中誠信亞太
CCXAP

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

Hong Kong, 5 March, 2026 – China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") has affirmed Luoyang Shengshi City Construction Investment Co., Ltd.'s ("LYSS" or the "Company") long-term credit rating at BBB_g-, with stable outlook. At the same time, CCXAP affirmed the Company's senior unsecured debt rating (guaranteed) at A_g+.

The BBB_g- long-term credit rating of LYSS reflects Luoyang Municipal Government's very strong capacity and moderate willingness to provide support based on our assessment of the Company's characteristics. Our assessment of Luoyang Municipal Government's capacity to support reflects Luoyang City's status as the second largest city for years by GRP in Henan Province, with growing economy. Moreover, Mengjin District's GRP ranks 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) strategic position in infrastructure construction of Mengjin District; (2) good track record of receiving government support; and (3) access to diversified funding channels. However, the rating is constrained by the Company's (1) relatively large exposure to commercial activities; (2) increasing debt burden and moderate asset liquidity; and (3) moderate level of contingent risk.

Corporate Profile

Established in 2010, LYSS is one of the local state-owned enterprises ("SOEs") in Luoyang City and is responsible for infrastructure construction in Mengjin District of Luoyang City. The Company has also diversified into other commercial businesses, such as self-operated construction projects. As of 30 September 2025, the Company was 51% owned by the Luoyang Municipal Government through Luoyang City Development Investment Group Co., Ltd. ("LYCD") and 49% owned by the Mengjin District Government through Luoyang Guoxing Investment Holding Group Co., Ltd. ("LYGX"). LYCD is one of the key subsidiaries of Luoyang Guosheng Investment Holding Group Co., Ltd., which is the largest local infrastructure investment and financing company ("LIIFC") by total assets in Luoyang City.

Rating Rationale

Credit Strengths

Strategic position in infrastructure construction of Mengjin District. LYSS is one of the most important LIIFCs in Mengjin District in local infrastructure construction projects, which is crucial to local social and economic development that benefits the public and local employment. We believe that the Company will maintain its important position in the public policy projects in Mengjin District and will not be easily replaced by other local SOEs in the foreseeable future.

Good track record of receiving government support. LYSS has a good track record of receiving support from the local government in the form of equity transfer, operating subsidies, and project payments to support its investments and the operation of its businesses. Considering its strategic role in social and economic development of Mengjin District, we expect the local government will continue to provide support to the Company.

Access to diversified funding channels. LYSS has access to funding channels such as bank loans, onshore and offshore bonds issuance, and non-standard financing. The Company maintains long-term and close relationships with domestic banks, such as Agricultural Development Bank of China, Industrial and Commercial Bank of China Limited, and Zhongyuan Bank Co., Ltd. The Company also has a track record for fund-raising activities in debt capital markets, and its exposure to non-standard financing instruments has been reduced over the past two years.

Credit Challenges

Relatively large exposure to commercial activities. LYSS participates in different commercial activities, mainly including self-operated construction. While the commercial activities generate supplemental income, they may also pose higher operational and business risks than its public-policy businesses. The Company had several large-scale self-operated projects under construction and planning, which may increase its future investment pressure. We estimate the Company's risk exposure to commercial business is relatively large.

Increasing debt burden and moderate asset liquidity. Due to the continuous investment in infrastructure construction and self-operated projects, LYSS's total debt has been growing over the past three years. The Company's debt leverage is moderate, and its total capitalization ratio was recorded at 48.2% as of 30 September 2025. Considering the relatively large amounts of uninvested capital for the construction projects and the bonds maturing in 2026, we estimate the Company would continue to rely on external financing such as bank loans and bonds issuance to support its business development and debt repayment, and its total debt would further increase over the next 12-18 months.

Moderate level of contingent risk. The credit profile of LYSS is constrained by its external guarantees, which could potentially increase its repayment obligations. As of 30 September 2025, the Company's external guarantees amounted to RMB1.9 billion, accounting for 19.4% of its net assets, most of which were provided to local SOEs. We believe that the credit risk of the guarantee is moderately controllable, considering the government's support to local SOEs. Moreover, the Company had provided guarantees to a related private-owned enterprise, accounting for 25.9% of its total guarantees.

Rating Outlook

The stable outlook on LYSS's rating reflects our expectation that the Luoyang Municipal Government's capacity to provide support will be stable, and the Company's characteristics such as its strategic position in social and economic development of Mengjin District will remain unchanged over the next 12 to 18 months.

What could upgrade the rating?

The rating could be upgraded if (1) Luoyang Municipal Government's capacity to support strengthens; or (2) the Company's characteristics change in a way that strengths the local government's willingness to support such as increased regional significance or improved debt management.

What could downgrade the rating?

The rating could be downgraded if (1) Luoyang 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 deteriorated debt management or increased exposure to contingent liabilities.

Rating Methodology

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

The methodology used in HZFG's credit assessment is the Rating Methodology for Financial Guarantors (January 2022).

Regulatory Disclosures

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