

CCXAP affirms Wenzhou Lucheng District State-owned Holding Group Co., Ltd.'s long-term credit rating at BBB_g+, with stable outlook.

Hong Kong, 14 November 2025 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has affirmed Wenzhou Lucheng District State-owned Holding Group Co., Ltd. (“LSHG” or the “Company”)’s long-term credit rating at BBB_g+, with stable outlook. At the same time, CCXAP has affirmed its senior unsecured debt rating of BBB_g+

The BBB_g+ long-term credit rating of LSHG reflects Lucheng District Government’s strong capacity to provide support, and extremely high willingness to provide support to the Company, based on our assessment of the Company’s characteristics. Our assessment of Lucheng District Government’s capacity to support reflects its good comprehensive strength as the central urban area in Wenzhou City, with ongoing economic growth and good fiscal profile.

The rating also reflects the local government’s willingness to provide support, which is based on the Company’s (1) strategic significance in the development of Lucheng District; (2) good track record of receiving ongoing government support; and (3) diversified funding channels. However, the rating is constrained by the Company’s (1) medium exposure to commercial activities with high capital expenditure pressure; (2) increasing debt burden and weak asset liquidity; and (3) moderate contingent liability risk from external guarantees.

Corporate Profile

Established in 1997 and reorganized in 2020, LSHG is the most important local infrastructure investment and financing company (“LIIFC”) in Lucheng District. The Company primarily focuses on urban development activities including infrastructure construction and resettlement housing development and sales. The Company also engages in commercial activities such as security service, property leasing, and self-operating projects. LSHG is wholly owned and controlled by the State-owned Assets Supervision and Administration Office of Lucheng District Government (“Lucheng District SASAO”).

Rating Rationale

Credit Strengths

Strategic significance in the development of Lucheng District. As the largest LIIFC by total assets and the principal entity for urban development and state-owned asset operations in Lucheng District, LSHG focuses on infrastructure construction, resettlement housing projects, as well as land development and consolidation across the region. The Company has successfully delivered a substantial number of projects in these areas, contributing significantly to the region’s urbanization.

Good track record of receiving ongoing government support. As the primary state-owned asset investment and operation entity in Lucheng District, LSHG has a proven record of receiving support from Lucheng District government through capital injections, asset transfers, and operating subsidies. Given its important position in the development of Lucheng District,

we believe that the Lucheng District Government will continue to provide support to the Company.

Diversified financing channels. LSHG has good access to funding from banks and bond market. The Company has established long-term borrowing relationships with state-owned commercial banks and joint-stock commercial banks. In terms of direct financing, the Company and its subsidiary continue to have good access to onshore and offshore bond market.

Credit Challenges

Medium exposure to commercial activities with high capital expenditure pressure. LSHG's commercial businesses mainly include security services, property leasing, and self-operating projects. We consider the Company's exposure to commercial businesses to be medium, accounting for around 15% of its total assets. However, the self-operated projects under construction have exert high capital expenditure pressure to the Company.

Increasing debt burden and weak asset liquidity. LSHG's total debt has grown rapidly in response to rising financing needs for its construction projects. The Company's total debt increased from RMB45.2 billion at end-2023 to RMB58.5 billion as of mid-2025, resulting in a high capitalization ratio of 70.0%. LSHG's asset liquidity is weak, which may constrain its financial flexibility. The Company's assets mainly consist of inventories and prepaid expenses, all with low liquidity.

Moderate contingent liability risk from external guarantees. The Company is exposed to a moderate contingent liability risk. As of 30 June 2025, the Company recorded an external guarantee amount of RMB13.9 billion, accounting for 53.6% of its total equity. Those guaranteed entities are state-owned enterprises ("SOE") in Lucheng District.

Rating Outlook

The stable outlook on LSHG's rating reflects our expectation that the local government's capacity to support will remain stable, and the Company will maintain its leading position in the development of Lucheng District over the next 12-18 months.

What could upgrade the rating?

The rating could be upgraded if (1) the local 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 decrease in exposure to commercial activities or improvement in assets quality.

What could downgrade the rating?

The rating could be downgraded if (1) the local government's capacity to support weakens; or (2) the Company's characteristics change in a way that weakens the local government's willingness to support, such as decrease in its strategic significance; decrease in government payments; or increase in debt burden.



Structural Consideration

LSHG's senior unsecured debt rating is equivalent to its long-term credit rating. We believe that government support will flow through the Company given its strategic position in the development of Lucheng District, thereby mitigating any differences in an expected loss that could result from structural subordination.

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

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

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

This rating is solicited. Please refer to CCXAP's Policy for designating and assigning Solicited and Unsolicited Credit Ratings available on its website at:

http://www.ccxap.com/en/rating_services/category/9/

The rating has been disclosed to the rated entity or its related party prior to publication, and issued with no amendment resulting from that disclosure.

CCXAP considers a rated entity or its related party to be participating when it maintains an overall relationship with CCXAP. Unless specifically noted in the Regulatory Disclosures as a non-participating entity, the rated entity or its related party is participating and the rated entity or its related party generally provides CCXAP with information for the purposes of its rating process.

Regulatory disclosures contained here apply to press release, rating report, and if applicable, the related rating outlook or rating review.

CCXAP's public ratings are available at www.ccxap.com (Rating Results) and may be distributed through media and other means.

The first name below is the lead rating analyst for this rating and the last name below is the person primarily responsible for approving this rating.

Karissa Du

Credit Analyst

+852-2860 7126

karissa_du@ccxap.com

Elle Hu

Executive Director of Credit Ratings

+852-2860 7120

elle_hu@ccxap.com



Client Services: +852-2860 7111



Copyright © 2025 China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP"). All rights reserved.

No part of this publication may be reproduced, resold or redistributed in any form or by any means, without prior written permission of CCXAP.

A credit rating is the analytical result of current credit worthiness and forward-looking opinion on the credit risk of a rated entity or a debt issue. Credit ratings issued by CCXAP are opinions on the current and relative future credit risk of the rated entities or debt issues, but do not address any other risks, including but not limited to liquidity risk, market price risk, and interest rate risk.

Credit ratings, non-credit assessments, and other opinions included in CCXAP's publications are not recommendations for investors to buy, sell, or hold particular securities, nor measurements of market value of the rated entities or debt issues. While obtaining information from sources it believes to be reliable, CCXAP does not perform audit and undertakes no duty of independent verification or validation of the information it receives from the rated entities or third-party sources.

All information contained herein belongs to CCXAP and is subject to change without prior notice by CCXAP. CCXAP considers the information contained herein to be accurate and reliable. However, all information is provided on an "as is" and "as available" basis and CCXAP does not guarantee accuracy, adequacy, completeness, or timeliness of the information included in CCXAP's publications.

To the extent where legally permissible, CCXAP and its directors, officers, employees, agents and representatives disclaim liability to any person or entity (i) for any direct or compensatory losses or damages, including but not limited to by any negligence on the part of, and any contingency within or beyond the control of CCXAP or any of its directors, officers, employees, agents or representatives, arising from or in connection with the information contained herein or the use of or inability to use any such information; and (ii) for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if CCXAP or any of its directors, officers, employees, agents or representatives is advised in advance of the possibility of such losses or damages.

China Chengxin (Asia Pacific) Credit Ratings Company Limited

Address: Suites 1904-1909, 19/F, Jardine House,
1 Connaught Place, Central, Hong Kong

Website: www.ccxap.com

Email: info@ccxap.com

Tel: +852-2860 7111

Fax: +852-2868 0656