

## Credit Opinion

15 December 2025

Ratings	
Category	Corporate
Domicile	China
Rating Type	Solicited Rating
Long-Term Credit Rating	BBB <sub>g</sub> -
Outlook	Stable

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## Shouguang City Construction Investment Development Co., Ltd.

### Surveillance credit rating report

**CCXAP affirms Shouguang City Construction Investment Development Co., Ltd.'s long-term credit rating at BBB<sub>g</sub>-, with stable outlook.**

### Summary

The BBB<sub>g</sub>- long-term credit rating of Shouguang City Construction Investment Development Co., Ltd. ("SGCC" or the "Company") reflects Shouguang City Government's (1) strong capacity and (2) high willingness to provide support to the Company, based on our assessment of the Company's characteristics.

Our assessment of the local government's capacity to provide support reflects Shouguang City's status as one of the top 100 counties in China, with rapid economic growth and good fiscal metrics.

The rating also reflects the local government's willingness to provide support, which is based on the Company's (1) dominant role in local infrastructure construction, operation of land resources, and provision of essential public services; (2) track record of receiving government payments; and (3) access to diversified funding channels.

However, the rating is constrained by the Company's (1) high exposure to commercial activities; (2) increasing short-term debt pressure and moderate asset liquidity; and (3) high contingent liability risk resulting from external guarantees.

The stable outlook on SGCC's rating reflects our expectation that Shouguang City Government's capacity to provide support will remain stable, and the Company's characteristics, such as its business profile and financial risks and controls will remain unchanged over the next 12 to 18 months.

## Rating Drivers

- Dominant role in local infrastructure construction, operation of land resources, and provision of essential public services
- Track record of receiving government payments
- High exposure to commercial activities
- Increasing short-term debt pressure and moderate asset liquidity
- High contingent liability risk resulting from external guarantees
- Access to diversified funding channels but with limited standby liquidity buffer

## 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 provide support, such as materially lowered exposure to risky commercial activities and increased public policy status.

### 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 provide support, such as reduced strategic significance or deteriorated debt management.

## Key Indicators

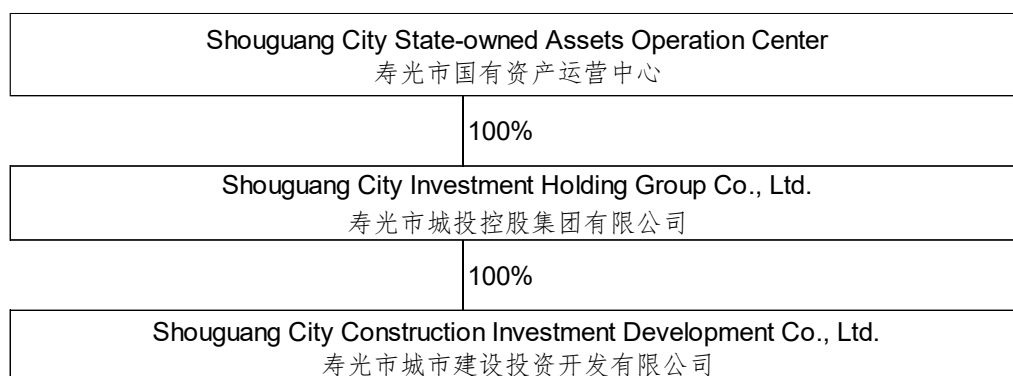
	2022FY	2023FY	2024FY	2025Q3
Total Asset (RMB billion)	27.8	31.3	28.1	27.2
Total Equity (RMB billion)	10.2	10.2	10.1	10.1
Total Revenue (RMB billion)	2.5	2.1	1.8	0.7
Total Debt/Total Capital (%)	56.6	62.6	56.1	51.3

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

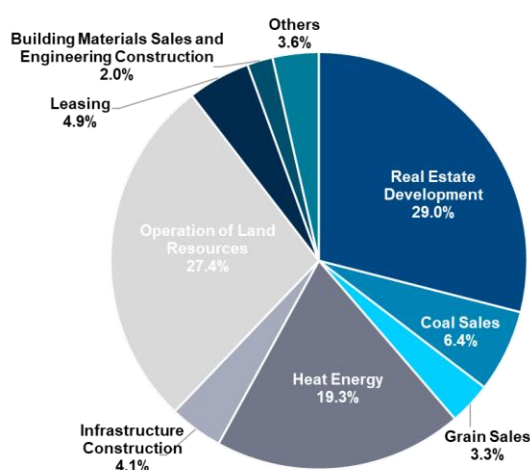
Source: Company data, CCXAP research

## Corporate Profile

Founded in February 2008, SGCC is one of the key local infrastructure investment and financing companies ("LIIFCs") in Shouguang City, Weifang City, Shandong Province. The Company engages in the public policy projects, including infrastructure construction, affordable and resettlement housing development, operation of land resources, as well as the provision of heat energy services. The Company also has commercial operations, including residential housing development, property leasing, production and sales of commercial concrete, engineering construction, as well as grain sales. As of 30 September 2025, SGCC was wholly-owned by Shouguang City Investment Holding Group Co., Ltd. ("SGIG") and was ultimately controlled by the Shouguang City State-owned Assets Operation Center.

**Exhibit 1. Shareholding chart as of 30 September 2025**

Source: Company information, CCXAP research

**Exhibit 2. Revenue structure in 2024**

Source: Company information, CCXAP research

**Rating Considerations****Government's Capacity to Provide Support**

We believe Shouguang City Government has a strong capacity to provide support given its good economic fundamentals and fiscal strengths, with a moderate financial sufficiency.

Shandong Province is the third largest province in terms of GRP in China over the past three years, with a solid industrial foundation in logistics, shipbuilding, and marine technology, chemical, automotive and agri-food. In 2024, Shandong Province's GRP further increased to RMB9.9 trillion, representing a year-over-year ("YoY") increase of 5.7%. At the same time, it recorded a general budgetary revenue of RMB771.2 billion, representing a YoY increase of 3.3%. Furthermore, Shandong Province's GRP amounted to RMB7.7 trillion in the first three quarters of 2025, representing a year-on-year ("YoY") growth rate of 5.6%.

Weifang City is located in the east-central part of Shandong Province and is an important regional economic center of central Shandong. After years of development, Weifang City has established a series of traditional advantageous industries, including power equipment, high-end chemicals, food processing, automobile manufacturing, textiles and clothing, as well as intelligent agricultural machinery. Meanwhile, Weifang City also actively cultivates emerging industries such as new generation information technology, industrial machine tools, and magnetic levitation. In 2024, Weifang City reported a GRP of RMB820.3 billion, a YoY increase of 5.9%.

ranking 4<sup>th</sup> among prefecture-level cities in Shandong Province. In the first three quarters of 2025, the GRP of Weifang City was RMB619.0 billion, representing a YoY increase of 5.4%. In addition, Weifang City has a good fiscal base. It reported a general budgetary revenue of RMB62.0 billion in 2024, ranking 4<sup>th</sup> among prefecture-level cities in Shandong Province. Moreover, tax revenue accounted for 62.5% of its general budgetary revenue on average over the past three years. Weifang City also has a relatively good fiscal balance, as seen by its relatively high self-sufficiency ratio (general budgetary revenue/general budgetary expenditure) of 69.8% on average from 2022 to 2024.

### Exhibit 3. Key economic and fiscal indicators of Weifang City

	2022FY	2023FY	2024FY
GRP (RMB billion)	730.6	760.6	820.3
GRP Growth (%)	3.7	5.1	5.9
General Budgetary Revenue (RMB billion)	60.8	60.8	62.0
General Budgetary Expenditure (RMB billion)	84.2	88.9	90.2
Local Government Debt (RMB billion)	191.0	235.9	285.4

Source: Weifang Municipal Government, CCXAP research

Shouguang City is located in the middle of Shandong Peninsula. It is one of the top 100 counties in China and is known as the “Vegetable Capital of China” and “Sea Salt Capital of China”. Shouguang City has formed leading industries structure with marine chemicals, building materials, automobiles and parts, paper products and printing and beverages. In 2024, Shouguang City reported a GRP of RMB108.2 billion and general budgetary revenue of RMB10.2 billion, ranking first among all administrative districts of Weifang City. It has good fiscal metrics with a fiscal balance ratio (general budgetary revenue/general budgetary expenditure) of 76.1%, while tax contributed 50.0% of its general budgetary revenue in 2024. As of 31 December 2024, Shouguang City reported a total debt balance of RMB34.9 billion and a government debt/GRP ratio of 32.2%.

### Exhibit 4. Key economic and fiscal indicators of Shouguang City

	2022FY	2023FY	2024FY
GRP (RMB billion)	100.2	102.9	108.2
GRP Growth (%)	4.0	5.1	5.7
General Budgetary Revenue (RMB billion)	9.8	10.0	10.2
General Budgetary Expenditure (RMB billion)	12.8	13.0	13.4
Local Government Debt (RMB billion)	18.6	27.1	34.9

Source: Statistics Bureau of Shouguang City, CCXAP research

## Government’s Willingness to Provide Support

### Dominant role in local infrastructure construction, operation of land resources, and provision of essential public services

SGCC is one of the major LIIFCs in Shouguang City that undertakes the role of city development and public construction as well as provision of utility services. The Company is commissioned to carry out various key infrastructure construction and land resource operation projects that are crucial to local economic development and to provide public utility services that benefit the general public.

SGCC carries out infrastructure construction projects under entrusted construction model, and projects mainly include roads, bridges, stadiums, swimming pools and other facilities. After the completion of the construction, the Shouguang City Government will settle the project payment to cover the construction costs incurred plus a

certain degree of markup in return. As of 30 September 2025, the Company had completed 3 infrastructure construction projects with a total investment of approximately RMB770.0 million, and the projects' payment were fully settled. Meanwhile, it also had 3 projects under construction, with a total planned investment of RMB2.3 billion and an uninvested amount of RMB523.0 million. Among them, the Jinguang Street Across Mi River Bridge PPP Project was constructed under the PPP model and was adopted under the government repayment system, with an operation and maintenance period of 10 years. Therefore, the Company expects a relatively long break-even period for this project. Furthermore, as the demand for infrastructure construction projects in Shouguang City is gradually decreasing, the Company does not anticipate undertaking any new project construction work in the short-term.

SGCC has a dominant role in the operation of land resources business. The Company is the only designated entity with the right to invest in rural land remediation projects in Shouguang City. It conducts works on deserted salt pans or house sites within the pilot areas, including demolition of existing attachments, resettlement of original residents and finally reclaiming the deserted salt pans or house sites into arable land. The Natural Resources and Planning Bureau of Shouguang City and related authorities will determine the surplus land quotas based on the inspection and measurement of the completed land and distribute them to parties who file the applications. The parties who acquire such surplus land quotas have to pay fees to the Company at guided prices. As of 30 September 2025, the Company was reclaiming and resettling land with a total area of 44.9 million square meters, with a total investment of RMB1.8 billion and an uninvested amount of RMB224.0 million. Overall, the Company currently holds a substantial area of land that has been prepared for transfer, indicating certain sustainability of future land operation income. However, the sustainability of this income stream is tempered by uncertainties inherent in the local land market.

In addition, the Company conducts heat energy supply business through its subsidiaries, principally engaging in the generation and supply of heat energy as well as the construction and operation of heat supply networks, with a relatively long concession. The Company's heating business covers the central and surrounding townships of Shouguang City, which gives it a relatively high market share in the locality. The heat energy consumption in Shouguang City is subject to seasonal changes, which means the heat energy demand typically peaks in cooler periods and reduces in the warm season. Due to the public welfare nature of this business, the Company is expected to receive government subsidies every year. Moreover, the Company has expanded its heating coverage area since 2024. As of 30 September 2025, the connected heating area of the Company's heating business has reached 19.4 million square meters. As a result of the spin-off of the operating subsidiary namely Shouguang Ancheng Gas Co., Ltd. in 2024, the Company's heating business experienced a significant decrease in revenue. The heat supply business revenue declined from RMB466.8 million in 2023 to RMB344.0 million in 2024, and recorded a net loss due to the decline in heat connecting fees and the absence of government subsidy.

### **Track record of receiving government payments**

SGCC has a proven track record of receiving recurring support from the Shouguang City Government, such as capital injections, proceeds from government bond issuance, free injections of operating state-owned assets, and subsidies. In terms of subsidies, from 2023 to 2025Q3, the Company received government subsidies of RMB1.1 billion, mainly for its heat supply business and land resource operations. Moreover, the Company had received RMB799.0 million of government paybacks for its completed infrastructure projects as of 30 September 2025. In 2024, 5 subsidiaries were transferred out of SGCC to other LIIFCs in Shouguang City under local government planning, such as Shouguang Shengdu Grain Reserve Co., Ltd. ("Shengdu Grain"). This transfer has reduced the Company's other capital reserve of RMB30.0 million, which had little impact on its net assets.

Given the Company's strategic importance in the region, we expect the Company will continue to receive government cash payments and allocations from proceeds of the provincial government's special purpose bonds to support its capital expenditure in public policy-related investments.

### **High exposure to commercial activities**

Apart from public-related activities, SGCC also engages in diversified commercial activities including real estate development, property leasing, production and sales of commercial concrete, engineering construction, and grain sales. As the majority of the Company's commercial businesses are subject to changes in the property market, subsequent project development and relevant income may experience higher volatility, particularly during the downturn of China's property market. Considering the difficulty in obtaining direct support from the government for commercial activities, the commercial activities may constrain the Company's credit profile and will inevitably expose the Company to more operational and financial risks.

SGCC's real estate development business accounted for a high proportion of its total revenue. Apart from resettlement housing and affordable housing, the Company mainly participates in real estate development projects including residential and commercial buildings, as well as rehabilitation centers. It is noteworthy that the Company's real estate development is highly concentrated in Shouguang City, which is easily affected by changes in local regulatory policies and economic conditions. As of 30 September 2025, the Company had completed 14 major property projects, with a total investment of RMB4.7 billion, and uninvested amount of RMB416.0 million. Almost 87.0% of these projects have been sold or leased out, indicating a relatively good absorption rate. At the same time, the Company had 5 projects under construction, which are all residential housing projects, with a total investment of RMB3.5 billion and an uninvested amount of RMB1.2 billion. As of 30 September 2025, these projects had achieved a sales absorption rate of less than 30%, pointing to substantial destocking pressure. The combined effects of large-scale construction and high destocking pressure may increase its capital expenditure pressure amid the decelerated property market in China.

The Company's other commercial activities are closely related to the real estate industry. The property leasing business it operates includes some of its commercial properties in Shouguang City, such as office buildings and schools, as well as the self-constructed commercial buildings. As of 30 September 2025, SGCC had a total leasable area of 419,002 square meters, and around 90% has been leased out. The Company's anchor tenants include a number of governmental agencies, enterprises and public institutions. In 2024, the Company generated RMB87.0 million of leasing revenue from these leases. In addition, the Company participates in the production and sales of commercial concrete and engineering construction in the urban area of Shouguang City and surrounding areas through its subsidiaries, showing a high dependence on property projects in the region.

In addition, the Company started grain sale business in 2022 through its subsidiaries, mainly Shengdu Grain and Shouguang Shengliangfeng Economic and Trade Co., Ltd., providing additional income to the Company. The grain sale business was adopted on a market-oriented operation model. The Company purchases the grain from the public and then sells nationwide according to the market demand. Due to the spin-off of Shengdu Grain in 2024, the Company's grain sales revenue decreased to RMB58.7 million from RMB148.3 million in 2023. Moreover, the Company has moderate concentration risk in this business, with its top 5 suppliers and customers accounted for more than 40% of the total procurements and sales in 2024. Due to its adjusted business development plans, the Company may no longer participate in grain sales business in the future.

### **Increasing short-term debt pressure and moderate asset liquidity**



SGCC's total debt has decreased over the past two years. As of 30 September 2025, the Company's total debt decreased to RMB10.7 billion from RMB17.1 billion as of end-2023, and the total capitalization ratio (total debt/total capital) decreased from 62.6% to 51.3% over the same period, remaining at a relatively high level. The primary reason for the decline in the Company's total debt is that its parent company assumed approximately RMB5.4 billion of bond refinancing on its behalf over the past two years, thereby reducing the debt of the Company itself. However, the Company is facing increasing short-term debt pressure. As of 30 September 2025, its short-term debt amounted to RMB4.4 billion, accounting for 41.4% of its total debt, and its cash to short-term debt ratio was 0.7x. Therefore, this may bring certain refinancing pressure to the Company in the near term.

Meanwhile, the Company's asset quality and liquidity profile are moderate. As of 31 December 2024, account receivables, investment properties, inventories, and long-term equity investment together accounted for 63% of the Company's total assets. These assets mainly consist of receivables from relevant government entities, land reserves, project construction costs and equity investment in other local state-owned enterprises ("SOEs"), which are considered to have low liquidity. Moreover, as of 30 September 2025, the Company had RMB6.5 billion of assets being pledged for loans, accounting for 23.8% of its total assets, thereby undermining its financial flexibility. Given the considerable amount of uninvested capital in the Company's real estate and infrastructure construction projects, we anticipate a reliance on external financing over the next 12-18 months. This need for external funding is expected to sustain the Company's debt leverage at a relatively high level.

#### **Access to diversified funding channels but with limited standby liquidity buffer**

SGCC has access to various sources of funding, including bank loans and onshore and offshore bond financing. The Company maintains good long-term relationships with large domestic banks such as Agricultural Development Bank of China, China Construction Bank, Evergrowing Bank Co., Ltd., etc. As of 30 September 2025, the Company had total bank credit facilities of RMB11.0 billion, with the available portion being RMB465.2 million, showing limited standby liquidity. SGCC had low exposure to shadow banking lending, as the Company has been actively reducing its reliance on non-standard products. Its proportion in non-standard products reduced to less than 5%. The Company also participates in onshore and offshore bond markets, and the differentiation of the bond markets financing environment is still a concern to the Company's financing costs. From 2024 to 2025Q3, the Company issued 2 tranches of onshore bonds, raising RMB550.0 million, with the coupon rates ranging from 4.4% to 4.5%. In 2025, the Company issued 2 tranches of offshore bonds, raising RMB700.0 million, with the coupon rates of 6.6%. Moreover, all of the Company's offshore bonds are guaranteed by its parent company, SGIG.

#### **High contingent liability risks resulting from external guarantees**

SGCC's credit profile is constrained by its relatively large external guarantees relative to its net assets. As of 30 September 2025, the Company's outstanding external guarantees increased to RMB9.3 billion, accounting for 91.9% of its net assets, of which the majority were provided to local SOEs. The Company also provided guarantees for two private-owned enterprises ("POEs"), namely Shouguang Shengdu Construction Group Co., Ltd. ("Shengdu Construction Group") and Shouguang Vegetable Industry Holding Group Co., Ltd. ("Vegetable Industry Group"), and the guarantee amount were RMB100.8 million and RMB50.0 million, respectively. These two POEs are listed as judgement debtors or involved in cases with final proceeding. In December 2025, the guarantee for the Vegetable Industry Group has been fully settled through compensation, and the obligation has been cleared. The Company will no longer provide guarantees to this group thereafter. Furthermore, the guarantee provided to Shengdu Construction Group is backed by counter-guarantee measures, requiring the

pledging of equity by the counterparty as collateral. The high amount of external guarantees exposes the Company to significant contingent liability risks, and guarantees provided to POEs are also more prone to triggering compensation events. Moreover, in case a credit event occurs, the credit contagion effect within the region could potentially expose the Company to substantial cross-default risk.

## ESG Considerations

SGCC assumes environmental risks through its infrastructure, real estate and land resources development projects. Such risks could be moderated through environmental studies and detailed planning prior to the start of the projects and close supervision during construction.

In terms of social awareness, SGCC has played a crucial role in the social welfare of Shouguang City by participating in the provision of heating services as well as the construction of public infrastructure projects including roads, bridges, stadiums, swimming pools, and other facilities.

In terms of corporate governance, SGCC's governance considerations are also material as the Company is subject to local government oversight and reporting requirements, reflecting its public-policy role and status as a government-owned entity.

## Rating Methodology

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



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