Feicheng City Urban Investment 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 affirmed 'BBB' global scale Long-term Issuer Credit Rating of Feicheng City Urban Investment Holding Group Co., Ltd. ("FCUI" or "the company"); Issuer Rating Outlook Stable

Summary

The Issuer Credit Rating reflects a high possibility that the People's Government of Feicheng City ("Feicheng government") would provide very strong support to FCUI if needed. This mainly considers Feicheng government's indirect full ownership of FCUI and the company's strategic importance as the most important urban development and industrial investment platform in Feicheng. The linkage between the local government and FCUI is strong, including management supervision, strategic alignment and ongoing operational and financial support. In addition, the local government may face significant negative impact on its reputation and financing activities if FCUI encounters any operational and financial difficulties.

Feicheng is a county-level city under the administration of Tai'an City, Shandong Province. Its GDP grew steadily by 6.4% to RMB96.6 billion in 2024, while its budgetary revenue increased by 4.7% to RMB5.3 billion during the same period.

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

Rating Rationale

Government's Ownership and Supervision: The Feicheng government continues to hold 100% of FCUI equity through the Feicheng State-owned Assets Operation Center ("Feicheng SAOC"), the company's ultimate controller. The local government has strong control over the company, including appointing senior management and supervising development strategy, major financing plan and investment decisions. In addition, the local government has formulated a performance assessment policy for the company and regularly appoints auditors to review the company's operating performance and financial position.

Strategic Importance and Strategic Alignment: FCUI is the most important LIDC in Feicheng, which is mainly responsible for urban development and industrial investment in the area. Besides, the company also engages in lithium battery recycling business, river sand sales, municipal heating services, and other industrial businesses. FCUI 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 government's development plans.

Ongoing Government Support: The Feicheng government provided strong financial support to FCUI, including cash capital injections of RMB108 million in 2024 and RMB150 million in the first six months of 2025, to enhance the company's ability in industrial investment. The company also received operational subsidies totaling RMB19.0 million in 2024 and RMB2.8 million in the first six months of 2025, respectively. We expect FCUI to receive ongoing support from the Feicheng government in future considering its strategic importance in Feicheng.

FCUI's Financial Matrix and Liquidity Position: FCUI's asset size grew slightly to RMB17.8 billion at end-June 2025 from RMB17.4 billion at end-2023, as the company continuously received capital injections from the Feicheng government. The company heavily relied on borrowings to fund its asset expansion. Its total debt also expanded to RMB5.5 billion from RMB2.9 billion over the same period. Its financial leverage, as measured by the debt to capitalization ratio, increased to 32.9% at end-June 2025 from 17.4% at end-2023.

FCUI's short-term debt repayment pressure was moderately high. At end-June 2025, the company had unrestricted cash of RMB310.2 million, compared with debts due within one year of RMB1.4 billion. Yet FCUI has access to various financing channels, including bank borrowings, onshore and offshore bond issuances, and other non-traditional financings, to support its debt repayments and business operations. At end-June 2025, the company had total credit lines of RMB5.0 billion, with unused credit lines of RMB1.4 billion.

Rating Sensitivities

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

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

Operating Environment

Economic Condition of Feicheng

Feicheng is a county-level city under the jurisdiction of Tai'an City, Shandong Province. Feicheng's GDP growth reached 6.4% in 2024, slightly below the 6.7% growth in 2023. Its GDP reached RMB96.6 billion in 2024, which was ranked 1st out of all cities, districts and counties of Tai'an City in 2024. The local economy remains driven primarily by the secondary and tertiary sectors, which contributed 54.7% and 38.0% to the GDP, respectively, in 2024.

Feicheng City's Economic Condition (RMB billion)	**2022**	**2023**	**2024**
GDP	82.7	87.3	96.6
-Primary industry (%)	8.0	7.9	7.3
-Secondary industry (%)	51.5	52.0	54.7
-Tertiary industry (%)	40.5	40.1	38.0
GDP growth rate (%)	5.3	6.7	6.4
Fixed asset investment growth rate (%)	21.9	8.6	8.5
Population (million)	0.9	0.9	0.9

Source: Statistical Bureau of Feicheng City and Lianhe Global's calculations

Fiscal Condition of Feicheng City

The Feicheng government's fiscal revenue primarily comes from budgetary revenue and transfer payment. Feicheng's budgetary revenue increased to RMB5.3 billion in 2024 from RMB5.1 billion in 2023, with the contribution of tax revenue dropped to 84.6% from 88.0% over the same period. The Feicheng government recorded a budget deficit of 45.8% in 2024. Feicheng's government fund income was further reduced by 26.2% year-on-year to RMB0.9 billion in 2024 amid property market downturns.

The Feicheng's government debt increased to RMB10.2 billion at end-2024 from RMB8.4 billion at end-2023, which was mainly due to the increase in special purpose debts to support its public projects. Its government debt ratio, as measured by the total debt over aggregate revenue, was elevated to 146.8% from 119.4% over the same period.

Feicheng City's Fiscal Condition (RMB billion)	**2022**	**2023**	**2024**
Budgetary revenue	4.7	5.1	5.3
Budgetary revenue growth rate (%)	4.9	9.0	4.7
Tax revenue	3.8	4.5	4.5
Tax revenue (% of budgetary revenue)	81.8	88.0	84.6
Government fund income	1.6	1.2	0.9
Transfer payment	2.3	2.8	2.4
Aggregate revenue	**8.5**	**9.1**	**8.7**
Budgetary expenditure	6.9	7.1	7.8
Budget balance[1] (%)	-47.6	-39.3	-45.8
Government debt ratio (%)	95.7	119.4	146.8

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

Source: Finance Bureau of Feicheng City, Statistical Bureau of Feicheng City and Lianhe Global's calculations

Company Profile

FCUI was established in May 2013 with an initial registered capital of RMB1.0 million. After an array of equity transfers and capital injections, the Feicheng government has held 100% equity of FCUI through Feicheng SAOC since May 2023 and is the company's actual controller. At the end of June 2025, FCUI's paid-in capital has been enlarged to RMB959 million.

FCUI is mainly responsible for the urban development and industrial investment business within the region, with regional franchises advantage. FCUI plays an important role in promoting the economic and social development of the region. Besides, the company also engages in lithium battery recycling business, river sand sales, municipal heating services, and other industrial businesses. FCUI plays an important role in promoting the economic and social development of the region. FCUI realized total revenue of RMB849.9 million, 762.4 million, 1,014.3 billion and 457.3 million in 2022, 2023, 2024 and the first half of 2025, respectively, with a decent gross margin between c. 8%-12%.

Key Financial Data (RMB million)	**2022**	**2023**	**2024**	**2025.6**
Total Assets	19,972	17,400	17,364	17,810
Equity	13,524	13,674	11,376	11,311
Debt	4,675	2,880	4,960	5,536
Debt / (Debt + Equity) (%)	25.7	17.4	30.4	32.9
Unrestricted cash/ST Debts (x)	0.2	0.5	0.3	0.2
Debt/EBITDA (x)	14.1	9.3	17.2	-
Revenue	850	762	1,014	457
Operation Profit	112	139	104	24
Gross Margin (%)	11.1	12.1	9.9	8.5
Cash from sales or services/ Revenue (%)	98.1	80.9	100.1	81.7

Source: FCUI and Lianhe Global's calculations

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