated resilient operations amid regional industrial and property market adjustments, while it is also subject to the associated risks, including the lengthening lease-up periods, and large scale of future investment for projects under construction and planning.

**Exhibit 5. Park property development and leasing revenue from 2020 to 2024**

Source: Company information, CCXAP Research

Lingang Group also has large investments in debt instruments, equity instruments and funds with assets of approximately RMB30.8 billion, accounting for around 13.5% of total assets as of 31 March 2025. Direct equity investments mainly include associates or joint ventures for the development of properties in industrial parks or the provision of related services such as exhibitions, testing centers and port operations. The Company also invests in different industrial development funds as a limited partner, aiming to promote the development of local high-tech industries and attract investments into its industrial parks. As of 31 March 2025, the Company and its subsidiaries invested 48 funds with subscribed capital distribution of RMB24.7 billion and paid-in capital contributions of RMB10.6 billion. Besides, the investment portfolio had multiple shares of high-quality listed companies, such as Guotai Haitong Securities Co., Ltd. and Bank of Shanghai Co., Ltd., which offered stable dividend income. In 2024, the Company's investment income recorded RMB735.0 million, a significant decrease of 66.6% compared to the previous year, primarily due to a reduction in the scale of equity exits and divestments.

Lingang Group is also engaged in other services businesses within its industrial parks, mainly including inspection services, property management services, human resources, hotel services and parking services. In 2024, the Company's revenue from services businesses experienced a substantial increase to RMB3.5 billion, accounting for 15.0% of total revenue, and its gross profit margin significantly improved to 32%, which is mainly due to the inception of inspection business.

### **Solid government support through ongoing capital injections and subsidies**

Lingang Group has a solid track record of receiving government support in various forms such as capital injections, asset injections, special funds, and financial subsidies. In 2024, Shanghai SASAC transferred its 8% shares of Shanghai Huahong (Group) Co., Ltd. and 9% shares of Orient International (Holding) Co., Ltd. to the Company with zero considerations, which increased the Company's paid-in capital by RMB3.8 billion. Meanwhile, the Company received cash injections of RMB400.0 million, which raised paid-in capital by RMB300.8 million and capital reserves by RMB99.2 million.

Lingang Group is mandated by the Management Committee of Lingang Special Area to manage the infrastructure construction projects in the Lingang Special Area. Funding for its public infrastructure projects can be fully covered by government advances, according to the project's annual budgeted investment plans. In 2024,

Lingang Group continued to receive special fund payments of around RMB137.9 million for infrastructure construction projects.

Lingang Group also received stable financial subsidies for carrying out policy-supporting activities such as public rental housing, public transportation and investment attraction in different areas. From 2023 to 2025Q1, the Company has recognized financial subsidies of RMB1.3 billion. Given its strong public policy role and large investment in industrial parks, we expect government payments for Lingang Group will remain good over the next 12 to 18 months.

### **Moderate debt management mitigated by strong access to funding**

Lingang Group has moderate debt management because of rapid investment growth mainly in its park property development and leasing business. In 2024, the Company's total debt (including perpetual instruments) increased by 14.8% YoY to RMB117.1 billion, and increased further to RMB128.0 billion during the first quarter of 2025. Meanwhile, its total capitalization ratio (total debt/total capital) increased to 63.3% as of 31 March 2025 from 60.3% at end-2023. We expect that Lingang Group's debt burden will remain at a relatively high level because the Company has a large uninvested amount of RMB51.3 billion for projects in industrial parks. Nevertheless, the Company maintains a good liquidity profile given its relatively low short-term debt ratio, which was around 15.1% as of 31 March 2025. The Company has good financial flexibility thanks to its strong state-owned background and good access to various funding sources. The Company's assets are primarily composed by growing holdings of good-quality commercial properties and substantial cash reserves, with a low restricted portion. Meanwhile, the liquidity and profitability of its increasing inventory, including growing completed properties for sale under the continuous investment in park development, are contingent upon future investment attraction progress.

### **Exhibit 6. Key public projects under construction and planning as of 31 March 2025**

Project Type	Budgeted Amount (RMB billion)	Invested Amount (RMB billion)	Outstanding Amount (RMB billion)
<b>Projects Under Construction</b>			
Park Development and Leasing	105.5	54.2	51.3
Infrastructure Construction	1.8	1.0	0.8
<b>Project Under Planning</b>			
Park Development and Leasing	2.2	-	2.2
Infrastructure Construction	0.2	-	0.2
<b>Total</b>	<b>109.7</b>	<b>55.2</b>	<b>54.5</b>

Source: Company information, CCXAP Research

Lingang Group has strong access to low-cost financing through bank loans and bond issuances. The Company maintains a good relationship with state-owned commercial banks, large joint-stock commercial banks and policy banks. As of 31 March 2025, it has credit facilities of RMB462.7 billion, with an available portion of RMB359.0 billion, and over half of them were provided by large state-owned commercial banks such as the Industrial and Commercial Bank of China. In addition, Lingang Group has a good track record in both offshore and onshore debt capital markets and actively issues innovative financial products. It has issued different financial products in the domestic bond market such as SCPs, CPs, MTNs, and PPNs. In 2024, Lingang Group issued RMB800.0 million of offshore social responsibility bonds, which was the world's first listed offshore RMB social responsibility bond issued by a non-financial enterprise.

## ESG Considerations

Lingang Group bears environmental risks through its construction projects in industrial parks. Such risks could be moderated by the Company through detailed planning before the commencement of projects, adoption of green building certification standards, such as American Leadership in Energy and Environmental Design, and close supervision during the construction.

The Company is also exposed to social risks as a public services provider. Demographic changes, public awareness and social priorities shape the government's target for Lingang Group, or affect the government's propensity to support the Company.

The Company's governance considerations are also material as it is subject to oversight and reporting requirements to the local government, reflecting its public-policy role and status as a government-owned entity. In addition, Shanghai Lingang Holdings Co., Ltd., a listed subsidiary of the Company, is required to report its financial and business profile conditions on a regular basis.

## Structural Consideration

The senior unsecured debt rating of the bonds issued by Lingang Wings Inc. and unconditionally and irrevocably guaranteed by Lingang Group is equivalent to Lingang Group's long-term credit rating. We believe that the government support will flow through Lingang Group given its important position in the development and operation of industrial parks in Shanghai City, thereby mitigating any differences in expected loss that could result from structural subordination.

## Rating Methodology

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

## Appendix

**Exhibit 7. Geographical locations of Lingang Group's featured industrial parks in Shanghai City**



Source: Company information, CCXAP Research

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