

Credit Opinion

16 October 2025

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

Analyst Contacts

Eddie Li +852-2860 7130

Credit Analyst

eddie_li@ccxap.com

Celestyn Nan +852-2860 7128

Assistant Credit Analyst

celestyn_nan@ccxap.com

Elle Hu +852-2860 7120

Executive Director of Credit Ratings

elle_hu@ccxap.com

**The first name above is the lead analyst for this rating and the last name above is the person primarily responsible for approving this rating.*

Client Services

Hong Kong +852-2860 7111

Linyi Lanshan District Finance Investment Group Co., Ltd.

Surveillance credit rating report

CCXAP affirms Linyi Lanshan District Finance Investment Group Co., Ltd.'s long-term credit rating at BBB_g-, with stable outlook.

Summary

The BBB_g- long-term credit rating of Linyi Lanshan District Finance Investment Group Co., Ltd. ("LSFI" or the "Company") reflects Lanshan District Government's strong capacity and high willingness to provide support to the Company, based on our assessment of the Company's characteristics.

Our assessment of Lanshan District Government's capacity to support reflects Lanshan District's status as the largest county-level district in Linyi City in terms of gross regional product ("GRP"), with strong economic conditions, good fiscal metrics and debt profile.

The rating also reflects the local government's willingness to support, which is based on the Company's (1) ultimate control by the Lanshan District Government; (2) strong strategic role in the economic and industrial development in Lanshan District; and (3) track record of receiving government supports.

However, the rating is constrained by the Company's (1) moderate exposure to commercial activities; (2) increasing debt burden and moderate asset liquidity; and (3) medium exposure to contingent liabilities.

The stable outlook on LSFI's rating reflects our expectation that the local government's capacity to support will remain stable, and the Company will maintain its strategic importance in the economic and industrial development in Lanshan District over the next 12-18 months.

Rating Drivers

- Strong strategic role in the economic and industrial development in Lanshan District
- Track record of receiving government supports
- Moderate exposure to commercial activities
- Relatively large debt burden and moderate asset liquidity
- Medium exposure to contingent liabilities

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) Lanshan District 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 increased policy importance or decreased risk exposure to commercial activities.

What could downgrade the rating?

The rating could be downgraded if (1) Lanshan District 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 regional significance, weakened financing ability or increased risk exposure to commercial activities.

Key Indicators

	2022FY	2023FY	2024FY	2025H1
Total Assets (RMB billion)	14.5	17.9	17.9	20.6
Total Equity (RMB billion)	5.0	8.4	8.9	8.9
Total Revenue (RMB billion)	1.4	1.2	1.1	0.5
Total Debt/Total Capital (%)	56.1	49.1	43.7	51.2

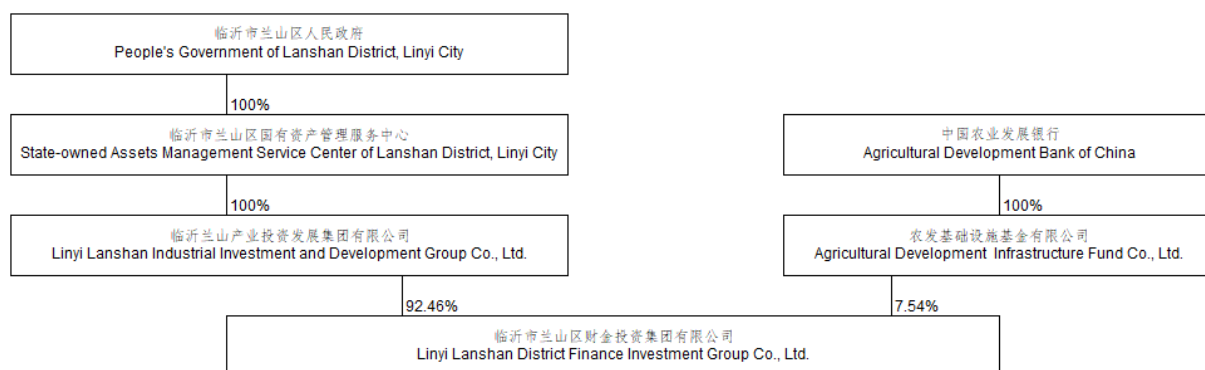
All ratios and figures are calculated using CCXAP's adjustments.

Source: Company data, CCXAP research

Corporate Profile

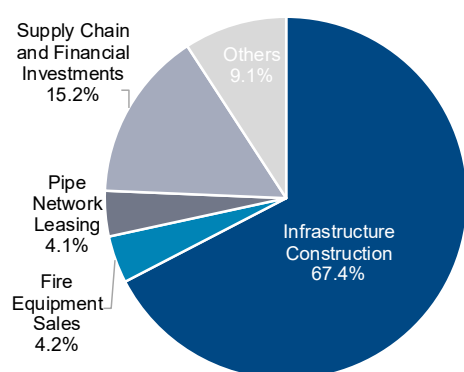
Founded in April 2018, LSFI is one of the key local infrastructure investment and financing companies ("LIIFCs") in Lanshan District, Linyi City, Shandong Province. LSFI primarily undertakes the role of infrastructure construction and operation of state-owned assets in Lanshan District. In addition, the Company is engaged in commercial activities including the development and operation of industrial parks, fire equipment sales and pipe network leasing. As of 30 June 2025, the State-owned Assets Management Service Center of Lanshan District held 92.46% of the Company's shares through Linyi Lanshan Industrial Development Group Co., Ltd.; the remaining shares were held by Agricultural Development Infrastructure Fund Ltd.. The Lanshan District Government is the ultimate owner of LSFI.

Exhibit 1. Shareholding chart as of 30 June 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 Lanshan District Government has a strong capacity to provide support given its sound economic fundamentals and fiscal strength, with a relatively large operating fiscal surplus and manageable debt burden.

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. In 2024, Shandong Province recorded a GRP of RMB9.9 trillion, representing a year-over-year ("YoY") increase of 5.7%. At the same time, it recorded a general budgetary revenue of RMB771.2 billion, representing a YoY increase of 3.3%. In the first half of 2025, Shandong Province's GRP increased by 5.6% YoY to RMB5.0 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. In the first half of 2025, its GRP totaled RMB325.8 billion, representing a YoY growth of 5.5%. 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 cover 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 past three years. As of 31 December 2024, Linyi City reported a government debt of RMB195.5 billion, accounting for 29.8% of its GRP.

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

Lanshan District is located in the center of Linyi City and in the southeast of Shandong Province. It is the largest county-level district in Linyi City in terms of GRP. It has a GRP of RMB150.3 billion, which accounted for 22.9% of Linyi's GRP in 2024. Lanshan District has achieved a GRP of RMB74.4 billion in the first half of 2025, ranking first in Linyi City. It also ranked first in GRP per capita and general budgetary revenue among other administrative districts of Linyi City. Lanshan District implements the "5+5" industrial cultivation plan, accelerating the transformation and upgrading of the five leading industries namely food, wood, medicine, machinery manufacturing, and non-ferrous metals; cultivates five emerging industries including commerce and logistics, modern finance, medical care, cultural creativity, and tourism. Lanshan District has a relatively good fiscal profile. The fiscal balance ratio (calculated by general budgetary revenue over general budgetary expenditure) remained at a high level, with a 3-year average ratio over 140.0%, and tax contributed around 78.2% of its general budgetary revenue over the past three years. Lanshan District Government also has a manageable debt profile, with a government debt/GRP ratio of 7.5% as of 31 December 2024.

Exhibit 4. Key economic and fiscal indicators of Lanshan District

	2022FY	2023FY	2024FY
GRP (RMB billion)	135.8	142.0	150.3
GRP Growth (%)	4.2	6.0	5.0
General Budgetary Revenue (RMB billion)	11.8	12.1	12.2
General Budgetary Expenditure (RMB billion)	7.6	8.2	8.7
Local Government Debt (RMB billion)	8.1	9.5	11.3

Source: Statistics Bureau of Lanshan District, CCXAP research

Government's Willingness to Provide Support

Strong strategic role in the economic and industrial development in Lanshan District

LSFI is one of the major LIIFCs in Lanshan District that undertakes local infrastructure construction, state-owned asset operations and industrial investments. The Company is the third largest LIIFC in Lanshan District by total assets. The other two LIIFCs are Linyi Lanshan District Urban Development and Construction Investment Group Co., Ltd. and Linyi Lanshan District City Development Group Co., Ltd., which mainly undertake the role of local infrastructure construction and urban renovation, respectively. We believe that the important strategic position

of the Company to Lanshan District's economic and industrial development is unlikely to be replaced in the short-to-medium term.

As one of the major platforms for regional investment and development, LSFI has engaged in a large number of infrastructure construction projects including school, road, and community reconstruction in the urban area of Lanshan District under the entrusted construction mode. The Company is entrusted mainly by the local government or a company owned by local residential and village committees, namely Shandong Donghe Real Estate Development Co., Ltd. ("Shandong Donghe"). The local government or Shandong Donghe will recognise the project settlement price after LSFI completes the construction and development of such infrastructure projects, normally at a price that covers the construction costs incurred plus a 20% investment return. The Company has successfully delivered a series of large-scale infrastructure construction projects over the past few years. As of 30 June 2025, the Company had 13 infrastructure projects under construction, with a total invested amount of RMB1.9 billion.

In addition, LSFI is the most essential entity in local state-owned asset management and industrial investments in Lanshan District. The Company manages rainwater and sewage pipe networks in 4 subdistricts of Lanshan District under a 10-year lease agreement, which is due in 2028 and can be renewed. It is also in charge of the construction and operation of major industrial parks in Lanshan District, which largely support local economic and agricultural industrial development. We believe that the importance of LSFI to the Lanshan District Government will remain high because the cost of replacing its functional role is high and it still has strong political and financial implications for the region.

Moderate exposure to commercial activities

The Company's commercial activities include the self-operated projects, fund investments, sales of fire equipment, supply chain service, and the provision of financial services such as on-lending and guaranteed businesses. Most of the Company's commercial businesses are policy-driven which align with the local development policy of Lanshan District and facilities companies to settle in. Nevertheless, the increasing investments in commercial activities will inevitably expose the Company to higher operational and financial risks. With the divestment of some subsidiaries, the Company will reduce its business in financial services and supply chain services in the future. We assess the Company's exposure to commercial activities as moderate.

LSFI develops self-operated projects mainly in the Western New Town of Lanshan District, where LSFI invests in the construction of industrial parks, factories, commercial buildings and other properties, either through wholly-owned investment or through joint ventures with private-owned enterprises, and offsets its upfront investment with future income from rental or sale. For joint venture projects, LSFI is mainly responsible for the construction phase, while its partners are responsible for the subsequent sales and leasing process of the properties. However, some of the large industrial parks were transferred to Shandong Daji Holding Group Co., Ltd. ("SDDJ") in recent years, which is jointly owned by the State-owned Assets Management Service Center of Lanshan District and Linyi Lanshan Industrial Development Group Co., Ltd., with the aim of consolidating local state-owned assets. After the completion of equity transfer, the scale of the Company's industrial park projects is relatively small. As of 30 June 2025, the completed industrial park project has a total leasable area of 275,400 square meters, with occupancy rate of 63.5%. As of 30 June 2025, the Company also had one industrial park project under construction with total investment of RMB700.0 million and uninvested amount of around RMB80.0 million. While the existing industrial parks started generating rental income in 2024, the self-operated projects' funding balance are subject to the progress of local investment promotion and the volatility of real estate market. During the first half of 2025, the rental income was approximately RMB23.0 million, with RMB20 million

been collected. Moreover, the frequent transfers of the Company's industrial park projects may entail certain operational risks.

LSFI is engaged in the production and sales of fire equipment through its subsidiary, which has five streamlined production lines for fire truck manufacturing, pre-painting treatment, cab modification, final assembly, and decoration. The Company customizes the production of fire equipment according to customer requirements and completes the delivery, and its customer base mainly consists of firefighting units and large state-owned enterprises ("SOEs") in various regions. The sales of fire equipment business have contributed certain proportion to the Company's total revenue, but the profitability is poor. In 2024, the Company's sales revenue of fire equipment decreased by 46.4% YoY to RMB47.6 million, primarily due to the reduced market demand affected by the economic downturn and the increased operating costs exacerbated by outstanding receivables. The gross profit margin remained negative during the first half of 2025.

LSFI participates in fund and direct investment through its subsidiary and provides financial services including industrial fund investment, financial guarantee and emergency on-lending business. To support the development of key industries in Linyi City, the Company, together with other local SOEs, jointly invested in the Linyi Yixing New Material Industrial Park, with a completed capital contribution of RMB383.0 million. Moreover, the Company participated in three direct equity investment projects with a total investment of RMB16.2 million, and two fund investments with a paid-in capital of RMB209.0 million. However, as these investment projects are at early stage, the investment revenue scale is small and subject to uncertainty due to market fluctuations. Following the deconsolidation of several subsidiaries in 2024, the Company will no longer engage in financial guarantee, factoring and emergency on-lending business.

In addition, the Company started its supply chain service business in 2022. The products of the Company's supply chain service business mainly include pet food, machinery and equipment, cement and concrete. The Company signs procurement and sales contracts with upstream suppliers and downstream customers when the procurement costs and selling prices are confirmed with them. In 2024, the Company achieved revenue of RMB171.1 million from its supply chain service and financial investment business, representing a YoY increase of 17.4%. However, the segment showed poor profitability, with a negative gross margin in 2024. Moreover, some of LSFI's subsidiaries in supply chain business were transferred out in 2024, there are some uncertainties regarding the sustainability of this business sector.

Track record of receiving government payments

LSFI has received ongoing support from the Lanshan District Government, including cash allocation, asset injection, capital injection, financial subsidies and payments for infrastructure construction projects, which could help the Company meet its policy objectives and financial obligations. Since its establishment, the local government has injected operational assets and several land resources into the Company. In 2024, to further optimize the Company's business structure, 19 subsidiaries were excluded from the Company's scope of consolidation. Concurrently, partial equity interests in two local SOEs were transferred to LSFI, resulting in a reduction of RMB404.0 million in the Company's capital reserves upon consolidation. We consider that the transfer will have a limited impact on the Company, which remains the one of the core entities in Lanshan District's infrastructure development and financial services sectors.

From 2024 to June 2025, the local government has provided financial subsidies of RMB388.0 million to the Company. During the same period, the Company continued to receive the repayments of the infrastructure projects totaling around RMB1.4 billion. Considering LSFI's status as one of the key local SOEs in Lanshan

District and its close relationship with the local government, we expect that the Company will continue to receive government support over the next 12 to 18 months.

Relatively large debt burden and moderate asset liquidity

Due to the ongoing financing for its infrastructure construction and self-operated projects in recent years, LSFI has a relatively large debt burden. As of 30 June 2025, the Company's total debt increased to RMB9.4 billion, from RMB8.1 billion at end-2023. At the same time, the total capitalization ratio, measured by total debt to total capital, increased to 51.2% from 49.1% at end-2023. As of 30 June 2025, the Company's short-term debt burden increased, with the short-term debt accounting for around 71.0% of the total debts and the cash to short-term debt ratio was 0.5x, indicating certain short-term refinancing pressure. The short-term debt mainly consists of bank borrowings and commercial notes. Considering the capital expenditure needs of its self-operated projects, we expect that the Company will face certain capital expenditure pressure and its debt level will continue to increase over the next 12 to 18 months.

In addition, LSFI's asset liquidity is moderate, which may undermine its financial flexibility. The Company's total asset mainly consists of inventories, receivables accounts, fixed assets and construction in progress, accounting for more than 70.9% of its total asset as of 30 June 2025. The Company's accounts receivables are mainly projects settlement with government units and loans to local SOEs, all of which are considered low liquidity. LSFI's other receivables also contains loans to a private-owned enterprise with outstanding amount of RMB423.7 million as of 30 June 2025, namely Linyi Caijin Chashan Cultural Tourism Development Co., Ltd., which is listed as judgment debtor and is involved in termination of enforcement proceedings. The Company may face certain recovery risks. Moreover, the Company's inventories are relatively large in scale, accounting for around 31.4% of its total assets as of 30 June 2025. The inventories represent investment in infrastructure construction projects and land earmarked for community reconstruction projects with moderate liquidity and limited profitability. As of 30 June 2025, the Company's restricted assets amounted to RMB3.5 billion, accounting for 16.9% of total assets, mostly due to borrowings. Moderate asset liquidity may also undermine the Company's financing flexibility.

Access to diversified financing channels

LSFI's investment needs could be supported by its diversified financing channels including banks, debt capital market and nonstandard financing, which may partially release capital expenditure pressure and liquidity profile. Bank loans and bond issuances accounted for the majority, representing 79.8% and 14.3% of the total debt respectively, indicating high reliance on indirect financing. The Company has built a close relationship with large domestic banks, such as the Agricultural Development Bank of China, Bank of Communications, and China Construction Bank Corporation, with total bank credit facilities of RMB4.3 billion and an unutilized amount of RMB1.3 billion as of 30 June 2025.

The Company has a track record of issuing onshore and offshore bonds. In 2023, the Company has issued 4 branches of offshore bonds in 2023, totally raising USD107.0 million in equivalent currency. Over the same period, the Company also issued two tranches of corporate bonds, raising RMB600.0 million. The refinancing stability of the Company may be easily affected by the fluctuations in the capital market. LSFI's exposure to non-standard financing is manageable, including financial leasing, accounting for around 5.9% of the total debts.

Medium exposure to contingent liabilities

LSFI's exposure to contingent liabilities is moderate, and the credit profile is constrained by substantial external guarantees. As of 30 June 2025, the Company's external guarantee amounted to RMB2.4 billion, accounting for 26.8% of its net assets. The external guarantees were primarily provided to local SOEs, and we believe the risks of providing guarantees to local SOEs is still manageable, given the local government's tight control over these companies. However, the Company also provided guarantees to a private-owned enterprise, an entity in which the Company and Linyi City Development Group Co., Ltd. jointly held shares as part of efforts to attract investment. The private-owned enterprise defaulted on its commercial notes as of 31 August 2025, with a total risk exposure of RMB20.0 million, which may also expose the Company to certain contingent liability risks.

ESG Considerations

LSFI assumes environmental risks through its infrastructure construction projects and public services. Such risks could be moderated through environmental studies and detailed planning prior to the start of the projects and close supervision during construction.

LSFI bears social risks as it implements public policy initiatives by undertaking infrastructure construction and providing public services in Lanshan District. 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.

LSFI'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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China Chengxin (Asia Pacific) Credit Ratings Company Limited

Address: Suites 1904-1909, 19/F, Jardine House,
1 Connaught Place, Central, Hong Kong

Website: www.ccxap.com

Email: info@ccxap.com

Tel: +852-2860 7111

Fax: +852-2868 0656