Feicheng City Urban Investment Holding Group Co., Ltd.

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"); Issuer Rating Outlook Stable

Summary	
Issuer Rating	BBB
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	20 November 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 FCUI if needed, in light of its full ownership of FCUI, FCUI's strategic importance as the most important urban development and industry investment platform in Feicheng, and the linkage between the Feicheng government and FCUI, including management supervision, strategic alignment and ongoing operational and financial support. In addition, we believe that the Feicheng government has a very strong willingness to ensure FCUI'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 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 full ownership of FCUI through the Feicheng State-owned Assets Operation Center ("Feicheng SAOC"). Feicheng SAOC is the sole shareholder of FCUI, and the Feicheng government is FCUI's actual controller. The Feicheng government has strong control over the company, including appointing senior management and supervising development strategy, major financing plan and investment decisions. In addition, the Feicheng government has a performance assessment policy for FCUI and regularly appoints auditors to review FCUI'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 industry investment in Feicheng. Besides, FCUI also engages in municipal heating services, lithium battery regeneration, commodity sales, and other 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 ongoing financial support to FCUI, including capital injection of RMB150 million in 2025, to enhance FCUI's ability in industry investment. FCUI also received operational subsidies of RMB14.1 million in 2025 and RMB7.6 million in the first six months of 2026, 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 to RMB19.4 billion at end 2025, but then dropped to RMB14.1 billion at end-June 2026, which was mainly

Analysts
Toni Ho, CFA, FRM
(852) 3462 9578
toni.ho@lhratingsglobal.com

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

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

due to the removal of the intangible assets of the river sand operation rights. The company heavily relied on borrowings to fund its asset expansion. Similarly, its total debt increased to RMB6.7 billion at end-2025, before decreasing to RMB6.2 billion at end-June 2026. Its financial leverage, as measured by the debt to capitalization ratio, increased to 48.2% at end-June 2026 from 30.4% at end-2024.

FCUI's debt servicing capacity was weak. At end-June 2026, FCUI had a total cash balance of RMB1.8 billion (including restricted cash of RMB0.7 billion), compared with its debt due within one year of RMB2.2 billion. On the other hand, FCUI had total credit lines of RMB8.4 billion at end-March 2026, with unused credit lines of RMB1.7 billion. FCUI has access to various channels of financing, including bank loans, bonds issuance and non-traditional financing channels, to support its debt repayments and business operations.

Rating Sensitivities

We would consider downgrading FCUI'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 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'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	96.6	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)	0.9	0.9	0.9

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 programs. 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: Finance Bureau of Feicheng 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, FCUI's paid-in capital reached RMB959 million at end-June 2026. Feicheng SAOC is the sole shareholder of FCUI, and the Feicheng government is FCUI's actual controller.

FCUI is the most important LIDC in Feicheng, which is mainly responsible for urban development and industry investment in Feicheng. Besides, FCUI also engages in municipal heating services, lithium battery regeneration, commodity sales, and other businesses. FCUI realized total revenue of RMB1,307 million and RMB1,289 million in 2025 and the first half of 2026, respectively, with a gross margin between 15.0%-17.1% over the same period.

Key Financial Data

(RMB million)	2023	2024	2025	2026.6
Total Assets	17,400	17,364	19,355	14,093
Equity	13,674	11,376	11,390	6,701
Debt	2,880	4,960	6,704	6,236
Debt / (Debt + Equity) (%)	17.4	30.4	37.1	48.2
Unrestricted cash/ST Debts (x)	0.5	0.3	0.2	0.5
Debt/EBITDA (x)	9.3	17.4	24.6	-
Revenue	762	1,014	1,307	1,289
Gross Margin (%)	12.1	9.9	17.1	15.0
Cash from sales or services/ Revenue (%)	80.9	100.1	105.7	95.6

Source: FCUI and Lianhe Global's calculations

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