

## **CCXAP affirms Luzhou High-tech Investment Group Co., Ltd.'s long-term credit rating at BBB<sub>g</sub>-, with stable outlook.**

Hong Kong, 26 August 2026 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has affirmed the long-term credit rating of Luzhou High-tech Investment Group Co., Ltd. (“LHIG” or the “Company”) at BBB<sub>g</sub>-, with stable outlook.

The BBB<sub>g</sub>- long-term credit rating of LHIG reflects Luzhou Municipal Government's (1) very strong capacity to provide support, and (2) 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 provide 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 short-term repayment pressure; and (4) high contingent risk arising from external guarantees.

### **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 31 December 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.

### **Rating Rationale**

#### **Credit Strengths**

**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 pipeline construction. 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.

**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. In 2025, the Company received operating subsidies and interest subsidies of totally RMB1.4 billion. 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 next 12 to 18 months.

**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 70.9% and bonds accounting for about 18.9% of its total debts as of 31 December 2025. Moreover, the Company has reduced its non-standard financing, accounting for 2.2% of the Company's total debt.

### Credit Challenges

**Relatively low sustainability of public projects.** LHIG has completed a number of infrastructure agency projects, with total investment of RMB1.3 billion and relatively good payment collection of RMB1.3 billion at end-2025. However, the large-scale construction of infrastructure projects in the High-Tech Zone has almost ended. As of 31 December 2025, the Company had 1 infrastructure project under construction, with 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 sustainability of the Company's public policy business is relatively low.

**Medium exposure to commercial activities.** LHIG is also engaged in commercial activities such as construction and leasing industrial plants, 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 2025, 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.

**High debt leverage with relatively high short-term 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 RMB17.1 billion at end-2024 to RMB19.0 billion at end-2025, with a high total capitalization of 63.0%. The Company faced relatively high short-term debt pressure as its short-term debt accounted for around 45.6% of its total debt and its unrestricted cash/short-term debt ratio was low at 0.1x at end-2025.

**High contingent risk arising from external guarantees.** As of 31 December 2025, the Company had outstanding external guarantees of RMB7.8 billion, representing 69.8% of its net

assets. All of them were provided to local state-owned enterprises (“SOEs”). 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.

### Rating Outlook

The stable outlook on LHIG’s rating reflects our expectation that for the next 12 to 18 months, the Company will maintain its key role in infrastructure construction and high-tech industry investment in the High-Tech Zone, and will continue to receive solid support from the local government.

#### 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 materially decreased government support.

### Rating Methodology

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

### Regulatory Disclosures

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