CCXAP affirms Jinan Shizhong Finance Investment Group Co., Ltd.'s long-term credit rating at BBB_g+, with stable outlook.

Hong Kong, 27 August 2026 – China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") has affirmed Jinan Shizhong Finance Investment Group Co., Ltd. ("SZFI" or the "Company")'s long-term credit rating at BBB_g+, with stable outlook.

The BBB_g+ long-term credit rating of SZFI reflects Shizhong District Government's very strong capacity and very high willingness to provide support based on our assessment of the Company's characteristics. Our assessment of the local government's capacity to provide support reflects Shizhong District's important position as the political, economic, cultural, and financial center of Jinan City, and its ongoing economic growth as well as sound fiscal profile.

The rating also reflects the local government's willingness to provide support, which is based on the Company's (1) dominant position as the largest state-owned capital investment and operation platform in Shizhong District; and (2) good track record of receiving government support. However, the rating is constrained by the Company's (1) medium exposure to commercial activities; (2) increasing debt burden and moderate asset liquidity; and (3) relatively high exposure to non-standard financing.

Corporate Profile

Founded in November 1992, SZFI is the most important and largest state-owned capital investment and operation platform in terms of total assets in Shizhong District, directly and indirectly controlling the major local infrastructure investment and financing companies ("LIIFCs") in Shizhong District. The Company is mainly responsible for land acquisition and demolition as well as relevant infrastructure construction projects in Shizhong District. Over the years, the Company has diversified its business portfolio into commercial businesses including trading, property sales, property leasing, financial investment and financial services. As of 31 March 2026, the Company was directly and wholly owned by the Jinan City Shizhong District Government Project Funding Service Center, and Shizhong District Government was the actual controller.

Rating Rationale

Credit Strengths

Important strategic role in Shizhong District. As the most important and largest state-owned capital investment and operation platform in terms of total assets in Shizhong District, SZFI is an exclusive entity for land acquisition and demolition projects. The Company is also responsible for related infrastructure construction and resettlement housing projects on the consolidated land parcels. The Company's land acquisition and demolition projects are mainly located in Nanbeikang Area, Xinglong Area, Baimashan Area and Dangjia Area in Shizhong District. As of 31 December 2025, the Company had 9 land acquisition and demolition projects under construction with a total invested amount of around RMB41.2 billion and an outstanding investment of RMB2.5 billion expected to be utilized over the next three years. At the same time, SZFI had 11 infrastructure construction projects and 2 resettlement housing projects under construction, with a total investment amount of RMB3.3 billion and an outstanding investment amount of RMB1.9 billion. The Company's sufficient reserve of projects ensures good sustainability of the business, but this may bring certain investment and financing pressure.

Good track record of receiving government support. As the key entity in land acquisition and demolition and relevant infrastructure construction in Shizhong District, SZFI has a good track record of receiving government supports. The Company has received project payments, operating subsidies, and cash injections from the local government to support its business operations. For example, the Company received government subsidies of around RMB420.9 million in 2025. At the same time, the Company's paid-in capital has increased by RMB1.7 billion, driven by capital injections from the government. In addition, the Company received government special bonds and ongoing project repayments from local government. As of 31 December 2025, the Company had received project payments for land acquisition and demolition of around RMB796.0 million.

Credit Challenges

Medium exposure to commercial activities. Apart from public activities, SZFI is also involved in diversified commercial activities that contribute part of its revenue, including property leasing, trading, financial investment as well as financial services. In 2025, the revenue generated from the property sales and engineering business decreased significantly, mainly because the Company's 100% equity interests in Jinan Shizhong District Real Estate Development Group Co., Ltd. and Jinan Shizhong Urban Development Group Co., Ltd. were transferred out in December 2024. The Company's primary commercial activities mainly consist of trading and property leasing. In 2025, the Company recognized trading revenue of RMB3.9 billion, accounting for around 74.6% of the total revenue. However, the concentration risk from downstream customers is relatively high and the gross margin of the trading business is low. In terms of the property leasing business, the Company owned leasable assets with total available area for rent of 211.1 thousand square meters and comprehensive occupancy rate of around 79.2% as of 31 December 2025. Notably, the Company has initiated legal proceedings against tenants for lease arrears totaling over RMB3.0 million, all of which are corporates.

Increasing debt burden and moderate asset liquidity. SZFI maintained a high level of debt burden over the past three years due to continuous investment in projects construction and financial investment. As of 31 March 2026, the Company's total debt increased to RM45.2 billion from RMB38.2 billion at the end of 2024, while the total capitalization ratio increased to 74.4% from 72.7% over the same period. In addition, the liquidity of SZFI's assets was relatively weak. As of 31 December 2025, the Company pledged a number of assets for loans, such as land and commercial properties, with a total amount of RMB10.7 billion, accounting for approximately 13.9% of its total assets. In addition, SZFI's inventories accounted for more than 50% of its total assets. Moreover, the Company faces certain collection risk in accounts receivable and other receivables as some debtors have been listed as dishonest judgment debtors.

Relatively high exposure to non-standard financing. SZFI has different financing channels such as bank loans, bond issuance, and non-standard financing products. Bond issuance and bank loans account for majority of its total debt. As at 31 December 2025, the Company had total bank facilities of RMB66.8 billion, of which the available portion was approximately RMB26.1 billion. Meanwhile, the company and its subsidiaries issued multiple onshore bonds from 2025 to 2026, raising a total of RMB5.1 billion. The Company also issued 1 tranche of offshore bonds in 2025, raising a total amount of USD97.0 million. However, the Company has a relatively high exposure to non-standard financing, which accounts for around 20.0% of its total debt.

Rating Outlook

The stable outlook on SZFI's rating reflects our expectation that the local government's capacity to provide support will be stable, and that the Company will maintain its important position in the development of Shizhong District over the next 12 to 18 months.

What could upgrade the rating?

The rating could be upgraded if (1) the local government's capacity to provide support strengthens; or (2) the Company's characteristics change in a way that strengthens the local government's willingness to provide support, such as lowers the exposure to risky commercial activities, improved debt management, and increased stability and consistency of public activities.

What could downgrade the rating?

The rating could be downgraded if (1) the local government's capacity to provide support weakens; or (2) the Company's characteristics change in a way that weakens the local government's willingness to provide support, such as reduced strategic significance, weakened access to funding or increased risk exposure to commercial activities.

Rating Methodology

The methodology used in this rating is the Rating Methodology for China's Local Infrastructure Investment and Financing Companies (July 2022).

Regulatory Disclosures

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