Credit Opinion

25 August 2026

Ratings	
Guaranteed Debt Rating	A_g+
Long-Term Credit Rating	BBB_g
Outlook	Stable
Category	Corporate
Domicile	China
Rating Type	Solicited Rating

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Fuzhou Digital Economy Investment Group Co., Ltd.

Surveillance credit rating report

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

Summary

The BBB_g long-term credit rating of Fuzhou Digital Economy Investment Group Co., Ltd. ("FDEI" or the "Company") 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.

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.

Rating Drivers

- Important role in infrastructure construction and industrial development of Fuzhou City
- Medium exposure to commercial activities
- Good track record of receiving government support
- Increasing debt burden and weak asset liquidity
- Good access to funding
- Medium contingent liability risk from external guarantees

Rating Sensitivities

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.

Key Indicators

	2023FY	2024FY	2025FY	2026Q1
Total Asset (RMB billion)	15.4	16.2	17.1	17.6
Total Equity (RMB billion)	4.4	4.2	4.8	4.8
Total Revenue (RMB billion)	2.1	2.3	2.3	0.2
Total Debt/Total Capital (%)	66.4	69.5	67.4	68.8

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

Source: Company data, CCXAP research

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”).

Exhibit 1. Revenue structure in 2025

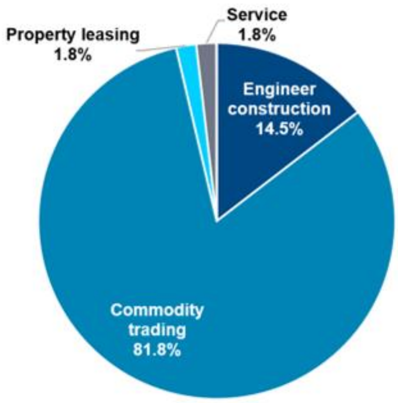
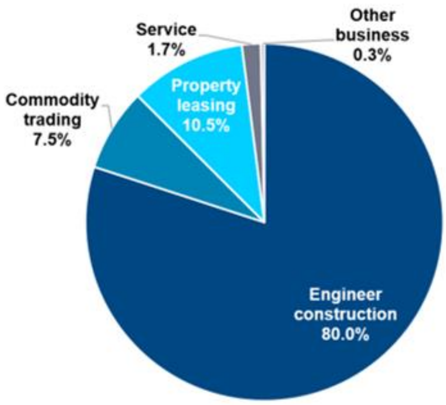


Exhibit 2. Gross profit structure in 2025



Source: Company information, CCXAP research

Rating Considerations

Government's Capacity to Provide Support

We believe Fuzhou Municipal Government has strong capacity to provide support, given Fuzhou City's good geographic advantages, with ongoing economic and fiscal growth, but constrained by its relatively high debt burden.

Jiangxi Province is located in the central-southeastern China, along the southern bank of the middle and lower reaches of the Yangtze River. The economic strength of Jiangxi Province lies at a middle level among all provinces in China. In 2025, Jiangxi Province's Gross Regional Product ("GRP") reached RMB3.6 trillion, ranking 15th among all provinces in China, with a year-on-year ("YoY") increase of 5.2%. In the first half of 2026, Jiangxi Province achieved a GRP of RMB1.8 trillion, with a growth rate of 4.0%, rising to 14th place nationally. Its general budgetary revenue rose slightly from RMB306.7 billion in 2024 to RMB307.9 billion in 2025, with tax income accounting for approximately 64.6% of the general budgetary revenue over the past three years, reflecting moderate fiscal stability. However, Jiangxi Province faces a relatively heavy debt burden. In 2025, its government debt reached RMB1.7 trillion, accounting for around 48.4% of its GRP.

Located in eastern Jiangxi Province, Fuzhou City is a prefecture-level city under the jurisdiction of Jiangxi Province. Renowned as a historic center of traditional Chinese opera, Fuzhou is also a key city for economic cluster development in the middle reaches of the Yangtze River, with good geographic advantages. Fuzhou City's economy is primarily driven by biopharmaceuticals, automobiles and components, new energy materials, and modern information industries. Supported by its industrial development, the economic strength of Fuzhou City continued to grow in the past year. Its GRP increased by 5.9% YoY to RMB229.8 billion in 2025, ranking 7th in terms of GRP among all the prefecture-level cities in Jiangxi Province. In the first half of 2026, Fuzhou City has recorded a GRP of RMB117.1 billion, with a YoY growth rate of 4.2%. Benefited from the ongoing economic growth, Fuzhou City's general budgetary revenue rose from RMB14.8 billion in 2024 to RMB15.1 billion in 2025. For the past three years, its average tax income accounted for 61.5% of general budgetary revenue. However, due to the downturn in the real estate market, the government fund revenue of Fuzhou City continued to decline, dropping from RMB14.1 billion in 2024 to RMB11.2 billion in 2025. Additionally, it has weak fiscal self-sufficiency, with fiscal balance ratio of 28.4% in 2025. Fuzhou City's government debt increased from RMB111.9 billion in 2024 to RMB132.9 billion in 2025, accounting for 57.8% of its GRP.

Exhibit 3. Key economic and fiscal indicators of Fuzhou City

	2023FY	2024FY	2025FY
GRP (RMB billion)	203.5	217.3	229.8
GRP Growth (%)	6.3	5.9	5.9
General Budgetary Revenue (RMB billion)	14.2	14.8	15.1
General Budgetary Expenditure (RMB billion)	53.9	54.7	53.0
Local Government Debt (RMB billion)	91.1	111.9	132.9

Source: Statistic Bureau of Fuzhou City, CCXAP research

Government's Willingness to Provide Support

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 (''PPP'') projects.

Entrusted by the Fuzhou Municipal Government, FDEI undertakes infrastructure construction projects under agent construction model. These projects include government office buildings and hospitals in Fuzhou City. As of 31 December 2025, the Company had invested RMB842.0 million into completed construction projects with recognized revenue of RMB1.0 billion, but had not yet received project payments, indicating slow payment progress. The sustainability of agent construction business is subject to uncertainty, as the Company has no agent construction projects under construction or in planning.

FDEI also enters into PPP Project Agreements with relevant departments of the Fuzhou Municipal Government. As the private-side participant in PPP projects, the Company generally establishes special purpose subsidiaries with government entities, which are responsible for the investment, financing, construction and operation of these projects, including both livelihood-related initiatives and industrial parks. As of 31 December 2025, the Company had invested a total of RMB4.8 billion in 7 ongoing PPP projects, with RMB2.1 billion remaining uninvested, indicating large capital expenditure pressure. The Company had received total project payments of RMB177.0 million as of 31 December 2025. Given that most of the Company's PPP projects have not yet entered the operational phase, with a significant portion of invested funds tied up in intangible assets and long-term receivables, its funding balance relies heavily on future operating revenue and government subsidies, posing a certain level of uncertainty regarding investment recovery.

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.

FDEI participates in trading business under a sales-driven procurement model, with its main traded products including ethylene glycol, electrolytic copper, and copper rods. Since 2024, the Company's trading revenue has grown rapidly, benefiting from a significant increase in the trading volume of electrolytic copper and copper rods. However, the inherently low gross margins of these commodities have dragged down the overall profitability of the trading segment. In 2025, trading revenue increased from RMB1.7 billion in 2024 to RMB1.9 billion in 2025, accounting for 81.8% of the Company's total revenue, but recorded a low gross profit margin of only 0.7%. The business also faces high concentration risk, as both the top 5 suppliers and the top 5 customers accounted for 100.0% of total procurement and sales in 2025.

FDEI also undertakes self-operated construction projects, such as public welfare facilities and new energy infrastructure. The construction costs of these projects are expected to be balanced by operating income and rental revenue generated upon completion. As of 31 December 2025, the Company had completed 6 self-operated projects with a total investment of RMB854.0 million, generating operating revenue of RMB362.0 million in 2025. As of the same date, the Company had 2 self-operated projects under construction, with a total estimated investment of RMB533.0 million and an uninvested amount of RMB514.0 million, which brings certain capital expenditure pressure to the Company.

Moreover, benefiting from the injection of commercial properties by the local government, FDEI also engages in property leasing business, but the income scale is relatively small. The Company's property leasing revenue increased from RMB28.0 million in 2024 to RMB42.8 million in 2025.

According to the government's industrial planning, FDEI has conducted industrial investments and equity investments in small and medium-sized enterprises in Fuzhou City. In terms of industrial investment, the Company collaborates with professional enterprises in related industries to invest and operate the franchise rights transferred from Fuzhou Municipal Government, such as natural gas supply and cloud services, and receives investment returns on a pro rata basis. In 2025, the Company recorded investments returns of RMB9.1 million. Additionally, the Company currently holds equity investments in Jiangxi DBK Co., Ltd. and Jiangxi Zhite New Materials Co., Ltd. (Stock code: 300986.SZ). However, these investments remain unexited, requiring ongoing monitoring of the withdrawal process.

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. In 2025, the local government transferred 7.3% equity interests of a local SOE to the Company, increasing its capital reserve by RMB599.5 million. From 2025 to 2026Q1, the Company also received government subsidies totaling RMB5.0 million and special project funds of RMB15.6 million. Given its important role in the development of Fuzhou City, we believe the Fuzhou Municipal Government will continue to provide support to the Company.

Increasing debt burden and weak asset liquidity

With the increasing financing demand for the construction project, FDEI's debt level has continued to grow over the past years. 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, indicating insufficient cash to meet its short-term debt obligations.

FDEI's asset liquidity is weak, which may undermine its financial flexibility. The Company's assets mainly consist of investment properties, total receivables, and intangible assets, all of which have low liquidity. The investment properties are properties for leasing, the total receivables are mainly unreceived payments from PPP projects and the other SOEs in Fuzhou City, while intangible assets are operational rights of PPP projects, totally accounting for 72.5% of its total assets at end-2026Q1. Although the investment properties can provide stable income and cash flow to the Company, their income scale is limited and asset return is low. In addition, as of 31 March 2026, the amount of restricted assets was RMB3.4 billion, accounting for 19.5% of its total assets.

Good access to funding

FDEI has diversified sources of funding, including bank loans, onshore and offshore bond issuances, and non-standard financing. The Company has established long-term borrowing relationships with state-owned and joint-stock commercial banks in China. 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, both with a coupon rate of 7.0%. The Company also had a RMB600.0 million onshore bond outstanding, with a coupon rate of 2.8%. Its exposure to non-standard financing products remained low, accounting for 6.3% of total debt as of 31 December 2025. We consider the Company's diversified funding channels can largely fulfill its future capital expenditure needs.

Medium contingent liability risk from external guarantees

FDEI is exposed to a medium level of contingent liability risk, which could potentially increase its repayment obligations. 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.

ESG Considerations

FDEI assumes environmental risks through its urban infrastructure projects. Such risks could be moderated through environmental studies and detailed planning prior to the start of the projects and close supervision during construction.

In terms of social awareness, FDEI has played a crucial role in the social welfare of Fuzhou City by involving the construction of public projects in Fuzhou City.

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

Credit Enhancements

FDEI's senior unsecured debt rating (guaranteed) is based on our assessment on the credit quality of Hubei Financing Guarantee Group Co., Ltd. ("HBFG"), as the bond (ISIN: XS2958655636) is unconditionally and irrevocably guaranteed by HBFG. HBFG, indirect owned and ultimate controlled by the Hubei Province Government, is a leading financial guarantee company in Hubei Province. Any change to the credit quality of HBFG could lead to a corresponding change in the rating of the bonds.

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).

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