Credit Opinion

4 November 2026

Ratings	
Category	Corporate
Domicile	China
Rating Type	Solicited Rating
Long-Term Credit Rating	BBB_g-
Outlook	Stable

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Luzhou Aviation Development Investment Group Co., Ltd.

Initial credit rating report

CCXAP assigns first-time long-term credit rating of BBB_g- to Luzhou Aviation Development Investment Group Co., Ltd., with stable outlook.

Summary

The BBB_g- long-term credit rating of Luzhou Aviation Development Investment Group Co., Ltd. ("LADI" or the "Company") is underpinned by the Company's (1) status as the key industrial investment entity in Changjiang Economic Development Zone of Luzhou City ("Changjiang EDZ"), with good technological level; and (2) relatively diversified business mix, with strong regional exclusivity.

However, the rating is constrained by the Company's (1) weak asset profitability, with high reliance on government subsidies; (2) relatively high debt leverage and weak debt servicing capability; and (3) moderate access to funding.

The rating also reflects a high likelihood of receiving support from the local government when necessary, which is based on the Company's (1) ultimate control by the Luzhou City Government; (2) strategic importance as the key industrial investment entity of aviation industry in Changjiang EDZ; and (3) strong support from the local government, including subsidies, capital injections, and special funds.

The stable outlook on LADI's rating reflects our expectation that, for the next 12 to 18 months, the Company will maintain status as the key industrial investment entity in Changjiang EDZ, and it will receive ongoing support from the local government.

Rating Drivers

- Key industrial investment entity in Changjiang EDZ, with good technological level
- Relatively diversified business mix, with strong regional exclusivity
- Weak asset profitability, with high reliance on government subsidies
- Relatively high debt leverage and weak debt servicing capability
- Moderate access to funding
- High likelihood of support from the local government

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) the likelihood of government support for the Company strengthens; and (2) the Company's stand-alone credit profile improves significantly, such as an improvement in credit metrics and access to funding.

What could downgrade the rating?

The rating could be downgraded if (1) the likelihood of government support for the Company decreases; or (2) the Company's stand-alone credit profile weakens significantly, such as deterioration in debt leverage or liquidity.

Key Indicators

	2023FY	2024FY	2025FY	2026H1
Total Assets (RMB billion)	17.1	18.9	20.8	21.0
Total Equity (RMB billion)	7.1	7.2	7.6	7.6
Total Revenue (RMB billion)	2.9	3.2	3.7	2.3
Net Profits (RMB million)	90.1	88.5	107.4	39.9
EBIT Margin (%)	12.4	11.8	12.6	-
Return on Assets (%)	2.2	2.1	2.4	-
Total Debt/Total Capital (%)	50.4	53.7	58.5	58.6
Total Debt/EBITDA (x)	16.0	18.0	18.9	-
EBITDA/Interest (x)	2.1	1.8	1.7	-
FFO/Total debt (x)	-0.003	-0.01	0.01	-

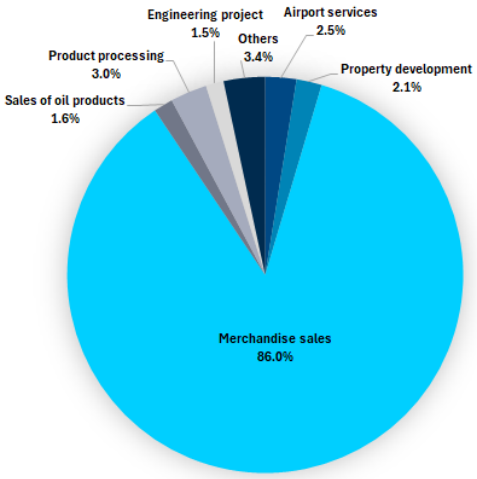
All ratios and figures are calculated using CCXAP's adjustments.

Source: Company data, CCXAP research

Corporate Profile

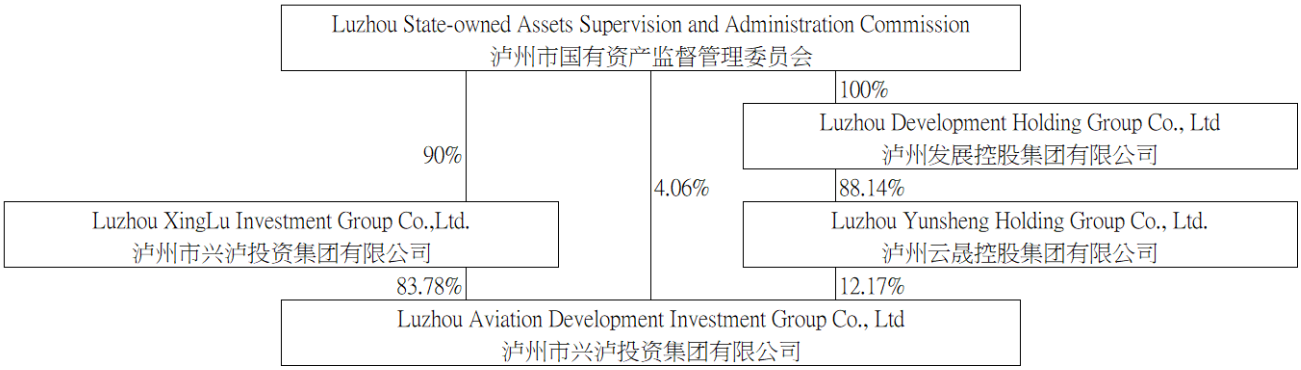
Established in 2017, LADI is the investment, development, and operation entity of the aviation industry in Changjiang EDZ. The Company's main business includes additive metal manufacturing, research and production of aero-engine. It also engages in diversified businesses such as airport services, merchandise sales, and property development. As of 30 June 2026, Luzhou XingLu Investment Group Co., Ltd. owned 83.78% shares of the Company. Its ultimate controller is the State-owned Assets Supervision and Administration Commission of Luzhou City ("Luzhou SASAC").

Exhibit 1. Revenue structure in 2025



Source: Company information, CCXAP research

Exhibit 2. Shareholding chart as of 30 June 2026



Source: Company information, CCXAP research

Rating Considerations

Business Profile

Key industrial investment entity of aviation industry in Changjiang EDZ, with good technological level

LADI primarily engages in product processing business through its subsidiaries Luzhou Hanfei Aerospace Technology Development Co., Ltd. ("Hanfei") and Luzhou Maowei Technology Co., Ltd. ("Maowei"). Hanfei is a high-tech enterprise that mainly engages in metal 3D printing services, with good technological level and market recognition, while Maowei is a high-tech enterprise that mainly engages in research and production of aero-engines, with talent advantages and technological accumulation. In 2025, the revenue from product processing business amounted to RMB111.1 million, with high gross profit margin of 44.1%. Both addictive metal manufacturing and aero-engine industries are supported by the national policies and aligned with local industrial development plans. Given its strategic position in industrial development of Changjiang EDZ, we believe the Company will not be replaced by other state-owned enterprises in the foreseeable future.

Hanfei is an early participant in the 3D printing field with a high technological level, with 28 patents at end-2025. Currently, China's additive metal manufacturing industry is still in its early stages of development, with a

continuously expanding market size and applications gradually extending from aerospace to fields such as medical, industrial design, and automotive industries.

Maowei possesses unique talent advantages and technological accumulation in the field of aero-engines, with 21 patents at end-2025. It is one of the very few small and medium-sized technology enterprises in China with independent design capabilities for micro and small aero-engines. In recent years, Maowei has entered the field of low-altitude economy, and successively carried out in-depth cooperation with many universities and enterprises.

As the important investment and construction entity of Changjiang EDZ, the Company has undertaken a number of construction projects to attract investment and enterprises settled in Changjiang EDZ, as well as facilitate the research and development of Hanfei and Maowei. As of 31 December 2025, the Company mainly had 5 projects under construction, with planned total investment of RMB8.7 billion and uninvested amount of RMB8.4 billion; the Company also had 3 projects under planning, with planned total investment of RMB1.1 billion, indicating high capital expenditure pressure.

The Company's airport services mainly involve the management and operation of Luzhou Yunlong Airport, with strong regional exclusivity. Positioned as the largest airport in southern Sichuan and the third largest in Sichuan Province, Luzhou Yunlong Airport is the core aviation hub of Luzhou City, and an important regional airport in western China, with annual designed passenger throughput of 2.6 million. In 2025, Yunlong Airport's passenger throughput was about 2.4 million. In recent years, the airport's operations have consistently been unprofitable, primarily due to relatively high depreciation costs. In 2025, the income from airport services amounted to RMB94.2 million, with gross losses of RMB17.0 million. However, the Luzhou Municipal Government provides annual subsidies to the Company for its airport operations, which covers the operating losses.

Relatively diversified business mix, with strong regional exclusivity

Apart from product processing, the Company's businesses also cover property development, merchandise sales, sales of oil products, property management, and engineering construction. Among them, the airport services and sales of oil products businesses have strong regional exclusivity.

The Company conducts property development business mainly through its subsidiary, which possesses a Class II real estate development qualification. Currently, the Company has only 1 real estate project for sale, with area of about 520,000 square meters, which is a supporting project for attracting high-end aerospace talent. However, the sales progress of the project is slow, resulting in low sales collection. As of 31 December 2025, the Company had invested RMB2.4 billion into the project, with sell rate of 58.7% and total sales collection of about RMB1.0 billion. Owing to the downturn of local property market and slow sales progress, the revenue from property development business shows downward trend. In 2025, the Company's sales income decreased by 51.2% year-on-year ("YoY") to RMB76.7 million, with low gross profit margin of 4.6%.

Merchandise sales is the largest revenue contributor of the Company, which mainly involves trading of building materials and chemicals such as wood, copper rods, and purified terephthalic acid. The procurement and sales areas are mainly within Sichuan Province, with moderately high concentration. In 2025, the top five suppliers and customers accounted for 66.1% and 68.7% of total procurement and total sales, respectively. Owing to expanded trading scale, the revenue from merchandise sales increased by 24.1% YoY to RMB3.2 billion in 2025, but with low gross profit margin of 0.3%.

The Company also diversifies its business into sales of oil products, property management, and construction of engineering projects. Revenue from sales of oil products mainly comes from the Company's independently operated gas station in Changjiang EDZ, with regional exclusivity; asset management business mainly involves the leasing of self-owned properties such as office buildings, standardized factory buildings, shops, with full occupancy; the construction of engineering projects are mainly undertaken by a subsidiary of the Company through public bidding, which has Class II general contracting qualifications for engineering construction. However, these businesses are still in the development stage and currently have a relatively small revenue scale.

Financial Profile

Weak asset profitability, with high reliance on government subsidies

Currently, the Company's revenue scale is small, mainly derived from merchandise sales (accounting for 86.0% of total revenue in 2025). In 2025, the Company's total revenue amounted to RMB3.7 billion, with gross loss of RMB62.4 million, mainly caused by the gross losses from the airport services sector. However, the Company has moderate operating profitability due to large amount of government subsidies. In 2025, the Company's EBIT margin was 12.6%, with government subsidies of RMB810.6 million, which accounted for 173.8% of EBIT.

In addition, the Company's asset profitability is weak. Its assets mainly consist of intangible assets (sand and gravel operating rights), other non-current assets (unreceived compensation payments for relocation of airport), other receivables (intercompany unreceived payments), and fixed assets (buildings and equipment). As of mid-2026, these assets accounted for 69.5% of total assets. All of these assets have low liquidity and profitability, resulting in low return on average assets of 2.4% in 2025.

Relatively high debt leverage and weak debt servicing capability

With ongoing funding for the construction projects, LADI has a high debt leverage. At mid-2026, the Company's adjusted total debt amounted to RMB10.7 billion with a relatively high total capitalization ratio of 58.6%. With weak profitability and increasing debt, LADI's debt servicing capability is weak. In 2025, its total debt/EBITDA ratio was high at 18.9x and the EBITDA/total interest ratio was 1.7x. Given the Company's large expenditure pressure from the construction projects in the pipeline, we expect that its debt leverage will remain at a relatively high level in the next 12 to 18 months.

In addition, as of mid-2026, the Company's total outstanding external guarantees amounted to RMB4.6 billion, representing 60.4% of its net assets. All the guaranteed entities are state-owned enterprises in Luzhou City, which entails a certain level of contingent liability risk.

Moderate access to funding

LADI mainly relies on bank loans for its financing. The Company has sufficient standby liquidity, with available credit facilities of RMB62.5 billion as of 31 March 2026. In addition, the Company has issued two offshore bonds in 2024, with outstanding amount of RMB860.0 million. However, the Company has certain amount of non-standard debt, accounting for about 10.1% of total debt. We expect the Company to broaden its financing channels by tapping the onshore bond market.

External Support

High likelihood of support from the local government

We anticipate the Company has a high likelihood of receiving support from the local government when necessary, which is based on the Company's (1) ultimate control by the Luzhou City Government; (2) strategic importance as the key industrial investment entity of aviation industry in Changjiang EDZ; and (3) strong support from the local government, including subsidies, capital injections, and special funds.

We believe that the Luzhou City Government has a strong capacity to provide support for the Company. As an important city in southern Sichuan Province, Luzhou City is a major commercial and logistics center in the Chengdu-Chongqing economic circle, a well-known liquor industry base in China, and has also been listed as one of the first batch of national pilot areas for new urbanization. The gross regional products of Luzhou City increased by 6.4% YoY to RMB300.4 billion in 2025, ranking 5th among prefecture-level cities in Sichuan Province. Luzhou City Government's general budgetary revenue amounted to RMB23.3 billion in 2025, with fiscal self-sufficiency ratio of 44.6%.

Established in July 1992, Changjiang EDZ is a provincial-level economic development zone in Sichuan Province, with a planned area of 196 square kilometers. Since 2022, it has been deeply integrated with Longmatan District. Combining a "3+1" modern industrial development layout, it focuses on developing three leading industries: high-end equipment manufacturing, liquor and food beverages, and new energy and new materials, as well as modern commercial and logistics production support industries.

As the key industrial investment entity of aviation industry in Changjiang EDZ, the Company has received strong support from the local government. From 2024 to 2025, the local government provided subsidies of RMB1.5 billion and debt resolution funds of RMB1.2 billion to the Company. In 2025, the Company also received special project funds of RMB6.3 million and capital injection of RMB300.0 million from the local government.

ESG Considerations

The Company is subject to environmental laws and regulations governing air pollution, noise emissions, hazardous substances, and other environmental matters issued by the national governmental authorities. LADI assumes environmental risks for its construction projects. Such risks could be mitigated by conducting environmental studies and detailed planning prior to the commencement of projects and close supervision.

LADI is also exposed to social risks as a key industrial investment entity in Changjiang EDZ. Its social license to operate depends on fair labor practices, employee welfare, service quality, and local economic contributions. In recent years, the Company has not experienced any major safety accidents or project quality incidents in its business operations, nor has it been involved in any major labor disputes.

The Company's governance considerations are also material as it is subject to oversight and reporting requirements to the local government, reflecting its status as a government-owned entity. The Company has established board of shareholders, board of directors, audit and risk committee, and management team, forming a relatively complete corporate governance structure.

Rating Methodology

The methodology used in this rating is the Rating Methodology for General Corporate (May 2026).

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