

## **CCXAP affirms Quanzhou Urban Construction Group Co., Ltd.'s long-term credit rating at A<sub>g</sub>+, with stable outlook.**

Hong Kong, 26 March 2026 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has affirmed Quanzhou Urban Construction Group Co., Ltd.'s (“QUCG” or the “Company”) long-term credit rating at A<sub>g</sub>+, with stable outlook.

The A<sub>g</sub>+ long-term credit rating of QUCG reflects Quanzhou Municipal Government’s (1) very 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 Quanzhou Municipal Government’s capacity to provide support reflects the Quanzhou City’s economic importance in Fujian Province and robust private economy, with ongoing growth in economic and fiscal strength.

The rating also reflects the local government’s willingness to provide support, which is based on the Company’s (1) important policy role as the most important urban development and operation entity in Quanzhou City; (2) dominant role in local public activities with high sustainability; 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 with large capital expenditure; and (3) weak asset liquidity.

### **Corporate Profile**

Founded in 2016, QUCG is the most important state-owned enterprise (“SOE”) in Quanzhou City with the largest asset size. It plays an important public role in land consolidation, infrastructure construction, resettlement housing construction, water supply, and shantytown renovation. The Company also engages in some commercial activities such as supply chain trading, urban operation, and property development. As of 30 September 2025, the State-owned Assets Supervision and Administration Commission of Quanzhou City (“Quanzhou SASAC”) held 90% and the Fujian Provincial Department of Finance held the remaining 10% of the Company’s shares, respectively. It is ultimately controlled by Quanzhou SASAC.

### **Rating Rationale**

#### **Credit Strengths**

**Important policy role as the most important urban development and operation entity in Quanzhou City.** QUCG is the largest SOE by total assets and the most important urban development and operation entity in Quanzhou City. Considering its strategic significance to the development of Quanzhou City, we believe the Company is unlikely to be replaced by other local state-owned enterprises in the foreseeable future.

**Dominant role in local public activities with high sustainability.** Positioned as an urban construction and operation service provider, QUCG's public activities mainly include urban renovation, resettlement housing construction, and water supply in Quangang District. The

Company has considerable projects in the pipeline, which can ensure the sustainability of the business, but exert large capital expenditure pressure.

**Track record of receiving government support.** As the most important urban development and operation entity in Quanzhou City, QUCG has a track record of receiving support from the Quanzhou Municipal Government. These supports take various forms, such as government subsidies, capital injections, and equity transfers. Overall, given its important position and contribution to regional economic development, we believe that QUCG will receive ongoing government support to support its business operations.

### Credit Challenges

**Medium exposure to commercial activities.** In addition to public activities, QUCG is involved in various commercial activities such as supply chain trading, property development, property leasing, and engineering construction. We consider QUCG's commercial business exposure to be medium, as its market-driven businesses account for around 15-20% of its total assets.

**Rapid debt growth driven by large capital expenditure needs.** With ongoing financing for its construction projects in recent years, QUCG demonstrates a rapid debt growth. The Company's adjusted total debt increased from RMB61.3 billion at end-2023 to RMB86.4 billion as of 30 September 2025, while its total capitalization increased from 43.3% to 50.5% over the same period.

**Weak asset liquidity.** The Company's total asset mainly consists of receivables, inventories, and other non-current assets, which accounted for 80.4% of its total asset as of 30 September 2025. The inventories and other non-current assets are mainly investment costs for its public policy projects and resettlement housing projects, while receivables are mainly unreceived payments from the agencies of government or other state-owned companies, all of which are considered low liquidity.

### Rating Outlook

The stable outlook on QUCG's rating reflects our expectation that Quanzhou Municipal Government's capacity to provide support will remain stable, and the Company will maintain its important role in land consolidation and infrastructure construction in Quanzhou City over the next 12 to 18 months.

#### What could upgrade the rating?

The rating could be upgraded if (1) Quanzhou Municipal 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 improved debt management.

#### What could downgrade the rating?

The rating could be downgraded if (1) Quanzhou Municipal 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 material decrease in government payments.

### **Rating Methodology**

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

### **Regulatory Disclosures**

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