

Credit Opinion

16 December 2025

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

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Luzhou High-tech Investment Group Co., Ltd.

Surveillance credit rating report

CCXAP affirms Luzhou High-tech Investment Group Co., Ltd.'s long-term credit rating at BBB_g-, with stable outlook.

Summary

The BBB_g- long-term credit rating of Luzhou High-tech Investment Group Co., Ltd. ("LHIG" or the "Company") reflects Luzhou Municipal Government's (1) very strong capacity to provide support, and (2) relatively high willingness to provide support based on our assessment of the Company's characteristics.

Our assessment of Luzhou Municipal Government's capacity to provide support reflects Luzhou City's status as an important trade and logistics center in the Chengdu-Chongqing Economic Circle and a well-known domestic alcohol industry base, with growing economic and fiscal strengths. Meanwhile, Luzhou High-Tech Industrial Development Zone ("Luzhou High-Tech Zone") is a National High-Tech Industrial Development Zone with pillar industries including high-end manufacturing and modern service.

The rating also reflects the local government's willingness to support, which is based on the Company's (1) key role in the infrastructure construction and high-tech industry investment in Luzhou High-tech Zone; (2) solid track record of receiving government support; and (3) access to funding from banks and bond markets.

However, the Company's rating is constrained by its (1) relatively low sustainability of public projects; (2) medium exposure to commercial activities; (3) high debt leverage with relatively high debt repayment pressure; and (4) high contingent risk arising from external guarantees.

The stable outlook on LHIG's rating reflects our expectation that the Luzhou Municipal Government's capacity to provide support will remain stable, and the Company's characteristics such as its key role in infrastructure construction in the High-Tech Zone will remain unchanged over the next 12 to 18 months.

Rating Drivers

- Key role in the infrastructure construction and high-tech industry investment in Luzhou High-Tech Zone
- Solid track record of receiving government support
- Good access to funding from banks and bond markets
- Relatively low sustainability of public projects
- Medium exposure to commercial activities
- High debt leverage with relatively high debt repayment pressure
- High contingent risk arising from external guarantees

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) Luzhou Municipal Government's capacity to support strengthens; and (2) the Company's characteristics change in a way that strengthens the local government's willingness to support such as materially reduced exposure to risky commercial activities and improved debt management.

What could downgrade the rating?

The rating could be downgraded if (1) Luzhou 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 weakened market position, deteriorated access to fundings, or material decreased government support.

Key Indicators

	2022FY	2023FY	2024FY	2025Q3
Total Asset (RMB billion)	21.4	24.5	29.6	30.7
Total Equity (RMB billion)	6.5	7.9	11.1	11.1
Total Revenue (RMB billion)	2.5	2.2	2.1	1.5
Total Debt/Total Capital (%)	67.6	66.0	60.7	62.4

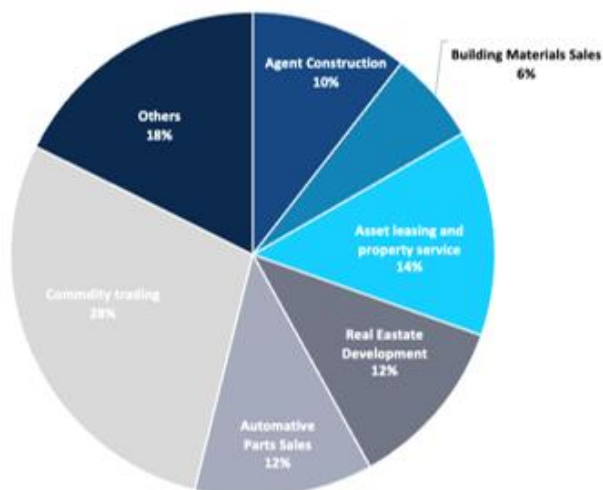
All ratios and figures are calculated using CCXAP's adjustments.

Source: Company information, CCXAP research

Corporate Profile

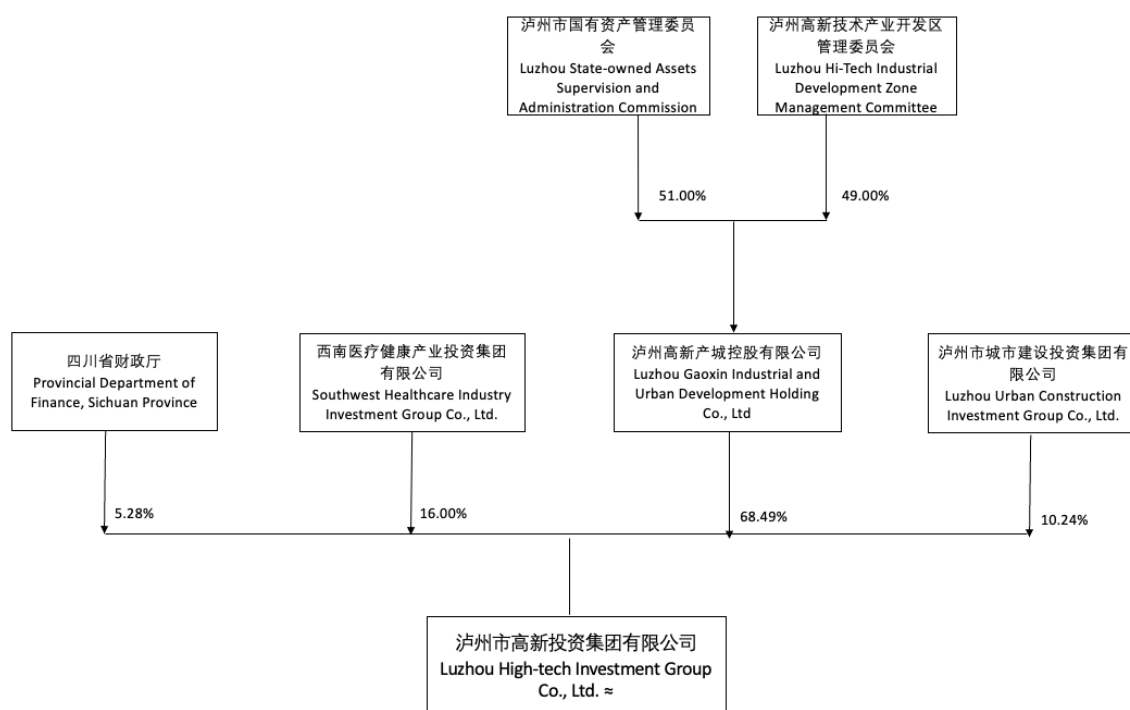
Established in December 2013, LHIG is the sole entity responsible for local infrastructure construction in the Luzhou High-Tech Zone and the sole state-owned high-tech industry investment entity in Luzhou City. The Company is also engaged in businesses such as self-operated project construction and leasing, real estate development, sales of energy, and building materials sales. In January 2025, the local government increased the registered capital of LHIG to RMB4.4 billion and transferred its equity interests to Luzhou Gaoxin Chancheng Holding Co., Ltd.. As of 30 September 2025, the Company's controlling shareholder was Luzhou Gaoxin Chancheng Holding Co., Ltd., which held 68.49% of its equity. The other major shareholders included Southwest Healthcare Industry Investment Group Co., Ltd. (16.00%), Luzhou Urban Construction Investment Group Co., Ltd. (10.24%) and the Sichuan Provincial Department of Finance (5.28%). Luzhou State-owned Assets Supervision and Administration Commission ("Luzhou SASAC") remains the ultimate controller of the Company.

Exhibit 1. Revenue Structure in 2024



Source: Company information, CCXAP research

Exhibit 2. Shareholding chart as of 30 September 2025



Source: Company information, CCXAP research

Rating Considerations

Government's Capacity to Provide Support

We believe that the Luzhou Municipal Government has a strong capacity to provide support, reflecting Luzhou City's status as an important trade and logistics center in the Chengdu-Chongqing Economic Circle and a well-known domestic alcohol industry base, with growing economic and fiscal strengths.

Sichuan Province is a leading economic province and is recognized as one of the most developed provinces in China. In 2024, Sichuan recorded a gross regional product ("GRP") of RMB6.5 trillion, with a GRP growth rate

of 5.7% year on year (“YoY”). Its general budgetary revenue increased to RMB563.5 billion, up by 1.9% YoY. In the first nine months of 2025, Sichuan achieved a GRP of RMB4.9 trillion, a YoY increase of 5.5%.

Luzhou City is a prefecture-level city of Sichuan Province. With the solid development of industries including liquor, electronic information, energy, and chemicals, Luzhou City’s economic and fiscal strength ranks in the upper reaches of Sichuan Province. In 2024, Luzhou City’s GRP was RMB283.7 billion, ranking 7th among all prefecture-level cities in Sichuan Province, representing a YoY increase of 4.0%. Its GRP grew by 5.3% YoY to RMB216.6 billion in 2025Q3. Its general budgetary revenue amounted to RMB22.2 billion in 2024, ranking 4th among all cities in Sichuan Province, a YoY increase of 4.7%. Tax revenue accounted for around 56.3% of its general budgetary revenue in 2024, a slight decrease from 2024. Meanwhile, its fiscal balance ratio was around 44.4% in 2024, which was at a moderate level. The government debt was RMB117.1 billion in 2024, representing 41.3% of its GRP.

Exhibit 3. Key economic and fiscal indicators of Luzhou City

	2022FY	2023FY	2024FY
GRP (RMB billion)	260.2	272.6	283.7
GRP Growth (%)	4.1	5.6	4.0
General Budgetary Revenue (RMB billion)	19.3	21.2	22.2
General Budgetary Expenditure (RMB billion)	45.9	47.3	50.0
Local Government Debt (RMB billion)	86.8	99.4	117.1

Source: Statistic Bureau of Luzhou City, CCXAP research

Luzhou High-tech Zone was established in 2013 and was upgraded to a national high-tech industrial development zone with the approval of the State Council in February 2015. It is one of the three national high-tech industrial development zones in the upper reaches of the Yangtze River Economic Belt, with a total planned area of 202 square kilometers and a core area of 36 square kilometers. Luzhou High-tech Zone has several parks including the Modern Pharmaceutical Industrial Park, the High-end Equipment Manufacturing Industrial Park, the New Energy and New Materials Industrial Park, the Big Data Industrial Park as well and the Smart Grid Industrial Park. Luzhou Municipal Government has provided various supports to the High-tech Zone. The land quota will be given priority to the High-Tech Zone, which enjoys preferential prices. The development of the high-tech zone provides support for the long-term sustainable development of the Company.

Government’s Willingness to Provide Support

Key role in the infrastructure construction and high-tech industry investment in Luzhou High-Tech Industrial Development Zone

LHIG is the sole entity responsible for local infrastructure construction in Luzhou High-Tech Zone, providing a range of services including land consolidation and infrastructure construction. The Company plays a crucial role in the Luzhou High-Tech Zone, and has successfully completed a series of large-scale infrastructure projects and public welfare facilities, such as schools, landscape and greening projects. In order to attract high-quality enterprises to settle in the Luzhou High-Tech Zone, the Company’s business has gradually shifted from land development and infrastructure construction to the construction of factories, office buildings and other facilities. Considering the Company’s high strategic significance to the development of Luzhou High-tech Zone, we believe the Company will not be easily replaced by other local state-owned enterprises in the foreseeable future.

The infrastructure construction projects undertaken by the Company are mainly carried out through agency construction model. As of 31 March 2025, the repayment progress of completed projects was relatively good.

The Company had invested RMB1.3 billion into the completed infrastructure construction projects, with total planned repayment of RMB1.5 billion and collected repayment of RMB1.3 billion. However, the large-scale construction of infrastructure projects in the High-Tech Zone has almost ended. As of 31 March 2025, the Company had 1 infrastructure project under construction, which carried a total planned investment of RMB313.9 million and an uninvested amount of RMB19.6 million. Meanwhile, there is no infrastructure construction and land consolidation project under planning, demonstrating that the Company's business sustainability of public policy projects is relatively low.

Medium exposure to commercial activities

LHIG is also engaged in commercial activities such as self-operated construction and leasing, real estate development, sales of building materials, sales of automotive parts, and commodity trading business. Although the Company's commercial activities accounted for about 30% of its total assets in 2024, we consider the business risk in these commercial activities to be manageable, because some businesses are closely related to its strategic role in the industrial development of Luzhou High-tech Zone.

The Company's self-operated construction and leasing business mainly facilitates the investment attraction of Luzhou High-Tech Zone. The Company is responsible for building plants, data centers or office buildings based on the needs of the incoming enterprises. As of 31 March 2025, the Company had a total estimated investment amount of RMB2.5 billion and an outstanding amount of RMB764.6 million for the construction of self-operated projects. Currently, the Company has no self-operated projects under planning. As of 31 March 2025, the Company had a total leasing area of 1.2 million square meters with occupancy rate of 50.8%, providing supplementary rental income to the Company. In 2024, the revenue from asset leasing and property service increased to RMB286.0 million from RMB223.0 million in 2023. In addition, the asset leasing and property service decreased to 58.5% in 2024, mainly due to the lower occupancy rate and higher maintenance costs. As the leasing business is mainly subject to the investment attraction progress of the High-Tech Zone, this business segment may face uncertainty regarding its future cash inflow.

LHIG is engaged in property development projects through the self-construction model, including residential and commercial property development projects. In 2024, revenue from the Company's property market increased to RMB241.0 million due to the sale of a new project. Despite the revenue growth, gross profit reduced significantly due to the continued downturn in China's property market and the Company's adoption of price cutting measures to promote sales. As of 31 March 2025, the Company had 2 major property development projects under construction, with a total estimated investment amount of RMB1.6 billion and an outstanding amount of RMB462.0 million. The Company had one completed project for sale, with sell-through rate of about 48.3%. As the sales of real estate projects are subject to the industry downturn, the debts formed by the property development may bring certain debt repayment pressure to the Company.

LHIG's sales of building materials business mainly involves sale of concrete, sand and stone. The Company mainly establishes cooperation with large central enterprises and supplies concrete, steel and other products to their engineering projects. In 2024, the Company achieved building materials sales revenue of RMB 1.3 billion, a slight decrease from the previous year, mainly due to the slowdown of the project construction in Luzhou City. This business has a relatively high customer concentration risk, since the top 5 customers account for 51.4% of total revenue.

The largest contributor to the revenue of the Company is commodity trading business, which involves the sales of woods, steel and other commodities. The segment faces high concentration risks in suppliers and customers. The top 5 suppliers and customers accounted for 68.0% and 96.3% of total procurement and sales, respectively.

In 2024, the segment recorded a revenue of RMB593.0 million, but the gross margin was less than 1%, limiting its contribution to the overall gross profit. The commercial businesses also include energy sales, software development, and cloud service. However, their relatively small scale limited their contribution to the overall revenue.

Solid track record of receiving government support

As the Company closely ties with the Luzhou Municipal Government in terms of business operations, and investment and financing decisions, the Company has a good track record of receiving support from the local government in the past few years. These supports take various forms, such as government subsidies and capital injections. In 2024, the local government injected capital of RMB3.1 billion to the Company, and its registered capital and paid-up capital both increased to RMB4.4 billion as at end-2024. Over the same period, the Company also received financial subsidies and interest subsidies of around RMB1.0 billion from the local government. In light of LHIG's important regional position in infrastructure construction and investment attraction of Luzhou High-Tech Zone, we expect the Company to receive ongoing support from the local government over the coming 12-18 months.

High debt leverage with relatively high debt repayment pressure

With ongoing financing for its construction projects in recent years, LHIG has a high debt leverage. The Company's total debt had increased from RMB15.4 billion at end-2023 to RMB18.4 billion in 2025Q3, and its total capitalization amounted to 62.4%. The Company faced relatively high short-term debt pressure as its short-term debt accounted for around 40.6% of its total debt and its cash/short-term debt remained at 0.2x in 2025Q3. Given the Company's capital expenditure pressure, we expect the Company will maintain a relatively high debt leverage for the next 12-18 months.

Furthermore, LHIG has moderate asset liquidity. The Company's liquid asset mainly consists of receivables, investment properties, and inventories, which accounted for 65.0% of its total asset as of 30 September 2025. Receivables are mainly unreceived payments from the agencies of the government or other state-owned companies, and inventories are mainly investment costs for its construction projects, all of which are considered low liquidity. Moreover, as of 31 March 2025, the total restricted assets were RMB6.6 billion which accounted for around 21.4% of total assets and was mainly used for bank financing.

Access to funding from banks and bond markets

LHIG has good access to diversified funding such as bank loans and onshore bond financing, with bank loans accounting for about 64.8% and bonds accounting for about 23.1% of its total debts as of 31 March 2025. The Company has issued various types of bonds in 2024, such as MTNs, and corporate bonds, with coupon rates ranging from 2.6% to 3.37%. The Company maintains long-term close relationships with policy banks, state-owned commercial banks, and joint-stock commercial banks, such as the Agricultural Development Bank of China and the Industrial and Commercial Bank of China. The Company held total credit facilities of RMB28.1 billion, with an unutilized amount of RMB12.3 billion as of 31 March 2025. Moreover, the Company has reduced its non-standard financing, accounting for 8.9% of the Company's total debt.

High contingent risk arising from external guarantees

LHIG's credit profile is constrained by its external guarantees, which could potentially increase its repayment obligations. As of 31 March 2025, the Company had outstanding external guarantees of RMB9.9 billion, representing 89.4% of its net assets. All of them were provided to local state-owned enterprises ("SOEs"). The

Company's contingent liabilities are subject to regional risks due to the mutual guarantee situation. Besides, the Company has lots of mutual payments with other SOEs in this region. In case a credit event occurs, the Company may face certain contingent liability risks, which could negatively impact its credit quality. However, we estimate most of these local SOEs are likely to be supported by the local government when necessary.

ESG Considerations

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

LHIG bears social risks as it implements public policy initiatives by building public infrastructure in the Luzhou High-tech Zone. 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.

LHIG's governance considerations are also material as the Company is subject to oversight by Luzhou Municipal 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 \(July 2022\)](#).

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