

CCXAP affirms Taizhou Luqiao State-owned Assets Development Group Co., Ltd.'s long-term credit rating at BBB_g+, with stable outlook.

Hong Kong, 18 August 2026 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has affirmed the long-term credit rating of Taizhou Luqiao State-owned Assets Development Group Co., Ltd. (“LSAD” or the “Company”) at BBB_g+, with stable outlook.

The BBB_g+ long-term credit rating of LSAD reflects (1) Luqiao District Government's strong capacity to provide support; and (2) the local government's extremely high willingness to provide support, based on our assessment of the Company's characteristics. Our assessment of Luqiao District Government's capacity to provide support reflects its relatively good comprehensive strength, 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) status as the most important infrastructure construction and state-owned assets operation entity in Luqiao District; (2) high sustainability of public policy businesses; and (3) good track record of receiving government support. However, the Company's rating is constrained by its (1) medium exposure to commercial activities; (2) high debt leverage and weak asset liquidity; and (3) high exposure to external guarantees, with manageable contingent liability risk.

Corporate Profile

Founded in 2000, LSAD is the most important local infrastructure investment and financing company in Luqiao District, Taizhou City. The Company mainly engages in infrastructure construction, resettlement housing construction, water supply and sewage treatment businesses, as well as commercial businesses such as property development, property leasing, trading, and human resources service in Luqiao District. As of 31 March 2026, the Company was wholly owned and directly controlled by Luqiao District State-owned Assets Working Center.

Rating Rationale

Credit Strengths

Status as the most important infrastructure construction and state-owned assets operation entity in Luqiao District. LSAD is the largest infrastructure construction and state-owned assets operation entity by total assets in Luqiao District, mainly focusing on infrastructure construction and providing utility services in the area. Considering LSAD's key status in Luqiao District, we believe that the Company will not be easily replaced by other state-owned enterprises in the foreseeable future.

High sustainability of public policy businesses. As the most important infrastructure construction and state-owned assets operation entity in Luqiao District, LSAD has continuously participated in public policy businesses, such as infrastructure construction, water supply and sewage treatment, resettlement housing, grains collection and storage. As of 31 December

2025, the Company mainly had 10 agency construction projects, with planned investment of RMB49.8 billion and uninvested amount of RMB12.6 billion. There are considerable construction projects in the pipeline, ensuring the Company's business sustainability.

Good track record of receiving government support. LSAD has a good track record of receiving support from local government in forms of capital injection, specific purpose bonds, equity transfer and financial subsidy. In 2025, the local government injected capital of around RMB1.9 billion into the Company and provided subsidies of around RMB786.2 million to support its operations.

Credit Challenges

Medium exposure to commercial activities. LSAD's exposure to commercial activities is medium as its commercial assets accounted for around 25% of total assets as of 31 December 2025. The commercial businesses include property development, property leasing, city operation, tourism service, hotel operation, and building materials trading. Notably, there is still a large funding gap in the property development business, which may exert certain capital expenditure pressure to the Company.

High debt leverage and weak asset liquidity. With the continuous external financing for the infrastructure construction and property development projects, LSAD's debt burden has continued to grow over the past year, resulting in high debt leverage. The Company's adjusted total debt increased from 55.4 billion at end-2024 to RMB60.3 billion at end-2025, with a high total capitalization ratio of 66.8%. In addition, the Company's assets mainly consist of inventories and receivables, both with low liquidity, accounting for about 67.4% of total assets as of 31 December 2025.

High exposure to external guarantees, with manageable contingent liability risk. LSAD has high exposure to external guarantees. As of 31 December 2025, LSAD's external guarantees amounted to RMB14.9 billion, accounting for 49.8% of its net assets. However, most of the external guarantees are provided to the state-owned enterprises in Taizhou City, with low credit risks.

Rating Outlook

The stable outlook on LSAD's rating reflects our expectation that the local government's capacity to provide support will remain stable, and the Company will maintain its status as the most important infrastructure construction and state-owned assets operation entity in Luqiao District over the next 12-18 months.

What could upgrade the rating?

The rating could be upgraded if (1) local government's capacity to provide support strengthens; and (2) the Company's characteristics change in a way that strengthens the local government's willingness to provide support, such as materially decrease in its exposure to commercial activities.

What could downgrade the rating?

The rating could be downgraded if (1) local government's capacity to provide support weakens; or (2) the Company's characteristics change in a way that weakens the local government's willingness to provide support, such as decrease in its regional importance, materially decrease in government payments, or deteriorated debt management.

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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