Shandong Mingshui Guokai Development Group Co., Ltd.

Summary	
Issuer Rating	BBB
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
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Applicable Criteria

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

Lianhe Ratings Global Limited ("Lianhe Global") has affirmed 'BBB' global scale Long-term Issuer Credit and Issuance Rating of Shandong Mingshui Guokai Development Group Co., Ltd. ("SMGD" or "the company"); Issuer Rating Outlook Stable

Summary

The Issuer Credit Rating reflects a high possibility that the People's Government of Zhangqiu District ("Zhangqiu government") would provide strong support to SMGD if needed. This mainly considers the management committee of Mingshui Economic and Technological Development Zone ("Mingshui ETDZ"), a local office of the Zhangqiu government, indirectly owns SMGD's majority ownership and the company's strategic importance as the most important development and operation platform for Mingshui ETDZ. The linkage between the local government and SMGD 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 SMGD encounters any operational and financial difficulties.

Zhangqiu is a municipal district of Jinan, the capital city of Shandong Province. Zhangqiu's GDP grew steadily by 6% to RMB130.1 billion in 2024, while the budgetary revenue grew slightly by 1.3% to RMB6.1 billion. Mingshui ETDZ is a national-level development zone in Zhangqiu.

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

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

Rating Rationale

Government's Ownership and Supervision: The management committee of Mingshui ETDZ indirectly holds 76% shares of SMGD and is the company's ultimate controller. The local government has strong control over the company, including the appointment of senior management and supervision of SMGD's development strategy, major financing plan and investment decisions. In addition, the local government has formulated a performance assessment policy for the company, and regularly appoints auditors to review the company's operating performance and financial position.

Strategic Importance and Strategic Alignment: SMGD is the most important development and operation platform in Mingshui ETDZ, undertaking major infrastructure construction and social housing development projects, as well as developing and operating industrial parks within the region. Mingshui ETDZ is at the core of Zhangqiu's economy, and SMGD's business operations and strategic planning have been aligned with the local government's economic and social development policies.

Strong Government Support: The local government provided ongoing support to SMGD.

The local government injected cash, equity of local SOEs and other assets into SMGD between 2022 and 2024, enhancing its equity base from RMB8.3 billion at end-2022 to RMB9.5 billion at end-2024. The company also received operational subsidies totaling RMB382 million over the same period. By end-2024, the local government had totally provided RMB1 billions of special funds to support SMGD's project development activities. We expect SMGD to receive ongoing support from the local government in the coming years considering its strategic importance in Zhangqiu.

SMGD's Financial Matrix and Liquidity Position: SMGD's asset size grew steadily to RMB25.3 billion at end-June 2025 from RMB17.7 billion at end-2022, largely attributed to the company's active participation in Mingshui ETDZ's project development. The company heavily relied on borrowings to fund its asset expansion. Its total debt almost doubled to RMB11.5 billion from RMB5.7 billion over the same period. Nevertheless, its financial leverage, as measured by debt/capitalization, stayed at a manageable level 54.8%, thanks to the local government's capital injections.

SMGD's short-term debt repayment pressure was high. At end-June 2025, the company had unrestricted cash of RMB370 million, compared with debts due within one year of RMB3.7 billion. Yet SMGD has access to various financing channels, including bank borrowings, onshore and offshore bond issuances, and other non-traditional financings, to support its debt repayments and business operations. At end-2024, the company had total credit lines of RMB11.9 billion, with unused credit lines of RMB2.3 billion.

Rating Sensitivities

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

We would consider upgrading SMGD'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 Zhangqiu government.

Full List of Issuance Rating

- CNY845 million 6.9% senior unsecured bonds due 2027 affirmed at 'BBB'
- EUR11 million 6.8% senior unsecured bonds due 2028 affirmed at 'BBB'

Operating Environment

Economic Condition of Zhangqiu

Zhangqiu maintained stable economic momentum over the past two years, recovering from the pandemic-induced slowdown. Its GDP grew by 6.0% to RMB130.1 billion in 2024. Fixed asset investment showed a recovery with 5.9% growth in 2024, rebounding from the 25.5% contraction in 2023.

As the only national-level development zone in Jinan, Mingshui ETDZ has gradually developed four dominant industries: high-end equipment manufacturing, new materials, biomedicine, and new information technology. It occupies a strategically important position in the regional economic and industry development.

Zhangqiu District's GDP Economic Condition (RMB billion)	2022	2023	2024
GDP	112.1	116.5	130.1
-Primary industry (%)	8.7	8.6	7.9
-Secondary industry (%)	49.9	48.5	47.6
-Tertiary industry (%)	41.4	42.9	44.6
GDP growth rate (%)	0.1	6.1	6.0
Fixed asset investment growth rate (%)	-4.0	-25.5	5.9
Population (million)	1.1	1.1	1.1

Source: Financial Bureau of Zhangqiu District, Statistical Bureau of Zhangqiu District and Lianhe Global's calculations

Fiscal Condition of Zhangqiu District

The Zhangqiu government's budgetary revenue grew modestly by 1.3% in 2024 to reach RMB6.1 billion, with tax revenue accounting for 77.8% of total budgetary revenue. Its fiscal self-sufficiency continued to improve, with the budget deficit narrowing to 29.5% in 2024 from 40.3% in 2023. The government fund income, mainly generated from land sales, experienced significant recovery in 2024, increasing to RMB1.5 billion from RMB0.6 billion in 2023.

At end-2024, the outstanding government debt stood at RMB182.9 billion (comprising RMB15.9 billion in general debt and RMB167.0 billion in special purpose debt). The government debt ratio, measured as total government debt divided by aggregate revenue, improved to 146.5% at end-2024 from 153.0% at end-2023, primarily due to the substantial increase in aggregate revenue.

Zhangqiu District 's Fiscal Condition (RMB billion)	2022	2023	2024
Budgetary revenue	5.42	6.05	6.13
Budgetary revenue growth rate (%)	-20.39	11.50	1.31
Tax revenue	4.12	4.64	4.77
Tax revenue (% of budgetary revenue)	75.94	76.68	77.84
Government fund income	0.56	0.60	1.47
Transfer payment	4.76	4.50	4.87
Aggregate revenue	10.74	11.16	12.48
Budgetary expenditure	8.34	8.48	7.94
Budget balance[1] (%)	-53.82	-40.31	-29.60
Government debt ratio (%)	149.90	153.07	146.49

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

Source: Financial Bureau of Zhangqiu District, Statistical Bureau of Zhangqiu District and Lianhe Global's calculations

Company Profile

Ownership Structure

SMGD was established in April 2016 with an initial registered capital of RMB200 million. After an array of capital injections, SMGD's paid-in capital was enlarged to RMB1,473 million at the end of June 2025. The Management Committee of Mingshui ETDZ, a local office of the Zhangqiu government and the de facto local government, owns 76% shares of the company through the Development Service Center of Mingshui ETDZ. The rest of 24% shares are held by Zhangqiu State-Owned Assets Operation Co., Ltd., another LIDC under the Zhangqiu government.

SMGD is mainly responsible for infrastructure construction and industrial park development and operation in Mingshui ETDZ, with a strong regional franchise. The company also engaged in property sales, property management, trading and other businesses. SMGD realized total revenue of RMB1,083 million, 929 million, 973 million and 615 million in 2022, 2023, 2024 and the first half of 2025, respectively, with a decent gross margin between c. 20%-30%.

Key Financial Data

(RMB million)	2022 (Restated)	2023	2024	2025.6
Total Assets	17,716	19,642	23,940	25,321
Equity	8,320	8,328	9,531	9,474
Debt	5,729	7,798	10,135	11,471
Debt / (Debt + Equity) (%)	40.8	48.4	51.5	54.8
Unrestricted cash/ST Debts (x)	0.2	0.2	0.1	0.1
Debt/EBITDA (x)	16.7	23.9	24.9	-
Revenue	1,083	929	973	615
Operation Profit	87	105	94	-54
Gross Margin (%)	21.5	23.2	33.1	25.4
Cash from sales or services/ Revenue (%)	67.0	86.3	111.7	283.1

Source: SMGD and Lianhe Global's calculations

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