Credit Opinion

28 November 2025

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

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Luoyang Guoxing Investment Holding Group Co., Ltd.

Surveillance credit rating report

CCXAP affirms Luoyang Guoxing Investment Holding Group Co., Ltd.'s long-term credit rating at BBB_g, with stable outlook.

Summary

The BBB_g long-term credit rating of Luoyang Guoxing Investment Holding Group Co., Ltd. ("LYGX" or the "Company") reflects Mengjin District Government's (1) strong capacity to provide support, and (2) extremely high willingness to provide support based on our assessment of the Company's characteristics.

Our assessment of the local government's capacity to support reflects Mengjin District's relatively good economic strength, with ongoing economic growth and good fiscal stability. Mengjin District's gross regional product ("GRP") has ranked 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) important role in infrastructure construction and urban operation of Mengjin District; and (2) good track record of receiving government support.

However, the rating is constrained by the Company's (1) increasing exposure to commercial activities; (2) increasing short-term debt pressure; and (3) moderate asset liquidity.

The stable outlook on LYGX's rating reflects our expectation that the Mengjin District Government's capacity to provide support will be stable, and the Company's characteristics such as its important role in infrastructure construction and urban operation of Mengjin District will remain unchanged over the next 12 to 18 months.

Rating Drivers

- Important role in infrastructure construction and urban operation of Mengjin District
- Good track record of receiving government support
- Increasing exposure to commercial activities
- Increasing short-term debt burden and moderate asset liquidity
- Fair access to funding channels

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) Mengjin District Government's capacity to support strengthens; and (2) the Company's characteristics change in a way that strengths the local government's willingness to support such as diversified the financing channels.

What could downgrade the rating?

The rating could be downgraded if (1) Mengjin District 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 reduced policy significance or increased exposure to contingent liabilities.

Key Indicators

	2022FY	2023FY	2024FY
Total Asset (RMB billion)	8.0	24.0	15.9
Total Equity (RMB billion)	5.1	19.0	10.1
Total Revenue (RMB billion)	0.9	1.5	0.5
Total Debt/Total Capital (%)	34.9	16.5	28.6

All ratios and figures are calculated using CCXAP's adjustments. Ratios and figures in 2024 are based on proforma financial statements which take into account the relevant asset transfer activities in 2025.

Source: Company data, CCXAP research

Corporate Profile

Established in 2016, LYGX is an important local infrastructure investment and financing companies ("LIIFCs") in Mengjin District, Luoyang City. In accordance with the economic and industrial development plan of Mengjin District, the Company serves as the most important comprehensive state-owned capital investment and operation in Mengjin District. LYGX is mainly responsible for infrastructure construction and urban operation in Mengjin District, such as rural revitalization. The Company has also diversified into other commercial activities, including self-operated projects, property management, engineering construction, tourist attraction operation, and factoring. In 2025, the Company's water supply subsidiary Luoyang Huixing Water Service Co., Ltd. ("Luoyang Huixing") and sand mining operation rights were transferred out of the Company by the local government without compensation, consequently causing a notable decrease in its total assets. As of 31 December 2024, the Company was wholly owned and controlled by the Finance Bureau of Mengjin District, and its total assets and net assets were RMB15.9 billion and RMB10.1 billion, respectively.

Exhibit 1. Shareholding chart as of 31 December 2024

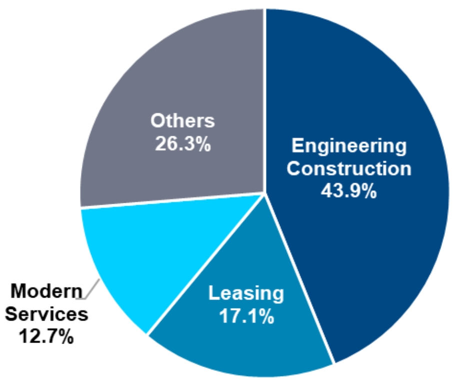
Finance Bureau of Mengjin District, Luoyang City
洛阳市孟津区财政局

100%

Luoyang Guoxing Investment Holding Group Co., Ltd.
洛阳国兴投资控股集团有限公司

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 that the Mengjin District Government has a strong capacity to provide support, reflecting its relatively good economic strength, with ongoing economic growth and good fiscal stability. Mengjin District's GRP has ranked top among all the districts or counties in Luoyang City for years.

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 located 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 3. 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 located 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 4^{th} 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 4. 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

Important role in infrastructure construction and urban operation of Mengjin District

There are mainly four LIIFCs in Mengjin District under the control of the local government, of which LYGX and Luoyang Shengshi City Construction Investment Co., Ltd. ("LYSS") are the major LIIFCs. LYGX is the most important LIIFC in Mengjin District, focusing on infrastructure construction and urban operation in Mengjin District. LYGX holds 49.0% shares in LYSS, who is mainly responsible for the resettlement housing and ecological-related infrastructure construction such as sewage treatment and river regulation.

Entrusted by the local government and local state-owned enterprises, LYGX undertakes infrastructure construction through agency construction model. The Company signed construction agreements with the entrusting parties and would receive payments based on the total cost plus a certain markup in return during the construction progress or after the project completion. As of 31 December 2024, LYGX had completed several infrastructure construction projects, mainly including road construction and shantytown projects, with a total investment of RMB1.7 billion. The Company had received RMB2.1 billion of relevant paybacks from these projects. Moreover, as of 30 June 2025, LYGX had 5 infrastructure construction projects under construction as of the same date, with a total investment amount of RMB3.2 billion and an uninvested amount of RMB553.0 million. Meanwhile, the Company had received RMB763.0 million of government payment for these projects. Due to a decrease in infrastructure construction demands within Mengjin District, the number of the Company’s infrastructure projects has gradually declined over the past two years, with most ongoing projects entering their final stages. Therefore, we expect the Company’s revenue from infrastructure construction will gradually decrease in the upcoming years.

The Company is also responsible for sewage treatment in Mengjin District, with a service area of 14 square kilometers and a daily sewage treatment capacity of 20,000 tons. Considering the Company’s important role in infrastructure construction and urban operation of Mengjin District, we believe that the Company will not be easily replaced by other local state-owned enterprises in the foreseeable future. Furthermore, under the local government's state-owned capital operation plan, the Company temporarily discontinued its water supply business in 2025 with transferred out its ownership in Luoyang Huixing. With further asset consolidation and equity adjustments in the future, the water supply business is expected to be transferred back into the Company's consolidated scope.

Increasing exposure to commercial activities

In addition to public activities, LYGX participates in various commercial activities, including self-operated project construction and engineering construction. The Company is also expanding its business scope to scenic spot operation. While these commercial activities generate supplemental income, they may also pose higher operational and business risks than its public-policy businesses. However, given that the Company’s commercial operating assets are mostly allocated by the local government without compensation, and most of its self-operated projects carry certain policy-oriented attributes, we believe the Company’s overall business risk is moderate. Furthermore, considering the Company’s ongoing investment in these projects, we believe that LYGX’s exposure to commercial activities will increase in the future.

Apart from public policy projects, LYGX had serval self-operated projects under construction and planning, which may increase its future investment pressure. The Company undertakes self-operated construction projects with self-raised funds and is expected to achieve funding balance through future operating income such as rental income, property sales, wood sales, sewage treatment income, and government’s subsidies. As of 31 December 2024, the Company had 8 main self-operated projects under construction with a total investment amount of RMB1.7 billion, and uninvested amount of RMB1.1 billion. These projects primarily include national reserve forest base projects, rural revitalization projects, and water supply upgrade initiatives. There were also 2 self-operated projects under planning, with a total planned investment of RMB173.4 million as of the same date. The large investment needs for the self-operated projects will exert certain capital expenditure pressure to the Company. In addition, there are uncertainties associate with the future operation of self-operated projects, making revenue stream difficult to predict.

LYGX is also involved in life service businesses, which primarily consist of catering and leasing operations. The Company operates cafeterias for various institutions in the Mengjin District, including high schools, hotels, and hospitals, through its subsidiary. In 2024, this segment generated revenue of RMB42.3 million. Furthermore, the Company’s leasing operations are focused on public and low-rent housing, with the properties leased to the

Mengjin District Housing Security and Real Estate Service Center. According to the rental agreement, the annual rent is RMB12.0 million.

In addition, LYGX possesses high-quality tourism resources in Mengjin District. Along with the equity transfer of Mengjin Hanwei Tourism Resources Development Group Co., Ltd. in December 2023, the Company started to engage in tourism business by operating one 4-A level scenic spot and three 3-A level scenic spots. In 2024, this business segment generated revenue of RMB36.3 million to the Company, representing a YoY growth of 26.4%, and the income are mainly from ticket sales and tourism service. With the recovery of tourism industry, we expect the tourism business to provide supplementary income to the Company in the future.

LYGX also engaged in financial leasing and factoring businesses, which provided supplementary revenue to its operation. As of 31 December 2024, the outstanding amount of financial leasing was RMB63.0 million, primarily directed to state-owned enterprises within Henan Province for terms of less than three years. Regarding factoring business, the total amount of factoring assets the Company engages in 2024 was RMB1.2 billion, primarily within Henan Province and with terms of less than one year. As of 31 December 2024, the Company had an outstanding factoring balance of RMB135.0 million. In 2024, the finance lease and factoring businesses generated revenues of RMB36.3 million and RMB23.5 million, achieving gross profit margins of 18.8% and 1.7%, respectively. As of year-end, the Company had zero exposure to non-performing assets in its finance lease and factoring businesses.

Good track record of receiving government support

LYGX has a good track record of receiving support from the local government in the form of equity and asset transfers, capital injections, and operating subsidies to support its investments and the operation of its businesses. Since its establishment, the local government transferred equity shares of several state-owned enterprises in Mengjin District to the Company, such as 100% shares of Mengjin County Water Investment Development Co., Ltd. Thereby, the Company acquired assets without compensation, including water supply plants, water and heat pipe networks, land use rights, and infrastructure construction projects. In 2024, the Finance Bureau of Mengjin District injected capital of RMB920.2 million in cash into the Company, increasing the Company's paid-in capital to RMB1.8 billion.

LYGX also has a track record of receiving government payments. From 2023 to 2024, the local government provided RMB52.5 million subsidies to the Company to support its operation and development. Moreover, the Company had obtained RMB263.5 million of government special purpose fund in 2024 to support the construction of its infrastructure projects, and thereby reducing its overall cost of fundings. In terms of projects repayment, as of 31 December 2024, the Company had received RMB2.9 billion in repayments for its infrastructure construction projects. Considering LYGX's strong policy role in Mengjin District, we expect the local government will continue to provide support to the Company.

Increasing short-term debt burden and moderate asset liquidity

The Company's total debt level remained relatively stable over the past two years. As of 31 December 2024, LYGX's total debt slightly increased to RMB4.0 billion as compare with RMB3.8 billion in 2023. Moreover, owing to decrease in total equity due to the asset transfer, the Company's debt leverage increased in 2024. Its total capitalization ratio, as measured by total debt to total capital, increased to 28.6% from 16.5% as of end-2023. However, the Company is facing increasing short-term debt pressure. As of 31 December 2024, the Company's short-term debt was RMB1.2 billion, accounting for 29.4% of total debt, and the cash to short-term debt ratio was below 0.1x, which indicates its cash reserves could not fully cover the short-term debt. Considering the ongoing investment in infrastructure and self-operated projects under construction and planning, we estimate that the Company would continue to rely on external financing to support its business, and its debt level would further increase over the next 12-18 months.

LYGX's asset liquidity was moderate. As of 31 December 2024, the Company's receivables, inventories, long-term equity investment together accounted for around 75.3% of the total assets, all of which are considered low liquidity. The Company's inventories mainly include the cost of construction works, while receivables are mainly receivables from government-related entities and state-owned enterprises. Therefore, the Company's relatively weak liquidity profile could undermine its financial and funding flexibility.

Fair access to funding channels

LYGX had a high reliance on bank loans for its capital expenditure, of which bank loans accounted for the majority of its total debts. The Company maintains long-term and close relationships with policy banks, large state-owned banks, and state-owned commercial banks, such as Agricultural Development Bank of China and China Construction Bank Corporation. As of 31 December 2024, the Company had obtained total credit facilities of RMB4.7 billion with an unutilized amount of RMB509.0 million. In addition, the Company maintained a manageable exposure to non-standard financing products, which accounted for less than 5% of its total debt as of the same date. Regarding direct financing, its subsidiary, Luoyang Guoxing Industrial Investment Co., Ltd., issued a RMB600.0 million private placement bonds in August 2025, with a coupon rate of 2.52%.

ESG Considerations

LYGX 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.

LYGX bears social risks as it implements public policy initiatives by building public infrastructure and providing water supply service 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.

LYGX's governance considerations are also material as the Company is subject to oversight by Mengjin District Government and has to meet several reporting requirements, 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).

Appendix

Exhibit 5. Peer comparison

	Luoyang Guoxing Investment Holding Group Co., Ltd.	Luoyang Shengshi City Construction Investment Co., Ltd.
Long-Term Credit Rating	BBB_g	BBB_g-
Shareholder	Finance Bureau of Mengjin District (100.0%)	Luoyang City Development Investment Group Co., Ltd. (51.0%) and LYGX (49.0%)
Positioning	Core entity in infrastructure construction and urban operation of Mengjin District	Important entity in resettlement housing and infrastructure construction of Mengjin District
Total Asset (RMB billion)	15.9	20.9
Total Equity (RMB billion)	10.1	9.4
Total Revenue (RMB billion)	0.5	1.0
Total Debt/Total Capital (%)	28.6	51.6

All ratios and figures are calculated using CCXAP's adjustments based on financial data in 2024.

Source: Company information, CCXAP research

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