

Shandong Shouguang Jinxin Investment Development Holding Group Co., Ltd.

Summary

Issuer Rating	BBB
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	27 January 2026

Lianhe Ratings Global Limited (“Lianhe Global”) has upgraded the global scale Long-term Issuer Credit Rating of Shandong Shouguang Jinxin Investment Development Holding Group Co., Ltd. (“SSJID”) to ‘BBB’ from ‘BBB-’; Issuer Rating Outlook Stable

Summary

The Issuer Credit Rating upgrade reflects SSJID’s enhanced strategic importance, driven by its higher contributions in industrial development in Shouguang City, Shandong Province (“Shouguang”). The company has further expanded its presence in industrial investments as it continues to purchase equities of industrial enterprises and receives equity transfers of local state-owned enterprises (SOEs) made by the People’s Government of Shouguang City (“the Shouguang government”). These initiatives are highly aligned with Shouguang’s industrial transformation and upgrading strategy, effectively supporting local investment promotion efforts and accelerating regional industrial development. In addition, SSJID’s contingent risks had been reduced to some extent as its subsidiary Shandong Molong (002490.SZ/00568.HK)’s fiscal condition improved.

The Issuer Credit Rating reflects a high possibility that the Shouguang government would provide strong support to SSJID if needed, in light of its indirectly full ownership of SSJID, SSJID’s strategic importance as an important local investment and development company (“LIDC”) that is responsible for state-owned capital investment, project development and public utility operation in Shouguang, Shandong Province, and the strong linkage between the Shouguang government and SSJID, including management supervision, strategic alignment, and ongoing operational and financial support. In addition, we believe that the Shouguang government has a strong willingness to ensure SSJID’s business and financial viability to safeguard its reputation and local financing activities.

Renowned as China’s Vegetable Capital, Shouguang is a county-level city under the direct jurisdiction of Shandong Province and administered by Weifang City. Its GDP grew by 5.7% to RMB108.2 billion in 2024, while its budgetary revenue increased slightly to RMB10.2 billion in the same year.

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

Rating Rationale

Government’s Ownership and Supervision: The State-owned Assets Supervision and Administration Bureau (“the Shouguang SASAB”) continues to hold 100% shares of SSJID through Shouguang Jinxin Industry Development Group Co., Ltd. (“JXID”), and is the company’s actual controller. The Shouguang government supervises the company’s senior management, major operation, investment and financing plans. In addition, Shouguang SASAB has an annual assessment mechanism for SSJID and appoints auditors to review its operating performance and financial position regularly.

Strategic Importance and Strategic Alignment: SSJID is an important LIDC that is responsible for state-owned capital investment in Shouguang. SSJID invested in manufacturing companies and financial institutions in Shouguang to support local economic

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Applicable Criteria

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

development. The company also provided essential public service and participated in the development of key projects in Shouguang. Its business operations and strategic planning have been aligned with the local government's economic and social development policies.

Ongoing Government Support: SSJID received ongoing government support in forms of capital and asset injections, as well as operational subsidies. In 2024, the Shouguang government participated in the equity divestment in Shouguang Baolong Petroleum Equipment Co., Ltd. by the company's subsidiary Shandong Molong, increasing the company's capital surplus by RMB33 million. The company also received operational subsidies of RMB74 million and special subsidies for the investment loss in Shandong Chenming (000488.SZ/1812.HK) of RMB843 million over the same period. We expect SSJID to receive ongoing support from the local government in the coming years given its strategic importance in Shouguang.

SSJID's Financial and Liquidity Positions: SSJID's asset size continued to grow in the first nine months of 2025, reaching RMB32.2 billion at end-September 2025, up from RMB30.3 billion at end-2024. The company mainly relied on borrowings to fund its asset expansion and its total debt increased to RMB13.7 billion from RMB13.5 billion over the same period. The company's financial leverage, as measured by debt/capitalization, remained stable at 50.3% at end-September 2025.

The short-term debt serving pressure of SSJID was high. SSJID had a total cash balance of RMB2.8 billion at end-September 2025, compared to its debt to be due within one year of RMB7.8 billion. However, the company has access to various financing channels, including bank borrowings, bond issuances and other non-traditional financings, to support its debt repayments and business operations.

Reduced Contingent Risks: SSJID's contingent liability risk was high. The company provided financial guarantees of RMB2.9 billion to external parties at end-June 2025, accounting for 21.4% of its net assets, down from 29.5% recorded at end-September 2024. In addition, SSJID has committed to provide financial subsidies of no more than RMB300 million to its subsidiary, Shandong Molong. As Shandong Molong's fiscal condition improved in 2024 and its A-share delisting risk warning was removed by the Shenzhen Stock Exchange in May 2025, the company's contingent liability risk had been reduced to some extent.

Rating Sensitivities

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

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

Operating Environment

Economic Condition of Shouguang

Shouguang is a county-level city under the direct jurisdiction of Shandong Province and administered by Weifang City, with a total land area of 2,072 square kilometers, a residential population of 1.1 million, and an urbanization rate of 52.9% at end-2024. Renowned as China Vegetable Capital, Shouguang has a well-developed vegetable industry based on

greenhouse planting and integrated with automation technologies. It is also an important production place of sea salt, providing food condiments and chemical materials countrywide. In addition, Shouguang has a manufacturing industry dominated by petrochemical, steel and papermaking.

Shouguang maintained relatively stable economic growth in the past three years, and its GDP amount reached RMB108.2 billion in 2024, representing a year-over-year growth rate of 5.7%, higher than 5.1% recorded in 2023. The economy of Shouguang was mainly boosted by the secondary and tertiary industries, which accounted for 43.8% and 42.9% of GDP in 2024, respectively, while the primary industry accounted for a relatively large proportion (13.3% in 2024).

Shouguang's GDP and Fixed Asset Investment

(RMB billion)	2022	2023	2024
GDP	100.2	102.9	108.2
-Primary industry (%)	13.1	13.4	13.3
-Secondary industry (%)	43.5	43.8	43.8
-Tertiary industry (%)	43.4	42.8	42.9
GDP growth rate (%)	4.0	5.1	5.7
Fixed asset investment growth rate (%)	22.7	9.5	4.8
Population (million)	1.1	1.1	1.1

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

Fiscal Condition of Shouguang

The budgetary revenue of the Shouguang government increased slightly to RMB10.2 billion in 2024 from RMB10.0 billion in 2023, with the contribution of tax revenue to budgetary revenue lowered to 50.0% from 53.2% over the same period. The fiscal self-sufficiency rate of the Shouguang government was moderate, with its budget deficit slightly widened to 31.4% in 2024 from 29.7% in 2023. The government fund income of the Shouguang government rebounded to RMB6.6 billion in 2024 from RMB5.7 billion in 2023, while the transfer payment from higher government decreased to RMB2.8 billion from RMB3.3 billion over the same period.

The outstanding debt of the Shouguang government kept growing in past few years. At end-2024, the Shouguang government's outstanding debt increased to RMB34.9 billion, including general government debts of RMB11.7 billion and special debts of RMB23.2 billion. Its government debt ratio, as measured by the total government debt/aggregate revenue, was further elevated to 176.5% at end-2024 from 140.7% at end-2023, mainly due to the large increase in special debts.

Shouguang's Fiscal Condition

(RMB billion)	2022	2023	2024
Budgetary revenue	9.8	10.0	10.2
Budgetary revenue growth rate (%)	-4.9	1.9	1.7
Tax revenue	5.6	5.3	5.1
Tax revenue (% of budgetary revenue)	56.8	53.2	50.0
Government fund income	9.3	5.7	6.6
Transfer payment	3.3	3.3	2.8
Aggregate revenue	23.1	19.3	19.8
Budgetary expenditure	12.8	13.0	13.4
Budget balance ¹ (%)	-29.8	-29.7	-31.4
Government debt ratio (%)	9.8	10.0	10.2

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

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

Company Profile

SSJID was established in 2005 by several SOEs and public institutions with an initial registered capital of RMB100 million. In 2023, with the approval of the Shouguang government, the Shouguang SASAB transferred 100% shares of SSJID to JXID. JXID is a LIDC wholly owned by the Shouguang SASAB and is mainly responsible for promoting local industrial development. SSJID and JXID shares a same senior management team. The Shouguang SASAB remained as SSJID's actual controller after the equity transfer.

SSJID is an important LIDC that is responsible for state-owned capital investment, project development, and public utility operation in Shouguang. The company mainly invests in manufacturing companies and financial institutions in Shouguang to support local economic development. The company recognized a revenue of RMB4.7 billion in the first nine months of 2025, with a gross margin of 11.7%.

Key Financial Data

(RMB million)	2022	2023	2024	2025.9
Total Assets	22,655	30,413	30,341	32,237
Equity	9,216	13,713	13,337	13,564
Debt	10,387	11,273	13,485	13,709
Debt / (Debt + Equity) (%)	53.0	45.1	50.3	50.3
Unrestricted cash/ST Debts (x)	0.1	0.3	0.1	0.1
Debt/EBITDA (x)	10.2	10.4	15.6	-
Revenue	3,758	4,827	6,518	4,670
Operation Profit	-995	-762	111	65
Gross Margin (%)	4.1	14.5	11.2	11.7
Cash from sales or services/ Revenue (%)	92.2	94.4	109.4	102.1

Source: The company and Lianhe Global's calculations

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