

Linyi Eastern City Construction Investment Group Co., Ltd.

Lianhe Ratings Global Limited (“Lianhe Global”) has upgraded the global scale Long-term Issuer Credit Rating of Linyi Eastern City Construction Investment Group Co., Ltd. (“LECCI” or “the company”) to ‘BBB’ from ‘BBB-’; Issuer Rating Outlook Stable

Summary

The Issuer Credit Rating upgrade reflects LECCI’s enhanced strategic importance, driven by its higher contributions in industrial operations in Hedong District, Linyi City (“Hedong”). The company has further expanded its mandate to encompass the construction, development and operation of industrial parks. Meanwhile, it has broadened the scope of other high-margin businesses, covering property leasing, transportation services, venue property management, and other self-operated projects. These initiatives are highly aligned with Hedong’s industrial transformation and upgrading strategy, effectively supporting local investment promotion efforts and accelerating regional industrial development.

We believe this continues to reflect a high possibility that the People’s Government of Hedong District (“Hedong government”) would provide very strong support to LECCI if needed, in light of its indirect full ownership of LECCI, LECCI’s strategic position as the major LIDC participating in infrastructure construction and state-owned asset operation in Hedong District (“Hedong”) of Linyi City, as well as the strong linkage between the Hedong government and LECCI, including control of board of directors, management supervision, strategic alignment and ongoing operational and financial support. In addition, we believe that the Hedong government has a very strong willingness to ensure LECCI’s business and financial viability in order to safeguard its reputation and local financing activities.

Hedong is one of the municipal districts under the jurisdiction of Linyi City. Its GDP grew steadily by 6.5% to RMB34.8 billion in 2024. The budgetary revenue decreased to RMB1.9 billion in 2024.

The Stable Outlook reflects our expectation that LECCI’s strategic importance would remain intact while the Hedong government will continue to ensure LECCI’s stable operation.

Rating Rationale

Government’s Ownership and Supervision: The Hedong government holds the full ownership of LECCI through the Hedong District Finance Bureau (“Hedong FB”)’s wholly owned subsidiary, Linyi Hedong Holdings Co., Ltd. (“LHH”). The Hedong government is the actual controller of the company. It has the final decision-making authority and supervises the company, including management appointment, decision on its strategic development and investment plan and supervision of its major funding decisions. In addition, the Hedong government has assessment mechanism over the company and appoints auditors to supervise the operating performance and financial position on a periodic basis.

Strategic Importance to Hedong and Strategic Alignment: LECCI remained the key LIDC in Hedong that primarily responsible for the investment, development and operation of infrastructure and industrial park development within the region. LECCI is mainly

Summary

Issuer Rating	BBB
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	13 January 2026

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Applicable Criteria

China Local Investment and Development Companies Criteria
(31 July 2025)

engaged in the urban renewal of the two main district in Hedong and operates as the main industrial park developer and operator with strong regional advantages. Its primary responsibilities include overseeing the urban renewal projects in areas such as Beijing East Road and managing the construction and operation of industrial parks, including those dedicated to smart hardware and solar photovoltaics. LECCI plays an important role in promoting the economic and social development of the region. Its business operation and development have been aligned with the government's development plans.

Ongoing Government Support: LECCI has received several capital injections since its establishment. The paid-in capital increased from the initial of RMB100 million to RMB500 million at end-September 2025, mainly through cash injection from the Hedong government. Meanwhile, LECCI also received supports such as physical assets, right of use assets and state-owned equity transfers. In addition, LECCI continued to receive financial subsidies from the local government, amounting to RMB262.7 million from 2022 to the first nine months of 2025. Given the regional advantage in urban construction and industrial park development in the region, LECCI has advantages in obtaining land resources and major projects. We believe LECCI is likely to receive government support in the future.

LECCI's Financial Matrix and Liquidity Position: LECCI's total assets increased to RMB18.7 billion at end-September 2025 from RMB14.1 billion at end-2023, as the company actively participated in the project development in Hedong. The company mainly relied on borrowings to fund its asset expansion. Its total adjusted debt increased to RMB7.3 billion at end-September 2025 from RMB3.4 billion at end-2023. The company's financial leverage, as measured by debt/capitalization, increased from 35.1% to 52.3% over the same period.

The liquidity of LECCI was moderately tight. At end-September 2025, LECCI had a cash balance of RMB2.4 billion, compared with its debt due within one year of RMB4.6 billion. Having said that, LECCI has access to various financing channels, including bank loans, bond issuance and non-traditional financing, to support its debt repayment and business operations. The company had unused bank facilities of RMB1.8 billion at end-November 2025.

Rating Sensitivities

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

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

Operating Environment

Hedong is a key district of Linyi City on the eastern bank of the Yihe River and administers 6 towns and sub-districts, covering 509 square kilometers. As a core area for the New Materials Industrial Functional Zone, International Railway Hub and Modern Logistics Functional Zone, it houses key industrial parks including Smart Hardware Industrial Park, Zhengwang Photovoltaic Industrial Park, Cold Chain Logistics Park, Digital Economy Industrial Park and Hot Spring Tourism Resort, with an industrial system dominated by new energy, smart hardware, digital economy and modern logistics, which drives local economic development steadily.

Hedong maintained relatively stable economic growth in the past three years, and its GDP amount reached RMB34.8 billion in 2024, representing a year-over-year growth rate of 6.5%. The economy of Hedong was mainly boosted by the tertiary industries, which accounted for 60.3% of GDP in 2024. The GDP per capita of Hedong increased steadily in the past three years and reach c. RMB63,600 in 2024.

Hedong's GDP and Fixed Asset Investment

(RMB billion)	2022	2023	2024
GDP	27.9	29.7	34.8
-Primary industry (%)	5.0	6.1	4.5
-Secondary industry (%)	28.3	38.2	35.2
-Tertiary industry (%)	66.7	55.7	60.3
GDP growth rate (%)	10.3	5.1	6.5
Fixed asset investment growth rate (%)	13.2	19.6	6.9
Population (million)	0.5	0.5	0.5

Source: Financial Bureau of Hedong, statistical bureau of Hedong and Lianhe Global's calculations
*Estimated by Lianhe Global

Fiscal Condition of Hedong

The budgetary revenue of the Hedong government decreased from RMB2.2 billion in 2023 to RMB1.9 billion in 2024, while the contribution of tax revenue to budgetary revenue was lowered to 80.0% from 84.9% over the same period. The fiscal self-sufficiency rate of the Hedong government was low, and its budget deficit was enlarged to 139.4% in 2024 from 100.7% in 2023. The government fund income was relatively small and it reached RMB0.2 billion in 2024. The Hedong government continued to receive transfer payments from higher government, amounting to RMB3.4 billion in 2024.

The outstanding debt of the Hedong government kept growing in past few years. At end-2024, the Hedong government's outstanding debt increased to RMB11.6 billion, including general government debts of RMB2.3 billion and special debts of RMB9.3 billion. Its government debt ratio, as measured by the total government debt/aggregate revenue, was elevated to 213.3% at end-2024 from 142.7% at end-2023, mainly due to the large increase in special debts.

Hedong's Fiscal Condition

(RMB billion)	2022	2023	2024
Budgetary revenue	2.2	2.2	1.9
Budgetary revenue growth rate (%)	14.9	2.5	-13.0
Tax revenue	2.0	1.8	1.5
Tax revenue (% of budgetary revenue)	89.0	84.9	80.0
Government fund income	0.2	0.2	0.2
Transfer payment	3.3	3.4	3.4
Aggregate revenue	5.7	5.7	5.4
Budgetary expenditure	4.7	4.3	4.5
Budget balance ¹ (%)	-110.0	-100.6	-139.4
Government debt ratio (%)	115.5	142.7	213.3

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

Source: Financial Bureau of Hedong, statistical bureau of Hedong and Lianhe Global's calculations

Company Profile

LECCI was established in November 2015 with an initial registered capital of RMB100 million, funded by the Hedong FB. After an array of capital injections and equity transfer, the company's registered and paid-in capital were both enlarged to RMB500 million at end-September 2025. In December 2024, the Hedong FB transferred the company's 100% equity to LHH, and LHH became LECCI's new sole shareholder.

LECCI is responsible for urban construction, industrial development as well as industrial park operation to promote the development of urban community in Hedong. The company generated revenues of RMB1.3 billion, RMB626.1 million, RMB581.4 million and RMB408.7 million in 2022, 2023, 2024 and the first nine months of 2025, respectively. Over the same period, its gross margin remained stable at 21.3%-32.3%.

Key Financial Data				
(RMB million)	2022	2023	2024	2025.9
Total Assets	11,881	14,106	17,443	18,673
Equity	4,853	6,257	6,645	6,631
Debt	1,295	3,383	7,248	7,272
Debt / (Debt + Equity) (%)	21.1	35.1	52.2	52.3
Unrestricted cash/ST Debts (x)	1.1	0.7	0.4	0.6
Debt/EBITDA (x)	20.1	30.1	26.1	-
Revenue	1,333	626	581	409
Operation Profit	248	82	66	18
Gross Margin (%)	23.3	21.3	29.2	32.3
Cash from sales or services/ Revenue (%)	85.8	231.8	98.2	17.4
<i>Source: LECCI and Lianhe Global's calculations</i>				

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