Credit Opinion

14 September 2026

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

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Fujian Zhangzhou City Investment Group Co., Ltd.

Initial credit rating report

CCXAP assigns first-time long-term credit rating of A_g to Fujian Zhangzhou City Investment Group Co., Ltd., with stable outlook.

Summary

The A_g long-term credit rating of Fujian Zhangzhou City Investment Group Co., Ltd. ("ZCIG" or the "Company") reflects (1) Zhangzhou City Government's very 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 Zhangzhou City Government's capacity to support reflects the Zhangzhou City's economic importance in Fujian Province and geographical advantages, with ongoing economic growth.

The rating also reflects the local government's willingness to support, which is based on the Company's (1) important infrastructure construction entity in Zhangzhou City; (2) high sustainability of infrastructure construction business; and (3) track record of receiving government support.

However, the rating is constrained by the Company's (1) medium exposure to commercial business activities; (2) rapid debt growth and high short-term repayment pressure; and (3) weak asset liquidity.

The stable outlook on ZCIG's rating reflects our expectation that for the next 12 to 18 months, the Company will maintain its important role in infrastructure construction in Zhangzhou City, and Zhangzhou City Government's capacity to provide support will remain stable.

Rating Drivers

- Important infrastructure construction entity in Zhangzhou City
- High sustainability of infrastructure construction business
- Medium exposure to commercial activities
- Track record of receiving government support
- Rapid debt growth and high short-term repayment pressure
- Weak asset liquidity

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) Zhangzhou City Government's capacity to support strengthens; and (2) the Company's characteristics change in a way that strengthens the local government's willingness to support, such as stronger importance of its policy role, or improved debt management.

What could downgrade the rating?

The rating could be downgraded if (1) Zhangzhou City Government's capacity to support weakens; or (2) the Company's characteristics change in a way that weakens the local government's willingness to support, such as decrease in importance of its policy role, or deteriorated debt management.

Key Indicators

	2023FY	2024FY	2025FY	2026Q1
Total Asset (RMB billion)	93.8	96.6	104.4	107.2
Total Equity (RMB billion)	34.8	33.0	31.6	32.3
Total Revenue (RMB billion)	26.6	27.6	31.2	8.9
Total Debt/Total Capital (%)	58.7	68.3	70.8	71.8

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

Source: CCXAP research

Corporate Profile

Established in 2014, ZCIG is one of the most important local infrastructure investment and financing companies in Zhangzhou City, focusing on urban infrastructure construction and affordable housing development. The Company also engages in some commercial activities such as commodity sales, property development, as well as property and security services. As of 31 March 2026, the State-owned Assets Supervision and Administration Commission of Zhangzhou Municipal Government ("Zhangzhou SASAC") held 90% of the Company's shares, while Fujian Provincial Department of Finance held the remaining 10%. Zhangzhou SASAC is the Company's ultimate controlling shareholder.

Exhibit 1. Revenue structure in 2025

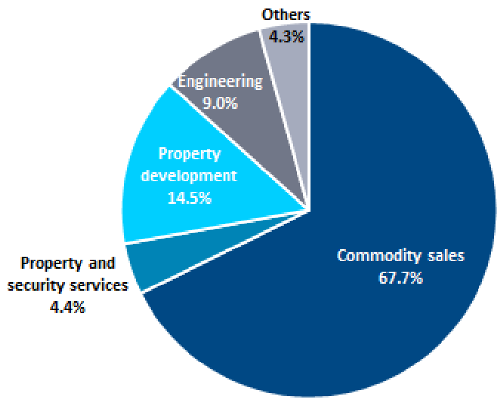
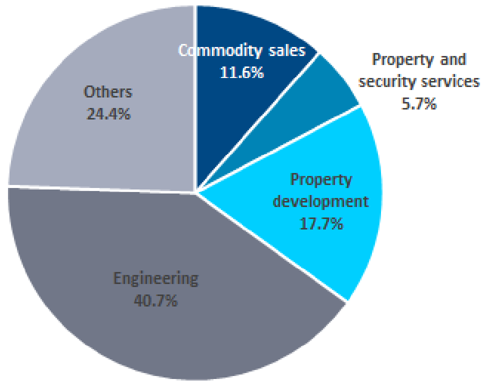


Exhibit 2. Gross profit structure in 2025



Source: Company information, CCXAP research

Rating Considerations

Government's Capacity to Provide Support

We believe the Zhangzhou City Government has a very strong capacity to provide support given its economic importance in Fujian Province and geographical advantages, with ongoing economic growth.

Fujian Province, located on the southeastern coast of China, is recognized as one of the country's fastest-growing regions. In 2025, Fujian recorded a gross regional product ("GRP") of RMB6.0 trillion, with a GRP growth rate of 5.0% year-on-year ("YoY"), ranking 8th in terms of GRP among all provinces in China. Additionally, the province's general budgetary revenue reached RMB372.4 billion.

Located in the golden triangle of Southern Fujian Province, Zhangzhou City is the southernmost prefecture-level city in Fujian Province. It has rich land resources and a large number of deep-water ports. As an important node of the road network in Fujian Province, Zhangzhou City has natural geographical advantages. Zhangzhou City is functionally positioned to be the base of national petrochemical industry, a regional service industry center, a coordinated development of manufacturing and service industries, a developed urban agricultural center and a commercial, cultural, and tourist service center. The economic strength of Zhangzhou City is stable, maintaining a steady growth trend. In 2025, the GRP of Zhangzhou City increased by 3.0% YoY to RMB615.4 billion, ranking 4th among 9 prefecture-level cities in Fujian Province. Zhangzhou Municipal Government recorded a general budgetary revenue of RMB28.5 billion, of which tax revenue accounted for 59.5%. However, its fiscal balance is modest, with general budgetary revenue/general budgetary expenditure ratio of 48.3%. Its debt burden is relatively heavy. In 2025, the local government's outstanding debt grew to RMB193.9 billion, accounting for 31.5% of GRP.

Exhibit 3. Key economic and fiscal indicators of Zhangzhou City

	2023FY	2024FY	2025FY
GRP (RMB billion)	572.8	606.4	615.4
GRP Growth (%)	5.9	6.1	3.0
General Budgetary Revenue (RMB billion)	27.9	27.6	28.5
General Budgetary Expenditure (RMB billion)	52.2	57.9	59.1
Local Government Debt (RMB billion)	142.8	169.4	193.9

Source: Statistics Bureau of Zhangzhou City, CCXAP research

In July 2024, the Government of Fujian Province proposed to build the Xiamen-Zhangzhou-Quanzhou Metropolitan Area to integrate the development among these three cities. The implementation of the integrated development plan for the Xiamen-Zhangzhou-Quanzhou metropolitan area will further enhance the urban development level of Zhangzhou City and provide a favorable external business environment for the Company's business operations.

Government's Willingness to Provide Support

Important infrastructure construction entity in Zhangzhou City

There are four municipal-level platforms in Zhangzhou City, namely ZCIG, Zhangzhou Jiulongjiang Group Co., Ltd., Fujian Zhanglong Group Co., Ltd., and Zhangzhou City Transportation Development Group Co., Ltd.. As one of the most important infrastructure construction entities in Zhangzhou City, the Company undertakes the construction of essential municipal infrastructure and associated public facilities, including roads, sewage networks, properties, and landscaping. The Company is mandated by the local government to undertake local public activities, such as urban infrastructure construction and affordable housing construction. Considering the Company's high strategic significance to the development of Zhangzhou City, we believe that it will not be easily replaced by other local state-owned enterprises in the foreseeable future.

High sustainability of infrastructure construction business

ZCIG is entrusted by the local government to undertake the infrastructure and affordable housing construction in the urban district of Zhangzhou City as well as Zhangpu County of Zhangzhou City. The Company had successfully delivered a series of engineering projects over the past few years. We expect that the sufficient projects in the pipelines can ensure the sustainability of the infrastructure construction business, but exert certain capital expenditure pressure to the Company.

The Company enters into agency construction agreements for each individual project with the relevant parties authorized by the Zhangzhou Municipal Government. The Company's funding for urban infrastructure construction primarily comes from the settlement funds arranged by the local government. The development and construction funds are incorporated into the annual fiscal budget, ensuring the stability of payment collection. As of 31 March 2026, the Company had 6 infrastructure agency projects under construction, with a planned total investment of RMB1.1 billion and an uninvested amount of RMB757.0 million.

Acting as the social capital party, the Company also establishes project companies to handle functions such as investment, financing, and operation of PPP projects, mainly culture and tourism projects. As of 31 March 2026, the Company had 1 PPP project under construction, with total invested amount of RMB5.2 billion, and planned to invest RMB27.0 million for the next three years. Upon completion of this project, the Company can derive revenue from user fees (mainly including rental of shops, parking fees, and outdoor advertising space rentals) and government subsidies.

Authorized by Zhangzhou Municipal Government, the Company is the implementing entity for affordable housing construction and renovation of tenement areas in Zhangzhou City. The Company relies on its own capital for affordable housing projects. As of 31 March 2026, the Company had 1 affordable housing project under construction, with a planned total investment of RMB2.7 billion and an uninvested amount of RMB441.0 million, indicating manageable capital expenditure pressure.

Medium exposure to commercial activities

In addition to public activities, ZCIG is also involved in various commercial activities such as commodity sales, property development, as well as property and security services. We consider ZCIG's commercial business exposure to be medium, as its market-driven businesses account for around 20% of its total assets.

ZCIG participates in commodity sales business under demand-driven model. Its commodity sales business mainly involves trading of metal commodities, steels, cement, and commodity concrete. In 2025, the revenue from commodity sales increased by 5.0% YoY to RMB21.1 billion, with gross profit margin of 0.6%. In addition, the commodity sales business is subject to certain concentration risk, with top 5 customers accounting for 65.0% of total sales in 2025. It is noteworthy that the Company has filed a lawsuit against three counterparties, demanding that they repay trade funds of RMB199.0 million, showing certain payment collection risks. The court has accepted the case in January 2026 and froze the counterparties' bank deposits totaling RMB202.3 million.

The Company operates its property development business entirely in a market-oriented manner. It acquires project land through competitive bidding or public auctions, and then proceeds with the development and construction of the project independently. Once a project is completed and gains pre-sale qualification, the Company sells the project at market prices to generate revenue. In 2025, owing to the completion and delivery of two properties, the revenue from property development increased by 70.9% YoY to RMB4.5 billion, with gross profit margin of 4.6%. As of 31 March 2026, the Company mainly had 5 ongoing property projects, with planned total investment of RMB8.4 billion and uninvested amount of RMB2.7 billion, indicating certain capital expenditure pressure.

The Company's property and security services mainly involve civil security services, armed escort services, property services, property management consulting, residential community and building cleaning services, and landscaping maintenance. It provides security services to clients such as financial institutions, schools, with a leading position in armed escorts and security services within the region, and it primarily manages properties of large self-developed projects. In 2025, the revenue from property and security services increased by 15.2% YoY to RMB1.4 billion, with gross profit margin of 4.9%.

In addition, the Company also participates in diversified businesses such as environmental cleaning service, survey and design, and labor services. Although their business scale is relatively small, they provide supplemental income to the Company.

Track record of receiving government support

As an important state-owned enterprise in Zhangzhou City, ZCIG has a track record of receiving support from the local government, which include subsidies, capital injections, and equity transfers. The local government transferred the equity interests of several state-owned enterprises into the Company from 2023 to 2024, including Fujian Longrui Capital Operation Co., Ltd., significantly enhancing its capital strength and broadening its business mix. In 2025, the Company and its subsidiaries received assets and capital from the local government, with capital reserves increasing by RMB36.3 million. From 2023 to 2025, the local government has provided total subsidies of RMB578.8 million to the Company. Overall, given its important position and contribution to regional economic development, we believe that ZCIG will receive ongoing government support.

Rapid debt growth and high short-term debt repayment pressure

With ongoing financing for its construction projects in recent years, ZCIG demonstrates a rapid debt growth. The Company's adjusted total debt (including perpetual debt securities) increased from RMB38.4 billion at end-2023 to RMB63.7 billion at end-2026Q1, with total capitalization of 71.8%. In addition, the Company has a high short-term debt repayment pressure, with short term debt ratio of 55.2% and cash to short-term debt ratio of

0.1x at end-2026Q1. Given its large future capital needs and relatively weak cash-generating ability, we expect the Company to continuously refinance its short-term debts and its debt leverage will remain at a high level in the next 12 to 18 months.

Weak asset liquidity

The Company's total assets mainly consist of inventories, investment properties, and other non-current assets, which totally accounted for 67.9% of its total assets as of 31 March 2026. The inventories and other non-current assets are mainly development costs for infrastructure construction and PPP projects, while investment properties are mainly leasable properties, all of which are considered low liquidity. By the end of 2025, the Company's restricted assets totaled RMB8.4 billion, accounting for 8.1% of its total assets. ZCIG's weak asset liquidity may undermine its financial flexibility.

Good access to funding from banks and bond markets

ZCIG has good relationships with large domestic commercial and policy banks. The Company has sufficient standby liquidity, with total credit facilities of RMB41.4 billion and available credit facilities of RMB14.2 billion at end-2026Q1. The Company also has a track record of fund-raising activities in onshore and offshore bond markets, including issuance of MTNs, PPNs, perpetual bonds, and offshore RMB bonds. However, the Company has relatively high exposure to non-standard financing, accounting for about 28% of total debt. We believe that the Company will continue to have access to sufficient capital to support its business operations and expansions in the future.

ESG Considerations

ZCIG bears environmental risks through its infrastructure projects. Such risks could be moderated by conducting environmental studies and detailed planning before the commencement of projects and close supervision during the construction.

The Company is also exposed to social risks as a public services provider in Zhangzhou City. Demographic changes, public awareness and social priorities shape government's target for ZCIG, or affect the government's propensity to support the Company.

ZCIG's governance considerations are also material as the Company is subject to oversight and reporting requirements to the local government, reflecting its public-policy role and status as a government-owned entity.

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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