

## Credit Opinion

29 July 2025

Ratings	
Category	Corporate
Domicile	China
Rating Type	Solicited Rating
Long-Term Credit Rating	A <sub>g</sub> -
Outlook	Stable

### Analyst Contacts

Peter Chong +852-2860 7124  
Associate Director of Credit Ratings  
[peter\\_chong@ccxap.com](mailto:peter_chong@ccxap.com)

Iris Chen +852-2860 7132  
Credit Analyst  
[iris\\_chen@ccxap.com](mailto:iris_chen@ccxap.com)

Elle Hu +852-2860 7120  
Executive Director of Credit Ratings  
[elle\\_hu@ccxap.com](mailto:elle_hu@ccxap.com)

*\*The first name above is the lead analyst for this rating and the last name above is the person primarily responsible for approving this rating.*

### Client Services

Hong Kong +852-2860 7111

## Shandong Luqiao Group Co., Ltd.

### Surveillance credit rating report

#### CCXAP affirms Shandong Luqiao Group Co., Ltd.'s long-term credit rating at A<sub>g</sub>-, with stable outlook.

#### Summary

The A<sub>g</sub>- long-term credit rating of Shandong Luqiao Group Co., Ltd. ("SDLQ" or the "Company") reflects the Company's (1) solid market position in Shandong Province, particularly in the area of road and bridge construction; (2) good order backlogs and profitability; and (3) good access to funding.

However, the rating is constrained by the Company's (1) declining operation scale due to removal of subsidiaries from consolidation; (2) moderate business diversification with geographic concentration; and (3) heightened debt leverage.

The rating also reflects our expectation of a very high likelihood of support from SDLQ's parent, namely Shandong Hi-speed Road & Bridge Group Co., Ltd. ("SHRB"), given SDLQ's (1) status as the core subsidiary of SHRB in engineering and construction business; and (2) close business and financial linkages with SHRB. We believe that SHRB has a strong capacity to support the Company by dint of SHRB's (1) status as a key subsidiary of Shandong Hi-Speed Group Co., Ltd. ("SDHS") which is ultimately owned and controlled by the Shandong Provincial Government; (2) strong strategic role for SDHS in the development of construction business; and (3) good track record of strong shareholder and government support.

The stable outlook on SDLQ's rating reflects our expectation that the Company's important position to its parent company is unlikely to change. We also expect the Company to maintain stable credit metrics and sufficient liquidity over the next 12 to 18 months.

## Rating Drivers

- Very high likelihood of support from its parent company when necessary
- Strong market position in road and bridge construction market in Shandong Province
- Good project backlogs albeit declining operation scale
- Moderate business diversification and improving construction mix
- Higher investment risk from PPP projects
- Declining revenue due to removal of subsidiaries from consolidation but with good profitability
- Heightened debt leverage
- Good access to funding

## Rating Sensitivities

### What could upgrade the rating?

The rating could be upgraded if (1) the credit quality of SHRB improves, given the close business and financial linkages between SHRB and SDLQ; or (2) SDLQ's standalone credit quality improves significantly, including stronger market position, diversified operating scale, and improved credit metrics.

### What could downgrade the rating?

The rating could be downgraded if (1) the credit quality of SHRB deteriorates or parental support is expected to be weakened; or (2) SDLQ's standalone credit quality worsens significantly, including a material drop in market share, deterioration in credit metrics, and poor liquidity management.

## Key Indicators

	2022FY	2023FY	2024FY	2025Q1
Total Assets (RMB billion)	71.7	88.7	66.2	65.9
Total Equity (RMB billion)	16.7	19.5	9.3	9.5
Total Revenue (RMB billion)	50.2	52.2	40.8	5.1
Net Profits (RMB billion)	2.7	2.5	1.7	0.2
EBITDA/Revenue (%)	8.8	7.8	6.6	-
Return on Net Assets (%)	18.9	13.6	2.9	-
Total Debt/Total Capital (%)	47.7	44.7	58.5	60.3
Total Debt/EBITDA (x)	3.2	3.7	4.2	-
EBITDA/Interest (x)	6.0	5.3	4.0	-

All ratios and figures are calculated using CCXAP's adjustments.

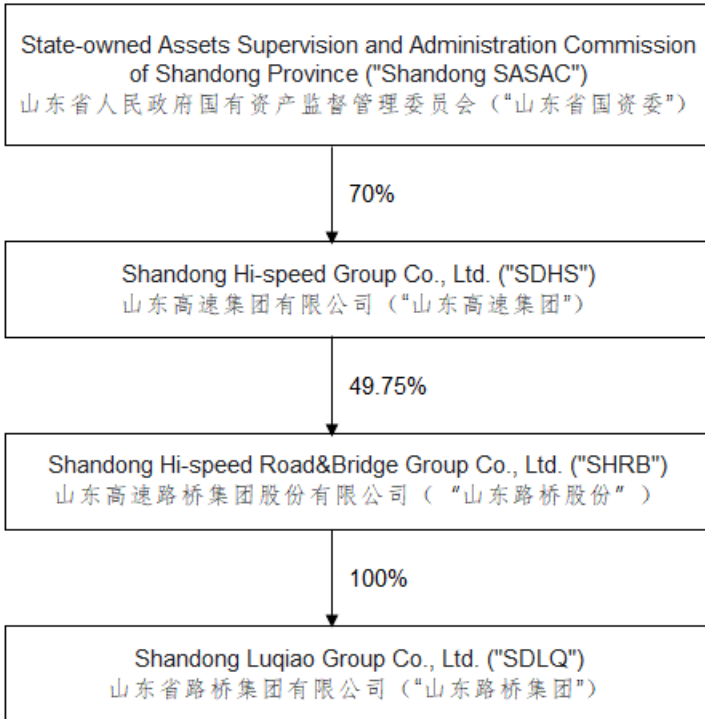
Source: Company data, CCXAP research

## Corporate Profile

Established in 1948, SDLQ is one of the leading engineering and construction ("E&C") company in Shandong Province that is an expert in the construction of roads and bridges. As of 31 March 2025, the Company was wholly owned by SHRB, a Shenzhen listed E&C company (stock code: 000498.SZ) that was 49.8% owned by SDHS. SDHS is the largest state-owned enterprise ("SOE") by total assets in Shandong Province and is ultimately owned and controlled by the State-owned Assets Supervision and Administration Commission of

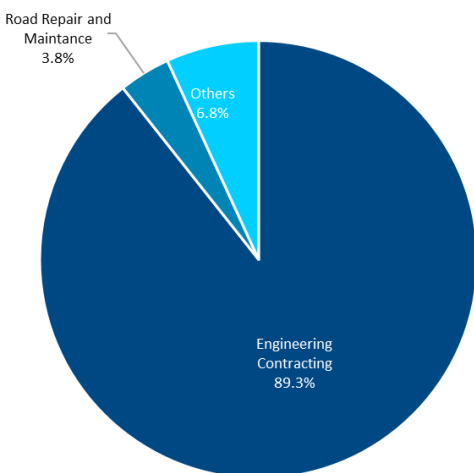
Shandong Province ("Shandong SASAC"). SDLQ reported a total revenue of RMB40.8 billion in 2024 and total assets of RMB66.2 billion as of 31 December 2024.

**Exhibit 1. Shareholding chart as of 31 March 2025**



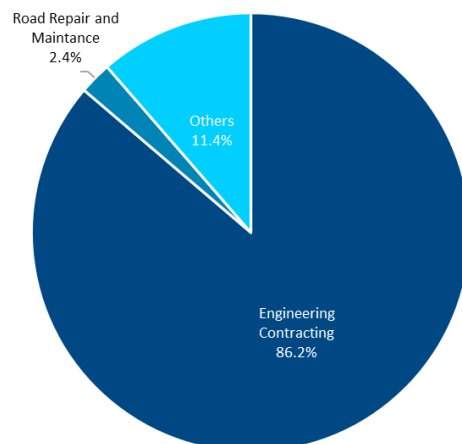
Source: Company information, CCXAP research

**Exhibit 2 Revenue structure in 2024FY**



Source: Company information, CCXAP research

**Exhibit 3 Gross profit structure in 2024FY**



**Rating Considerations**

**Business Profile**

**Strong market position in road and bridge construction market in Shandong Province**

SDLQ is a leading E&C company in Shandong Province, particularly in the area of road and bridge construction. The Company maintains high regional status as it owns more than 50% market share in highway construction in Shandong Province. It participates in multiple major road and bridge projects in Shandong Province, such as Weishan Lake Bridge and Zaozhuang-Heze Expressway. It has also gained market recognition through earning a series of meaningful engineering and construction prizes including the China Construction Engineering Luban Prize and Tien-yow Jame Civil Engineering Prize. In addition, SDLQ's market position is enhanced by the strong business support from SDHS, the largest road and bridge owner in Shandong Province with substantial needs for road and bridge construction.

SDLQ possesses strong technical advantages and is equipped with sufficient industry qualifications and patents, which enable it to be more competitive in the tendering market and access to quality projects. At present, it has 2 top-grade qualifications of general contracting for highway engineering and municipal public works, along with corresponding Class-A design qualifications in these sectors. In 2024, it newly acquired a Grade II general contracting qualification for water conservancy and hydropower engineering, further diversifying its portfolio of operational qualifications.

On 16 October 2024, in order to optimize resource allocation and simplify business structure, the Company transferred its 67.9% equity in Shandong Hi-Speed Engineering Construction Group Co., Ltd., 76.8% equity in Shandong Provincial Highway and Bridge Construction Group Co., Ltd., and 53.5% equity in Shandong High Speed Maintenance Group Co., Ltd. to SHRB, which resulted in reductions in the Company's operating scale, total assets, total revenue, and capital strength, exerting a negative impact on its credit profile. Nevertheless, the Company maintains its strategically significant position within SDHS because the Company and SHRB effectively operate under a dual-brand structure with shared executive leadership after the equity transfer.

### **Good project backlogs albeit declining operation scale**

Due to the removal of subsidiaries from consolidation, the Company's newly signed contract volume decreased significantly from RMB106.0 billion in 2023 to RMB41.6 billion in 2024. Nevertheless, the Company maintains a commanding market position in the highway and bridge engineering sector within Shandong Province and has sufficient project backlogs to support its future business development. As of 31 March 2025, the Company's unfinished contracts value amounted to RMB46.6 billion.

SDLQ's project quality is considered high given most of the Company's clients are SOEs that have manageable payment risk. More than 65% of new projects have a contract size of over RMB500 million in the past three years, which could benefit cost control and help maintain a better project margin. In addition, the Company keeps expanding in other construction fields and outside Shandong Province with substantial resource allocation from SDHS, resulting in favourable overall project quality as well as good project reserves that help support its future business growth.

The Company's business growth is highly associated with the local construction needs in the province and its investment planning. At the same time, the Company actively expands business outside Shandong Province, but the amount of newly signed contracts in other provinces fluctuate amid intensive market competition. The Company also explores the overseas market along with the national "Belt and Road" layout while the overseas contract still contributes a small proportion to overall newly signed contracts. Moreover, the overseas projects would expose the Company to higher legal, operational, and execution risks.

### **Moderate business diversification and improving construction mix**

SDLQ has a strong local market position in highway construction with moderate business diversification. The value of newly signed contracts in the highway construction sector accounted for 30.6% of total value of newly signed contracts in 2024. However, SDLQ's rating is constrained by its geographically concentrated operation in Shandong Province. In 2024, around 57.0% of newly signed contracts came from Shandong Province. The construction mix has been improved, benefiting from the internal collaboration of SDHS and the Company's vigorous expansion outside Shandong Province.

In 2024, the value of newly signed contracts in the housing construction sector accounted for 28.2% of total value of newly signed contracts compared with 13.8% in 2023. The housing construction business mainly includes industrial plants, industrial parks and public buildings construction. However, given that the domestic road network has entered the advanced stage and the growth rate of highway investment is slowing down, we expect the newly signed contracts in the highway sector will gradually decline.

In addition, the Company has actively expanded its municipal construction business, including roads and pipe corridors. The Company also plans to further broaden its business scope into urban renewal and water conservancy projects to strive to form a comprehensive competitive business layout, aligning with government strategies.

#### Exhibit 4 Value of newly signed construction contracts by business sector from 2022 to 2025Q1

(RMB billion, %)	2022FY		2023FY		2024FY		2025Q1	
	value	percentage	value	percentage	value	percentage	value	percentage
Highway	33.4	40.3	60.1	56.7	12.7	30.6	1.6	26.1
Municipal construction	22.8	27.5	21.2	20.0	8.8	21.1	2.0	31.9
Housing construction	14.3	17.2	14.6	13.8	11.8	28.3	2.3	37.3
Railways	2.2	2.7	-	-	0.0	0.1	-	-
Others	10.2	12.3	10.1	9.5	8.3	19.9	0.3	4.7
<b>Total</b>	<b>82.9</b>	<b>100.0</b>	<b>106.0</b>	<b>100.0</b>	<b>41.6</b>	<b>100.0</b>	<b>6.2</b>	<b>100.0</b>

Source: Company information, CCXAP research

#### Exhibit 5 Value of newly signed construction contracts by geographic location from 2022 to 2025Q1

(RMB billion, %)	2022FY		2023FY		2024FY		2025Q1	
	value	percentage	value	percentage	value	percentage	value	percentage
Within Shandong Province	51.6	62.3	76.2	71.9	23.7	57.0	2.5	41.6
Outside Shandong Province	24.2	29.2	29.3	27.7	16.9	40.7	2.4	39.2
Overseas	7.0	8.5	0.4	0.41	0.9	2.3	1.2	19.2
<b>Total</b>	<b>82.9</b>	<b>100.0</b>	<b>106.0</b>	<b>100.0</b>	<b>41.6</b>	<b>100.0</b>	<b>6.1</b>	<b>100.0</b>

Source: Company information, CCXAP research

#### Higher investment risk from PPP projects

Besides the engineering contracting business, SDLQ makes some investments in PPP projects that are capital-intensive and require a longer return period. The amount of PPP projects is reduced due to the transfer of subsidiaries out of the Company. However, the Company still faces capital expenditure pressure and higher investment risk with ongoing investment in these projects.

As of the end of 2025Q1, the Company totally had 20 PPP projects in hand, all of which have been listed in the project management database of the Ministry of Finance. Among them, 12 projects were held by the Company as the controlling shareholder, with a total planned investment of around RMB7.8 billion and an uninvested

amount of RMB3.0 billion. They were mainly road and bridge projects such as municipal roads and highways with operation periods of 8-10 years and mainly balanced under the mode of government repayment. The Company took part in the other 8 projects as the minority shareholder, with a total planned investment of around RMB1.5 billion and an uninvested amount of RMB321.0 million. Participating in PPP projects is expected to have a good effect on the growth of the construction business. The PPP projects are expected to bring construction contracts of around RMB11.2 billion to the Company. Considering the relatively large initial investment and long payback period of the PPP projects, we expect it will be difficult for the Company to achieve fund balancing in the short term.

## Financial Profile

### Declining revenue due to removal of subsidiaries from consolidation, but with good profitability

Affected by removal of major subsidiaries from consolidation, SDLQ's total revenue decreased to RMB40.8 billion in 2024 from 52.2 billion in 2023. The revenue from engineering contracting contributed 89.3% of SDLQ's revenue in 2024. Influenced by fluctuations in building material prices, extended settlement periods for contract assets and prolonged accounts receivable cycles, and higher impairment and credit loss provisions, the Company's profitability reduced in 2024, but still maintained at a relatively good level. SDLQ's EBITDA margin decreased from 7.8% in 2023 to 6.6% in 2024, which was still good compared to its peers, mainly driven by its good cost control and earning power in its engineering contracting business.

In addition, the Company's capacity to generate cash flow is weak, affected by an extended settlement period and ongoing project investment. Its CFO is unable to fully cover short-term debt. In addition, the Company's asset liquidity is relatively weak. The contract assets and receivables totally accounted for a large portion of around 56.8% of total assets as of the end of 2024, which were mainly unsettled amounts of completed projects.

### Heightened debt leverage

The Company relies on external financing to meet its financial needs and debt repayment. The Company's total debt (including perpetual debt) decreased from RMB15.1 billion at end-2023 to RMB13.9 billion as of the end of 2025Q1 because of removal of subsidiaries from consolidation. However, SDLQ's shareholders' equity decreased significantly in 2024 due to the transfer of subsidiaries, resulting in the rise in leverage. The total capitalization ratio increased to 60.3% from 44.7% during the same period. As of the end of 2025Q1, the short-term accounted for around 38.3% of total debt, indicating relatively large short-term debt repayment pressure. The Company's total debt/EBITDA ratio rose to 4.2x in 2024 from 3.7x in 2023, but was mitigated by its strong financial flexibility and sound access to low-cost funding from banks and the capital market.

In October 2024, SHRB announced plans to introduce external investors for an equity capital injection of no more than RMB3.0 billion into the Company. As of now, this initiative has been temporarily suspended. We believe that the capital injection, if successful, can partially offset the impact of the removal of major subsidiaries. The actual scale of capital injection and its impact on the Company's capital strength are worth noting.

### Good access to funding

SDLQ has good access to funding through its parent company, banks and the capital market with low costs. As of 31 March 2025, the Company obtained total bank credit facilities of RMB48.6 billion, of which the available part was RMB27.1 billion, providing good standby liquidity. It also has good access to the onshore bond market. As of 30 June 2025, the Company had an outstanding amount of RMB2.0 billion from the onshore bond market with average coupon rates of 3.0%, half of which are long-term bonds up to 10 years. In addition, SDLQ has a

track record of receiving capital and funding support from SHRB, including providing money lending and guarantees when needed. For example, SHRB has provided money lending of around RMB2.0 billion to the Company in 2023 with market-level lending rates.

### External Support

SDLQ is very likely to receive support from SHRB when necessary, given its (1) status as the core subsidiary of SHRB in the E&C business; and (2) close business and financial linkages with SHRB. We believe that SHRB has a strong capacity to support the Company because of its (1) status as a key subsidiary of SDHS which is ultimately owned by the Shandong Provincial Government; (2) strong strategic role for SDHS in the development of construction business; and (3) good track record of strong shareholder and government support.

SDLQ has a very important position in SHRB's operations as the primary operating subsidiary in roads and bridges construction business. Following the equity transfer in 2024, the Company and SHRB operate with a dual-brand structure under shared management team. It contributes most of the revenue stream and profit for SHRB. Given SDLQ's important business position, SHRB has provided strong funding support to SDLQ for business expansion and maintaining its financial health. In January 2025, SHRB provided supplemental full-coverage, unconditional, irrevocable joint and several liability guarantees for the Company's outstanding bonds.

SHRB's capacity to provide support is largely underpinned by SDHS. Ultimately owned and controlled by the Shandong SASAC, SDHS is the largest SOEs by total assets and the largest toll road operator in Shandong Province, following its merger with Qilu Transportation Development Group Co., Ltd. in November 2020. As of 31 December 2024, SDHG owned a toll road portfolio spanning 8,383.8 kilometers, of which more than 80% of the operating mileage is within Shandong Province. SDHS prioritizes resource allocation to SHRB and SDLQ, whose projects generally demonstrate good quality.

### Rating Methodology

The methodology used in this rating is the Rating Methodology for [Engineering and Construction Companies \(December 2016\)](#).



Copyright © 2025 China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”). All rights reserved.

No part of this publication may be reproduced, resold or redistributed in any form or by any means, without prior written permission of CCXAP.

A credit rating is the analytical result of current credit worthiness and forward-looking opinion on the credit risk of a rated entity or a debt issue. Credit ratings issued by CCXAP are opinions on the current and relative future credit risk of the rated entities or debt issues, but do not address any other risks, including but not limited to liquidity risk, market price risk, and interest rate risk.

Credit ratings, non-credit assessments, and other opinions included in CCXAP’s publications are not recommendations for investors to buy, sell, or hold particular securities, nor measurements of market value of the rated entities or debt issues. While obtaining information from sources it believes to be reliable, CCXAP does not perform audit and undertakes no duty of independent verification or validation of the information it receives from the rated entities or third-party sources.

All information contained herein belongs to CCXAP and is subject to change without prior notice by CCXAP. CCXAP considers the information contained herein to be accurate and reliable. However, all information is provided on an "as is" and "as available" basis and CCXAP does not guarantee accuracy, adequacy, completeness, or timeliness of the information included in CCXAP’s publications.

To the extent where legally permissible, CCXAP and its directors, officers, employees, agents and representatives disclaim liability to any person or entity (i) for any direct or compensatory losses or damages, including but not limited to by any negligence on the part of, and any contingency within or beyond the control of CCXAP or any of its directors, officers, employees, agents or representatives, arising from or in connection with the information contained herein or the use of or inability to use any such information; and (ii) for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if CCXAP or any of its directors, officers, employees, agents or representatives is advised in advance of the possibility of such losses or damages.

**China Chengxin (Asia Pacific) Credit Ratings Company Limited**

Address: Suites 1904-1909, 19/F, Jardine House,  
1 Connaught Place, Central, Hong Kong

Website: [www.ccxap.com](http://www.ccxap.com)

Email: [info@ccxap.com](mailto:info@ccxap.com)

Tel: +852-2860 7111

Fax: +852-2868 0656