Shandong Gaochuang Holding 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 upgraded the global scale Long-term Issuer Credit Rating of Shandong Gaochuang Holding Group Co., Ltd. ("SDGC") to 'BBB+' from 'BBB'; Outlook Stable

Summary

The Issuer Credit Rating upgraded reflects SDGC's increasing strategic importance in Weifang Hi-Tech Industrial Development Zone ("Weifang HIDZ") and the strengthened support from the local government. SDGC is participating in the development of Yantai Port West Port Area LNG Long-distance Transmission Pipeline Project, a key natural gas infrastructure project of Shandong Province.

We believe this presents a high possibility that the local government would provide very strong support to SDGC if needed. This mainly considers the local government's indirect vast majority ownership of SDGC, and the importance of SDGC to Weifang HIDZ in project construction and industrial development. The linkage between the local government and SDGC is strong, including management supervision, strategic alignment and ongoing operational and financial support. In addition, we believe the local government has a very strong willingness to ensure SDGC's business and financial viability in order to safeguard its reputation and local financing activities.

Weifang HIDZ is a national-level development zone. It realized GDP of RMB76.6 billion in 2025, representing a year-over-year growth of 5.6%, while its budgetary revenue grew by 4.1% to RMB5.6 billion.

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 operations.

Rating Rationale

Government's Ownership and Supervision: The Fiscal and Finance Bureau of Weifang HIDZ ("Fiscal and Finance Bureau") indirectly holds a 77.4% stake in SDGC and is the company's actual controller. The Fiscal and Finance Bureau is under the management committee of Weifang HIDZ, which is administrative body of HIDZ delegated by the Weifang Municipal People's Government.

The local government has the final decision-making authority and supervision over SDGC, including appointment and supervision of the senior management, strategy alignment and major investment and financing plan decisions, etc. In addition, it appoints auditors to review the company's operating performance and financial position on a periodic basis.

Strategic Importance and Alignment: SDGC is a key investment and development platform in Weifang HIDZ, mainly responsible for infrastructure construction, shantytown renovation and industrial park development within the region. 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.

SDGC is participating in the development of Yantai Port West Port Area LNG Long-distance Transmission Pipeline Project, which is a strategic provincial-level natural gas trunkline designed to transport LNG from the Yantai to major demand centers across Shandong

Province and North China, thereby enhancing regional gas supply security, peak-shaving capability and energy transition efforts.

Strong Government Support: SDGC continues to receive strong support from the local government through financial subsidies and asset/capital injections. Operational subsidies increased significantly to RMB120 million in 2024 and RMB211 million in 2025, from RMB6 million in both 2022 and 2023. The local government has also injected equity interests of local SOEs into SDGC in recent years. Given SDGC's strategic importance in the region, we expect local government support to remain intact.

SDGC's Financial and Liquidity Position: SDGC's asset base continued to expand as it actively participated in Weifang HIDZ's project development, with total assets increasing steadily to RMB53.6 billion at end-March 2026 from RMB50.3 billion at end-2024. This expansion was primarily debt-funded, with total debt rising to RMB24.4 billion from RMB19.3 billion over the same period. As a result, financial leverage, measured by debt to capitalization ratio, increased to 61.6% from 55.4%. SDGC faces high short-term debt servicing pressure. At end-March 2026, the company held RMB3.3 billion in cash, including RMB2.2 billion of restricted cash, against RMB6.7 billion of debt due within one year.

Nevertheless, SDGC maintains access to diversified financing channels, including bank loans, bond issuances and other non-traditional financing sources, to support debt repayment and business operations. At end-2024, SDGC had total credit facilities of approximately RMB8.0 billion, of which around RMB1.0 billion remained unused. We also expect SDGC to roll over its short-term bank borrowings of RMB2.4 billion at end-March 2026.

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, 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 Weifang HIDZ.

We would consider upgrading SDGC's rating if there is an upgrade in our internal credit assessment on Weifang HIDZ.

Operating Environment

Economic Condition of Weifang HIDZ

Weifang HIDZ is a national-level development zone focusing on four leading industries: power equipment, IT, medical and healthcare, and new materials. Weifang HIDZ's GDP increased to RMB76.6 billion in 2025 from RMB72.1 billion in 2024, representing year-over-year growth of 5.6%. However, fixed asset investment dropped by 11.0% in 2025, mainly due to weak property investment.

Weifang HIDZ's Economic Condition (RMB billion)	**2023**	**2024**	**2025**
GDP	70.1	72.1	76.6
-Primary industry (%)	0.0	0.0	0.0
-Secondary industry (%)	65.4	56.6	55.8
-Tertiary industry (%)	34.6	43.4	44.2
GDP growth rate (%)	3.5	6.3	5.6
Fixed asset investment growth rate (%)	0.8	3.9	-11.0
Population (million)	0.4	0.4	0.4

Source: Statistical Bureau of Weifang HIDZ and Lianhe Global's calculations

Fiscal Condition of Weifang HIDZ

Weifang HIDZ's budgetary revenue increased steadily by 4.1% to RMB5.6 billion in 2025 from RMB5.4 billion in 2024, while its fiscal self-sufficiency remained high. However, government fund income, mainly generated from land sales, dropped significantly to RMB1.3 billion from RMB4.8 billion over the same period owing to the prolonged property market downturn. As a result, Weifang HIDZ's aggregate revenue decreased to RMB7.5 billion from RMB10.7 billion.

The outstanding debt of Weifang HIDZ has continued to grow in recent years. At end-2025, Weifang HIDZ's outstanding debt increased to RMB12.4 billion from RMB6.7 billion at end-2023, mainly due to the issuance of special purpose bonds to support local public projects. Its government debt ratio, as measured by total government debt to aggregate revenue, surged to 165.2% at end-2025 from 66.9% at end-2023.

Weifang HIDZ's Fiscal Condition (RMB billion)	**2023**	**2024**	**2025**
Budgetary revenue	5.2	5.4	5.6
Budgetary revenue growth rate (%)	-16.7	3.0	4.1
Tax revenue	4.2	4.8	4.9
Tax revenue (% of budgetary revenue)	80.4	88.7	86.9
Government fund income	3.9	4.8	1.3
Transfer payment	1.0	0.5	0.6
Aggregate revenue	**10.0**	**10.7**	**7.5**
Budgetary expenditure	2.8	2.4	2.3
Budget balance[1] (%)	45.8	54.7	58.6
Government debt ratio (%)	66.9	87.6	165.2

*[1] Budget balance = (1-budgetary expenditure / budgetary revenue) * 100%*
Source: Financial 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. Following a series of capital injections and equity transfers, its paid-in capital increased to RMB16.1 billion at end-March 2026. The Fiscal and Finance Bureau indirectly holds a 77.4% stake in SDGC and is the company's actual controller. The remaining shares are ultimately held by the Shandong Provincial Government and the Weifang Municipal Government.

SDGC, is the largest investment and development platform by asset size in Weifang HIDZ. It is mainly responsible for infrastructure construction, shantytown renovation and industrial park development within the region, with a strong regional franchise advantage. SDGC's revenue decreased to RMB2.8 billion in 2025 from RMB3.9 billion in 2023, mainly because earlier-stage projects had been delivered while new projects remained under construction.

Key Financial Data (RMB million)	**2023**	**2024**	**2025**	**2026.3**
Total Assets	53,682	50,275	51,871	53,642
Equity	16,821	15,576	15,367	15,234
Debt	19,413	19,315	22,325	24,387
Debt / (Debt + Equity) (%)	53.6	55.4	59.2	61.6
Unrestricted cash/ST Debts (x)	0.1	0.1	0.2	0.2
Debt/EBITDA (x)	31.1	35.4	42.0	-
Revenue	3,889	3,454	2,836	503

Gross Margin (%)	19.2	14.4	14.4	13.0
Cash from sales or services/ Revenue (%)	153.6	49.2	44.1	111.9

Source: SDGC and Lianhe Global's calculations

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