Langxi Kaichuang Group Holdings Co., Ltd.

Summary	
Issuer Rating	BBB-
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
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Applicable Criteria

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

Lianhe Ratings Global Limited ("Lianhe Global") has affirmed 'BBB-' global scale Long-term Issuer Credit Rating of Langxi Kaichuang Group Holdings Co., Ltd. ("LKGH"); Issuer Rating Outlook is Stable

Summary

The Issuer Credit Rating reflects a high possibility that the People's Government of Langxi County ("Langxi government") would provide very strong support to LKGH if needed. This mainly considers its full ownership of LKGH, and LKGH's strategic importance as the key local investment and development company ("LIDC") that is responsible for project construction, industrial development, and state-owned asset operations in Langxi County ("Langxi"). In addition, the linkage between the Langxi government and LKGH is very strong, including management supervision, strategic alignment, and ongoing operational and financial support. In addition, we believe that the local government has a very strong willingness to ensure the issuer's business and financial viability in order to safeguard its reputation and local financing activities.

Langxi is a county under the jurisdiction of Xuancheng City. In 2025, the Langxi government's budgetary revenue increased by 1.2% to RMB2.3 billion, while its GDP grew by 6.5% to RMB24.6 billion.

The Stable Outlook reflects our expectation that LKGH's strategic importance would remain intact while the Langxi government will continue to ensure LKGH's stable operation.

Rating Rationale

Government's Ownership and Supervision: The Langxi government holds 100% ownership of LKGH via the Langxi Economic Development Zone Management Committee ("Langxi EDZMC"), which is both the sole shareholder and actual controller of the company. The Langxi government has the final decision-making authority and supervision over the company, including appointment and supervision of the senior management, strategy alignment and major investment and financing plan decisions, etc. In addition, the Langxi government formulates a performance assessment mechanism for the company and appoints auditors to review the company's operating performance and financial position on a periodic basis.

Strategic Importance and Alignment: LKGH is an important LIDC that is responsible for project construction, industrial development, and state-owned asset operations in Langxi. The company mainly engages in infrastructure construction, shantytown renovation and resettlement housing construction in Langxi Economic Development Zone ("Langxi EDZ"), with a strong regional competitive advantage. It also engages in industrial land and plants construction, sales, operation, industrial park roof photovoltaic, "fishing and light complementary" surface photovoltaic power generation, accommodation and catering services in Langxi. It plays an important role in promoting the economic and social development of the region. Its business operation and strategic planning have been aligned with the government's development plans.

Ongoing Government Support: LKGH continued to receive financial subsidies and asset/capital injections from the Langxi government to support its business operations. We believe the government support will remain intact, given the company's strategic importance in Langxi. In 2025, LKGH received financial subsidies totalling RMB325.7 million from the

Langxi government. Meanwhile, the company received asset and capital injections from the Langxi government in the form of cash, land, buildings, construction projects, equity transfers and other assets, which reached about RMB2.2 billion. We expect LKGH to receive ongoing support from the local government in the coming years, considering its strategic importance in Langxi.

LKGH's Financial Matrix and Liquidity: LKGH's total assets increased significantly to RMB18.1 billion at end-2025 from RMB9.9 billion at end-2023, and further expanded to RMB18.8 billion at end-March 2026. The company's total debt grew to RMB7.3 billion from RMB4.5 billion over the same period, and decreased slightly to RMB6.6 billion at end-March 2026. Its financial leverage, as measured by the debt to capitalization ratio, improved to 43.3% at end-2025 from 48.3% at end-2023.

The short-term debt servicing pressure of LKGH was manageable. At end-2025, the company had cash balance of RMB1.1 billion and total credit facilities of RMB7.7 billion, while its debt due within one year was RMB2.6 billion. Additionally, the company has access to various financing channels, including bank borrowings, bond issuances and non-traditional financing, to support its debt repayments and business operations.

Rating Sensitivities

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

We would consider upgrading LKGH's rating if there is an upgrade in our internal credit assessment on the Langxi government.

Operating Environment

Economic Condition of Langxi

Langxi is situated at a strategic thoroughfare connecting the three provinces of Anhui, Jiangsu, and Zhejiang. Langxi's GDP grew by 6.5% to RMB24.6 billion in 2025, accelerating from 6.2% growth in 2024. In 2025, the local economy continued its structural shift toward the tertiary sector, which rose to 40.7% of total GDP from 39.3% in 2024, while the secondary industry declined to 50.2% from 51.3% over the same period. However, fixed asset investment growth slowed sharply to 0.3% in 2025 from 7.6% in 2024, reflecting weakening investment activity.

Langxi's Economic Condition (RMB billion)	**2023**	**2024**	**2025**
GDP	22.0	23.8	24.6
-Primary industry (%)	9.7	9.4	9.1
-Secondary industry (%)	52.5	51.3	50.2
-Tertiary industry (%)	37.8	39.3	40.7
GDP growth rate (%)	7.1	6.2	6.5
Fixed asset investment growth rate (%)	10.6	7.6	0.3
Population (million)	0.3	0.3	0.3

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

Fiscal Condition of Langxi

Langxi's budgetary revenue grew by 6.6% to RMB4.3 billion in 2025, decelerating from 14.00% in 2024. The tax revenue ratio (of budgetary revenue) edged down to 23.8% in 2025, from 24.2 % in 2024. Government fund income rose slightly to RMB4.1 billion in 2025, from RMB4.0 billion in 2024.

The outstanding debt of the Langxi Government increased significantly to RMB20.0 billion at end-2025, from RMB16.94 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 to aggregate revenue, increased to 165.1% from 143.9% over the same period.

Langxi's Fiscal Condition (RMB billion)	**2023**	**2024**	**2025**
Budgetary revenue	2.3	2.3	2.3
Budgetary revenue growth rate (%)	4.2	3.5	1.2
Tax revenue	1.4	1.3	1.3
Tax revenue (% of budgetary revenue)	59.8	57.5	57.9
Government fund income	0.9	0.6	0.4
Transfer payment	1.7	1.3	0.9
Aggregate revenue	4.9	4.2	3.7
Budgetary expenditure	4.0	4.0	3.8
Budget balance[1] (%)	-73.5	-73.4	-62.9

*[1] Budget balance = (1-budgetary expenditure / budgetary revenue) * 100%*
Source: Financial Bureau of Langxi and Lianhe Global's calculations

Company Profile

LKGH is an important LIDC that is responsible for project construction, industrial development, and state-owned asset operations in Langxi. The company mainly engages in infrastructure construction, shantytown renovation and resettlement housing construction in Langxi EDZ, with a strong regional competitive advantage. The company recorded total revenue of RMB616 million, RMB648 million and RMB150 million in 2024, 2025, and the first quarter of 2026, respectively. Its gross margin remained stable at approximately 19-24% during this period.

Key Financial Data (RMB million)	**2023**	**2024**	**2025**	**2026.3**
Total Assets	9,902	13,961	18,084	18,781
Equity	4,769	6,915	9,573	9,587
Debt	4,451	6,107	7,300	6,596
Debt / (Debt + Equity) (%)	48.3	46.9	43.3	40.8
Unrestricted cash/ST Debts (x)	0.1	0.3	0.3	0.4
Debt/EBITDA (x)	38.2	54.3	40.1	-
Revenue	624	616	648	150
Operation Profit	87	66	46	11
Gross Margin (%)	19.9	23.9	19.9	20.9
Cash from sales or services/ Revenue (%)	115.9	14.2	63.5	67.9

Source: LKGH and Lianhe Global's calculations

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