Credit Opinion

15 September 2026

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

Analyst Contacts

Peter Chong +852-2860 7124

Associate Director of Credit Ratings

peter_chong@ccxap.com

Natalie Xu +852-2860 7126

Credit Analyst

natalie_xu@ccxap.com

Elle Hu +852-2860 7120

Executive Director of Credit Ratings

elle_hu@ccxap.com

**The first name above is the lead analyst for this rating and the last name above is the person primarily responsible for approving this rating.*

Client Services

Hong Kong +852-2860 7111

Fuqing State-owned Assets Operation Investment Group Co., Ltd.

Surveillance credit rating report

CCXAP affirms Fuqing State-owned Assets Operation Investment Group Co., Ltd.'s long-term credit rating at A_g-, with stable outlook.

Summary

The A_g- long-term credit rating of Fuqing State-owned Assets Operation Investment Group Co., Ltd. ("FSAO" or the "Company") reflects Fuqing City Government's (1) very strong capacity to provide support; and (2) extremely high willingness to provide support, based on our assessment of the Company's characteristics.

Our assessment of Fuqing City Government's capacity to provide support reflects its economic importance in Fuzhou City and its status as the top 20 Chinese counties/cities in terms of comprehensive development, with strong comprehensive strength, ongoing economic growth, and good fiscal self-sufficiency.

The rating also reflects the local government's willingness to provide support, which is based on the Company's (1) status as the most important entity for infrastructure construction and state-owned assets operation in Fuqing City; (2) high sustainability for public policy businesses; and (3) good track record of receiving government support; and (4) diversified funding channels.

However, the rating is constrained by the Company's (1) increasing debt leverage with short-term debt repayment pressure; and (2) weak asset liquidity.

The stable outlook on FSAO's rating reflects our expectation that for the next 12-18 months, the local government's capacity to provide support will remain stable, and the Company will maintain its status as the most important entity for infrastructure construction and state-owned assets operation in Fuqing City.

Rating Drivers

- The most important infrastructure construction and state-owned assets operation entity in Fuqing City
- High sustainability for public policy businesses
- Low exposure to commercial activities
- Good track record of receiving government support
- Increasing debt leverage with short-term debt repayment pressure
- Weak asset liquidity
- Diversified funding channels

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) the local government's ability to provide support strengthens; and (2) the Company's characteristics change in a way that strengthens local government's willingness to provide support, such as strengthened regional significance or reduction in the exposure to commercial activities.

What could downgrade the rating?

The rating could be downgraded if (1) the local government's ability to provide support weakens; or (2) the Company's characteristics change in a way that decreases the local government's willingness to provide support, such as reduced regional significance or weakened access to funding.

Key Indicators

	2023FY	2024FY	2025FY	2026Q1
Total Asset (RMB billion)	63.5	63.6	72.7	78.2
Total Equity (RMB billion)	22.9	19.1	24.3	24.9
Total Revenue (RMB billion)	13.5	20.7	8.3	1.0
Total Debt/Total Capital (%)	39.2	47.2	49.5	53.2

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

Source: Company data, CCXAP research

Corporate Profile

Established in 1998, FSAO is the most important local infrastructure investment and financing company ("LIIFC") in Fuqing City. The Company is mainly engaged in infrastructure construction, resettlement housing construction, public transport operation, industrial parks development, and water supply in Fuqing City. Apart from its main business, the Company is also engaged in other commercial businesses, such as trading, security services, environmental sanitation, and property leasing.

In May 2025, Finance Bureau of Fuqing City transferred its equity holding of FSAO to Fuqing State-owned Assets Management Center. As of 31 March 2026, the Company was wholly owned by Fuqing State-owned Assets Management Center and ultimately controlled by Fuqing City Government.

Exhibit 1. Revenue Structure in 2025

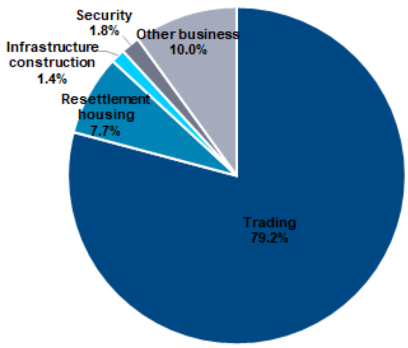
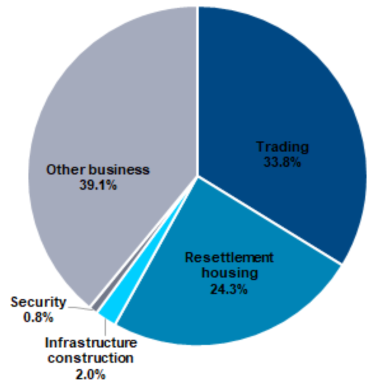


Exhibit 2. Gross Profit Structure in 2025



Source: Company information, CCXAP research

Exhibit 3. Shareholding chart as of 31 March 2026

Fuqing Municipal Government
福清市人民政府

100%

Fuqing State-owned Assets Management Center
福清市国有资产管理中心

100%

Fuqing State-owned Assets Operation Investment Group Co., Ltd.
福清市国有资产运营投资集团有限公司

Source: Company information, CCXAP research

Rating Considerations

Government's Capacity to Provide Support

We believe that the Fuqing City Government has a very strong capacity to provide support, considering Fuqing City's economic importance in Fuzhou City and its status as the top 20 Chinese counties/cities in terms of comprehensive development, with strong comprehensive strength, ongoing economic growth, and good fiscal self-sufficiency.

Fujian Province, located on the southeastern coast of China, is recognized as one of the country's fastest-growing regions. In 2025, Fujian Province recorded a gross regional product ("GRP") of RMB6.0 trillion, with a GRP growth rate of 5.0% year-on-year ("YoY"), ranking 8^{th} in terms of GRP among all provinces in China. Additionally, the province's general budgetary revenue reached RMB372.4 billion. In 2026H1, Fujian Province recorded a GRP of RMB2.9 trillion, with a growth rate of 4.0% YoY, and general budgetary revenue of RMB234.9 billion.

Fuzhou City is the capital of Fujian Province and is an important trading port on the southeast coast of China. In recent years, Fuzhou City has formed six pillar industries, including textile and chemical fiber, food, machinery manufacturing, metallurgy and building materials, petrochemicals, and energy. Benefiting from its good industrial base, Fuzhou City's GRP increased by 5.6% YoY to RMB1.5 trillion in 2025. Fuzhou City's general budgetary revenue remained stable at RMB75.1 billion in 2025, with tax income accounting for 61.7% of its fiscal revenue. Fuzhou City had a moderate fiscal balance ratio of 72.4% in 2025. At the end of 2025, Fuzhou City's local government debt balance was RMB335.0 billion, accounting for 22.2% of GRP. In 2026H1, Fuzhou City recorded a GRP of RMB709.5 billion, with a growth rate of 5.2% YoY, and general budgetary revenue of RMB70.2 billion.

Exhibit 4. Key Economic and Fiscal Indicators of Fuzhou City

	2023FY	2024FY	2025FY
GRP (RMB billion)	1,292.8	1,423.7	1,511.2
GRP Growth (%)	5.2	6.0	5.6
General Budgetary Revenue (RMB billion)	75.4	75.1	75.1
General Budgetary Expenditure (RMB billion)	100.8	102.2	103.7
Local Government Debt (RMB billion)	219.7	276.1	335.0

Source: Statistics Bureau of Fuzhou City, CCXAP research

Fuqing City is a county-level city under Fuzhou City. After years of development, Fuqing City has gradually formed the “Fuqing model” of attracting investment led by overseas Chinese, and has formed eight major industries, including electronics, plastics, food, glass, medicine, electricity, chemicals, and textiles. The private sector demonstrates robust dynamism. Benefiting from ongoing economic growth and robust industry development, Fuqing City's GRP increased by 5.6% YoY to RMB203.3 billion in 2025. Its general budgetary revenue increased from RMB13.5 billion in 2024 to RMB13.7 billion in 2025, with tax income accounting for 53.5% of its fiscal revenue. The GRP and general budgetary revenue of Fuqing City rank 2nd and 1st among all the districts/counties in Fuzhou City, respectively. It has good fiscal self-sufficiency, with a fiscal balance ratio of 87.0% in 2025. However, the government fund revenue of Fuqing City decreased significantly. At the end of 2025, Fuqing City's local government debt balance was RMB45.6 billion, accounting for 22.4% of GRP.

Exhibit 5. Key Economic and Fiscal Indicators of Fuqing City

	2023FY	2024FY	2025FY
GRP (RMB billion)	168.3	190.1	203.3
GRP Growth (%)	6.8	6.8	5.6
General Budgetary Revenue (RMB billion)	13.1	13.5	13.7
General Budgetary Expenditure (RMB billion)	12.5	15.8	15.7
Local Government Debt (RMB billion)	24.7	37.1	45.6

Source: Statistics Bureau of Fuqing City, CCXAP research

Government’s Willingness to Provide Support

The most important infrastructure construction and state-owned assets operation entity in Fuqing City

FSAO is the most important infrastructure construction and state-owned assets operation entity in Fuqing City, conducting infrastructure construction, resettlement housing projects, water supply, and public transportation operations in Fuqing City. In January 2025, in the context of regional state-owned enterprises optimization and integration, the Company transferred out the equity of Fuqing City Ronghui Venture Capital Group Co., Ltd. (“FRVC”), the main operating subsidiary for the trading business, to the Finance Bureau of Fuqing City. We believe the equity transfer of FRVC has limited impact on the Company’s public business and its strategic position in Fuqing City, as the subsidiary mainly conducts commercial businesses such as trading, investment, and leasing business. Considering its strategic significance to the development of Fuqing City, we believe the

Company is unlikely to be replaced by other local state-owned enterprises in the foreseeable future. In addition, the large number of construction projects in the pipeline ensures the sustainability of public policy businesses, but they exert high capital expenditure pressure.

High sustainability for public policy businesses

The Company's public business has high sustainability given the considerable amount of construction projects in the pipeline. However, the large outstanding investment amount has also exerted certain capital expenditure pressure on the Company.

The Company mainly adopts the agency construction model to conduct infrastructure construction and industrial park projects with self-raised funds and government funds. The government would repurchase the construction projects upon completion, paying the construction cost plus an agreed return. As of 31 March 2026, the Company had abundant infrastructure construction projects under construction or planning, with a total planned investment of RMB15.6 billion and an outstanding amount of around RMB9.1 billion, exerting large capital expenditure pressure. In addition, some of the infrastructure construction projects are undertaken under agency management construction model, under which the Company does not bear the financing responsibility. As of 31 March 2026, the Company had 8 agency management construction projects under construction, with a total planned investment of RMB1.7 billion and an outstanding amount of around RMB0.8 billion.

Besides, FSAO is also the primary developer of resettlement housing in Fuqing City. The Company conducts resettlement housing under two models, the self-construction model and the repurchase model. Under the self-construction model, the Company needs to finance affordable housing projects before the government purchase. As of 31 March 2026, the Company had 1 resettlement housing project under construction, with a total planned investment of around RMB471.0 million and an outstanding investment amount of RMB189.0 million. Under the repurchase model, the successful bidder will be responsible for the construction of resettlement housing projects. The Company will be responsible for raising the funds, and the district office will make payments to the Company for the resettlement of residents. As of 31 March 2026, there were 41 projects to be repurchased, with a total repurchase amount of around RMB16.8 billion and an outstanding repurchase amount of RMB1.6 billion, exerting certain capital expenditure pressure on the Company.

FSAO also undertakes water supply business, including water diversion and water supply. For the water transfer business, the Company undertakes ecological water replenishment and agricultural irrigation within Fuqing City. For the water supply business, the Company sells water to companies located in the reach of the Minjiang Water Transfer Project’s network in Fuqing City. In 2025, the Company had transferred water of 266.0 million tons and supplied water of 190.0 million tons.

Moreover, FSAO conducts public transportation business in Fuqing City through its subsidiary Fuqing Public Transportation Co., Ltd. As of 31 March 2026, there were 773 buses and 144 bus routes under operation. The Company has continued to receive operating subsidies from the government, with RMB126.0 million in 2025.

Low exposure to commercial activities

In addition to public activities, FSAO is also engaged in commercial businesses, mainly including trading and property leasing. We consider the Company’s exposure to commercial businesses to be low, accounting for less than 15% of its total assets as of 31 March 2026.

FSAO’s trading business mainly includes the sales of agricultural products and electronic products. Owing to the transfer of FRVC out the Company, revenue from the trading business declined significantly from RMB17.2

billion in 2024 to RMB6.6 billion in 2025, with a low gross profit margin of 0.8%. The trading business is the Company's largest source of revenue, accounting for around 79.2% of its total revenue in 2025. FSAO takes the purchase based on sales model, which means the Company pays in advance to suppliers and provides a repayment period of no more than 6 months to customers, causing certain capital occupation. In addition, the Company has relatively high concentration of suppliers and customers. In 2025, the top five suppliers and customers accounted for 82.5% and 83.4% of total procurements and total sales, respectively. It is noteworthy that one of the customers is subject to enforcement and its legal representative is restricted from high-level consumption, causing certain payment collection risks.

FSAO has investment properties for leasing in Fuqing City, such as office buildings, warehouses, and stores, which can provide stable rental income to the Company. As of 31 March 2026, the Company had a total leasable area of 0.8 million square meters, with a good occupancy rate between 75% and 100%. In addition, the Company also receives property management fees through its leased properties. In 2025, the property leasing revenue grew by 39.7% YoY to RMB80.5 million due to the increase in leasable properties, and the property leasing business recorded a high gross profit margin of 60.4%.

Apart from trading and property leasing, the Company also has some other commercial businesses such as security services, advertising, tourism, charging, parking. However, the small operating scale of these businesses limits their contribution to the Company's overall cash flow and profit.

Good track record of receiving government support

FSAO has received support from the local government in the form of capital injections, government subsidies, and asset transfers. In 2025, the Company received capital injections, asset transfers, and equity transfers from the local government, increasing its capital reserves by RMB5.4 billion. However, one of the subsidiaries was transferred out of the Company, reducing its capital reserves by RMB242.0 million in 2025. The Company also regularly receives government subsidies, with total amount of RMB343.9 million from 2024 to 2026Q1. Given its status as the most important entity for infrastructure construction and state-owned assets operation in Fuqing City, we believe that the local government will continue to provide support to the Company.

Increasing debt leverage with certain short-term debt repayment pressure

Owing to the ongoing external financing for the infrastructure construction, resettlement housing, and industrial park development projects, FSAO's total debt increased from RMB17.1 billion at end-2024 to RMB28.4 billion at end-2026Q1, with total capitalization ratio increasing from 47.2% to 53.2% over the same period. In addition, as of 31 March 2026, the Company's short-term debt accounted for about 32.0% of total debt, and the cash-to-short-term-debt ratio was 0.2x, indicating certain short-term debt servicing pressure. Considering its large capital expenditure pressure, we expect the Company's debt burden will continue to grow in the next 12 to 18 months, and the Company will rely on bank loans and bond issuance to fill its funding gap.

Weak asset liquidity

FSAO's assets mainly consist of inventories, receivables, and other non-current assets, which accounted for about 77.3% of the total assets as of 31 March 2026. The inventories and other non-current assets are development costs from infrastructure construction projects, and the receivables mainly consist of uncollected payments from the local government and other state-owned enterprises, all with relatively low liquidity. The weak asset liquidity may undermine the Company's financial flexibility.

Diversified funding channels

FSAO has good access to funding from banks and capital markets, which accounted for 57.2% and 20.2% of total debt at end-2026Q1, respectively. The Company has an approved line of credit from both commercial banks and policy banks, such as Haixia Bank and Agricultural Development Bank. As of 31 March 2026, it had obtained total credit facilities of RMB23.0 billion, with available credit facilities of RMB5.2 billion. The Company and its subsidiaries also have good access to onshore and offshore bond markets and have issued multiple bond products, such as MTNs, offshore RMB bonds, and private corporate bonds. From 2025 to 2026H1, FSAO raised RMB2.5 billion from the onshore bond market, with coupon rates ranging from 1.85% to 2.25%. In November 2024, the Company has further expanded its funding channel to the offshore bond market, with a total issue amount of RMB2.0 billion with coupon rate of 3.0%. In addition, FSAO has relatively low exposure to non-standard financing, which accounted for around 14.0% of its total debts as of 31 March 2026.

ESG Considerations

FSAO faces environmental risks because it has undertaken infrastructure construction projects. Such risks could be moderated by conducting environmental studies and planning prior to the start of the projects, and close monitoring during the construction phase.

FSAO bears social risks as it implements public policy initiatives by undertaking infrastructure construction projects in Fuqing City. Demographic changes, public awareness and social priorities shape the Company's development targets and ultimately affect the local government's propensity to support the Company.

FSAO’s governance considerations are also material as the Company is subject to oversight by the Fuqing City Government and has to meet several reporting requirements, reflecting its public-policy role and status as a government-owned entity.

Structural Consideration

FSAO’s senior unsecured debt rating is equivalent to its long-term credit rating. We believe that government support will flow through the Company given its role as the most important entity for infrastructure construction and state-owned assets operation in Fuqing City, thereby mitigating any differences in an expected loss that could result from structural subordination.

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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China Chengxin (Asia Pacific) Credit Ratings Company Limited

Address:	Suites 1904-1909, 19/F, Jardine House,
	1 Connaught Place, Central, Hong Kong
Website:	www.ccxap.com
Email:	info@ccxap.com
Tel:	+852-2860 7111
Fax:	+852-2868 0656