CCXAP affirms Fuzhou Digital Economy Investment Group Co., Ltd.'s long-term credit rating at BBB_g, with stable outlook.

Hong Kong, 25 August 2026 – 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_g, with stable outlook. At the same time, CCXAP has affirmed its senior unsecured debt rating (guaranteed) at A_g+. The bond (ISIN: XS2958655636) is unconditionally and irrevocably guaranteed by Hubei Financing Guarantee Group Co., Ltd. ("HBFG").

The BBB_g 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 good geographic advantages, with 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) medium contingent liability risk from external guarantees.

Corporate Profile

Established in 2015, FDEI is an important local infrastructure investment and financing company in Fuzhou City. The Company primarily focuses on infrastructure construction projects related to 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 31 March 2026, FDEI was wholly owned and ultimately controlled 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 responsible for 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 city's industrial transformation and upgrade. 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 ("SOEs") in the foreseeable future. However, we expect the Company to face high capital expenditure pressure and uncertainty of future investment returns from public-private partnership projects.

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 role in the development of Fuzhou City, we believe the Fuzhou Municipal Government will continue to provide support to the Company.

Good access to funding. As of 31 December 2025, 72.8% of the Company's debt financing was provided through bank loans, with total credit facilities of RMB8.6 billion and an available amount of RMB1.4 billion, indicating moderate standby liquidity. In terms of direct financing, the Company maintains good access to both onshore and offshore debt capital markets. As of 30 June 2026, the Company had 2 offshore bonds outstanding with a total amount of USD211.0 million and 1 onshore bond outstanding of RMB600.0 million. Its exposure to non-standard financing products remained low, accounting for 6.3% of total debt as of 31 December 2025.

Credit Challenges

Medium exposure to commercial activities. FDEI's commercial businesses mainly include trading, self-operated project construction, 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 and equity investments in accordance with the government's industrial development planning. 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 RMB9.6 billion at end-2024 to RMB10.6 billion at end-2026Q1, with total capitalization ratio of 68.8%. In addition, the Company has a relatively large short-term debt burden. As of 31 March 2026, its short-term debt accounted for 33.2% of total debt and its cash to short-term debt ratio was only 0.3x. The Company's assets mainly consist of investment properties, total receivables, and intangible assets, all of which have low liquidity, totally accounting for 72.5% of its total assets at end-2026Q1.

Medium contingent liability risk from external guarantees. As of 31 December 2025, the Company recorded an external guarantee amount of RMB1.2 billion, accounting for 24.3% of its net asset. Although most of the external guarantees were provided to SOEs in Fuzhou City, about 19.7% were extended to private enterprises. Notably, the Company has provided guarantees of RMB66.1 million to Jiangxi Gandong Advanced Technical School Co., Ltd., which has been listed as person subject to enforcement. The Company has already advanced RMB23.8 million in interest payments on its behalf, resulting in financial losses with uncertain recovery.

Rating Outlook

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

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 strengths 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 support; or increase in debt burden.

Rating Methodology

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

The methodology used in HBFG's assessment is the Rating Methodology for Financial Guarantors (January 2022).

Regulatory Disclosures

CCXAP's Rating Symbols and Definitions are available on its website at:
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