Credit Opinion

20 November 2026

Shandong Shipping Corporation

Surveillance credit rating report

Ratings	
Category	Corporate
Domicile	China
Rating Type	Solicited Rating
Long-Term Credit Rating	A_g-
Outlook	Stable

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CCXAP affirms Shandong Shipping Corporation's long-term credit rating at A_g-, with stable outlook.

Summary

The A_g- long-term credit rating of Shandong Shipping Corporation ("SDSC" or the "Company") reflects the Company's (1) strong position in China's shipping industry with optimized fleet structure; (2) relatively good business stability with solid client base; and (3) good access to funding.

However, the rating is constrained by the Company's (1) vulnerability to cyclical fluctuations in the shipping industry; (2) high debt leverage and weakened credit metrics; and (3) moderate profitability.

The rating also reflects our expectation of a high likelihood of support from government and its parent Company, namely Shandong Ocean Group Co., Ltd. ("SDOC"), given (1) SDSC's status as the core subsidiary of SDOC in Shipping Services; (2) moderate legal linkages with SDOC; and (3) reputation risk to the government. We believe that SDOC has strong capacity to support the Company by dint of SDOC's (1) ownership by the Shandong Provincial Government; (2) important strategic role in the development of marine industry of Shandong Province; and (3) good track record of strong shareholder and government support.

The stable outlook on SDSC'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

- Strong position in China's shipping industry with optimized fleet structure
- Relatively good business stability with solid client base
- Vulnerable to cyclical fluctuations in the shipping industry
- Business diversification poses operation challenges
- Improving but still moderate profitability
- High debt leverage and weakened credit metrics
- Good access to funding
- High likelihood of support from parent company and the government when necessary

Rating Sensitivities

What could upgrade the rating?

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

Key Indicators

	2023FY	2024FY	2025FY	2026Q3
Total Assets (RMB billion)	39.5	39.6	45.5	46.2
Total Equity (RMB billion)	11.4	12.5	13.3	13.8
Total Revenue (RMB billion)	6.7	7.8	7.9	6.4
Net Profits (RMB billion)	1.0	0.7	0.9	1.0
EBIT Margin (%)	36.7	31.7	31.4	-
Return on Total Assets (%)	7.0	6.2	5.8	-
Total Debt/Total Capital (%)	68.2	67.0	71.1	70.7
Total Debt/EBITDA (x)	4.8	5.8	7.7	-
EBITDA/Interest (x)	3.6	2.6	2.5	-
FFO/Total Debt (x)	0.2	0.1	0.1	-

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

Source: Company data, CCXAP research

Corporate Profile

Established in 2010, SDSC is one of the most professional dry bulk shipping fleets in China with a leading fleet capacity. The Company is primarily engaged in shipping services, ship management, seafarer recruitment agency services and financial leasing. In May 2023, SDSC introduced a share expansion plan and privately issued new shares to SDOC and Shanghai Waigaoqiao Shipbuilding Co., Ltd. ("SWS"), raising RMB6.6 billion in total. The Company reported a paid-in capital of approximately RMB6.1 billion as of 30 September 2026.

SDSC is jointly owned by several large state-owned enterprises, including SDOC (holding 38.83% of shares), SWS (34.97%), and Shandong Hi-speed Group Co., Ltd ("SDHS") (16.46%), as of the same date.

SDOC and SDHS are the key state-owned enterprises under direct supervision and control by the State-owned Assets Supervision and Administration Commission of Shandong Province ("Shandong SASAC"). SWS is one of the major shipbuilders in China and a subsidiary of China State Shipbuilding Corporation Limited, the largest shipbuilding group in the world. As of 30 September 2026, SDSC reported total assets of RMB46.2 billion, accounting for around 71.2% of SDOC's total assets.

Exhibit 1. Shareholding chart as of 30 September 2026



Source: Company information, CCXAP research

Exhibit 2. Revenue structure in 2025

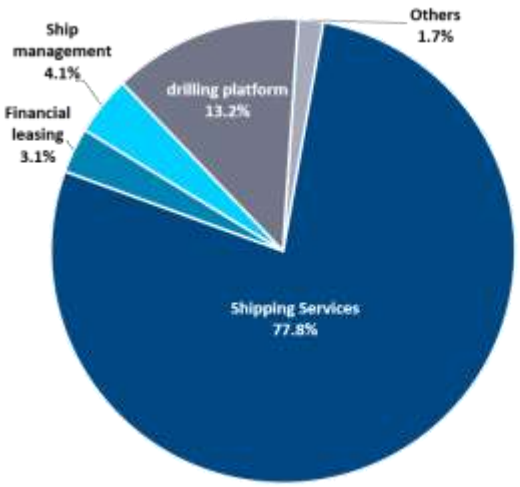
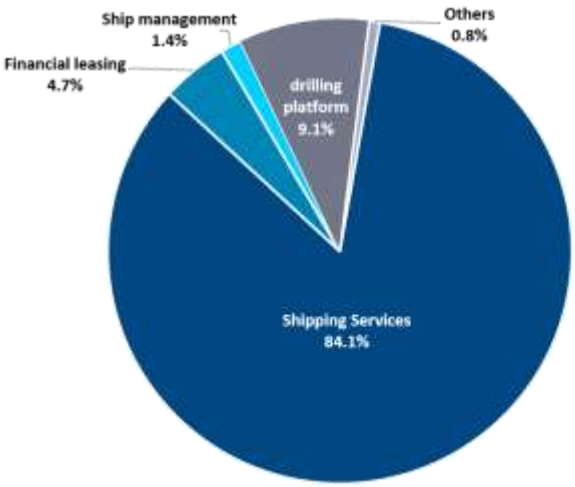


Exhibit 3. Gross profit structure in 2025



Source: Company information, CCXAP research

Rating Considerations

Business Profile

Strong position in China's shipping industry with optimized fleet structure

SDSC is a leading dry bulk shipping company in China with over a decade of extensive operational experience, consistently maintaining the third-largest fleet capacity in the domestic market. Notably, the Company has optimized its fleet structure by introducing modern, fuel-efficient vessels and phasing out older, less efficient tonnage. With its young and diversified fleet, stable customer relationships, and scaled operations, the Company is well-positioned to maintain strong competitive advantages and mitigate cyclical market risks in the global shipping industry.

The Company primarily acquires and operates vessels through construction and leasing. In recent years, it has increasingly adopted leasing strategies to rapidly expand capacity, strategically shifting toward a light-asset operational model, primarily through vessel leasing, to improve cost efficiency, mitigate risks, and enhance operational flexibility. As of 31 March 2026, the Company operated a total of 104 vessels (including those under construction) with a combined capacity of 15.4 million deadweight tonnages ("DWT"), maintaining its position as the third-largest fleet in China in terms of capacity. The dry bulk segment remains the core of its operations, with a total capacity of 13.4 million DWT across 72 vessels. Its liquid bulk fleet size remained stable compared to the same period last year, with capacity of 1.9 million DWT across 29 vessels, including two new Very Large Crude Carriers ("VLCCs") under construction.

The average age of its core operating fleet is relatively low, enhancing operational efficiency and reducing carbon emissions, which are the Company's key advantages amid the industry's accelerating green transition. This growth improves the Company's ability to serve long-term contracts.

Exhibit 4. Company's fleet capacity as of 31 March 2026 (excluding the Xiaoqing River projects)

Status	Vessel Type	Owned Vessels			Rental Vessels				
		Number	Capacity (k DWT)	Avg. Age	Number	Capacity (k DWT)	Avg. Age	Total Number	Total Capacity (k DWT)
Dry Bulk Fleet									
Operating	VLOC	4	1,048	11.	4	1,609	14	8	2,658
	Newcastlemax	-	-	-	14	2,941	4	14	2,941
	Capesize	13	2,347	7	-	-	-	13	2,346
	Kamsarmax	6	491	9	21	1,734	3	27	2,225
Under Construction	Kamsarmax	-	-	-	-	-	-	-	-
	VLOC	1	325	-	9	2,923	-	10	3,250
Subtotal		**24**	**4,211**	**-**	**48**	**9,207**	**-**	**72**	**13,420**
Tanker Fleet									
Operating	MR	9	444	6	18	893	2	27	1,336
Under Construction	VLCC	-	-	-	2	600	-	-	600
Subtotal		**9**	**444**	**6**	**20**	**1,493**	**-**	**27**	**1,936**

Source: Company information, CCXAP research

Relatively good business stability with solid client base

SDSC's core strategy is to focus on establishing long-term partnerships with key clients, such as Vale International SA., BHP Billiton Feight Singapore Pte. ("BHP"), RWE Supply & Trading GmbH, Shell Tankers (Singapore) Private Limited ("Shell"), as well as China National Cereals, Oils and Foodstuffs Corporation ("COFCO"). This approach allows SDSC to secure stable cargo sources before acquiring or leasing corresponding capacity.

The Company signs medium or long-term contracts with these customers to ensure demand for shipping services, and then self-constructs or leases vessels according to the capacity needs of contracts. The volume of iron ore shipments declined in 2025 due to changes in the cargo mix of certain voyages and the newly acquired 82,000-dwt bulk carrier, which primarily transports grain and other cargoes. Meanwhile, total dry bulk shipment volume decreased by 2.6% year-on-year("YoY"). However, oil and chemical volumes increased in 2025, driven by 5 chartered-in MR vessels that commenced operations in the second half of 2024. As of 31

March 2026, the volume of dry bulk shipment rebounded YoY supported by the growth of grain shipping volume, while oil and chemical volumes maintained an upward trend.

However, the customer concentration remains relatively high. In 2025, the top five clients accounted for 44.9% of ocean shipping revenue. In addition, it is important to note that some of these core contracts expired in 2025 and 2026, and their renewal terms may affect revenue stability.

Vulnerable to cyclical fluctuations in the shipping industry

The shipping industry's prosperity is closely tied to global economic development, characterized by its cyclical nature and susceptibility to external shocks, including geopolitical conflicts and unforeseen events. Global dry bulk trade in 2025 followed a weak start and strong finish trajectory, with the Baltic Dry Index ("BDI") closing the year at 1,877 points, up 88.3% over the year. However, the BDI's annual average of approximately 1,640 points represented a decline compared with 2024. Besides, even though the production expansion of OPEC+ and geopolitical risks offer some support, dry bulk and oil product freight rates continued to decline in 2025.

To mitigate exposure to market fluctuations, SDSC employs a strategy centered on long-term contracts with key customers and a diversified pricing structure. Approximately 20% of the Company's total capacity is allocated to the spot market, where freight rates fluctuate based on prevailing indices. Despite these risk-management measures, the volatility of the shipping industry continues to pose challenges to SDSC's operational, managerial, and financial performance. SDSC employs three main pricing models: fixed rate, capped floating rate, and market-based rate (pegged to indices such as C5 route average, C5TC, and P5TC), with the rates at approximately 50%, 30%, and 20%, respectively, as of end-2025. The allocation of market-based rate has remained relatively stable in recent years. This multi-tiered pricing strategy helps the Company mitigate freight market volatility.

Business diversification poses operation challenges

SDSC's businesses cover both dry and liquid bulk shipping, with dry bulk serving as the core segment. The Company enhanced its business diversification through the acquisition of the NOF asset package in November 2023, expanding into offshore oilfield services, offshore wind turbine installation, and gas transportation. However, the operations of drilling platform leasing services within the offshore oilfield segment are facing certain challenges. Nevertheless, we expect the Company will continue to consolidate and strengthen its market position in the dry bulk sector, while steadily expanding its liquid bulk capacity to further diversify its operating risks.

SDSC is mainly engaged in the shipping transportation of commodities such as minerals, grain, and energy. It owns a variety of mainstream ship types. Its routes are spread all over the world, and its services cover major ports in the world. Dry bulk cargo is predominantly iron ore and coal, which together account for around 80% of total dry volume, while liquid bulk is focused mainly on oil and chemical products.

The offshore oilfield services segment, which provides drilling platform leasing services to international oil companies, had previously experienced sustained losses due to industry downturn. After the acquisition, NOF significantly reduced its debt and associated financial costs. As of 31 March 2026, NOF had 4 drilling platforms in operation. Two of these platforms are currently in operation and the average charter rate of contracts executed in 2025 increased YoY. However, the remaining two platforms are currently uncontracted or have yet to commence their contracts, resulting in a 5.8% YoY decline in revenue of this segment in 2025.

SDSC has established leading competitiveness in the gas shipping segment, currently operating the world's largest very large ethane carrier ("VLEC") fleet in terms of capacity and ranking top among the global leaders in very large LPG carrier ("VLGC") capacity. As of 31 March 2026, the Company's gas fleet included 8 VLGCs and 3 VLECs, with an additional 15 VLECs, of which 5 have been delivered and are bareboat-chartered in, and 10 are under construction, all backed by long-term contracts. In 2025, gas shipping volume increased slightly compared with 2024.

In addition, Shandong Huachen Financial Leasing Co., Ltd ("Huachen Leasing"), an 80%-owned subsidiary of SDSC since 2019, previously engaged in both finance and operating leases along with factoring. In November 2024, it transferred its vessel operating lease business to SDSC through the divestment of a subsidiary. As a result, Huachen Leasing has exited the operating leasing business and now mainly focuses on finance leasing and factoring.

Financial Profile

Improving but still moderate profitability

In 2025, the Company's total revenue increased slightly by 1.5% YoY to RMB7.9 billion. Meanwhile, the gross margin of the marine transportation segment improved, supported by volume growth in the relatively higher yield oil and chemical transportation business. However, the financial leasing segment's gross margin declined amid falling interest rates and business adjustments. Consequently, the Company's overall gross margin recorded a slight increase, from 32.5% in 2024 to 33.0% in 2025.

In addition, the Company's financial expenses decreased slightly over the same period, and its operating profit increased by 13.3% YoY. In addition, the Company recognized a certain amount of asset disposal gains during the period, primarily comprising gains from the disposal of three vessels and gains from the disposal of right-of-use assets arising from the sublease of three vessels, pushing SDSC's net profit higher to RMB940.4 million in 2025, representing a YoY increase of 30.3%. The EBIT margin stayed relatively stable at 31.4% in 2025, while the return on total asset fell from 6.2% in 2024 to 5.8% in 2025.

High debt leverage and weakened credit metrics

SDSC has high debt leverage to support its fleet and business expansion. As of 30 September 2026, its total debt (including perpetual bonds) increased to RMB31.0 billion from RMB24.4 billion at the end of 2024, with a high total capitalization ratio of 70.7%. Meanwhile, as of the same date, the ratio of short-term debt to total debt fell to 15.8%. With the unrestricted cash to short-term debt ratio at around 0.3x, the Company still faces a certain degree of short-term refinancing pressure. Nonetheless, we expect the sufficient credit facility and stable operating cashflow from its shipping business is supportive to the repayment of its short-term debts.

SDSC has a proportion of restricted assets, representing 28.6% of total assets as of 30 September 2026. The restricted amount of RMB13.2 billion primarily consists of vessels pledged under financing arrangements such as finance leases, along with minor cash holdings reserved for payment guarantees. This level of restricted assets may limit the Company's operational and financial flexibility. Nevertheless, this ratio represented a significant decline from 56.2% as of end-2024.

The Company's credit metrics weakened in 2025 due to the increase in total debt and decrease in depreciation and amortization. The total debt to EBITDA ratio rose from 5.8x in 2024 to 7.7x in 2025, and EBITDA interest coverage declined slight from 2.58x in 2024 to 2.53x in 2025, indicating increased pressure on interest servicing capacity.

Good access to funding

SDSC maintains solid access to diverse funding sources, including bank loans, domestic bonds, and financial leasing. The Company has established long-term relationships with policy banks, state-owned commercial banks, and joint-stock commercial banks in China and international commercial banks, including the Export-Import Bank of China, Bank of China, China Merchants Bank, BNP Paribas. As of 31 March 2026, the Company had obtained a total credit facility of USD3.1 billion and RMB14.2 billion, with a remaining credit facility of USD1.5 billion and RMB9.8 billion. Additionally, the Company also had 6 outstanding domestic bonds, including MTN, corporate bond, and ABS, with total outstanding amount of about RMB4.3 billion. The Company also issued two perpetual bonds at in 2024 and 2025, respectively, raising a total of RMB1.0 billion. The Company has access to low-cost funding given its strong shareholder background.

External Support

High likelihood of support from parent company and the government when necessary

SDSC is likely to receive support from SDOC and the Shandong Provincial Government, when necessary, given its (1) status as the core subsidiary of SDOC in shipping services; (2) moderate legal linkages with SDOC; and (3) reputation risk to the government. We believe that SDOC has a strong capacity to support the Company because of its (1) ownership by the Shandong Provincial Government; (2) strategic role in the development of marine industry of Shandong Province; and (3) good track record of strong shareholder and government support.

SDOC is an important operating entity in the Shandong Province's marine industry and its capacity to provide support is largely underpinned by Shandong Provincial Government. SDSC has a very important position in SDOC's operations as the primary operating subsidiary in shipping services business. At the same time, the Company is also the sole provincial state-owned ocean shipping enterprise in Shandong Province. In 2025, the Company contributes majority of assets and revenue for SDOC, accounting for 72.8% and 65.4% of SDOC's total assets and revenue, respectively.

In our view, SDSC can receive solid support from SDOC for its daily operation management, business development, and fund lending. SDOC also has moderate legal incentives to provide necessary support to SDSC. A default by SDSC would trigger the cross-default provisions in the offshore bonds issued by SDOC. While the level of SDOC's offshore debt is moderate, we believe that the cross-default provisions are long-term as SDOC tends to refinance its offshore debt on an ongoing basis. A default by SDSC will pose reputation risk to the government as well. It is expected that the Shandong Provincial Government would provide support to SDSC through SDOC when necessary.

In May 2023, SDSC issued 3.0 billion additional shares through a non-public offering. SDOC subscribed for 859.0 million shares for RMB1.9 billion, while SWS, a wholly-owned subsidiary of the listed company China CSSC Holdings Limited, subscribed for 2.1 billion shares for RMB4.7 billion. SDSC's capital strength significantly enhanced due to capital increase and introduction of strategic investor. SWS is one of the large-scale shipbuilding companies in China, SWS's shipbuilding business and SDSC's shipping business would contribute to business synergies.

ESG Considerations

The Company is subject to environmental laws and regulations governing air emissions, water discharge, waste management, and other ecological matters issued by national and regional authorities. SDSC assumes

environmental risks for its construction projects. Such risks could be mitigated by conducting environmental studies and detailed planning prior to the commencement of projects and close supervision during construction.

SDSC is also faces social risks as a major industrial entity in the shipping sector. Demographic changes, public awareness and social priorities shape the government's development strategy, and it will affect the government's propensity to support the Company. In recent years, the Company has not experienced any major negative social events or major safety accidents, and it has a relatively sound employee incentive mechanism.

Governance considerations are central to SDSC's operations due to its status as a government-linked entity. It is under the oversight of Shandong SASAC and must adhere to strict reporting requirements to government stakeholders. The Company maintains regular communication with local governments and regulatory bodies through its management and representatives, ensuring ongoing compliance with all applicable rules, permits, and certifications. Major shareholders include SDOC (38.83%), SWS (34.97%), and SDHS (16.46%), all of which are state-owned enterprises reinforcing strong governance frameworks and alignment with national policies. We believe that SDSC is in material compliance with relevant regulations and executive orders in all jurisdictions where it operates.

Rating Methodology

The methodology used in this rating is the Rating Methodology for General Corporate (May 2026).

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