

Shuifa Group Co., Ltd.

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

Summary

The Issuer Credit Rating reflects a high possibility that the People's Government of Shandong Province (“Shandong government”) would provide moderately strong support to Shuifa if needed, in light of its indirect full ownership of Shuifa, Shuifa's strategic position as the sole provincial level, and the major water supply and water-related project development platform in Shandong Province (“Shandong”) and the strong linkage between the Shandong government and Shuifa including management supervision, strategic alignment, and ongoing operational and financial support. In addition, we believe that the Shandong government has a moderately strong willingness to prevent default of Shuifa, in order to ensure its reputation and financing activities.

Shandong is a coastal province of China and is part of the East China region. Shandong had a residential population of 100.8 million at end-2024, making it China's second most populous province after Guangdong Province. Its GDP grew steadily by 5.7% to RMB9,856.6 billion in 2024, while its budgetary revenue increased by 3.3% to RMB771.2 billion in the same year.

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

Rating Rationale

Government's Ownership and Supervision: At end-September 2025, the company had a shareholding structure in which the State-owned Assets Supervision and Administration of Shandong Province (“Shandong SASAC”) held 60.73% stake in Shuifa, while Shandong Guo Hui Investment Co., Ltd., Shandong Energy Group Company Limited, Shandong Caixin Assets Operation Co., Ltd. and Shandong Port Group Co., Ltd. (“SPG”) held 17.35%, 10.18%, 8.68% and 3.06% of Shuifa's stake, respectively. Shuifa's linkage with the Shandong government is strong as it is fully owned by the Shandong government. The controlling shareholder and actual controller is the Shandong SASAC under the Shandong government. Moreover, the Shandong government also supervises Shuifa through controlling the board of directors and the supervisory committee and approving senior manager appointments and major operating and financing plans.

Strategic Importance and Strategic Alignment: Shuifa is still the largest provincial-level LIDC platform for water supply and water-related development projects with a dominant market position in Shandong, as well as the largest raw water supplier in Shandong. Also, Shuifa expands its business scope to some commercial segments in clean energy and modern agriculture. Shuifa demonstrated a diversified business portfolio inside and outside Shandong, which may have a potential impact on Shuifa's strategic importance in Shandong. Shuifa's strategic planning still indicates its business readiness to align with Shandong, as demonstrated by the fact that Shuifa was recently designated by Shandong government to take the lead in implementing a large water conservancy project (黄山水利枢纽及沂沭河雨洪资源利用东调工程) in Shandong with a total planned investment of over RMB10 billion.

Summary

Issuer Rating	A
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	30 December 2025

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Applicable Criteria

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

Ongoing Government Support: Shuifa continued to receive strong financial support from the Shandong government. Shuifa received government subsidies of RMB228.5 million and RMB110.9 million in 2024 and the first nine months of 2025, respectively. We believe Shuifa will likely to receive government support in the form of operational and/or financial subsidies in the future.

Financials and Liquidity of Shuifa: Shuifa's total assets increased to RMB164.1 billion at end-September 2025 from RMB159.0 billion at end-2023. Shuifa's total adjusted debt (treating perpetual debts as debt instead of equity) increased to RMB108.8 billion from RMB96.0 billion over the same period. At end-September 2025, the short-term debt and long-term debt accounted for 38.5% and 61.5% of the total adjusted debt, respectively. The company's financial leverage, as measured by debt to capitalization ratio, increased to 76.6% at end-September 2025 from 73.4% at end-2023.

The short-term debt servicing pressure of Shuifa was moderate. At end-September 2025, Shuifa had a cash balance of RMB9.2 billion (including restricted cash of RMB2.2 billion) and a total credit line of RMB133.8 billion, of which RMB58.9 billion was available, compared with its debt to be due within one year of RMB41.9 billion. Besides, Shuifa has access to multiple financing channels including bank borrowings, corporate bonds issuance and other financing channels, to support its debt repayments and business operations.

Rating Sensitivities

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

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

Operating Environment

Economic Condition of Shandong

Shandong's GDP increased to RMB9,856.6 billion in 2024 from RMB9,420.6 billion in 2023, representing a year-over-year growth rate of 5.7%, which remained high despite a slight decrease compared with the previous year (6.0%). The industrial structure of Shandong remained stable, with the secondary and tertiary industries accounting for 40.2% and 53.1% of total economy in 2024, respectively. The GDP per capita increased by 7.7% year-over-year to RMB97,800 in 2024, slightly higher than that of China (RMB95,700).

Shandong's Economic Condition			
(RMB billion)	2022	2023	2024
GDP	8,757.7	9,420.6	9,856.6
-Primary industry (%)	7.2	7.1	6.7
-Secondary industry (%)	39.5	39.1	40.2
-Tertiary industry (%)	53.3	53.8	53.1
GDP growth rate (%)	3.9	6.0	5.7
Fixed asset investment growth rate (%)	6.1	5.2	3.3
Population (million)	101.6	101.2	100.8

Source: Shandong Provincial Bureau of Statistics and Lianhe Global's calculations

Fiscal Condition of Shandong

The budgetary revenue of Shandong government increased steadily to RMB771.2 billion in 2024 from RMB746.5 billion in 2023, while the contribution of tax revenue to budgetary revenue was lowered to 65.4% from 70.1% over the same period. The fiscal self-sufficiency rate of the Shandong government was low, with the budget deficit remaining stable at 69.6% in 2024. The government-managed fund, which was mainly generated by land sales income, decreased further to RMB483.2 billion in 2024 from RMB492.5 billion in 2023 amid property market downturns.

The outstanding debt of the Shandong government increased to RMB3.3 trillion at end-2024 from RMB2.8 trillion at end-2023, mainly due to the increase of special purpose debts. The government debt ratio, as measured by the total government debt to aggregate revenue ratio, was elevated to 190.6% at end-2024 from 164.5% at end-2023.

Shandong's Fiscal Condition				
(RMB billion)	2022	2023	2024	
Budgetary revenue	710.4	746.5	771.2	
Budgetary revenue growth rate (%)	5.3	5.1	3.3	
Tax revenue	479.5	523.0	504.0	
Tax revenue (% of budgetary revenue)	67.5	70.1	65.4	
Government fund income	608.0	492.5	483.2	
Transfer payment	388.2	399.5	430.3	
Aggregate revenue	1,725.0	1,672.7	1,721.2	
Budgetary expenditure	1,213.2	1,258.3	1,307.7	
Budget balance ¹ (%)	-70.8	-68.6	-69.6	
Government debt ratio (%)	136.7	164.5	190.6	

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

Source: Department of Finance of Shandong Province and Lianhe Global's calculations

Company Profile

Established in 2009 by the Shandong government and headquartered in Jinan City, Shuifa is an important LIDC under the control of the Shandong government via Shandong SASAC. The company's business covers water services, modern agriculture, clean energy and other industries. The company recognized a revenue of RMB43.8 billion in the first nine months of 2025, with a gross margin of 10.7%.

Key Financial Data					
(RMB million)	2022	2023	2024	2025.9	2025.9 (Adjusted)
Total Assets	157,730	158,975	161,319	164,109	164,109
Equity	33,937	34,837	35,921	36,759	33,259*
Debt	92,609	95,981	102,092	105,255	108,755*
Debt / (Debt + Equity) (%)	73.2	73.4	74.0	74.1	76.6*
Unrestricted cash/ST Debts (x)	0.1	0.3	0.2	0.2	0.2
Debt/EBITDA (x)	10.3	8.2	13.3	-	-
Revenue	74,088	69,545	64,177	43,832	43,832
Operation Profit	114	367	377	394	394
Gross Margin (%)	12.8	11.7	11.8	10.7	10.7
Cash from sales or services/Revenue (%)	107.2	103.5	113.8	85.0	85.0

Note: * Adjusted numbers and ratios reflect the perpetual debts reallocating to long-term debts and total debts from equity

Source: Shuifa and Lianhe Global's calculations

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