

## **CCXAP affirms Fuzhou Digital Economy Investment Group Co., Ltd.'s long-term credit rating at BBB<sub>g</sub>, with stable outlook.**

Hong Kong, 19 September 2025 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has affirmed Fuzhou Digital Economy Investment Group Co., Ltd. (“FDEI” or the “Company”)’s long-term credit rating at BBB<sub>g</sub>, with stable outlook. At the same time, CCXAP has affirmed its senior unsecured debt ratings (guaranteed) at A<sub>g</sub>+. The bonds (ISIN: XS2958655636) are unconditionally and irrevocably guaranteed by Hubei Financing Guarantee Group Co., Ltd. (“HBFG”).

The BBB<sub>g</sub> long-term credit rating of FDEI reflects Fuzhou Municipal Government’s (1) strong capacity to provide support, and (2) very high willingness to provide support, based on our assessment of the Company’s characteristics. Our assessment of Fuzhou Municipal Government’s capacity to support reflects its ongoing economic and fiscal growth, but constrained by its relatively high debt burden.

The rating also reflects the local government’s willingness to support, which is based on the Company’s (1) important role in infrastructure construction and industrial development of Fuzhou City; (2) good track record of receiving government support; and (3) good access to funding. However, the Company’s rating is constrained by its (1) medium exposure to commercial activities; (2) increasing debt burden and weak asset liquidity; and (3) increasing contingent liability risk from external guarantees.

### **Corporate Profile**

Established in 2015, FDEI is an important local infrastructure investment and financing company (“LIIFC”) in Fuzhou City. The Company is primary focused on infrastructure construction projects of public service facilities and industrial parks in Fuzhou City. It is also involved in other commercial activities such as trading, industrial investment, and property leasing. The Company holds franchise rights for natural gas operations and cloud services. As of the end of 2024, FDEI is ultimately controlled and wholly owned by the Fuzhou State-owned Assets Supervision and Administration Commission (“Fuzhou SASAC”).

### **Rating Rationale**

#### **Credit Strengths**

##### **Important role in infrastructure construction and industrial development of Fuzhou City.**

As the core operating entity carrying out infrastructure construction and operation in Fuzhou City, FDEI has undertaken a large number of infrastructure development projects, supporting the construction of key social and industrial projects in Fuzhou City and the industrial transformation and upgrade of Fuzhou City. Considering its strategic significance to the development of Fuzhou City, we believe the Company is unlikely to be replaced by other local state-owned enterprises in the foreseeable future. However, we expect the Company faces certain capital expenditure pressure brought by uncertain investment return from public-private partnership (“PPP”) projects coupled with slow repayment progress.

**Good track record of receiving government support.** As an important urban development and operation entity in Fuzhou City, the Company has a proven track record of receiving support from the local government through various channels including asset injections, project payments, and subsidies. Given its important position in the development of Fuzhou City, we believe that the Fuzhou Municipal Government will continue to provide support to the Company.

**Good access to funding.** As of 31 December 2024, around 67.3% of the Company's debt financing was provided through bank loans, with total credit facilities of RMB9.5 billion and an available amount of about RMB837.0 million, indicating a moderate standby liquidity. In terms of direct financing, the Company maintains good access to both onshore and offshore debt capital markets. From January 2024 to July 2025, the Company issued 2 offshore bonds totaling USD211.0 million, with a financing cost of 7%. During the same period, the Company also raised RMB600.0 million through the onshore bond market. Its exposure to non-standard financing products remains low, accounting for around 3.4% of total debt.

### Credit Challenges

**Medium exposure to commercial activities.** FDEI's commercial businesses mainly include trading and property leasing. Furthermore, as an important industrial investment platform for promoting the adjustment of economic structure and industrial upgrading of Fuzhou City, the Company conducts industrial investments in accordance with the government's planning for industrial development. We consider the Company's exposure to commercial businesses to be medium, accounting for around 30% of its total assets.

**Increasing debt burden and weak asset liquidity.** The Company's total debt increased from RMB8.6 billion at end-2023 to RMB9.6 billion at end-2024, with total capitalization ratio of 69.5%. The Company's assets mainly consist of investment properties, long-term receivables, and intangible assets, all of which have low liquidity. The investment properties are properties for leasing, the long-term receivables are mainly unreceived PPP project payments from the local government, while intangible assets are operational rights of PPP projects, totally accounting for about 60.3% of total asset at end-2024.

**Increasing contingent liability risk from external guarantees.** As of 31 December 2024, the Company recorded an external guarantee amount of RMB1.6 billion, accounting for 45.4% of its total equity. Although most of the external guarantees were provided to state-owned enterprises in Fuzhou City, some were extended to private-owned entities. Notably, Jiangxi Gandong Advanced Technical School Co., Ltd. has been included in the list of persons subject to enforcement, and the Company has already repaid RMB24.0 million in interest on its behalf and recorded provision for bad debts of RMB12.0 million.

### Rating Outlook

The stable outlook on FDEI's rating reflects our expectation that the local government's capacity to support will remain stable, and the Company will maintain its important position in the development of Fuzhou City over the next 12-18 months.

**What could upgrade the rating?**

The rating could be upgraded if (1) the local 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 decrease in exposure to commercial activities or improvement in debt management.

**What could downgrade the rating?**

The rating could be downgraded if (1) the local 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 its strategic significance; decrease in government payments; or increase in debt burden.

**Rating Methodology**

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

The methodology used in HBBG's assessment is the [Rating Methodology for Financial Guarantors \(January 2022\)](#).

**Regulatory Disclosures**

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