

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

Hong Kong, 18 September 2025 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has affirmed Linzhou City Investment Holdings Co., Ltd.’s (“LZIH” or the “Company”) long-term credit rating at BBB_g, with stable outlook. At the same time, CCXAP has affirmed its senior unsecured debt ratings (guaranteed) at A_g+. The bonds (ISIN: HK0001037859, XS2974515533) are unconditionally and irrevocably guaranteed by Henan Zhongyu Credit Promotion Co., Ltd. (“HZCP”) (A_g+/stable) and Chongqing Xingnong Financing Guarantee Group Co., Ltd. (“CXFG”), respectively.

The BBB_g long-term credit rating of LZIH reflects Linzhou City 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 Linzhou City Government’s capacity to support reflects Linzhou City’s status as the largest county or district by gross regional product (“GRP”) in Anyang City for years, with growing economy, but constrained by moderate fiscal metrics. The rating also reflects the local government’s willingness to support, which is based on the Company’s (1) dominant role in local shantytown renovation and infrastructure construction; (2) good track record of receiving government support; and (3) good access to funding channels.

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

Corporate Profile

Established in December 2016, LZIH is the most important local infrastructure investment and financing company (“LIIFC”) in Linzhou City, responsible for infrastructure construction and water services in Linzhou City. The Company has also diversified into other commercial business, including property sales, engineering construction, and commodity sales. As of 30 June 2025, the Company is directly owned and ultimately controlled by the Finance Bureau of Linzhou City.

Rating Rationale

Credit Strengths

Dominant role in local shantytown renovation and infrastructure construction. As the largest LIIFC in Linzhou City in terms of total assets, LZIH is the most important LIIFC in Linzhou City with a dominant role in local shantytown renovation and infrastructure construction. It also carries out essential public services in Linzhou City such as water supply, sewage treatment, and provision of public transportation. We believe that the replacement cost for the Company’s role is high as these public services are essential for local residents and regional development.

Good track record of receiving government support. LZIH has a good track record of receiving support from the local government in the form of asset injections, capital injections, and operating subsidies to support its investments and the operation of its businesses. Considering its strategic role in social and economic development of Linzhou City, we expect the local government will continue to provide support to the Company.

Good access to funding channels. LZIH has good access to funding channels, including bank loans, bond issuance, and non-standard financing. The Company maintains long-term and close relationships with policy banks, state-owned commercial banks, and joint-stock commercial banks, such as China Development Bank, Agricultural Development Bank of China, and Industrial and Commercial Bank of China Limited.

Credit Challenges

Medium and increasing exposure to commercial activities. In addition to public activities, LZIH participates in various commercial activities such property sales, commodity sales and engineering construction. We consider the Company's exposure to commercial businesses to be medium, as its commercial assets accounted for around 25.0% of its total assets as of 30 June 2025. However, considering the Company's ongoing investment in the property development and self-operated projects, we expect its exposure to commercial activities would increase in the future.

Increasing debt burden and moderate asset liquidity. Due to the ongoing investment of infrastructure construction and property projects, LZIH's has demonstrated ongoing debt growth and increasing debt leverage. In addition, the Company faced certain short-term debt burden, with the short-term debt accounting for 26.1% of the total debt. Considering the Company's funding needs for its ongoing and planned construction projects, we expect that the Company would continue to rely on external financing to support its business, and its total debt level would further increase over the next 12-18 months.

Moderate level of contingent risk. The credit profile of LZIH is constrained by its relatively large amount of external guarantees, which could potentially increase its repayment obligations. Although the Company's external guarantees carry moderate credit risk, the Company could become liable for repayment obligations if a credit event occurs.

Rating Outlook

The stable outlook on LZIH's rating reflects our expectation that the Linzhou City Government's capacity to provide support will be stable, and the Company's characteristics such as its importance in social and economic development of Linzhou City will remain unchanged over the next 12 to 18 months.

What could upgrade the rating?

The rating could be upgraded if (1) Linzhou City 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 improved debt management.

What could downgrade the rating?

The rating could be downgraded if (1) Linzhou City 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 regional significance or materially increased exposure to risky commercial activities.

Rating Methodology

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

The methodology used in HZCP's rating and CXFG's assessment is the Rating Methodology for [Financial Guarantors \(January 2022\)](#).

Regulatory Disclosures

CCXAP's Rating Symbols and Definitions are available on its website at:

http://www.ccxap.com/en/rating_services/category/6/

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