

Credit Opinion

23 December 2025

Ratings

Senior Unsecured Debt Rating	A _g -
Long-Term Credit Rating	A _g -
Outlook	Stable
Category	Corporate
Domicile	China
Rating Type	Solicited Rating

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Fuqing State-owned Assets Operation Investment Group Co., Ltd.

Surveillance credit rating report

CCXAP affirms Fuqing State-owned Assets Operation Investment Group Co., Ltd.'s long-term credit rating at A_g-, with stable outlook.

Summary

The A_g- long-term credit rating of Fuqing State-owned Assets Operation Investment Group Co., Ltd. ("FSAO" or the "Company") reflects Fuqing City Government's (1) very strong capacity to provide support; and (2) extremely high willingness to provide support, based on our assessment of the Company's characteristics.

Our assessment of Fuqing City Government's capacity to provide support reflects its economic importance in Fuzhou City and its status as the top 20 Chinese counties/cities in terms of comprehensive development, with strong comprehensive strength, ongoing economic growth, and good fiscal self-sufficiency.

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 entity for infrastructure construction and state-owned assets operation in Fuqing City; (2) high sustainability for public policy businesses; and (3) good track record of receiving government support; and (4) diversified funding channels.

However, the rating is constrained by the Company's (1) increasing debt leverage with short-term debt repayment pressure; and (2) weak asset liquidity.

The stable outlook on FSAO'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 entity for infrastructure construction and state-owned assets operation in Fuqing City over the next 12-18 months.

Rating Drivers

- The most important infrastructure construction and state-owned assets operation entity in Fuqing City
- High sustainability for public policy businesses
- Low exposure to commercial activities
- Good track record of receiving government support
- Increasing debt leverage with short-term debt repayment pressure
- Weak asset liquidity
- Diversified funding channels

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) the local government's ability to provide support strengthens; and (2) the Company's characteristics change in a way that strengthens local government's willingness to provide support, such as strengthened regional significance or reduction in the exposure to commercial activities.

What could downgrade the rating?

The rating could be downgraded if (1) the local government's ability to provide support weakens; or (2) the Company's characteristics change in a way that decreases the local government's willingness to provide support, such as reduced regional significance or weakened access to funding.

Key Indicators

	2022FY	2023FY	2024FY	2025Q3
Total Asset (RMB billion)	52.6	63.5	63.6	68.2
Total Equity (RMB billion)	21.0	22.9	19.1	19.4
Total Revenue (RMB billion)	5.6	13.5	20.7	5.0
Total Debt/Total Capital (%)	33.5	39.4	47.5	50.5

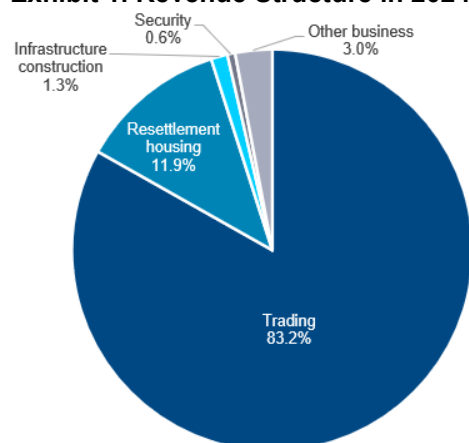
All ratios and figures are calculated using CCXAP's adjustments.

Source: Company data, CCXAP research

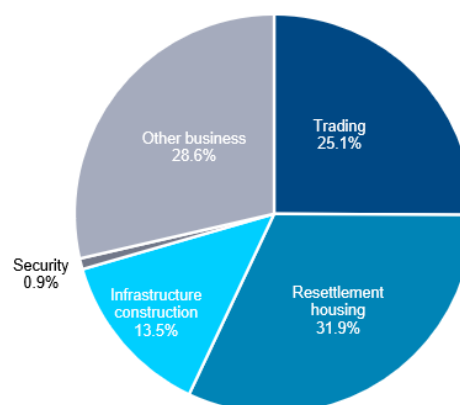
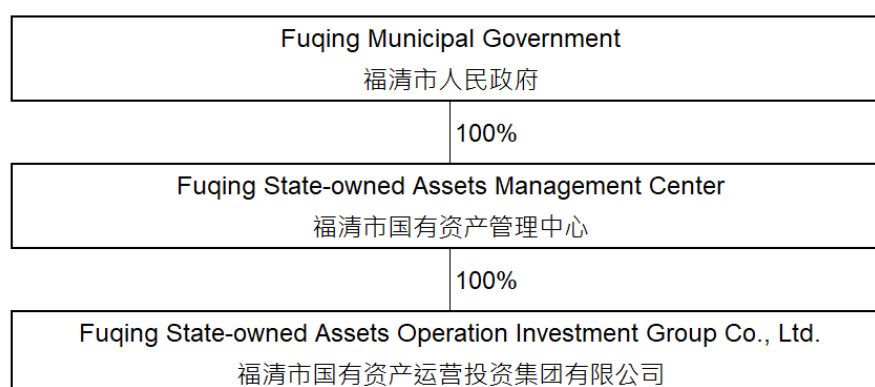
Corporate Profile

Established in 1998, FSAO is the most important local infrastructure investment and financing company ("LIIFC") in Fuqing City. The Company is mainly engaged in infrastructure construction, resettlement housing construction, public transport operation, industrial parks development, and water supply in Fuqing City. Apart from its main business, the Company is also engaged in other commercial businesses, such as trading, security services, environmental sanitation, and property leasing.

In May 2025, Finance Bureau of Fuqing City transferred its equity holding of FSAO to Fuqing State-owned Assets Management Center. As of 30 September 2025, the Company was wholly owned by Fuqing State-owned Assets Management Center and ultimately controlled by Fuqing City Government.

Exhibit 1. Revenue Structure in 2024

Source: Company information, CCXAP research

Exhibit 2. Gross Profit Structure in 2024**Exhibit 3. Shareholding chart as of 31 March 2025**

Source: Company information, CCXAP research

Rating Considerations

Government's Capacity to Provide Support

We believe that the Fuqing City Government has a very strong capacity to provide support, considering Fuqing City's economic importance in Fuzhou City and its status as the top 20 Chinese counties/cities in terms of comprehensive development, with strong comprehensive strength, ongoing economic growth, and good fiscal self-sufficiency.

Fujian Province, located on the southeastern coast of China, is recognized as one of the country's fastest-growing regions. In 2024, Fujian Province recorded a gross regional product ("GRP") of RMB5.8 trillion, with a GRP growth rate of 5.5% year-on-year ("YoY"), ranking 8th in terms of GRP among all provinces in China. Additionally, the province's general budgetary revenue reached RMB361.5 billion. In 2025H1, Fujian Province recorded a GRP of RMB2.8 trillion, with a growth rate of 5.7% YoY, and general budgetary revenue of RMB355.7 billion.

Fuzhou City is the capital of Fujian Province and is an important trading port on the southeast coast of China. In recent years, Fuzhou City has formed six pillar industries, including textile and chemical fiber, food, machinery manufacturing, metallurgy and building materials, petrochemicals, and energy. Benefiting from its good industrial base, Fuzhou City's GRP increased by 6.0% YoY to RMB1,423.7 billion in 2024. For the first three

quarters of 2025, the GRP of Fuzhou City grew by 5.7% YoY to RMB1000.5 billion. Fuzhou City's general budgetary revenue slightly decreased from RMB75.4 billion in 2023 to RMB75.1 billion in 2024, with tax income accounting for 63.2% of its fiscal revenue in 2024. Fuzhou City had a moderate fiscal balance ratio of 73.4% in 2024. At the end of 2024, Fuzhou City's local government debt balance was RMB276.1 billion, accounting for 19.4% of GRP. In 2025H1, Fuzhou City recorded a GRP of RMB655.6 billion, with a growth rate of 5.8% YoY, and general budgetary revenue of RMB43.7 billion.

Exhibit 4. Key Economic and Fiscal Indicators of Fuzhou City

	2022FY	2023FY	2024FY
GRP (RMB billion)	1,230.8	1,292.8	1,423.7
GRP Growth (%)	4.4	5.2	6.0
General Budgetary Revenue (RMB billion)	69.9	75.4	75.1
General Budgetary Expenditure (RMB billion)	100.6	100.8	102.2
Local Government Debt (RMB billion)	184.0	219.7	276.1

Source: Statistics Bureau of Fuzhou City, CCXAP research

Fuqing City is a county-level city under Fuzhou City. After years of development, Fuqing City has gradually formed the “Fuqing model” of attracting investment led by overseas Chinese, and has formed eight major industries, including electronics, plastics, food, glass, medicine, electricity, chemicals, and textiles. The private sector demonstrates robust dynamism. Benefiting from ongoing economic growth and robust industry development, Fuqing City's GRP increased by 6.8% YoY to RMB190.1 billion in 2024. The economic growth rate is higher than the national average level and the provincial average level. Its general budgetary revenue increased from RMB13.1 billion in 2023 to RMB13.5 billion in 2024, with tax income accounting for 55.5% of its fiscal revenue. The GRP and general budgetary revenue of Fuqing City rank 2nd and 1st, respectively, among all the districts/counties in Fuzhou City. It has good fiscal self-sufficiency, with an average fiscal balance ratio of 85.6% in 2024. At the end of 2024, Fuqing City's local government debt balance was RMB37.1 billion, accounting for 19.5% of GRP. For the first three quarters of 2025, the GRP of Fuqing City grew by 5.8% YoY to RMB138.6 billion.

Exhibit 5. Key Economic and Fiscal Indicators of Fuqing City

	2022FY	2023FY	2024FY
GRP (RMB billion)	160.4	168.3	190.1
GRP Growth (%)	5.7	6.8	6.8
General Budgetary Revenue (RMB billion)	11.7	13.1	13.5
General Budgetary Expenditure (RMB billion)	14.2	12.5	15.8
Local Government Debt (RMB billion)	17.8	24.7	37.1

Source: Statistics Bureau of Fuqing City, CCXAP research

Government's Willingness to Provide Support

The most important infrastructure construction and state-owned assets operation entity in Fuqing City

FSAO is the most important infrastructure construction and state-owned assets operation entity in Fuqing City, conducting infrastructure construction, resettlement housing projects, water supply, and public transportation operations in Fuqing City. In January 2025, in the context of regional state-owned enterprises optimization and integration, the Company transferred out the equity of Fuqing City Ronghui Venture Capital Group Co., Ltd. (“FRVC”), the main operating subsidiary for the trading business, to the Finance Bureau of Fuqing City. We

believe the equity transfer of FRVC has limited impact on the Company's public business and its strategic position in Fuqing City, as the subsidiary mainly conducts commercial businesses such as trading, investment, and leasing business. Considering its strategic significance to the development of Fuqing City, we believe the Company is unlikely to be replaced by other local state-owned enterprises in the foreseeable future. In addition, the large number of construction projects in the pipeline ensures the sustainability of public policy businesses, but they exert high capital expenditure pressure.

High sustainability for public policy businesses

The Company's public business has high sustainability given the considerable amount of construction projects in the pipeline. However, the large outstanding investment amount has also exerted certain capital expenditure pressure on the Company.

The Company mainly adopts the agency construction model to conduct infrastructure construction projects with self-raised funds and government funds. The government would repurchase the construction projects upon completion, paying the construction cost plus an agreed return. As of 31 March 2025, the Company had 21 main infrastructure construction projects under construction or planning, with a total planned investment of RMB12.6 billion and an outstanding amount of around RMB4.2 billion, exerting certain capital expenditure pressure. In addition, some of the infrastructure construction projects are undertaken under the management construction model, under which the Company does not bear the financing responsibility.

Besides, FSAO is also the primary developer of resettlement housing in Fuqing City. The Company conducts resettlement housing under two models, the self-construction model and the repurchase model. Under the self-construction model, the Company needs to finance affordable housing projects before the government purchase. As of 31 March 2025, the Company had 1 resettlement housing project under construction, with a total planned investment of around RMB471.0 million and an outstanding investment amount of RMB191.0 million. Under the repurchase model, the successful bidder will be responsible for the construction of resettlement housing projects. The Company will be responsible for raising the funds, and the district office will make the payment to the Company for the resettlement of residents. As of 31 March 2025, there were 46 projects to be repurchased, with a total purchase amount of around RMB20.9 billion and an uncollected purchase amount of RMB10.9 billion, exerting certain capital expenditure pressure on the Company.

In addition, the Company is also engaged in the development of industrial parks under the agency construction model, namely Fuzhou New District Fuqing Functional Zone (Yuanhong Investment Zone). As of 31 March 2025, the Company had 10 industrial park development projects under construction or planning, with a total planned investment of RMB2.0 billion and an outstanding amount of RMB1.4 billion.

FSAO also undertakes water supply business, including water diversion and water supply. For the water transfer business, the Company undertakes ecological water replenishment and agricultural irrigation within Fuqing City. For the water supply business, the Company sells water to companies located in the reach of the Minjiang Water Transfer Project's network in Fuqing City. As of 31 March 2025, the Company had designated water transferred capacity of 450 million cubic meters per year and actual water supply of 160 million cubic meters per year.

Moreover, FSAO conducts public transportation business in Fuqing City through its subsidiary Fuqing Public Transportation Co., Ltd. As of 31 March 2025, there were 758 buses and 122 bus routes under operation. The Company has continued to receive operating subsidies from the government, with RMB73.0 million in 2024.

Low exposure to commercial activities

In addition to public activities, FSAO is also engaged in commercial businesses, mainly including trading and property leasing. We consider the Company's exposure to commercial businesses to be low, accounting for less than 15% of its total assets as of 31 March 2025, which was lower than the previous year due to the equity transfer of FRVC.

FSAO's trading business mainly includes the sales of agricultural products and commodities. Benefited from the business scale expansion and strong market demand, revenue from the trading business grew significantly from RMB11.2 billion in 2023 to RMB17.2 billion in 2024. The trading business is the Company's largest source of revenue, accounting for around 83.5% of its total revenue in 2024, but it recorded a low gross profit margin of 0.8%. FSAO takes the purchase based on sales model, which means the Company pays in advance to suppliers and provides a repayment period of no more than 6 months to customers, causing certain capital occupation. However, in January 2025, the Company transferred out the equity of FRVC, the main operating subsidiary for the trading business, which recorded revenue of RMB13.6 billion, net income of RMB19.9 million, and total assets of RMB15.7 billion in 2024, to the Finance Bureau of Fuqing City. In 2025Q1, the Company recorded RMB1.0 billion of revenue from the trading business. We expect the scale and revenue from the trading business to decline dramatically in the future due to the equity transfer.

FSAO has investment properties for leasing in Fuqing City, such as office buildings, warehouses, and stores, which can provide stable rental income to the Company. As of 31 March 2025, the Company had a total leasable area of 429,300 square meters, with a good occupancy rate between 81% and 100%. In addition, the Company also receives property management fees through its leased properties. In 2024, the property leasing revenue declined by 12.1% YoY to RMB58.0 million due to the tepid property market. Nevertheless, the property leasing business recorded a relatively high gross profit margin of 49.3% in 2024 (2023: 47.8%).

Apart from trading and property leasing, the Company also has some other commercial businesses like security services, advertising, tourism, charging, parking, etc. However, the small operating scale of these businesses limits their contribution to the Company's overall cash flow and profit.

Good track record of receiving government support

FSAO has received support from the local government in the form of capital injections, government subsidies, and asset transfers. In 2024, the Company received fiscal allocation of RMB1.2 billion, asset transfers of RMB4.0 million, and equity transfers of RMB125.1 million. The Company also regularly receives government subsidies, with total amount of RMB258.9 million from 2024 to 2025Q3. Given its status as the most important entity for infrastructure construction and state-owned assets operation in Fuqing City, we believe that the local government will continue to provide support to the Company.

Increasing debt leverage with certain short-term debt repayment pressure

Owing to the ongoing external financing for the infrastructure construction, resettlement housing, and industrial park development projects, FSAO's total debt increased from RMB14.8 billion at end-2023 to RMB19.8 billion at end-2025Q3, with total capitalization ratio increasing from 39.3% to 50.5% over the same period. The Company's total equity decreased from RMB22.9 billion at end-2023 to RMB19.4 billion at end-2025Q3, mainly due to the equity transfer out of FRVC, which is partially offset by the government equity transfer support. In addition, as of 30 September 2025, the Company's short-term debt accounted for about 34.0% of total debt, and the cash-to-short-term-debt ratio was 0.3x, indicating certain short-term debt servicing pressure.

Considering its large capital expenditure pressure, we expect the Company's debt burden will continue to grow in the next 12 to 18 months.

Weak asset liquidity

FSAO's asset liquidity is weak, which undermines its financial flexibility. The Company's assets mainly consist of inventories, receivables, and other non-current assets, which have relatively low liquidity and accounted for about 80.7% of the total assets as of 30 September 2025. The inventories and other non-current assets are development costs from infrastructure construction projects, and the receivables mainly consist of uncollected payments from the local government and other state-owned enterprises. In addition, the liquidity buffer weakened, and investments in listed company stocks such as Industrial Bank and BOE Technology Group decreased significantly by RMB2.4 billion in 2025Q1, due to the equity transfer of FRVC.

Diversified funding channels

FSAO has good access to funding from banks and capital markets. The Company has an approved line of credit from both commercial banks and policy banks, such as Haixia Bank and Agricultural Development Bank. As of 30 September 2025, it had obtained total credit facilities of RMB16.0 billion, with available credit facilities of RMB3.4 billion. The Company and its subsidiaries also have good access to onshore and offshore bond markets and have issued multiple bond products, such as MTNs, offshore RMB bonds, and private corporate bonds. From 2024 to 2025, FSAO raised about RMB2.5 billion from the onshore bond market, with coupon rates ranging from 2.2% to 3.2%. In November 2024, the Company has further expanded its funding channel to the offshore bond market, with a total issue amount of RMB2.0 billion with a low coupon rate of 3.0%. In addition, FSAO has low exposure to non-standard financing, which accounted for around 5.0% of its total debts as of 30 September 2025.

ESG Considerations

FSAO faces environmental risks because it has undertaken infrastructure construction projects. Such risks could be moderated by conducting environmental studies and planning prior to the start of the projects, and close monitoring during the construction phase.

FSAO bears social risks as it implements public policy initiatives by undertaking infrastructure construction projects in Fuqing City. Demographic changes, public awareness and social priorities shape the Company's development targets and ultimately affect the local government's propensity to support the Company.

FSAO's governance considerations are also material as the Company is subject to oversight by the Fuqing County Government and has to meet several reporting requirements, reflecting its public-policy role and status as a government-owned entity.

Structural Consideration

FSAO's senior unsecured debt rating is equivalent to its long-term credit rating. We believe that government support will flow through the Company given its role as the most important entity for infrastructure construction and state-owned assets operation in Fuqing City, thereby mitigating any differences in an expected loss that could result from structural subordination.

Rating Methodology

The methodology used in this rating is the Rating Methodology for [China's Local Infrastructure Investment and Financing Companies \(July 2022\)](#).

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