

Laizhou Finance Investment Co., Ltd.

Lianhe Ratings Global Limited (“Lianhe Global”) has upgraded the global scale Long-term Issuer Credit Rating of Laizhou Finance Investment Co., Ltd. (“LFI”) to ‘BBB+’ from ‘BBB’; Issuer Rating Outlook Stable

Summary

The Issuer Credit Rating upgrade reflects the upgrade in our internal credit assessment on the People’s Government of Laizhou City (“the Laizhou government”) and the expectation of a continuing high possibility that the Laizhou government would provide very strong support to LFI if needed. This mainly considers the Laizhou government’s full ownership of LFI and LFI’s strategic importance as the core local investment and development company responsible for infrastructure construction and state-owned asset operation in Laizhou City (“Laizhou”). The linkage between the Laizhou government and LFI is strong, including the supervision of senior management, decisions on major investment and financing plans, strategic alignment, and ongoing operational and financial support. In addition, we believe the local government has a very strong willingness to ensure LFI’s business and financial viability in order to safeguard its reputation and local financing activities.

Laizhou is a county-level city in Shandong Province and administered by Yantai City. Laizhou’s GDP grew by 4.0% to RMB90.8 billion in 2025, while its budgetary revenue increased by 3.5% to RMB5.4 billion.

The Stable Outlook reflects our expectation that LFI’s strategic importance would remain intact while the Laizhou government will continue to ensure LFI’s stable operations.

Rating Rationale

Government’s Ownership and Supervision: Finance Bureau of Laizhou City (“Laizhou FB”), as the actual controller, directly holds 100% ownership of LFI. The Laizhou government has the final decision-making authority and supervises the company, including senior management appointments, decisions on its strategic development and investment plan and supervision of its major funding decisions. In addition, the Laizhou government has an assessment mechanism over the company and appoints auditors to supervise the operating performance and financial position on a periodic basis.

Strategic Importance to Laizhou and Strategic Alignment: LFI remains as the most important LIDC in Laizhou. It is primarily responsible for infrastructure construction and operation of state-owned assets within the region with strong regional advantages. The company undertakes most of the important municipal infrastructure projects in the region, and is responsible for urban renewal, rural revitalization, sewage treatment, and water supply under the planning of the Laizhou government. LFI 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.

Strong Government Support: LFI continued to receive financial subsidies and asset/capital injections from the Laizhou government to support its business operations. Between 2023 and 2025, LFI received financial subsidies of totalling about RMB1.3 billion from the local government. Meanwhile, LFI received capital and asset injections in the form of cash, land use rights and other assets, with a total amount of c. RMB717 million. We

Summary

Issuer Rating	BBB+
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	7 July 2026

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Applicable Criteria

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

expect LFI to receive ongoing support from the Laizhou government in the coming years considering its strategic importance in Laizhou.

LFI's Financial and Liquidity Position: LFI's total assets increased steadily to RMB40.8 billion at end-2025 from RMB35.7 billion at end-2024, as the company actively participated in the major infrastructure projects in Laizhou. LFI's total debt increased further to RMB22.7 billion at end-2025, with short-term debt accounting for 43.7% of the total debt. Its financial leverage, as measured by the debt to capitalization ratio, was elevated to 59.8% at end-2025 from 52.5% at end-2024.

The short-term debt servicing pressure of LFI is high. At end-2025, LFI had a cash balance of RMB3.9 billion (including RMB3.2 billion of restricted cash), compared with its debt due within one year of RMB9.9 billion. Having said that, LFI has access to various financing channels, including bank loans, bond issuance and non-traditional financing, to support its debt repayment and business operations. By end-June 2025, LFI had total bank facility amounting RMB16.3 billion, of which RMB2.9 billion was unused.

Rating Sensitivities

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

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

Operating Environment

Economic Condition of Laizhou

Laizhou is a county-level city under the jurisdiction of Yantai City, Shandong Province. It ranked among China's top 100 counties in comprehensive strength in 2025. Laizhou's GDP reached RMB90.8 billion in 2025, representing a year-over-year growth of 4.0%. Laizhou's local economy saw continued structural improvement, with the contribution of tertiary sector to GDP elevated to 43.0% in 2025 from 41.9% in 2024.

Laizhou's Economic Condition			
(RMB billion)	2023	2024	2025
GDP	82.0	88.8	90.8
-Primary industry (%)	11.9	10.7	11.0
-Secondary industry (%)	46.2	47.4	46.0
-Tertiary industry (%)	41.9	41.9	43.0
GDP growth rate (%)	6.7	6.1	4.0
Fixed asset investment growth rate (%)	8.0	3.0	-9.1
Population (million)	0.8	0.8	0.8

Source: Statistical Bureau of Laizhou and Lianhe Global's calculations

Fiscal Condition of Laizhou

Laizhou government's budgetary revenue increased to RMB5.4 billion in 2025 from RMB5.2 billion in 2024. However, government fund income fell to RMB1.4 billion in 2025 from RMB1.7 billion in 2024 owing to the protracted property market downturn. The transfer payment from higher government remained relatively stable at RMB1.7 billion over the same period.

The outstanding debt of the Laizhou government increased to RMB12.4 billion at end-2025 from RMB9.6 billion at end-2024, mainly due to the new issuance of special-purpose debts to support key public projects and replace existing implicit debt. Its government debt ratio, as measured by total government debt / aggregate revenue, was elevated to 144.7% at end-2025 from 111.2% at end-2024.

Laizhou's Fiscal Condition			
(RMB billion)	2023	2024	2025
Budgetary revenue	5.0	5.2	5.4
Budgetary revenue growth rate (%)	17.7	4.4	3.5
Tax revenue	3.6	3.9	3.7
Tax revenue (% of budgetary revenue)	71.4	74.9	68.6
Government fund income	1.3	1.7	1.4
Transfer payment	1.8	1.7	1.7
Aggregate revenue	8.1	8.6	8.6
Budgetary expenditure	6.2	6.3	6.8
Budget balance ¹ (%)	-24.3	-20.1	-26.1
Government debt ratio (%)	99.0	111.2	144.7

¹ Budget balance = (1-budgetary expenditure / budgetary revenue) * 100%
 Source: Financial Bureau of Laizhou and Lianhe Global's calculations

Company Profile

LFI was established in 2015 with an initial registered capital of RMB20 million, funded by Laizhou FB. Its registered capital and paid-in capital increased to RMB3.0 billion and RMB461.9 million at end-2025 after several capital and equity transfers from the Laizhou government. At end-2025, LFI had a shareholding structure in which the Laizhou FB, as the controlling shareholder, held 100% of the company's equity.

LFI is primarily responsible for infrastructure construction and operation of state-owned assets within Laizhou with strong regional advantages. The company undertakes most of the important municipal infrastructure projects in the region, and is responsible for urban renewal, rural revitalization, sewage treatment, and water supply under the planning of the Laizhou government. The company achieved revenue of RMB818 million in 2025, with a high gross margin of 40.0%.

Key Financial Data			
(RMB million)	2023	2024	2025
Total Assets	33,091	35,742	40,790
Equity	15,652	15,871	15,280
Debt	14,244	17,559	22,689
Debt / (Debt + Equity) (%)	47.6	52.5	59.8
Unrestricted cash/ST Debts (x)	0.0	0.0	0.1
Debt/EBITDA (x)	29.0	25.4	38.0
Revenue	845	995	818
Operating Profit	151	148	32
Gross Margin (%)	22.3	31.5	40.0
Cash from sales or services/ Revenue (%)	53.9	85.9	100.6

Source: LFI and Lianhe Global's calculations

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