

Credit Opinion

24 March 2026

Ratings	
Category	Corporate
Domicile	China
Rating Type	Solicited Rating
Long-Term Credit Rating	A _g -
Outlook	Stable

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Linyi City Construction Investment Group Co., Ltd.

Surveillance credit rating report

CCXAP affirms Linyi City Construction Investment Group Co., Ltd.'s long-term credit rating at A_g-, with stable outlook.

Summary

The A_g- long-term credit rating of Linyi City Construction Investment Group Co., Ltd. ("LCCI" or the "Company") reflects Linyi Municipal Government's (1) very strong capacity; and (2) very high willingness to provide support to the Company, based on our assessment of the Company's characteristics.

Our assessment of the local government's capacity to support reflects Linyi City's status as the largest city in Shandong Province in terms of population and area, with ongoing economic growth.

The rating also reflects the local government's willingness to support, which is based on the Company's (1) strategic policy role in the regional development of Linyi City, with regional dominance in infrastructure construction; (2) solid track record of receiving government support; and (3) good access to funding.

However, the rating is constrained by the Company's (1) high exposure to commercial activities with large capital expenditure needs; (2) increasing debt burden with short-term refinancing pressure; and (3) moderate asset liquidity.

The stable outlook on LCCI's rating reflects our expectation that the local government's capacity to support will remain stable, and the Company will maintain its strategic importance position in Linyi City over the next 12-18 months.

Rating Drivers

- Strategic policy role in regional development of Linyi City
- High exposure to commercial activities with large capital expenditure needs
- Solid track record of receiving government support
- Increasing debt burden and moderate asset liquidity
- Good access to funding with sufficient bank facilities

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) Linyi Municipal Government's capacity to provide support strengthens; or (2) the Company's characteristics change in a way that strengthens the local government's willingness to provide support, such as lower exposure to risky commercial activities.

What could downgrade the rating?

The rating could be downgraded if (1) Linyi Municipal Government's capacity to provide support weakens; or (2) the Company's characteristics change in a way that weakens the local government's willingness to provide support, such as reduced strategic significance or weakened funding ability.

Key Indicators

	2022FY	2023FY	2024FY	2025Q3
Total Assets (RMB billion)	86.1	94.7	98.5	102.0
Total Equity (RMB billion)	36.0	35.9	36.6	36.0
Total Revenue (RMB billion)	7.4	10.2	8.2	5.5
Total Debt/Total Capital (%)	53.1	55.6	57.8	59.7

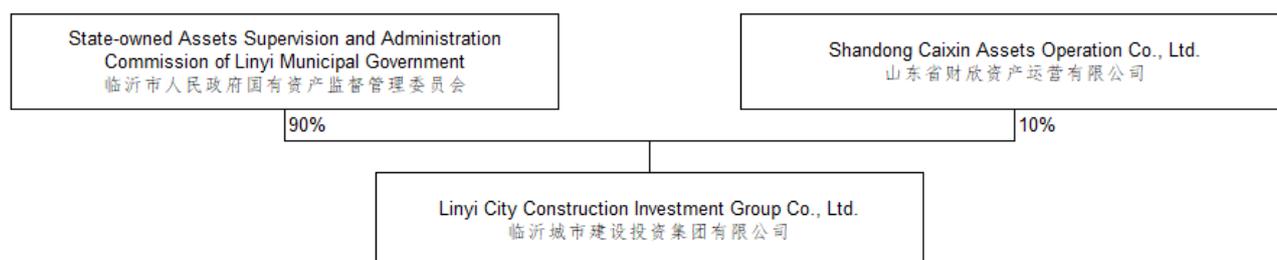
All ratios and figures are calculated using CCXAP's adjustments.

Source: Company data, CCXAP research

Corporate Profile

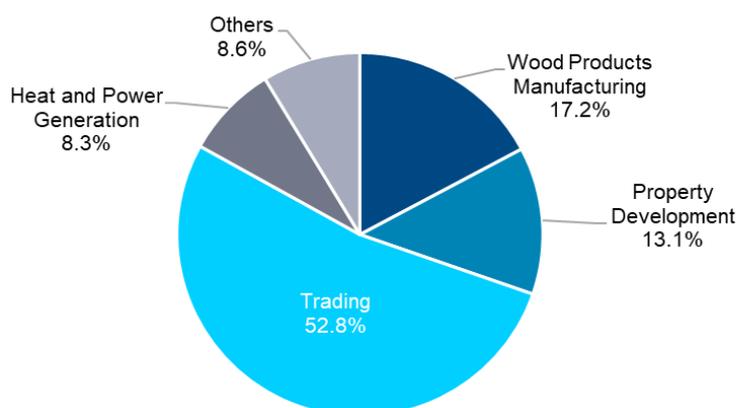
Established in May 2013, LCCI is the largest local infrastructure investment and financing company ("LIIFC") in terms of asset size in Linyi City and plays the most important role in the economic development of Linyi City. The Company is primarily responsible for local key public-policy activities, such as infrastructure construction. In addition, the Company is engaged in commercial activities such as property development, heat and power generation, wood products manufacturing, financial investment, and trading businesses. As of 31 December 2025, the State-owned Assets Supervision and Administration Commission of Linyi Municipal Government ("Linyi SASAC") directly held 90.0% of the Company's shares. The remaining 10.0% of the shares were held by Shandong Caixin Assets Operation Co., Ltd. ("Shandong Caixin"). The Linyi Municipal Government is the ultimate controller of LCCI.

Exhibit 1. Shareholding chart as of 31 December 2025



Source: Company information, CCXAP research

Exhibit 2. Revenue structure in 2024



Source: Company information, CCXAP research

Rating Considerations

Government's Capacity to Provide Support

We believe Linyi Municipal Government has a very strong capacity to provide support given its location advantage in Shandong Province with ongoing economic growth.

Shandong Province is the third largest province in terms of gross regional product ("GRP") in China over the past three years, with a solid industrial foundation in logistics, shipbuilding, and marine technology, chemical, automotive and agri-food. Shandong Province recorded a GRP of RMB9.9 trillion in 2024. Meanwhile, the general budgetary revenue of Shandong Province in 2024 was RMB771.2 billion. According to preliminary estimation, Shandong Province's GRP reached over RMB10.3 trillion in 2025, representing a year-on-year ("YoY") increase of 5.5%. It became the first province in northern China to surpass GRP over RMB10.0 trillion.

Linyi City is the largest city by population and area in Shandong Province, with rich water and land resources. It is a pivotal central city in southern Shandong Province, situated at the intersection of the Eurasia Land Bridge's bridgehead, the Yangtze River Delta Economic Area, and the Bohai Economic Rim. Characterized by industries such as agriculture and food processing, manufacturing, logistics, and high-end chemicals, Linyi City has achieved sustained economic growth. The GRP of Linyi City increased by 5.7% YoY to RMB655.6 billion in 2024, ranking 5th among prefecture-level cities in Shandong Province. Meanwhile, Linyi Municipal Government's general budgetary revenue has also recorded consecutive growth for several years, reaching RMB46.9 billion in 2024. However, Linyi City's fiscal self-sufficiency ability was relatively weak, as its general budgetary revenue

only covered around half of general budgetary expenses over the past three years. Tax revenue is a stable source of general budgetary revenue with a relatively high portion of 72.6% on average over the period from 2022 to 2024. As of 31 December 2024, Linyi City reported a government debt of RMB195.5 billion, accounting for 29.8% of its GRP. According to preliminary result, Linyi City's GRP reached RMB686.2 billion in 2025, marking a YoY increase of approximately 5.4%. Moreover, its general budgetary revenue rose by 3.0% to RMB48.3 billion, reflecting its ongoing strengthening fiscal position and economic profile.

Exhibit 3. Key economic and fiscal indicators of Linyi City

	2022FY	2023FY	2024FY
GRP (RMB billion)	577.9	610.5	655.6
GRP Growth (%)	4.2	6.3	5.7
General Budgetary Revenue (RMB billion)	42.0	44.6	46.9
General Budgetary Expenditure (RMB billion)	87.5	92.0	97.6
Local Government Debt (RMB billion)	146.3	169.1	195.5

Source: Statistics Bureau of Linyi City, CCXAP research

Government's Willingness to Provide Support Strategic policy role in regional development of Linyi City

LCCI is the largest LIIFC in Linyi City by total assets and mandated by the government to promote both economic development and human well-being of Linyi City. The Company's infrastructure construction, heat and power generation business are all crucial to the local urbanization and infrastructure development in Linyi City. The other two major LIIFCs in Linyi City are Linyi City Development Group Co., Ltd. ("LYCG") and Linyi Investment Development Group Co., Ltd., undertaking infrastructure construction in different areas of Linyi City. LYCG, as the second largest LIIFC in terms of total assets, also provides urban heat and water supply to enterprises and residents in Linyi City. We believe that the Company's important strategic position to Linyi City's economic development and public welfare is unlikely to be replaced in the short-to-medium term.

LCCI is the core entity for infrastructure construction in Linyi City. The Company takes part in infrastructure construction business through agency construction model and comprehensive area development model. Under the agency construction model, the Company signs an entrusted construction contract with the Finance Bureau of Linyi City ("Linyi Finance Bureau"). The Company is responsible for financing and constructing projects and receives payments calculated based on the total project cost plus a fixed markup (typically around 5%), disbursed in accordance with project progress. As of 31 March 2025, the Company had completed 3 major agency construction projects, including roads and bridges, with a total investment of RMB914.7 million, which were fully settled by the local government. At the same time, the Company had 1 project under construction, with a total investment of RMB195.0 million, and an uninvested amount of RMB52.0 million. For the comprehensive area development model, the Company finances its project construction primarily through its own funds, external financing channels, and special fiscal funds. It achieves funding balance through the operation of income-generating assets within the development area, special fiscal subsidies, and capital injections from the shareholders. As of end-2024, the Company had completed 1 major project, with a total investment of RMB3.3 billion. As of end-March 2025, the Company had 5 major projects under construction, with a total investment of RMB10.9 billion and an uninvested amount of RMB1.9 billion. These projects consist primarily of road upgrading and renovation works, which require substantial investments.

Authorized by the Linyi Municipal Government, LCCI is responsible for the redevelopment of shantytowns in the Beicheng New Area and the Raily Station Area, with strong regional exclusivity. In terms of funding sources,

project construction funds primarily come from fiscal appropriations allocated by the Linyi Finance Bureau and self-raised funds. These projects will be handed over to the local government upon completion and the Company also expects to obtain revenue in the form of marketable sales of surplus housing, leasing of commercial area, and financial subsidies. As of 30 September 2025, the Company had 2 completed resettlement housing projects with a total investment of RMB13.6 billion. However, although these two projects have been completed and delivered, the government has not yet made payments for them. At the same time, the Company had 3 projects under construction, with a total investment of RMB4.7 billion and an outstanding investment of RMB2.8 billion. The relatively large project reserve ensures the stability and sustainability of the business.

Overall, LCCI's projects are essential for Linyi City's development and public welfare, and their payoffs are highly dependent on the fiscal condition of the Linyi Municipal Government. Considering the Company's strong strategic significance to the regional development of Linyi City, we believe the Company will not be easily replaced by other local state-owned enterprises ("SOEs") in the foreseeable future.

High exposure to commercial activities with large capital expenditure needs

Apart from public services, LCCI has also been engaged in commercial activities, including self-operating projects, property development, heat and power generation services, wood products manufacturing, and trading businesses. Some of the Company's commercial businesses are policy-driven, which align with the local development policies of the Linyi Municipal government. At the same time, capital expenditures from large-scale construction projects, such as commercial housing and self-operated projects, may exert financing pressure on the Company. We consider LCCI's commercial business exposure to be relatively high with large capital expenditure needs, accounting for more than 30% of its total assets.

As the main developer and operator of Linyi City, LCCI also engages in a series of self-operated construction projects, such as civil service center, sports center, and industrial parks. As the project owner, the Company primarily finances the construction of projects through self-raised funds and generates income through operations, leasing, and other means to recoup the initial investment. As of 31 December 2024, the Company had completed several key self-operated projects, with a total invested amount of RMB1.7 billion. Among these projects, the Citizen Service Center has been leased out, generating an annual rental income of approximately RMB10.0 million. Meanwhile, the Company had 7 self-operated projects under construction as of the same date, with a total investment amount of RMB17.1 billion, and an uninvested amount of RMB6.9 billion. Most of these projects are policy-driven with the aim to simulate the economic growth and social benefit of Linyi City, and the Company is expected to receive government subsidies and government special-purpose bonds to support the construction of these projects. The major projects are Linyi Olympic Sports Center, the New Campus of Linyi Technician College, and Linyi City Vocational College. The revenue of the Olympic Sports Center is primarily generated through hosting major sporting events and commercial performances, from which it derives ticket sales and organizer income. Although the sizable project pipeline could ensure a sustainable revenue stream, it also exerts great capital expenditure pressure on the Company.

LCCI also participates in property development business. All the Company's commercial housing projects under construction are in core areas of Linyi City. As of end-2024, the Company had completed 3 commercial housing projects, with a total investment of RMB6.3 billion, most of which had been sold, and the corresponding sales revenue were around RMB7.3 billion. As of 30 September 2025, the Company had 4 major property development projects under construction with a total investment of RMB10.8 billion and an outstanding investment of RMB3.0 billion. These projects consist primarily of residential units, with a small portion of commercial units. As of the same date, two of these projects had a sales absorption rate below 60%, indicating

certain destocking pressure. In the first three quarters of 2025, the Company generated RMB857.0 million of revenue from property sales, with a negative gross profit margin around -3.4% due to the declining housing prices. Amid the current downturn in China's real estate market, the Company may experience sluggish sales of its housing projects, which could result in certain capital constraints. Moreover, the relatively large scale of remaining investment could put further pressure on the Company's funding position.

LCCI takes part in wood products manufacturing business, which has contributed a relatively large proportion to the Company's total revenue. This business segment involves research, development, manufacture and sales of wooden furniture, home decoration materials, prefabricated housing and aluminum alloy doors and windows. The customers are concentrated in leading domestic real estate enterprises, which may bring more operating uncertainties and recovery risks to the Company especially during the recent downturn in the China's property market. The revenue from wood products manufacturing business significantly decreased from RMB2.1 billion in 2023 to RMB1.4 billion in 2024, contributing about 17.2% to the Company's total revenue. In the first three quarters of 2025, the revenue had further declined to RMB403.8 million due to the spin-off of an operating subsidiary. Moreover, the business maintains a moderate level of profitability, with a gross profit margin of 17.5% in 2024. However, the business faces certain concentration risk, as its top 5 customers accounted for over 60.0% of its total sales in 2024. LCCI has further strengthened its internal control measures, such as increasing the proportion of prepayments and payment on delivery from customers, and stopping cooperation with risky real estate enterprises.

LCCI's heat and power generation services mainly include photovoltaic power generation and providing heat to wood enterprises in Linyi City. The Company is engaged in construction of photovoltaic power stations, community and industrial park energy stations, which is at the early stage of development and has limited contribution to the revenue. In 2024, the Company achieved revenue from heat and power generation services of RMB673.5 million, corresponding to a YoY increase of 3.8%, with a gross profit margin of 15.3%. The profitability of this business has been consistently declining due to the increasing coal prices over the past two years. As of 30 September 2025, the Company provides heating services covering approximately 4.0 million square meters in Linyi's central urban area. Upon the completion of the second phase of the main heating station, the estimated coverage area is expected to reach 6.0 million square meters. However, due to the downturn in the real estate market over the past two years, the decline in production activities among local wood processing enterprises in Linyi has led to reduced demand for heating and steam supply. As a result, the Company's power generation business is operating at a low utilization rate. Overall, this business segment is susceptible to changes in raw material prices and downstream demand, resulting in some uncertainty in the profitability of this business segment in the future.

Moreover, the Company engages in trading business, including the supply of coal, steel, aluminum ingots and nuts. The Company adopts demand-on-purchase mode which means orders to upstream suppliers would be placed only when the sale contracts are signed with downstream customers. Furthermore, the Company engages in coal trading primarily to procure upstream raw materials for its own power generation services business. In terms of settlement methods, some customers pay on a cash-and-carry basis, while others settle on credit terms, generally with a credit period of three months. In 2024, the Company achieved trading revenue of around RMB4.3 billion, accounting for 52.8% of its total revenue. However, the gross profit margin for this business turned negative (-0.01%) in 2024, mainly due to fluctuations in commodity prices. Although this segment can provide the Company with additional income, the Company is exposed to certain concentration risks. The top 5 suppliers accounted for 43.3% of the total procurement in 2024. Apart from that, the Company is also exposed to certain degree of counterparty risk relating to its downstream customers.

Solid track record of receiving government support

As the core operating entity carrying out municipal development activities and providing public services in Linyi City, LCCI has a solid track record of receiving government support from Linyi Municipal Government, including government subsidies, capital injection, asset transfer, and payment for infrastructure construction projects, which could help the Company meet its policy objectives and financial obligations. Since its establishment, the local government has injected various assets into the Company, including land, properties, and equity interest. For example, the local government has transferred its shareholding in some SOEs to LCCI in the past few years, further enhancing the Company's capital strength.

In addition, the Company received ongoing government subsidies for carrying out construction projects such as Linyi Olympic Sports Centre, Medical and Elderly Care Center Project, and Tianhe Industrial Park. From 2024 to 2025, LCCI received government subsidies with a total amount of approximately RMB1.6 billion. Moreover, the Company also has a track of obtaining special government bonds for its agency construction projects. The Company has received special government bonds totaling approximately RMB2.8 billion over the same period, which could alleviate the pressure on capital expenditure arising from construction projects. Considering LCCI's irreplaceable role in the development and public welfare of Linyi City and its close relationship with Linyi Municipal Government, we expect that the Company will continue to receive government support over the next 12 to 18 months.

Increasing debt burden and moderate asset liquidity

Due to the ongoing financing for its infrastructure construction and property development projects in recent years, LCCI demonstrates a rapid debt growth. As of 30 September 2025, the Company's total debt (including perpetual bonds) rose to RMB51.0 billion from RMB45.0 billion as of end-2023, while its total capitalization ratio increased to 59.7% from 55.6% over the same period. In addition, the Company is subject to relatively high short-term repayment pressure, as its short-term debt accounted for 52.6% of total debt at the end of September 2025. Meanwhile, its cash to short-term debt ratio was around 0.3x as of the same date, indicating insufficient coverage of its short-term debt obligation. Furthermore, as of 16 March 2026, the Company had over RMB8.0 billion of bond maturing within 1 year, reflecting certain refinancing pressure. Given the substantial capital requirements for construction projects, we expect that the Company's debt level will continue to grow in the next 12 to 18 months, and it will continue to rely on external financing for the repayment of its upcoming debt obligations.

In addition, LCCI maintained moderate asset liquidity, which may undermine its financial flexibility. The Company's total assets mainly consist of inventories, receivables, fixed assets and construction in progress. These assets accounted for 62.0% of its total assets as of 30 September 2025. The inventories and construction in progress are mainly cost of infrastructure construction, property development, and self-operating construction projects, while receivables were mainly receivables from the local government and other SOEs, all of which are considered having low liquidity. Furthermore, LCCI has provided loans to local enterprises and government departments in Linyi City with certain recovery risks. As of end-February 2026, the Company had overdue principal of around RMB2.3 billion in other receivables, of which RMB425.4 million were from private-owned enterprises. Moreover, the Company also pledged some of its assets for loan application. As of 30 September 2025, the Company's total restricted assets amounted to RMB14.7 billion, accounting for 14.4% of its total assets. These restricted assets may pose constraint on the Company's financial flexibility in the future.

Good access to funding with sufficient bank facilities

LCCI has good access to diversified sources of funding, including bank loans, onshore and offshore bond issuances, as well as non-standard financing instruments. This strong funding flexibility helps alleviate its capital expenditure pressure and improve its liquidity profile. The Company has built a close relationship with large domestic banks, such as Agricultural Development Bank of China, Evergrowing Bank Co., Ltd., and China CITIC Bank. As of 30 September 2025, the Company has obtained total credit facilities of RMB63.0 billion, with an unutilized amount of RMB21.8 billion, indicating sufficient standby liquidity.

The Company also has a track record of fund-raising activities in both onshore and offshore debt capital markets. It has issued several types of debt products such as medium-term notes (“MTNs”), private placement notes (“PPNs”) and corporate bonds. From January 2025 to February 2026, the Company has raised RMB14.3 billion on the onshore debt market through the issuance of 20 tranches of onshore bonds, with coupon rates range from 1.7% to 3.56%. LCCI has also tapped into the offshore debt capital market, and its outstanding offshore bonds total USD844.0 million as of 16 March 2026. Additionally, the Company issued two perpetual MTNs in 2024, raising approximately RMB2.0 billion. Nevertheless, due to the relatively high reliance on direct financing, the refinancing stability of the Company may be easily affected by the fluctuations in the capital market. Furthermore, LCCI’s exposure to non-standard financing is manageable, accounting for less than 10% of the total debts, with trust financing being the primary product within this category.

ESG Considerations

LCCI is exposed to environmental risks through its construction projects. Such risks could be moderated through environmental studies and detailed planning prior to the start of the projects and close supervision during construction.

LCCI bears social risks as it implements public policy initiatives by undertaking infrastructure construction and providing public transportation service in Linyi City. Demographic changes, public awareness and social priorities shape the Company's development targets and ultimately affect the local government's propensity to support the Company.

LCCI's governance considerations are also material as the Company is subject to oversight and reporting requirements of the local government, reflecting its public-policy role and status as a government-owned entity.

Rating Methodology

The methodology used in this rating is the Rating Methodology for [China's Local Infrastructure Investment and Financing Companies \(July 2022\)](#).

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