

Luoyang Guoyuan Investment Holding Group Co., Ltd.

Lianhe Ratings Global Limited (“Lianhe Global”) has upgraded the global scale Long-term Issuer Credit Rating of Luoyang Guoyuan Investment Holding Group Co., Ltd. (“LGIH”) to ‘BBB’ from ‘BBB-’; Issuer Rating Outlook is Stable

Summary

The Issuer Credit Rating upgrade reflects an upgrade in our internal credit assessment on the People's Government of Luoyang City (“the Luoyang government”) and the expectation of a continuing high possibility that the Luoyang government would provide moderately strong support to LGIH if needed, in light of the Luoyang government’s majority ownership of LGIH, LGIH’s strategic importance as an important local investment and development company (“LIDC”) that is responsible for infrastructure construction and state-owned asset operation in Jianxi District, Luoyang City (“Jianxi”), and the strong linkage between the Luoyang government and LGIH, including management supervision, strategic alignment, and ongoing operational and financial support. In addition, we believe that the Luoyang government has a moderately strong willingness to ensure LGIH’s business and financial viability to safeguard its reputation and local financing activities.

Luoyang is a prefecture-level city of Henan Province. The Luoyang government’s budgetary revenue amounted to RMB42.2 billion in 2025 with a growth of 3.6%, while its GDP grew by 6.0% to reach RMB616.5 billion.

The Stable Outlook reflects our expectation that LGIH’s strategic importance would remain intact while the Luoyang government will continue to ensure LGIH’s stable operation.

Rating Rationale

Government’s Ownership and Supervision: The Luoyang government holds 60% ownership of LGIH through the State-owned Assets Supervision, Administration Committee of Luoyang City (“Luoyang SASAC”), and is the actual controller of the company. The remaining stake is held by the Finance Bureau of Jianxi District, Luoyang City (“Jianxi FB”). The Luoyang government has the final decision-making authority and supervises the company, including management appointment, decision on its strategic development and investment plan and supervision of its major funding decisions. In addition, the Luoyang government has assessment mechanism over the company and appoints auditors to supervise the operating performance and financial position on a periodic basis.

Strategic Importance and Strategic Alignment: The People’s Government of Jianxi District in Luoyang City (“Jianxi government”) integrated state-owned enterprises in the region in 2022. After this integration, LGIH became the sole LIDC in the region. LGIH is mainly responsible for infrastructure construction and state-owned assets operation in Jianxi, with strong regional advantages. The company undertakes most of the important municipal infrastructure projects in the region, and is also responsible for the construction of affordable housing, industrial operation, rural revitalization, medical rehabilitation, cultural tourism, and other industrial fields under the planning of the Luoyang and Jianxi governments. LGIH plays an important role in promoting the economic and social development of Jianxi. Its business operations and development are aligned with the government’s development plans.

Summary

Issuer Rating	BBB
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	26 March 2026

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Applicable Criteria

China Local Investment and Development Companies Criteria (31 July 2025)

Ongoing Government Support: LGIH continues to receive financial and operational support from the local governments. In 2024 and the first half of 2025, LGIH received total subsidy amounts of RMB1,009.9 million and RMB499.1 million, respectively. In addition, the Jianxi government will repurchase some infrastructure and affordable housing construction projects and provide policy supports to LGIH to ensure its business operation. We believe LGIH will continue to receive government support, given its significant role and public service functions in both Luoyang and Jianxi.

LGIH's Financial Matrix and Liquidity Position: LGIH's total assets stood at RMB40.8 billion as of end-June 2025, broadly stable compared to RMB39.8 billion at end-June 2025. The company's total debt contracted further to RMB14.1 billion from RMB14.8 billion over the same period. Its financial leverage, as measured by the debt to capitalization ratio, improved slightly to 43.8% at end-June 2025 from 44.8% at end-2024.

LGIH's debt servicing pressure was tight. The company had unrestricted cash of RMB102.6 million compared to its debt due within one year of RMB1.4 billion at end-2024. Nevertheless, LGIH has access to various financing channels, including bank loans, bond issuances, and other unconventional financing options, to support its debt repayments and business operations. Also, the company had unused bank facilities totaling RMB5.1 billion at end-June 2025.

Rating Sensitivities

We would consider downgrading LGIH's rating if (1) there is perceived weakening in support from the Luoyang government, particularly due to its reduced strategic importance, or (2) there is a significant reduction of the Luoyang government's ownership of LGIH, or (3) there is a downgrade in our internal credit assessment on the Luoyang government.

We would consider upgrading LGIH's rating if (1) there is strengthened support from the Luoyang government, or (2) there is an upgrade in our internal credit assessment on the Luoyang government.

Operating Environment

Economic Condition of Luoyang

Luoyang's GDP grew by 6.0% to RMB616.5 billion in 2025 from RMB581.9 billion in 2024, accelerating from 4.9% growth in the prior year and representing a significant rebound from the subdued 3.5% expansion in 2023. In 2025, the local economy continued its structural evolution toward the tertiary sector, which rose to 56.2% of GDP from 55.3% in 2024, while the secondary industry moderated to 40.1% from 40.6% and the primary sector declined further to 3.7%. Fixed asset investment growth held steady at 5.0% in 2025, broadly stable from 5.2% in 2024, following a sharp 7.5% contraction in 2023.

Luoyang's Economic Conditions			
(RMB billion)	2023	2024	2025
GDP	553.1	581.9	616.5
-Primary industry (%)	4.7	4.1	3.7
-Secondary industry (%)	40.3	40.6	40.1
-Tertiary industry (%)	55.1	55.3	56.2
GDP growth rate (%)	3.5	4.9	6.0
Fixed asset investment growth rate (%)	-7.5	5.2	5.0
Population (million)	7.1	7.1	7.1

Source: Statistical Bureau of Luoyang and Lianhe Global's calculations

Fiscal Condition of Luoyang

Luoyang's budgetary revenue grew by 3.6% to RMB42.2 billion in 2025, showing notable recovery from the sluggish 0.7% growth in 2024 and 1.5% in 2023. Government fund income declined to RMB22.6 billion in 2025 from RMB27.0 billion in 2024 amid property market volatility, though remaining above the RMB19.6 billion level in 2023.

The outstanding debt of the Luoyang government increased substantially to RMB189.6 billion at end-2025 from RMB155.0 billion at end-2024, mainly due to the new issuance of special-purpose debts to support local public projects. As a result, its government debt ratio, as measured by total government debt/aggregate revenue, expanded significantly to 189.6% from 153.0% over the same period.

Luoyang's Fiscal Condition			
(RMB billion)	2023	2024	2025
Budgetary revenue	40.4	40.7	42.2
Budgetary revenue growth rate (%)	1.5	0.7	3.6
Tax revenue	26.6	26.8	27.8
Tax revenue (% of budgetary revenue)	65.7	66.0	66.0
Government fund income	19.6	27.0	22.6
Transfer payment	33.7	33.4	34.3
Aggregate revenue	94.5	101.3	100.0
Budgetary expenditure	66.7	70.2	72.3
Budget balance ¹ (%)	-64.9	-72.5	-71.5
Government debt ratio (%)	127.2	153.0	189.6

¹ Budget balance = (1-budgetary expenditure / budgetary revenue) * 100%

Source: Finance Bureau of Luoyang, statistical bureau of Luoyang and Lianhe Global's calculations

Company Profile

LGIH is the sole LIDC in Jianxi, which is 60% owned by Luoyang SASAC and 40% owned by Jianxi FB. In 2022, through the integration of municipal state-owned enterprises, the company's strategic position has been further enhanced in this region.

LGIH is primarily responsible for infrastructure and affordable housing construction, as well as the operation of state-owned assets within Jianxi. Furthermore, LGIH is involved in Jianxi's industrial upgrading and urban renewal, including preschool education, medical care, cultural tourism, and strategic asset restructuring. The total revenue of LGIH was RMB1,982 million and RMB590 million in 2024 and the first half of 2025, respectively. The company's gross profit margin improved 15.4% in 2024 from 9.9% in 2023.

Key Financial Data				
(RMB million)	2022	2023	2024	2025.6
Total Assets	36,297	41,289	39,758	40,843
Equity	16,590	18,091	18,190	18,164
Debt	13,972	15,931	14,784	14,143
Debt / (Debt + Equity) (%)	45.7	46.8	44.8	43.8
Unrestricted cash/ST Debts (x)	0.0	0.0	0.1	0.0
Debt/EBITDA (x)	14.3	13.8	16.3	-
Revenue	2,408	2,153	1,982	590
Operation Profit	234	190	110	27
Gross Margin (%)	10.6	9.9	15.4	21.3
Cash from sales or services/ Revenue (%)	68.1	75.3	94.9	29.8

Source: LGIH and Lianhe Global's calculations

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