

Credit Opinion

8 August 2025

Ratings	
Category	Corporate
Domicile	China
Rating Type	Solicited Rating
Long-Term Credit Rating	BBB _g +
Outlook	Stable

Analyst Contacts

Eddie Li +852-2860 7130

Credit Analyst

eddie_li@ccxap.com

Celestyn Nan +852-2860 7128

Assistant Credit Analyst

celestyn_nan@ccxap.com

Elle Hu +852-2860 7120

Executive Director of Credit Ratings

elle_hu@ccxap.com

**The first name above is the lead analyst for this rating and the last name above is the person primarily responsible for approving this rating.*

Client Services

Hong Kong +852-2860 7111

Jinan Shizhong Finance Investment Group Co., Ltd.

Surveillance credit rating report

CCXAP affirms Jinan Shizhong Finance Investment Group Co., Ltd.'s long-term credit rating at BBB_g+, with stable outlook.

Summary

The BBB_g+ long-term credit rating of Jinan Shizhong Finance Investment Group Co., Ltd. ("SZFI" or the "Company") reflects Shizhong District Government's very strong capacity and very high willingness to provide support based on our assessment of the Company's characteristics.

Our assessment of the local government's capacity to provide support reflects Shizhong District's important position as the political, economic, cultural, and financial center of Jinan City, and its ongoing economic growth as well as sound fiscal profile.

The rating also reflects the local government's willingness to provide support, which is based on the Company's (1) dominant position as the largest state-owned capital investment and operation platform in Shizhong District; and (2) good track record of receiving government support.

However, the rating is constrained by the Company's (1) medium exposure to commercial activities; (2) increasing debt burden and moderate asset liquidity; and (3) relatively high exposure to non-standard financing.

The stable outlook on SZFI's rating reflects our expectation that the local government's capacity to provide support will be stable, and that the Company will maintain its important position in the development of Shizhong District over the next 12 to 18 months.

Rating Drivers

- Dominant position in infrastructure construction and land development in Shizhong District
- Good track record of receiving government support
- Medium exposure to commercial activities
- Increasing debt burden and moderate asset liquidity
- Relatively high exposure to non-standard financing

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 lowers the exposure to risky commercial activities, improved debt management, and increased stability and consistency of public 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 provide support, such as reduced strategic significance, weakened access to funding or increased risk exposure to commercial activities.

Key Indicators

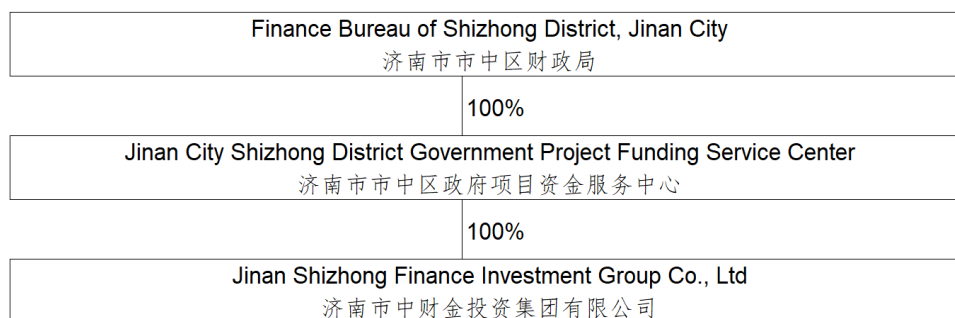
	2022FY	2023FY	2024FY
Total Asset (RMB billion)	52.3	66.2	69.1
Total Equity (RMB billion)	15.6	17.8	14.3
Total Revenue (RMB billion)	6.9	9.2	8.7
Total Debt/Total Capital (%)	63.3	63.4	72.7

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

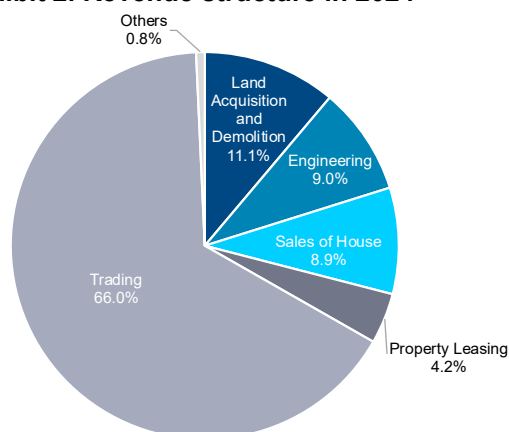
Source: Company data, CCXAP research

Corporate Profile

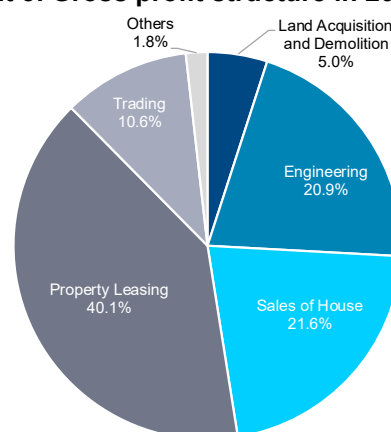
Founded in June 1992, SZFI is the most important and largest state-owned capital investment and operation platform in terms of total assets in Shizhong District, and directly and indirectly controls the major local infrastructure investment and financing companies ("LIIFCs") in Shizhong District. The Company is mainly responsible for land acquisition and demolition as well as relevant infrastructure construction projects in Shizhong District. Over the years, the Company has diversified its business portfolio into commercial businesses including trading, engineering, sales of house, property leasing, financial investment and financial services. As of 30 June 2025, the Company was directly and wholly owned by the Jinan City Shizhong District Government Project Funding Service Center, and Shizhong District Government was the actual controller.

Exhibit 1. Shareholding chart as of 30 June 2025

Source: Company information, CCXAP research

Exhibit 2. Revenue structure in 2024

Source: Company data, CCXAP research

Exhibit 3. Gross profit structure in 2024**Rating Considerations****Government's Capacity to Provide Support**

We believe that the Shizhong District Government has a very strong capacity to provide support to the Company, given its important position as the political, economic, cultural, and financial center of Jinan City, and its ongoing economic growth as well as sound fiscal profile.

Shandong Province is the third largest province in China by gross regional product ("GRP"), with a solid industrial foundation in industries such as logistics, shipbuilding, marine technology, chemical, automotive and agri-food. Jinan City is a sub-provincial city, the capital of Shandong Province, and the core city of the Jinan metropolitan area. Supported by the rapid development of core industries such as automobiles, pharmaceutical manufacturing, and information technology, the regional economy of Jinan City has demonstrated ongoing growth and its GRP had exceeded RMB1.0 trillion over the past three years. In 2024, Jinan City reported a GRP of RMB1,352.8 billion, increased by 5.4% YoY, ranking 2nd among 16 prefecture-level cities in Shandong Province and 9th among 15 sub-provincial cities in China. In addition, Jinan City has a strong financial base. From 2023 to 2024, its general budgetary revenue increased from RMB106.1 billion to RMB108.3 billion, with average self-sufficiency ratio (general budgetary revenue/general budgetary expenditure) of 79.0% over the past three years. As of 31 December 2024, the local government's outstanding debt amounted to RMB377.1 billion, accounting for 27.9% of the GRP. In the first half of 2025, the GRP of Jinan City increased by 5.4% YoY to RMB667.4 billion.

Exhibit 4. Key economic and fiscal indicators of Jinan City

	2022FY	2023FY	2024FY
GRP (RMB billion)	1,202.8	1,275.7	1,352.8
GRP Growth (%)	3.1	6.1	5.4
General Budgetary Revenue (RMB billion)	100.1	106.1	108.3
General Budgetary Expenditure (RMB billion)	122.6	136.5	139.7
Local Government Debt (RMB billion)	266.1	318.0	377.1

Source: Jinan Municipal Government, CCXAP research

Located in the south-central area of Jinan, Shizhong District is the political, economic, cultural, and financial center of Jinan City. It focuses on key areas such as financial industry, digital economy, technology, cultural and creative Industries, and intelligent manufacturing. Shizhong District has demonstrated an ongoing economic growth in recent years. In 2024, the GRP of Shizhong District increased by 5.1% YoY to RMB138.4 billion, ranking 4th among 12 districts or counties in Jinan City. Taxes represent the primary source of the general budgetary revenue in Shizhong District, accounting for an average of 83.1% of the general budgetary revenue over the past three years. Shizhong District Government's fiscal balance ratio is high, averaging 151.0% for the past three years. As the land transfer revenue are paid uniformly to Jinan City, Shizhong District has no government fund revenue. The balance of government fund expenditure in Shizhong District primarily relies on government fund transfer income and debt transfer revenues. The government fund transfer income of Shizhong District Government mainly consists of the refund of land sales revenue, which increased from RMB577.1 million in 2023 to RMB1.1 billion in 2024. However, the land market in Shizhong District has experienced significant fluctuations in recent years, which may lead to future uncertainty in government fund transfer income. As of 31 December 2024, the local government's outstanding debt amounted to RMB7.6 billion, accounting for 5.5% of the GRP.

Exhibit 5. Key economic and fiscal indicators of Shizhong District

	2022FY	2023FY	2024FY
GRP (RMB billion)	127.6	135.0	138.4
GRP Growth (%)	3.1	6.2	5.1
General Budgetary Revenue (RMB billion)	8.9	9.8	10.0
General Budgetary Expenditure (RMB billion)	6.3	6.2	6.6
Local Government Debt (RMB billion)	4.0	5.4	7.6

Source: Shizhong District Government, CCXAP research

Government's Willingness to Provide Support**Dominant position in infrastructure construction and land development in Shizhong District**

As the most important and largest state-owned capital investment and operation platform in terms of total assets in Shizhong District, SZFI is an exclusive entity for land acquisition and demolition projects. The Company is also responsible for related infrastructure construction and resettlement housing projects on the consolidated land parcels. These projects are essential to local economic development and provide benefits to the public.

The Company participates in land acquisition and demolition projects mainly through the agency construction model. Under the agency construction model, the Company is entrusted by the Finance Bureau of Shizhong District, Jinan City to be responsible for the construction and part of the financing of the projects. Upon completion of land consolidation, the Company will transfer the land to the local government and recognize

revenue calculated at cost plus 3%. Additionally, the local government will provide a certain scale of subsidy to the business. The Company's land acquisition and demolition projects are mainly located in Nanbeikang Area, Xinglong Area, Baimashan Area and Dangjia Area in Shizhong District. As of 31 December 2024, the Company had 9 land acquisition and demolition projects under construction with a total invested amount of around RMB43.1 billion and an outstanding investment amount of RMB5.6 billion over the next three years. Meanwhile, the Company had 2 projects under planning with a total investment amount of RMB9.9 billion. The Company's sufficient reserve of land acquisition and demolition projects ensures good sustainability of the business, but this may bring certain investment and financing pressure.

The Company also conducted related infrastructure construction and resettlement housing projects on the consolidated land parcels through its subsidiaries. The Company's infrastructure and resettlement housing project costs are included in the land acquisition and demolition project costs of the corresponding land parcels, and project returns are solely balanced by land transfer refunds. As of 31 December 2024, SZFI had 16 infrastructure construction projects under construction with a total investment amount of RMB2.6 billion and an outstanding investment amount of RMB1.4 billion. At the same time, the Company also had 2 resettlement housing projects under construction with a total investment of RMB942.3 million and an outstanding amount of RMB441.8 million.

Good track record of receiving government support

As the key entity in land acquisition and demolition and relevant infrastructure construction in Shizhong District, SZFI has a good track record of receiving government supports. The Company has received project payments, operating subsidies, and cash injections from the local government to support its business operations. For example, the Company received government subsidies of around RMB503.2 million in 2024.

In addition, the Company received government special bonds with a total amount of around RMB1.8 billion in 2024 to support its land consolidation business. The Company also received ongoing project repayments from local government. As of 31 December 2024, the Company had received project payments for land acquisition and demolition of around RMB967.0 million. Given SZFI's important position and large scale of policy projects under construction and planning, we expect local government would continuous to provide support to the Company over the next 12 to 18 months.

Medium exposure to commercial activities, with high dependence on trading

Apart from public activities, SZFI is also involved in diversified commercial activities that contribute part of its revenue, including sales of houses, engineering, property leasing, trading, financial investment as well as financial services. Due to the exclusion of some subsidiaries from the consolidation, it is expected that the Company will rely more on trading and leasing businesses to generate supplementary income and profits in the future. Considering these commercial activities may also entail higher operational and business risks than public policy activities, we expect SZFI's commercial business exposure to be medium.

The Company participates in the property development and engineering business mainly through self-developed mode. In 2024, the Company's engineering revenue increased to RMB782.8 million, primarily because of the acquisition of three engineering construction companies from 2023 to 2024. The Company's revenue from sales of house in 2024 significantly increased to RMB770.6 million mainly due to the sales of three new commercial residential properties. However, In December 2024, the Company's whole equity holding in Jinan Shizhong District Real Estate Development Group Co., Ltd. ("SZRE") and Jinan Shizhong Urban Development Group Co., Ltd. ("SZUD"), which were mainly responsible for sales of houses and engineering

business, was transferred out for the purpose of strengthening the Company's position in industrial development in Shizhong District. The Company will subsequently reduce the scale of its property sales and engineering business, and the total revenue is expected to decrease in 2025.

SZFI also engages in property leasing business. The Company obtains leasable assets through purchase, government transfer, and self-construction. The main leasable assets are mainly office buildings, affordable housing and industrial parks including Shandong New Financial Industrial Park, Shandong Digital Industrial Park, and Langcheng Center. In 2024, the revenue from property leasing was RMB367.1 million, an increase of 41.4% from RMB259.7 million in 2023. As of 31 December 2024, the Company owned leasable assets with total available area for rent of 142.1 thousand square meters and comprehensive occupancy rate of around 72.5%. In addition, the Company has one self-operated project under planning named Jinan Artificial Intelligence Scenario Innovation Center, with a total investment of RMB500.0 million, the investment of which will be balanced through operation and leasing. However, the leasing business is more sensitive to market conditions as the properties are mostly leased to commercial tenants. Moreover, the Company's investment recovery cycle of leasable assets is long, making it more difficult to achieve fund balancing in short period of time and may expose the Company to larger investment and execution risks.

Trading business is the main income source of SZFI. In 2024, the Company recognized trading revenue of RMB5.7 billion, accounting for around 66.0% of the total revenue. The Company adopts the demand-on-purchase and locking-in purchase and sales spreads mode to conduct its trading business, which can generally control business risk by locking in upstream and downstream customers and product prices. The main trading product are petroleum products and electrolytic copper. However, the concentration risk from downstream customers is relatively high and the gross margin of the trading business is low, which makes a limited contribution to the Company's profits.

The Company conducts financial investment mainly through fund investment. As of 31 December 2024, the Company had 9 major fund investment projects with a total book value of RMB254.0 million and a total paid-up capital of the same amount. The funding sources for the investment is partly from the government special fund and the Company has realized investment return of RMB39.7 million in 2024, mainly obtained from fund dividends and disposal of some equity investment projects.

In addition, the Company expands its business to financial services to promote the development of local enterprises. The Company aims to adjust the development direction of the real economy in the region through diversified financial products. The Company's financial services include emergency loan transfer, factoring, and financial leasing. As of 31 December 2024, the outstanding amount of factoring and financial leasing was RMB946.9 million. However, financial services would expose the Company to certain recovery risk.

Increasing debt burden and moderate asset liquidity

SZFI maintained a high level of debt burden over the past three years due to continuous investment in public projects and financial investment. As of 31 December 2024, the Company's total debt increased to RM38.2 billion from RMB30.8 billion at the end of 2023, while the total capitalization ratio increased to 72.7% from 63.4% over the same period due to the decline of the Company's total equity. The Company still bears a relatively high short-term debt repayment pressure as its short-term debt accounted for 39.3% of total debt as of 31 December 2024. The ratio of cash to short-term debt was around 0.1x, which could not fully recover its short-term debt. We expect the Company to rely on external financing for its land acquisition and demolition and self-operated projects, and its total debt burden is expected to increase further in the next 12-18 months.

In addition, the liquidity of SZFI's assets was relatively weak. As of 31 December 2024, the Company pledged a number of assets for loans, such as land and commercial properties, with a total amount of RMB2.8 billion, accounting for approximately 4.0% of its total assets. In addition, SZFI's inventories accounted for more than 50% of its total assets. The inventories mainly include the cost of land acquisition and demolition projects and relevant infrastructure construction projects. Most of these assets were considered to have low liquidity. The relatively low asset liquidity may undermine the Company's financial flexibility. Moreover, the Company faces certain collection risk in accounts receivable and other receivables as some debtors have been listed as dishonest judgment debtors, with relevant outstanding accounts receivable exposure amounting to RMB346.4 million. Deteriorating client creditworthiness of account receivables would put the Company at risk of not recovering its receivables promptly.

Access to diversified funding channels with relatively high exposure to non-standard financing

SZFI has different financing channels such as bank loans, domestics and offshore bond issuance, and non-standard financing products. Bond issuance and bank loans account for majority of its total debt. The Company's financing needs may be partially released by its multiple access to funding. The Company has maintained long-term relationships with state-owned commercial banks and large joint-stock commercial banks such as Agricultural Development Bank of China, Evergrowing Bank Co., Ltd. and Industrial Bank Co., Ltd. As at 31 December 2024, the Company had total bank facilities of RMB48.4 billion, of which the available portion was approximately RMB24.5 billion, indicating sufficient standby liquidity.

Meanwhile, the Company has access to the onshore and offshore bond market. In 2023, SZFI issued 2 tranches of onshore bonds with total raising amount of RMB1.0 billion and reasonable coupon of 4.00% and 4.47%. The Company also issued 2 tranches of offshore bonds from January 2024 to June 2025, raising a total amount of USD157.0 million. However, the Company has a relatively high exposure to non-standard financing, which accounts for around 30.0% of its total debt. The main non-standing financing products are financial leasing and trust. Non-standard financing products generally has higher financing costs and short tenor, which could increase the Company's refinancing pressure.

ESG Considerations

SZFI assumes environmental risks through its land acquisition and demolition projects and relevant infrastructure construction projects. Such risks could be moderated through environmental studies and detailed planning prior to the start of the projects and close supervision during construction.

SZFI bears social risks in implementing public policy initiatives through the building of public infrastructure in Shizhong District. Demographic changes, public awareness and social priorities shape the Company's development targets and ultimately affect the local government's propensity to support the Company.

SZFI'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 \(July 2022\)](#).

Copyright © 2025 China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP"). All rights reserved.

No part of this publication may be reproduced, resold, or redistributed in any form or by any means, without prior written permission of CCXAP.

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