Credit Opinion

5 March 2026

Ratings	
Senior Unsecured Debt Rating (Guaranteed)	A_g+
Long-Term Credit Rating	BBB_g-
Outlook	Stable
Category	Corporate
Domicile	China
Rating Type	Solicited Rating

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Luoyang Shengshi City Construction Investment Co., Ltd.

Surveillance credit rating report

CCXAP affirms Luoyang Shengshi City Construction Investment Co., Ltd.'s long-term credit rating at BBB_g-, with stable outlook.

Summary

The BBB_g- long-term credit rating of Luoyang Shengshi City Construction Investment Co., Ltd. ("LYSS" or the "Company") reflects Luoyang Municipal Government's (1) very strong capacity to provide support, and (2) moderate willingness to provide support based on our assessment of the Company's characteristics.

Our assessment of Luoyang Municipal Government's capacity to support reflects Luoyang City's status as the second largest city for years by GRP in Henan Province, with growing economy. Moreover, Mengjin District's GRP ranks top among all the districts or counties in Luoyang City for years.

The rating also reflects the local government's willingness to support, which is based on the Company's (1) strategic position in infrastructure construction of Mengjin District; (2) good track record of receiving government support; and (3) access to diversified funding channels.

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

The stable outlook on LYSS's rating reflects our expectation that the Luoyang Municipal Government's capacity to provide support will be stable, and the Company's characteristics such as its strategic position in social and economic development of Mengjin District will remain unchanged over the next 12 to 18 months.

Rating Drivers

- Strategic position in infrastructure construction of Mengjin District
- Good track record of receiving government support
- Relatively large exposure to commercial activities
- Increasing debt burden and moderate asset liquidity
- Access to diversified funding channels
- Moderate level of contingent risk

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) Luoyang Municipal Government's capacity to support strengthens; or (2) the Company's characteristics change in a way that strengths the local government's willingness to support such as increased regional significance or improved debt management.

What could downgrade the rating?

The rating could be downgraded if (1) Luoyang Municipal Government's capacity to support weakens; or (2) the Company's characteristics change in a way that weakens the local government's willingness to provide support, such as deteriorated debt management or increased exposure to contingent liabilities.

Key Indicators

	2022FY	2023FY	2024FY	2025Q3
Total Assets (RMB billion)	18.3	19.1	20.9	21.1
Total Equity (RMB billion)	9.4	9.5	9.4	9.6
Total Revenue (RMB billion)	1.1	1.0	1.0	0.7
Total Debt/Total Capital (%)	43.5	47.4	51.7	48.2

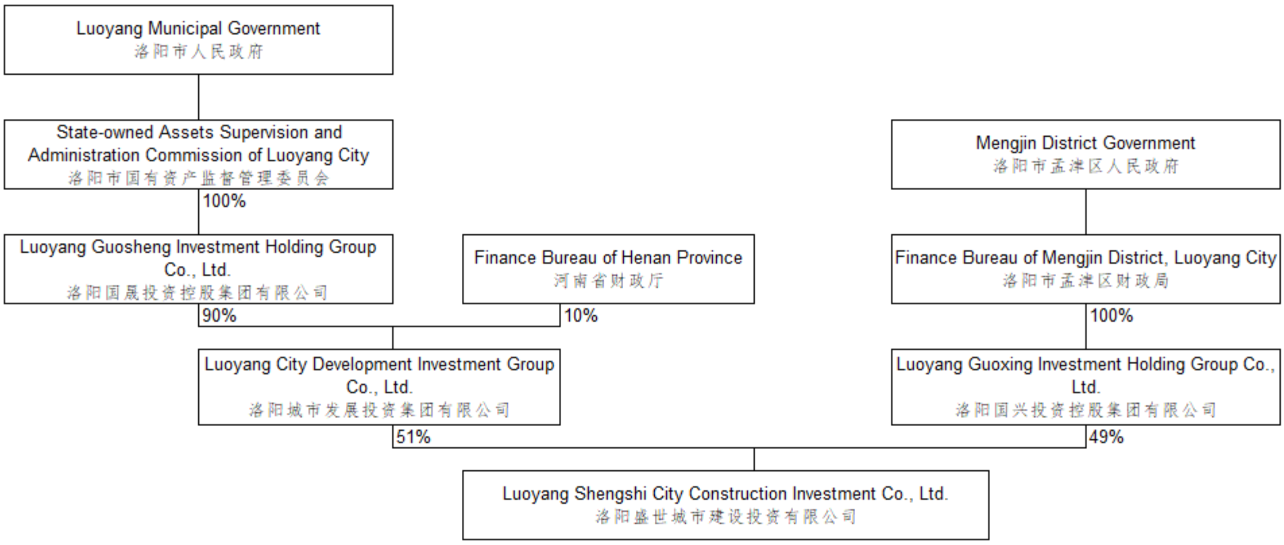
All ratios and figures are calculated using CCXAP's adjustments.

Source: Company data, CCXAP research

Corporate Profile

Established in 2010, LYSS is one of the local state-owned enterprises ("SOEs") in Luoyang City and is responsible for infrastructure construction in Mengjin District of Luoyang City. The Company has also diversified into other commercial businesses, such as self-operated construction projects. As of 30 September 2025, the Company was 51% owned by the Luoyang Municipal Government through Luoyang City Development Investment Group Co., Ltd. ("LYCD") and 49% owned by the Mengjin District Government through Luoyang Guoxing Investment Holding Group Co., Ltd. ("LYGX"). LYCD is one of the key subsidiaries of Luoyang Guosheng Investment Holding Group Co., Ltd., which is the largest local infrastructure investment and financing company ("LIIFC") by total assets in Luoyang City.

Exhibit 1. Shareholding chart as of 30 September 2025



Source: Company information, CCXAP research

Exhibit 2. Revenue Structure in 2024

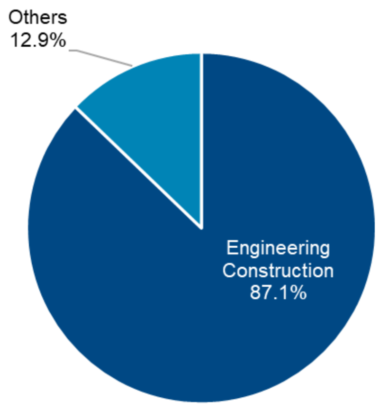
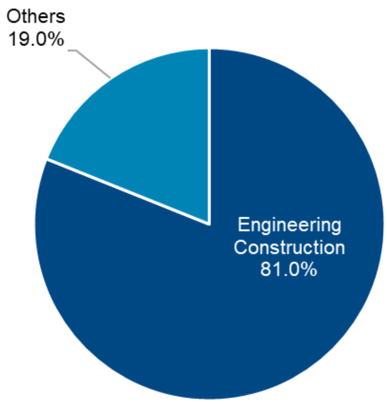


Exhibit 3. Gross Profit Structure in 2024



Source: Company information, CCXAP research

Rating Considerations

Government's Capacity to Provide Support

We believe that the Luoyang Municipal Government has a very strong capacity to provide support, reflects Luoyang City's status as the second largest city by GRP in Henan Province for years with growing economy.

Henan Province is a leading economic province and is recognized as one of the most developed provinces in China. It is located at the junction of the three major regions in China, including eastern, central and western regions. It has a strategic position as an important transportation and communication hub, and a material distribution center in China. With the good transportation and location advantages, Henan Province's GRP ranked 6th among all provinces in China in 2024 with a GRP of RMB6.4 trillion and growth rate of 5.1% year-on-year ("YoY"). In the first three quarters of 2025, Henan Province recorded a GRP of RMB4.9 trillion, representing a YoY increase of 5.6%.

Luoyang City is in the west of Henan Province, which is the sub-central city in the Central Plains Urban Agglomeration. It is one of the first batch of historical and cultural cities announced by the State Council, and is also an important industrial city in the central region in China. Luoyang City is also an important transportation hub in the central and western regions of China with several rail networks. Supported by its location advantages, Luoyang City has developed five pillar industries, namely advanced equipment manufacturing, new materials, high-end petrochemicals, electronic information, as well as tourism industries. Luoyang City demonstrated ongoing economic growth over the past three years, with GRP ranked 2nd among 18 prefecture-level cities in Henan Province. In 2024, it reported a GRP of RMB581.9 billion, representing a YoY growth of 4.9%. In the first three quarters of 2025, Luoyang City's GRP was RMB445.5 billion, contributing about 9.1% of Henan's total GRP. The Luoyang Municipal Government's general budgetary revenue also increased to RMB40.7 billion from RMB39.8 billion in 2022. Tax accounted for around 65% of its general budgetary revenue over the past three years, indicating a relatively good fiscal quality. Meanwhile, Luoyang Municipal Government's fiscal sufficiency was moderate, with its fiscal balance ratio (general budgetary revenue/general budgetary expenditure) averaging 60.7% over the past three years. As of end-2024, its government debt balance amounted to RMB155.0 billion, accounting for 26.6% of GRP.

Exhibit 4. Key economic and fiscal indicators of Luoyang City

	2022FY	2023FY	2024FY
GRP (RMB billion)	567.5	548.2	581.9
GRP Growth (%)	3.0	3.5	4.9
General Budgetary Revenue (RMB billion)	39.8	40.4	40.7
General Budgetary Expenditure (RMB billion)	62.9	66.7	70.2
Local Government Debt (RMB billion)	77.5	120.3	155.0

Source: Luoyang Municipal Government, CCXAP research

Mengjin District is in the northwest region of Henan Province, which is under the jurisdiction of Luoyang City. After years of development, Mengjin District has formed three pillar industries, including high-end petrochemicals, advanced equipment manufacturing, and special new materials. It also developed four major industrial parks, namely Luoyang Circular Economic Park, Luobei Modern Service Industry Cluster, Xincheng Science and Technology Park, and Dry Port Modern Logistics Park. In 2024, Mengjin District's GRP amounted to RMB53.1 billion, ranking 4th among all the districts or counties in Luoyang City. During the first three quarters of 2025, Mengjin District recorded a GRP of RMB42.0 billion, with a YoY growth rate of 5.0%. In 2024, the local government recorded general budgetary revenue of RMB4.2 billion, of which tax revenue accounted for 65.1%. In addition, Mengjin District Government has good self-sufficiency, with its fiscal balance ratio averaging 87.5% over the past three years. As of 31 December 2024, the outstanding debt of Mengjin District Government was RMB7.2 billion, accounting for 13.6% of its GRP.

Exhibit 5. Key economic and fiscal indicators of Mengjin District

	2022FY	2023FY	2024FY
GRP (RMB billion)	54.2	50.4	53.1
GRP Growth (%)	-0.6	0.6	6.0
General Budgetary Revenue (RMB billion)	4.2	4.2	4.2
General Budgetary Expenditure (RMB billion)	4.3	4.7	5.5
Local Government Debt (RMB billion)	4.3	5.3	7.2

Source: Mengjin District Government, CCXAP research

Government’s Willingness to Provide Support

Strategic position in infrastructure construction of Mengjin District

LYSS is one of the most important LIIFCs in Mengjin District in local infrastructure construction projects, which is crucial to local social and economic development that benefits the public and local employment. In November 2023, the Finance Bureau of Mengjin District transferred all its shareholding of the Company to LYGX, which was a newly-established LIIFC in Mengjin District. LYGX is expected to become an important comprehensive state-owned capital investment and operation entity in Mengjin District. After the shareholding transfer, the Company is still the key LIIFC in Mengjin District, responsible for local infrastructure construction projects. We believe that the Company will maintain its important position in the public policy projects in Mengjin District and will not be easily replaced by other local SOEs in the foreseeable future.

The Company undertakes infrastructure construction through agency construction model. LYSS signed construction agreements with the government entrusting parties and will receive payments based on the total cost plus a certain markup in return during the construction progress or after project completion. As of 30 September 2025, the Company had completed 7 key infrastructure construction projects, with a total investment of RMB2.6 billion, such as sewage treatment projects, high-standard farmland construction projects, and shantytown reconstruction projects, benefiting the social welfare of the citizens. The Company had received RMB2.4 billion of government paybacks from these projects. As of the same date, there were 6 projects under construction, with a total investment amount of RMB3.4 billion and an uninvested amount of RMB512.0 million. Meanwhile, the Company’s had no project under planning as of the same date. As LYSS is expected to conduct more self-operated projects in the future, its agency construction projects might be reduced due to government’s reducing demand on infrastructure constructions. As such, the sustainability of the Company’s infrastructure construction business is affected by the relatively small project reserve.

Good track record of receiving government support

LYSS has a good track record of receiving support from the local government in the form of equity transfer, operating subsidies, and project payments to support its investments and the operation of its businesses. For instance, the local government transferred shares of some state-owned enterprises in Mengjin District to the Company, such as Luoyang Shengyang Thermal Power Co., Ltd. and Luoyang Lulian Road Construction Engineering Co., Ltd. From 2024 to 2025Q3, the Company continuously received subsidies from the local government with a total amount of RMB431.0 million to support its business operations and project constructions. LYSS also received ongoing project repayments from the local government. As of 30 September 2025, the Company had received RMB3.5 billion in infrastructure project payments from the government, which is indicative of the government’s sustained commitment and capacity to provide support. Regarding project funding, the Company secured RMB48.0 million in government special-purpose bonds from the local government in 2023 to finance the construction of its self-operated project.

Apart from that, the Company received support from its controlling shareholders LYCD and LYGX, including cash injection and providing guarantees for its financing activities. For instance, LYCD and LYGX increased their capital investments in the Company by RMB205.5 million in 2023, increasing the Company’s paid-in capital to RMB725.5 million at end-2023. Considering its strategic role in social and economic development of Mengjin District, we expect the local government will continue to provide support to the Company.

Relatively large exposure to commercial activities

LYSS participates in different commercial activities, mainly including self-operated construction. While the commercial activities generate supplemental income, they may also pose higher operational and business risks than its public-policy businesses. The Company had several large-scale self-operated projects under construction and planning, which may increase its future investment pressure. We estimate the Company's risk exposure to commercial business is relatively large.

Apart from public policy projects, LYSS has some self-operated construction projects. The Company achieves fund balancing through operating revenue of the projects, such as rental income, parking fees, and advertising fees. As of 30 September 2025, there were 4 key projects under construction, with a total investment amount of RMB6.3 billion and an uninvested amount of RMB3.6 billion. The largest project in terms of the investment size was petrochemical ethylene project, which is crucial to the development of high-end petrochemical industry in Luoyang City. The Company is expected to balance the investment through operating revenues, such as energy supply income and underground utility tunnel operation income. However, the investment recovery cycle is long, making it more difficult to achieve fund balancing in short period of time. Moreover, the relatively large scale of investment in self-operated projects will exert more capital expenditure on the Company in the upcoming years.

With the equity transfer of Mengjin Hanwei Tourism Resources Development Group Co., Ltd. to LYGX in November 2023, the Company did not generate revenue from tourism operation business since 2024. However, the Company had a tourism project under planning, namely the Luobei Rural Revitalization Demonstration Development Project in Luoyang City, with an estimated total investment amount of RMB1.4 billion. The Company is expected to achieve fund balancing from operating revenue such as rental incomes from industrial parks and hostels, tourist tickets, and product sales.

Increasing debt burden and moderate asset liquidity

Due to the continuous investment in infrastructure construction and self-operated projects, LYSS's total debt has been growing over the past three years. As of 30 September 2025, LYSS's total debt increased to RMB8.9 billion from RMB8.5 billion as of end-2023. The Company has maintained moderate debt leverage. Its total capitalization ratio, as measured by total debt to total capital, was recorded at 48.2% as of the same date. Meanwhile, the Company faces certain degree of short-term debt pressure, with its short-term debt amounted to RMB2.6 billion, accounting for 28.6% of its total debt. Moreover, the Company's cash and cash equivalents provide limited coverage for its short-term debt obligations, and its cash to short-term debt ratio was below 0.1x. Considering the relatively large amounts of uninvested capital for the construction projects and the bonds maturing in 2026, we estimate the Company would continue to rely on external financing such as bank loans and bonds issuance to support its business development and debt repayment, and its total debt would further increase over the next 12-18 months.

LYSS's liquidity profile was moderate. As of 30 September 2025, the Company's inventories, receivables, construction in progress, and other non-current assets accounted for 70.9% of the total assets. The Company's inventories and construction in progress mainly include the cost of construction works, while other receivables are mainly receivables from the local government, which are considered to have low liquidity. At the same time, the Company had pledged some assets for loan, which may further reduce its financial flexibility. As of 30 September 2025, the restricted assets of the Company amounted to RMB2.1 billion, accounting for 10.1% of its total assets. Furthermore, there is recovery risk of account receivables from private-owned enterprises. The Company's other receivables account contains loans provided to a private-owned enterprise, including loan receivables of RMB174.1 million to Wuhan Tongxin Real Estate Co., Ltd. ("Wuhan Tongxin") as of 31 December 2024, which has been listed as dishonest judgment debtor. The Company has obtained two pieces of land from Wuhan Tongxin as collateral.

Access to diversified funding channels

LYSS has access to funding channels such as bank loans, onshore and offshore bonds issuance, and non-standard financing. The Company maintains long-term and close relationships with domestic banks, such as Agricultural Development Bank of China, Industrial and Commercial Bank of China Limited, and Zhongyuan Bank Co., Ltd. As of 31 December 2025, the Company had total bank facilities of RMB6.5 billion, with an unutilized portion of RMB1.0 billion. The Company's controlling shareholder LYCD also provided guarantees for its financing activities. The Company also has a track record for fund-raising activities in debt capital markets. For example, the Company issued three tranches of onshore bonds in the domestic capital market since 2025, raising approximately RMB600.0 million with coupon rates ranging from 3.3% to 4.0%. In addition, LYSS expanded its fundraising channels to the offshore debt capital market in 2024 and issued one tranche of offshore bonds in 2025, raising RMB210.0 million. Meanwhile, the Company has consistently reduced its exposure to non-standard financing instruments over the past two years. As of 30 September 2025, such instruments accounted for only around 2.0% of its total debt, most of which were finance leases with relatively high financing costs.

Moderate level of contingent risk

The credit profile of LYSS is constrained by its external guarantees, which could potentially increase its repayment obligations. As of 30 September 2025, the Company's external guarantees amounted to RMB1.9 billion, accounting for 19.4% of its net assets, most of which were provided to local SOEs. We believe that the credit risk of the guarantee is moderately controllable, considering the government's support to local SOEs. However, the Company provided guarantees of approximately RMB483.0 million to a related private-owned enterprise, accounting for 25.9% of its total guarantees. In addition, the Company provided guarantees to four individuals for mortgage loans arising from sales of its commercial properties, amounting to RMB1.2 million.

ESG Considerations

LYSS bears environmental risks through its infrastructure construction projects. Such risks could be mitigated by conducting environmental studies and detailed planning before the commencement of the projects and close supervision during construction.

LYSS bears social risks as it implements public policy initiatives by building public infrastructure in Mengjin 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.

LYSS's governance considerations are also material as the Company is subject to oversight by Luoyang Municipal Government and has to meet several reporting requirements, reflecting its public-policy role and status as a government-owned entity.

Credit Enhancements

LYSS's senior unsecured debt rating (guaranteed) is based on our credit assessment of Henan Zhongyu Financing Guarantee Co., Ltd. ("HZFG"), as the bonds (ISIN: XS3137831387) are unconditionally and irrevocably guaranteed by HZFG. Under the deed of guarantee, HZFG will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by LYSS. HZFG's obligation for the bonds shall at all times at least rank equally with all its other present and future unsecured and unsubordinated obligations. Established in 2017, HZFG is an important provincial financing guarantee platform in Henan Province. As of 30 June 2025, the Henan Provincial Government was the ultimate controller of HZFG.

Rating Methodology

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

The methodology used in HZFG's credit assessment is the Rating Methodology for Financial Guarantors (January 2022).

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