Shaoxing City Development Group Co., Ltd.

Summary	
Issuer Rating	A
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	8 August 2025

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Applicable Criteria

China Local Investment and Development Companies Criteria (31 July 2025)

Lianhe Ratings Global Limited ("Lianhe Global") has affirmed 'A' global scale Long-term Issuer and Issuance Credit Rating of Shaoxing City Development Group Co., Ltd. (formerly known as Shaoxing City Investment Group Limited) ("SCDG" or "the company"); Issuer Rating Outlook is Stable

Summary

The Issuer Credit Rating reflects a high possibility that the Shaoxing Municipal People's Government ("Shaoxing government") would provide strong support to SCDG if needed. This mainly considers the Shaoxing Government's 90% ownership of SCDG, the high importance of SCDG to Shaoxing in the utilities (gas and water) infrastructures and services, as well as urban infrastructure and social-housing construction area, and the strong linkage between the Shaoxing Government and SCDG, including management supervision, strategic alignment and ongoing operational and financial support. In addition, the Shaoxing Government may face significant negative impact on its reputation and financing activities if SCDG encounters any operational and financial difficulties.

Shaoxing City is a prefecture-level city under the jurisdiction of Zhejiang Province. Shaoxing government's budgetary revenue increased by 6.7% to RMB58.9 billion in 2024, while its GDP grew by 6.5% to RMB836.9 billion in 2024.

The Stable Outlook reflects our expectation that SCDG's strategic importance would remain intact while the Shaoxing Government will continue to ensure SCDG's stable operation.

Lianhe Global has also affirmed 'A' global scale Long-term Issuance Credit Rating of the senior unsecured USD bonds issued by SCDG at the same time. A full list of affirmed issuance rating is included in this report.

Rating Rationale

Government's Ownership and Supervision: The Shaoxing Government, via Shaoxing State-owned Assets Supervision and Administration Commission ("Shaoxing SASAC"), holds 90% of SCDG, while the remaining 10% of SCDG's shares was owned by Zhejiang Finance Development Co., Ltd., a wholly owned entity of Zhejiang Provincial Department of Finance, to subsidize the Provincial Social Security Fund. The Shaoxing government has the final decision-making authority and supervision over the company, including appointment and supervision of the senior management, strategy alignment and major investment and financing plan decisions, etc. In addition, the Shaoxing government formulates a performance assessment mechanism for the company and appoints auditors to review the company's operating performance and financial position on a periodic basis.

Strategic Importance and Strategic Alignment: SCDG remains Shaoxing's major urban development and operation entity. It is responsible for the construction of key developments, such as fast roads, schools and hospitals, etc., in Shaoxing. The company also supplies water and gas, as well as providing sewage treatment services in the urban area of Shaoxing. SCDG's business operation and development have been aligned with the government's economic and social policies.

Ongoing Government Support: SCDG continued to receive financial subsidies and asset/capital injections from the Shaoxing government to support its business operations.

In 2024, SCDG received operational and interest subsides of RMB984 million and RMB630 million, respectively. In addition, the Shaoxing government provided project funds amounting RMB3 billion SCDG. We expect SCDG to receive ongoing support from the local government in the coming years, considering its strategic importance in Shaoxing.

SCDG's Financial Matrix and Liquidity Position: As SCDG actively participated in Shaoxing's project development, its total assets increased to RMB83.4 billion as of end-March 2025, compared with RMB72.1 billion as of end-2023. SCDG's total debt also expanded to RMB42.3 billion from RMB34.4 billion over the same period. Though the company's financial leverage, as measured by the debt to capitalization ratio, increased from 57.6% to 61.5%, thanks to the government's asset injections.

SCDG's asset liquidity remained weak. Fixed assets and other non-current assets (mainly completed projects) accounted for approximately 42.6% of the company's total assets at end-March 2025. These assets typically take a long time to monetize owing to protracted development and a cash collection period.

The short-term debt servicing pressure of SCDG was manageable. At end-March 2025, the company had a cash balance of RMB7.4 billion, while its debt due within one year was RMB12.7 billion. SCDG has access to various financing channels, including bank loans, bond issuances, and other non-traditional financing channels, to support its debt repayments and business operations. As of end-March 2025, SCDG had obtained an unused bank credit of RMB10.0 billion on a consolidated basis.

Rating Sensitivities

We would consider downgrading SCDG's rating if (1) there is perceived weakening in support from the Shaoxing Government, particularly due to its reduced strategic importance with diminished government functions, or (2) there is a significant reduction of the Shaoxing Government's ownership of SCDG, or (3) there is a downgrade in our internal credit assessment on the Shaoxing Government.

We would consider upgrading SCDG's rating if (1) there is strengthened support from the Shaoxing Government, or (2) there is an upgrade in our internal credit assessment on the Shaoxing Government.

Any rating action on SCDG's rating would result in a similar rating action on its senior unsecured bonds.

Full List of Issuance Rating

- USD700 million 2.5% senior unsecured bonds due 2026 affirmed at 'A'

Operating Environment

Economic Condition of Shaoxing

Shaoxing City is a prefecture-level city under the jurisdiction of Zhejiang Province. It is a pivotal urban centre within the Yangtze River Delta metropolitan cluster, serving as a core city in the Hangzhou Bay Greater Bay Area and holding the status of a sub-central city in the Hangzhou Metropolitan Circle.

Shaoxing's GDP amount increased to RMB836.9 billion in 2024, from RMB791.2 billion in 2023, and its economic growth rate slightly declined to 6.5%, from 7.8% in 2023.

Shaoxing's Economic Condition (RMB billion)	2022	2023	2024
GDP	735.1	791.2	836.9
-Primary industry (%)	3.3	3.1	3.0
-Secondary industry (%)	48.9	47.9	47.7
-Tertiary industry (%)	47.7	49.1	49.3
GDP growth rate (%)	4.4	7.8	6.5
Fixed asset investment growth rate (%)	11.0	10.0	1.9
Population (million)	5.4	5.4	5.4

Source: Financial Bureau of Shaoxing, statistical bureau of Shaoxing and Lianhe Global's calculations

Fiscal Condition of Shaoxing

The budgetary revenue of the Shaoxing government increased to RMB58.9 billion in 2024 from RMB57.9 billion in 2023, with a year-over-year growth rate of 6.7%. However, its budget deficit expanded to 41.0% in 2024 from 34.5% in 2023. In addition, the government fund income decreased slightly to RMB41.7 billion in 2024 from RMB44.5 billion in 2023, mainly due to the shrunken land use right transfer income amid weak property market conditions.

The outstanding debt of the Shaoxing government kept growing in past few years. At end-2024, the Shaoxing government's outstanding debt increased to RMB221.6 billion from RMB188.4 billion at end-2023, mainly due to the issuance of special purpose debts to support local public projects. Its government debt ratio, as measured by the total government debt/aggregate revenue, increased to 166.9% at end-2024 from 158.8% at end-2023.

Shaoxing's Fiscal Condition (RMB billion)	2022	2023	2024
Budgetary revenue	54.0	57.9	58.9
Budgetary revenue growth rate (%)	-2.1	7.2	6.7
Tax revenue	41.1	45.0	44.8
Tax revenue (% of budgetary revenue)	76.1	77.7	76.1
Government fund income	72.8	44.5	41.7
Transfer payment	20.9	15.7	30.7
Aggregate revenue	148.1	118.6	132.8
Budgetary expenditure	80.5	77.9	83.0
Budget balance[1] (%)	-49.0	-34.5	-41.0
Government debt ratio (%)	113.5	158.8	166.9

*[1] Budget balance = (1-budgetary expenditure / budgetary revenue) * 100%*

Source: Financial Bureau of Shaoxing, statistical bureau of Shaoxing and Lianhe Global's calculations

Company Profile

SCDG was established as a fully state-owned entity in 1999 with an initial capital of RMB220 million. In January 2025, the company's name was changed to SCDG from Shaoxing City Investment Group Limited. By end-March 2025, the SCDG's was enlarged to RMB3.3 billion after multiple capital injections. By end-March 2025 Shaoxing SASAC held 90% equity of SCDG and the Shaoxing Municipal Government is the ultimate controller.

SCDG is one of the most important LIDCs under the Shaoxing Government. Its business primarily focuses on municipal urban infrastructure construction, utilities (including gas and water supply), and social housing, supplemented by merchandise sales such as building materials and electrical equipment.

Key Financial Data (RMB million)	2022	2023	2024	2025.3
Total Assets	66,815	72,050	78,104	83,448
Equity	25,628	25,309	25,827	26,525
Debt	28,941	34,367	37,670	42,302
Debt / (Debt + Equity) (%)	53.0	57.6	59.3	61.46
Unrestricted cash/ST Debts (x)	1.1	1.7	0.4	0.6
Debt/EBITDA (x)	11.2	20.4	18.2	-
Revenue	11,137	11,172	9,772	2,155
Operation Profit	-8.7	571.2	475.5	39.2
Gross Margin (%)	7.9	11.6	12.3	9.3
Cash from sales or services/ Revenue (%)	111.5	103.5	109.3	122.9

Source: SCDG and Lianhe Global's calculations

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