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

Hong Kong, 4 November 2026 – China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") has assigned the first-time long-term credit rating of BBB_g- to Luzhou Aviation Development Investment Group Co., Ltd. ("LADI" or the "Company"), with stable outlook.

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 of the aviation industry 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.

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").

Rating Rationale

Credit Strengths

Key industrial investment entity of the aviation industry in Changjiang EDZ, with good technological level. Through its subsidiaries Luzhou Hanfei Aerospace Technology Development Co., Ltd. and Luzhou Maowei Technology Co., Ltd., the Company engages in metal 3D printing and the research and production of aero-engines, with 28 and 21 patents at end-2025, respectively. In 2025, product processing revenue amounted to RMB111.1 million with a high gross profit margin of 44.1%. Given its strategic position and the policy support for both industries, we believe the Company will not be replaced by other state-owned enterprises in the foreseeable future.

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.

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.

Credit Challenges

Weak asset profitability, with high reliance on government subsidies. Its assets mainly consist of intangible assets, other non-current assets, other receivables, and fixed assets. All of these assets have low liquidity and profitability, resulting in low return on average assets of 2.4% in 2025. 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.

Relatively high debt leverage and weak debt servicing capability. At mid-2026, the Company's adjusted total debt amounted to RMB10.7 billion, with a total capitalization ratio of 58.6%. In 2025, its total debt/EBITDA ratio was 18.9x and EBITDA/interest coverage 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.

Moderate access to funding. LADI mainly relies on bank loans for its financing. 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.

Rating Outlook

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

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.

Rating Methodology

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

Regulatory Disclosures

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