

Shandong Zhonghai Investment Holding Group Co., Ltd.

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

Summary

The Issuer Credit Rating reflects a high possibility that the de facto local government of Binzhou Economic and Technological Development Zone (“Binzhou EDZ”), namely the Management Committee of Binzhou EDZ (“Binzhou EDZ MC”), would provide very strong support to SZIHG if needed, in light of its direct full ownership of SZIHG, SZIHG’s strategic importance as the sole local investment and development company (“LIDC”) that is responsible for state-owned asset investment and operation in Binzhou EDZ, Binzhou City (“Binzhou”), and the linkage between the Binzhou EDZ MC and SZIHG, including appointment of the senior management, strategic alignment, supervision of major investment and financing plan decisions and ongoing operational and financial support. In addition, we believe that the local government has a very strong willingness to ensure SZIHG’s business and financial viability in order to safeguard its reputation and local financing activities.

Binzhou EDZ is national-level economic and technological development zone under the jurisdiction of Binzhou. Its GDP grew steadily by 5.0% to RMB18.2 billion in 2024.

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

Rating Rationale

Government’s Ownership and Supervision: The Binzhou EDZ MC, the sole shareholder and the actual controller of the company, directly holds the full ownership of SZIHG. The local government has the final decision-making authority and supervision over the company, including appointment and supervision of senior management, decisions on its strategic development and supervision of its major investment and funding plans. In addition, the local government has an assessment mechanism over the company and regularly appoints auditors to review its operating performance and financial position.

Strategic Importance and Strategic Alignment: SZIHG, as the most important LIDC in Binzhou EDZ, is mainly responsible for state-owned asset investment and operation within the region, with a strong regional franchise advantage. The company mainly undertakes construction of infrastructure facilities, such as industrial parks, factories and affordable housing, asset leasing of industrial parks, office buildings, etc, and other services. It plays an important role in promoting the economic and social development of the region. Its business operation and strategic planning have been aligned with the local government’s development plans.

Ongoing Government Support: SZIHG receives ongoing support from the local government, including financial subsidies and asset/capital injections, to support its business operations. In 2024, the company received a capital injection of RMB421 million from Binzhou EDZ MC. We believe the government support will remain intact given the company’s strategic importance in Binzhou EDZ.

Summary

Issuer Rating	BBB
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	23 March 2026

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Applicable Criteria

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

SHIZG's Financial Matrix and Liquidity Position: SZIHG's total asset grew to RMB24.5 billion at end-2024 from RMB22.1 billion at end-2023. At the same time, its total debt grew slightly to reach RMB7.0 billion at end-2024 from RMB6.8 billion at end-2023. The company's financial leverage, as measured by the debt to capitalization ratio, decreased slightly to 48.3% at end-2024 from 49.1% at end-2023.

SHIZG's liquidity was weak. At end-2024, SZIHG had unrestricted cash balance of RMB36 million, compared with its debt due within one year of RMB709 million. Nevertheless, SZIHG has access to various financing channels, including bank loans and non-traditional financing, to support its debt repayments and business operations. Having said that, the success of rolling over the short-term borrowing and obtaining additional financing channels is important for the company to maintain its liquidity.

Rating Sensitivities

We would consider downgrading SZIHG'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 SZIHG, or (3) there is a downgrade in our internal credit assessment on the local government.

We would consider upgrading SZIHG's rating if there is an upgrade in our internal credit assessment on the local government.

Operating Environment

Economic Condition of Binzhou EDZ

Binzhou EDZ was established as a provincial-level economic and technological development zone in 2001 with the authorization of the Shandong government. It was upgraded into a national-level economic and technological development zone in 2013. Binzhou EDZ has jurisdiction over 3 streets and 188 villages, with a total land area of 189.2 square kilometers.

Binzhou EDZ's GDP increased to RMB18.2 billion in 2024 from RMB17.2 billion in 2023, while its GDP growth rate accelerated to 5.0% from 4.0% during the same period. The tertiary sector accounted for 52.3% of Binzhou EDZ's GDP in 2024, compared with 39.6% in 2023, indicating an improvement in its economic structure. Meanwhile, fixed asset investment increased by 5.0% in 2024, compared with growth of 7.8% in 2023. GDP per capita rose to RMB111,600 in 2024, while the urbanization rate remained high at 71.9%.

Binzhou EDZ's Economic Condition			
(RMB billion)	2022	2023	2024
GDP	17.2	17.2	18.2
-Primary industry (%)	4.1	1.9	1.7
-Secondary industry (%)	60.9	58.5	46.0
-Tertiary industry (%)	37.1	39.6	52.3
GDP growth rate (%)	4.1	4.0	5.0
Fixed asset investment growth rate (%)	23.1	7.8	5.0
Population (million)	0.2	0.2	0.2

Source: Statistical Bureau of Binzhou and Lianhe Global's calculations

Fiscal Condition of Binzhou EDZ

The Binzhou EDZ government's aggregate fiscal revenue was mainly derived from budgetary revenue and transfer payment from higher government, while its government fund income was very limited. The budgetary revenue of the Binzhou EDZ government decreased to RMB1.7 billion in 2024 from RMB1.9 billion in 2023, reflecting a year-over-year decline of 11.9%, compared with growth of 6.0% in 2023. Nevertheless, the tax revenue as a proportion of budgetary revenue increased further to 86.2% in 2024 from 79.2% in 2023, indicating a relatively high quality of fiscal revenue. Meanwhile, government fund income decreased to RMB0.2 billion in 2024 from RMB0.3 billion in 2023, while transfer payments increased to RMB2.0 billion from RMB1.8 billion over the same period. The Binzhou EDZ government maintained a strong fiscal self-sufficiency rate and recorded a budget surplus of 2.4% in 2024, although this was lower than 6.6% in 2023.

The outstanding debt of the Binzhou EDZ government continued to grow in 2024. At end-2024, the Binzhou EDZ government's outstanding debt increased to RMB6.5 billion from RMB5.9 billion at end-2023, mainly due to the continued increase in special purpose debt. Its government debt ratio, as measured by total government debt to aggregate revenue ratio, increased to 170.4% at end-2024 from 147.5% at end-2023, mainly due to both the decline in aggregate revenue and the increase in outstanding government debt.

Binzhou EDZ's Fiscal Condition			
(RMB billion)	2022	2023	2024
Budgetary revenue	1.8	1.9	1.7
Budgetary revenue growth rate (%)	5.7	6.0	-11.9
Tax revenue	1.3	1.5	1.4
Tax revenue (% of budgetary revenue)	74.7	79.2	86.2
Government fund income	0.0	0.3	0.2
Transfer payment	2.6	1.8	2.0
Aggregate revenue	4.4	4.0	3.8
Budgetary expenditure	1.7	1.8	1.6
Budget balance ¹ (%)	2.0	6.6	2.4
Government debt ratio (%)	118.7	147.5	170.4

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

Source: Financial Bureau of Binzhou and Lianhe Global's calculations

Company Profile

SZIHG was established in December 2005 with an initial registered capital of RMB0.5 million, which was co-funded by two local government agencies. In September 2023, the company's registered capital was increased to RMB1 billion and its shareholder was changed to Binzhou EDZ MC. At end-2025, Binzhou EDZ MC held the full ownership of the company and was the company's sole shareholder and actual controller.

SZIHG, as the most important LIDC in Binzhou EDZ, is mainly responsible for the infrastructure construction and asset leasing within the region, with a strong regional franchise advantage. The company mainly undertakes construction of infrastructure facilities, such as industrial parks, factories and affordable housing, asset leasing of industrial parks, office buildings, etc., and other services.

Key Financial Data				
(RMB million)	2021	2022	2023	2024
Total Assets	14,873	18,776	22,094	24,479
Equity	4,719	5,470	7,101	7,485

Debt	3,767	5,562	6,840	6,979
Debt / (Debt + Equity) (%)	44.4	50.4	49.1	48.3
Unrestricted cash/ST Debts (x)	0.5	0.2	0.1	0.1
Debt/EBITDA (x)	21.1	25.2	27.5	21.5
Revenue	505	491	860	561
Operation Profit	95	76	114	85
Gross Margin (%)	34.8	35.5	32.3	64.5
Cash from sales or services/ Revenue (%)	521.5	71.8	143.3	160.9

Source: The company and Lianhe Global's calculations

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