

Shandong Gaochuang Holding Group Co., Ltd.

Lianhe Ratings Global Limited (“Lianhe Global”) has affirmed ‘BBB’ global scale Long-term Issuer Credit Rating of Shandong Gaochuang Holding Group Co., Ltd. (“SDGC” or “the company”); Issuer Rating Outlook is Stable

Summary

Issuer Rating	BBB
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	19 August 2025

Summary

The Issuer Credit Rating reflects a high possibility that the management committee of Weifang Hi-Tech Industrial Development Zone (“Management Committee”), the de facto local government of Weifang Hi-Tech Industrial Development Zone (“Weifang HIDZ”), would provide strong support to SDGC if needed. This mainly considers the Management Committee’s indirect vast majority ownership of SDGC, and the importance of SDGC to Weifang HIDZ in project development and city operation. The linkage between the local government and SDGC is strong, including management supervision, strategic alignment and ongoing operational and financial support. In addition, the local government may face significant negative impact on its reputation and financing activities if SDGC encounters any operational and financial difficulties.

Weifang HIDZ is a national-level development zone. It realized GDP of RMB72.1 billion in 2024, representing a year-over-year growth of 6.3%, while its budgetary revenue grew by 3.0% to RMB5.4 billion in 2024.

The Stable Outlook reflects our expectation that SDGC’s strategic importance would remain intact while the local government will continue to ensure SDGC’s stable operation.

Rating Rationale

Government’s Ownership and Supervision: In June 2024, Weifang Hi-Tech Venture Capital Holding Co., Ltd. (“Weifang Hi-Tech VC”), a platform controlled by Fiscal and Finance Bureau of Weifang HIDZ (“Fiscal and Finance Bureau”), transferred 13.16% equity of SDGC to Weifang Caijin Holding Company Limited (“Caijin Holding”). Caijin Holding is a entity under the Weifang government. After the equity transfer, Weifang Hi-Tech VC and Caijin Holding held 86.84% and 13.16% of the Company’s equity, respectively.

Fiscal and Finance Bureau remains the actual controller of SDGC and 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, Fiscal and Finance Bureau appoints auditors to review the company’s operating performance and financial position on a periodic basis.

Strategic Importance and Strategic Alignment: SDGC is a key LIDC responsible for shantytown renovation, industrial park development and heat supply in Weifang HIDZ. The company’s business operation plays a significant role in promoting local industrial development and city’s operation in Weifang HIDZ. Its strategic planning has been aligned with the local government’s economic and social development plans.

Ongoing Government Support: In 2024, SDGC received operational subsidies of RMB120 million. We expect SDGC to receive ongoing support from the local government in the coming years, considering its strategic importance in Weifang HIDZ.

SDGC’s Financial Matrix and Liquidity Position: SDGC’s total assets decreased to RMB50.3 billion at end-2024 from RMB53.7 billion at end-2023, mainly due to the transfer of inventories to sales upon the completion of its development projects. SDGC’s total debt

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Applicable Criteria

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

also declined slightly to RMB19.3 billion from RMB19.4 billion over the same period. The company's financial leverage, as measured by the debt to capitalization ratio, was largely stable.

The short-term debt servicing pressure of SDGC was high. At end-2024, the company had a cash balance of RMB2.6 billion (including restricted cash of RMB1.9 billion), while its debt due within one year was RMB5.7 billion. We expect SDGC's bank working-capital loan to be rolled over. SDGC 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. At end-June 2024, the company had unused credit facilities of RMB1.3 billion.

Rating Sensitivities

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

We would consider upgrading SDGC's rating if (1) there is strengthened support from the local government, or (2) there is an upgrade in our internal credit assessment on the Weifang HIDZ.

Operating Environment

Economic Condition of Weifang HIDZ

Weifang HIDZ is a national-level development zone, with a focus on the development of four leading industries, namely power equipment, IT, medical and health care, and new material. Weifang HIDZ's GDP amount increased to RMB72.1 billion in 2024, from RMB70.1 billion in 2023, and its economic growth rate increased to 6.3% from 3.5% in 2023.

Weifang HIDZ's Economic Condition			
(RMB billion)	2022	2023	2024
GDP	64.6	70.1	72.1
-Primary industry (%)	0.0	0.0	0.0
-Secondary industry (%)	66.7	65.4	56.6
-Tertiary industry (%)	33.3	34.6	43.4
GDP growth rate (%)	3.8	3.5	6.3
Fixed asset investment growth rate (%)	20.6	0.8	3.9
Population (million)	0.2	0.4	0.4
<i>Source: Financial Bureau of Weifang HIDZ, statistical bureau of Weifang HIDZ and Lianhe Global's calculations</i>			

Fiscal Condition of Weifang HIDZ

Weifang HIDZ's budgetary revenue grew by 3.0% to RMB5.4 billion in 2024. Its government fund income increased to RMB4.8 billion in 2024 from RMB3.9 billion in 2023, mainly due to the growing demand for industrial land in Weifang HIDZ. In addition, the fiscal self-sufficiency rate of Weifang HIDZ was high, and it recorded a budget surplus of 54.7% in 2024.

However, the government debt of the Weifang HIDZ government kept growing in past few years. At end-2024, the Weifang HIDZ government's outstanding debt increased to RMB9.3 billion from RMB6.7 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 84.0% at end-2024 from 66.8% at end-2023.

Weifang HIDZ's Fiscal Condition			
(RMB billion)	2022	2023	2024
Budgetary revenue	6.3	5.2	5.4
Budgetary revenue growth rate (%)	-11.8	-16.7	3.0
Tax revenue	4.8	4.2	4.8
Tax revenue (% of budgetary revenue)	76.0	80.4	88.7
Government fund income	3.3	3.9	4.8
Transfer payment	1.1	1.0	1.0
Aggregate revenue	10.8	10.1	11.1
Budgetary expenditure	3.5	2.8	2.4
Budget balance ¹ (%)	45.0	45.8	54.7
Government debt ratio (%)	49.8	66.8	84.0
¹ Budget balance = (1-budgetary expenditure / budgetary revenue) * 100%			
Source: Financial Bureau of Weifang HIDZ, statistical bureau of Weifang HIDZ and Lianhe Global's calculations			

Company Profile

SDGC was established in February 2020 with an initial registered capital of RMB100 million, 100% funded by Weifang Hi-Tech VC, an LIDC controlled by Fiscal and Finance Bureau. After an array of capital injections and equity transfers, its paid-in capital was enlarged to RMB16.1 billion. As of end-2024, Weifang Hi-Tech VC and Caijin Holding held 86.84% and 13.16% of the Company's equity, respectively. Fiscal and Finance Bureau remains the actual controller of the Company.

SDGC, as an important LIDC in Weifang HIDZ, is mainly responsible for shantytown renovation, industrial park development and heat supply within the region, with a strong regional franchise advantage. It also engaged in construction works, property management and logistics businesses, etc. SDGC's revenue fluctuated between RMB3.0 billion and RMB4.0 billion from 2022 to 2024, while gross margin demonstrated a downward trend from 21.4% to 14.4%.

Key Financial Data			
(RMB million)	2022	2023	2024
Total Assets	54,372	53,682	50,275
Equity	16,692	16,821	15,576
Debt	22,220	19,413	19,315
Debt / (Debt + Equity) (%)	57.1	53.6	55.4
Unrestricted cash/ST Debts (x)	0.2	0.1	0.1
Debt/EBITDA (x)	31.9	31.1	36.8
Revenue	3,743	3,889	3,454
Operation Profit	211	191	27
Gross Margin (%)	21.4	19.2	14.4
Cash from sales or services/ Revenue (%)	142.5	153.6	49.2
Source: SDGC and Lianhe Global's calculations			

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