

Feicheng Huayu Industrial Group Co., Ltd.

Lianhe Ratings Global Limited (“Lianhe Global”) has affirmed ‘BBB’ global scale Long-term Issuer Credit Rating of Feicheng Huayu Industrial Group Co., Ltd. (“FHIG”); Issuer Rating Outlook is Stable

Summary

Issuer Rating	BBB
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	20 October 2026

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 FHIG if needed. This mainly considers its indirect full ownership of FHIG, and FHIG’s strategic importance as an important local investment and development company (“LIDC”) for state-owned assets operation in Feicheng City (“Feicheng”). The linkage between the Feicheng government and FHIG is strong, including management supervision, strategic alignment, and ongoing operational and financial support. In addition, we believe the local government has a very strong willingness to ensure FHIG’s business and financial viability in order to safeguard its reputation and local financing activities.

Feicheng is a county-level city under the administration of Tai’an City, Shandong Province. In 2025, Feicheng’s GDP grew by 5.7% to RMB100.4 billion, while the Feicheng government realized budgetary revenue of RMB5.5 billion, representing a year-over-year growth rate of 2.1%.

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

Rating Rationale

Government’s Ownership and Supervision: FHIG is 100% indirectly owned by the State-owned Assets Operation Centre of Feicheng City (“Feicheng SAOC”). As the company’s actual controller, the Feicheng government has the final decision-making authority and strong supervision over the company, including appointment and supervision of the senior management, strategic alignment and decision on its major investment and financing plan. In addition, the Feicheng government has an assessment mechanism for the company and regularly designates auditors to review the company’s operating performance and financial position.

Strategic Importance and Alignment: FHIG is an important LIDC that is responsible for state-owned assets operation in Feicheng. The company provides public utility services, including water supply, wastewater treatment and urban sanitation services. It also undertakes the development of public infrastructure projects, including hospitals, airports and industrial parks. FHIG plays an important role in promoting economic and social development for the region. Its business operation and strategic planning have been aligned with the government’s development plans.

Strong Government Support: The Feicheng government has provided ongoing support to FHIG through asset and capital injections and fiscal subsidies. In the past two years, the company received multiple capital injections, which increased its equity base to RMB3.9 billion at end-2025 from RMB2.8 billion at end-2023. FHIG also received operating subsidies totaling RMB24 million during 2023-2025. We expect support from the Feicheng government to continue, given FHIG’s important role in delivering public services and undertaking development projects in the city.

Analysts

Roy Luo, CFA, FRM, CESGA
(852) 3462 9582
roy.luo@lhratingsglobal.com

Chris Cao
(852) 3462 9579
chris.cao@lhratingsglobal.com

Applicable Criteria

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

FHIG's Financial and Liquidity Position: FHIG's asset base expanded significantly to RMB8.7 billion at end-2025 from RMB4.8 billion at end-2023, supported by asset injections from the Feicheng government and increased investment in local development projects. Asset growth was mainly reflected in higher construction-in-progress, intangible assets and inventories. However, debt growth materially outpaced equity growth, with total debt increasing to RMB4.0 billion from RMB1.1 billion over the same period. Consequently, debt-to-capitalization rose to 51.0% at end-2025 from 27.1% at end-2023.

FHIG's short-term debt servicing pressure is moderately high. At end-June 2026, FHIG had cash balance of RMB1.6 billion (including restricted cash of RMB556 million), against short-term debt of RMB1,339 million. Yet we expect the company to roll over most of its short-term bank borrowings (end-June 2026: RMB1,270 million) upon maturity. Moreover, FHIG has access to various financing channels, including bank loans and bond issuance to support its debt repayment and business operations. By end-June 2025, the company had total credit facilities of RMB2,666 million, of which RMB308 million was unused.

Rating Sensitivities

We would consider downgrading FHIG's rating if (1) there is perceived weakening in support from the Feicheng government, particularly due to its reduced strategic importance, or (2) there is a significant reduction of the Feicheng government's ownership of FHIG, or (3) there is a downgrade in our internal credit assessment on the Feicheng government.

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

Full List of Issuance Ratings

- CNY248 million 3.5% Credit Enhanced Bonds due 2028 with the benefit of Standby Letter of Credit provided by Bank of Qingdao Co., Ltd. Tai'an Branch ('A-')
- CNY152 million 4.5% Guaranteed Bonds due 2028 guaranteed by Chongqing Sanxia Financing Guarantee Group Co., Ltd. ('A')

Operating Environment

Economic Condition of Feicheng

Feicheng's GDP reached RMB100.4 billion in 2025, while GDP growth slowed to 5.7% from 6.4% in 2024. Despite slower economic growth, Feicheng's economy remained supported by its sizeable industrial sector, which accounted for 53.5% of GDP in 2025. Fixed-asset investment growth accelerated to 15.2% from about 8.5% in the preceding two years, indicating stronger investment activity amid the city's ongoing industrial upgrading efforts.

Feicheng's Economic Condition			
(RMB billion)	2023	2024	2025
GDP	87.3	95.6	100.4
-Primary industry (%)	7.9	7.3	7.0
-Secondary industry (%)	52.0	54.7	53.5
-Tertiary industry (%)	40.1	38.0	39.5
GDP growth rate (%)	6.7	6.4	5.7
Fixed asset investment growth rate (%)	8.6	8.5	15.2
Population (million)	0.86	0.86	0.85

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

Fiscal Condition of Feicheng

Feicheng's budgetary revenue increased by 2.1% to RMB5.5 billion in 2025, although growth continued to moderate from 4.7% in 2024 and 9.0% in 2023. Tax revenue remained the dominant component of budgetary revenue, accounting for 83.1% of the total in 2025. Government fund income recovered to RMB1.1 billion in 2025 from RMB0.9 billion in 2024, while transfer payments remained a stable supplementary source of revenue. Fiscal self-sufficiency remained relatively high, with budgetary revenue covering about 72% of budgetary expenditure in 2025.

The outstanding debt of the Feicheng government increased to RMB14.2 billion at end-2025 from RMB12.8 billion at end-2024, mainly due to the new issuance of special-purpose debts to support local public projects, as well as ongoing debt management measures, including refinancing and debt swapping programmes. As a result, its government debt ratio, as measured by total government debt/aggregate revenue, expanded to 138.6% from 136.5% over the same period.

Feicheng's Fiscal Condition (RMB billion)	2023	2024	2025
Budgetary revenue	5.1	5.3	5.5
Budgetary revenue growth rate (%)	9.0	4.7	2.1
Tax revenue	4.5	4.5	4.5
Tax revenue (% of budgetary revenue)	88.0	84.6	83.1
Government fund income	1.2	0.9	1.1
Transfer payment	2.8	2.4	2.6
Aggregate revenue	9.7	9.4	10.2
Budgetary expenditure	7.1	7.8	7.6
Budget balance ¹ (%)	-39.3	-45.8	-39.2
Government debt ratio (%)	112.6	136.5	138.6

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

Source: Financial Bureau of Feicheng and Lianhe Global's calculations

Company Profile

FHIG was established in 2021 with an initial registered capital of RMB2.0 billion. Following a series of equity transfers, Feicheng SAOC indirectly holds 100% of the company through Feicheng City Capital Holding Group Co., Ltd. and Feicheng Hengsheng Industrial Group Co., Ltd. The Feicheng government remains the ultimate controller of the company.

FHIG's Shareholding Structure at end-June 2026



Source: The company



FHIG is an important state-owned asset operation platform in Feicheng, undertaking public utility operations and infrastructure development, while also engaging in commodity trading, logistics, property management and financial leasing. Revenue increased to RMB726 million in 2025 from RMB434 million in 2023, while gross margin remained stable at around 20%.

Key Financial Data				
(RMB million)	2023	2024	2025	2026.6
Total Assets	4,758	6,183	8,654	9,270
Equity	2,837	3,771	3,860	3,875
Debt	1,057	1,401	4,017	4,712
Debt / (Debt + Equity) (%)	27.1	27.1	51.0	54.9
Unrestricted cash/ST Debts (x)	0.8	0.3	0.8	0.8
Debt/EBITDA (x)	10.0	10.3	28.3	-
Revenue	434	570	726	469
Gross Margin (%)	23.7	23.8	19.2	22.2
Cash from sales or services/ Revenue (%)	73.6	110.6	92.3	95.6
Source: FHIG and Lianhe Global's calculations				

Disclaimer

Ratings (including credit ratings and other rating products) and research reports published by Lianhe Ratings Global Limited ("Lianhe Global" or "the Company" or "us") are subject to certain terms and conditions. Please read these terms and conditions at the Company's website: www.lhratingsglobal.com

A rating is an opinion which addresses the creditworthiness of an entity or security or the assessment of an instrument. Ratings are not a recommendation or suggestion to buy, sell, or hold any security or instrument. Ratings do not address market price, marketability, and/or suitability of any security nor its tax implications or consequences. Ratings may be subject to upgrades or downgrades or withdrawal at any time for any reason at the sole discretion of Lianhe Global.

All ratings are the products of a collective effort by accredited analysts through rigorous rating processes. No individual is solely responsible for a rating. All ratings are derived by a rating committee vesting process. The individuals identified in the reports are solely for contact purpose only.

Lianhe Global conducts its rating services based on third-party information which we reasonably believe to be true. Lianhe Global relies on information generally including audited financial statements, interviews, management discussion and analysis, relevant third-party reports, and publicly available data sources to conduct our analysis and uses reasonable measures so that the information it uses in assigning a rating is of sufficient quality to support a credible rating. However, Lianhe Global has not conducted any audit, investigation, verification or due diligence. Lianhe Global does not guarantee the accuracy, correctness, timeliness, and/or completeness of the information. Ratings may contain forward-looking opinions of Lianhe Global which may include forecasts about future events which by definition are subject to change and cannot be considered as facts. Please see Lianhe Global's website for the last rating action and the rating history. Please see Lianhe Global's website for the methodologies used in determining ratings, further information on the meaning of each rating category, and the definition of default.

Under no circumstances shall Lianhe Global, its directors, shareholders, employees, officers and/or representatives or any member of the group of which Lianhe Global forms part be held liable to any party for any damage, loss, liability, cost, expense or fees in connection with any use of the information published by the Company.

Lianhe Global receives compensation from issuers, underwriters, obligors, investors or principals for conducting rating services for solicited ratings. An unsolicited rating is a rating that is initiated by the Company and not requested by the issuer, underwriters, obligors, investors or principals.

Ratings included in any rating reports are disclosed to the rated entity (and/or its agents) prior to publishing. Rating reports and research reports published by Lianhe Global are not intended for distribution to, or use by, any person in any jurisdiction where such use would infringe local laws and regulations. Any user relying on information available through rating reports and research reports is responsible for consulting the relevant agencies or professionals accordingly to comply with the applicable local laws and regulations.

All published rating reports and research reports are the intellectual property of Lianhe Global. Any reproduction, redistribution, or modification, in whole or part, in any form by any means is prohibited unless such user has obtained prior written consent from Lianhe Global.

Lianhe Global is a subsidiary of China Lianhe Credit Rating Co., Ltd. The rating committee of Lianhe Global has the ultimate power of interpretation of any methodology or process used in the Company's independent ratings and research.

Copyright © Lianhe Ratings Global Limited 2026.