

Credit Opinion

28 March 2025

Ratings	
Category	Corporate
Domicile	China
Rating Type	Solicited Rating
Long-Term Credit Rating	A _g -
Outlook	Stable

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Fujian Jinjiang Construction Investment Holding Group Co., Ltd.

Surveillance credit rating report

CCXAP affirms Fujian Jinjiang Construction Investment Holding Group Co., Ltd.'s long-term credit rating at A_g-, with stable outlook.

Summary

The A_g- long-term credit rating of Fujian Jinjiang Construction Investment Holding Group Co., Ltd. ("FJCI" or the "Company") reflects (1) Jinjiang City 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 Jinjiang City Government's capacity to support reflects the Jinjiang City's robust private sector and strong comprehensive strength, ranked 8th by comprehensive strength among the top 100 counties (including county-level cities) in China, 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) dominant strategic role as the largest state-owned enterprise in Jinjiang City; (2) high sustainability of public policy projects; and (3) good track record of receiving government support.

However, the rating is constrained by the Company's (1) relatively high debt leverage; (2) moderate asset liquidity; and (3) relatively high reliance on non-standard financing.

The stable outlook on FJCI's rating reflects our expectation that Jinjiang City Government's capacity to support will remain stable, and the Company will maintain its important position in infrastructure construction in Jinjiang City over the next 12 to 18 months.

Rating Drivers

- Dominant strategic role as the largest state-owned enterprise in Jinjiang City
- High sustainability of public policy projects
- Moderate exposure to commercial activities
- Good track record of receiving government support
- Relatively high debt leverage and moderate asset liquidity
- Relatively high reliance on non-standard financing

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) Jinjiang City 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.

What could downgrade the rating?

The rating could be downgraded if (1) Jinjiang City 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 market position, or material decrease in government payments.

Key Indicators

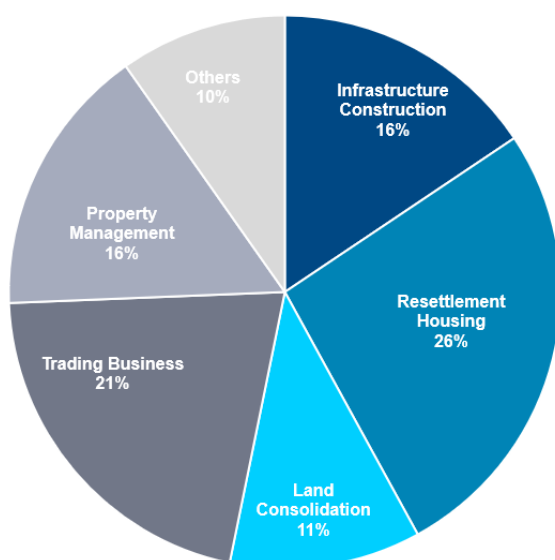
	2021FY	2022FY	2023FY	2024Q3
Total Asset (RMB billion)	109.4	126.5	138.4	145.6
Total Equity (RMB billion)	40.8	46.5	47.8	48.0
Total Revenue (RMB billion)	6.0	6.5	6.9	5.8
Total Debt/Total Capital (%)	56.8	58.6	62.3	64.2

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

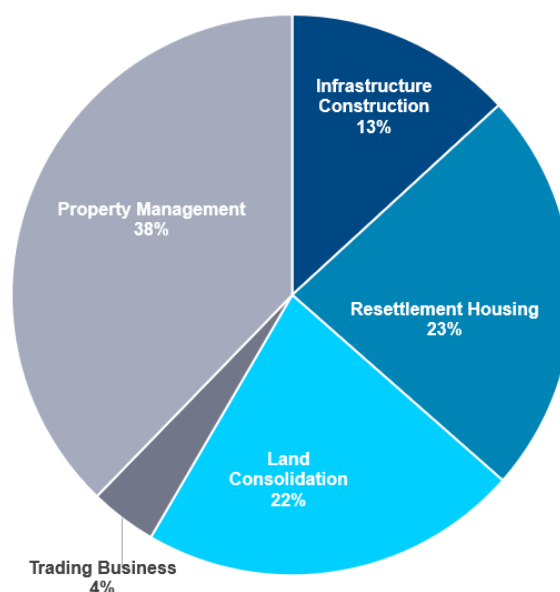
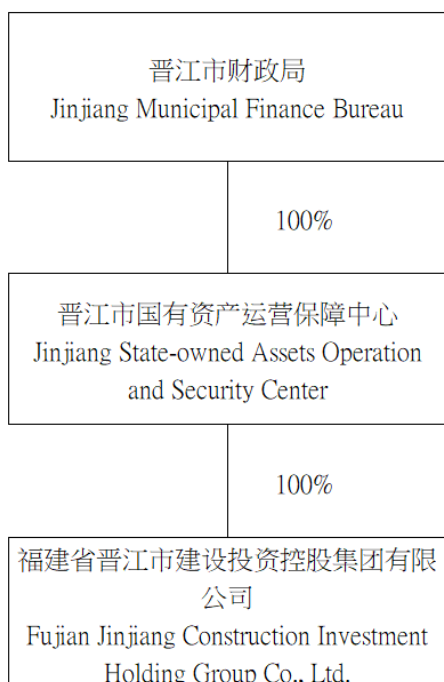
Source: Company data, CCXAP research

Corporate Profile

Founded in 2018, after the consolidation of other state-owned enterprises in Jinjiang City, FJCI has become the largest local infrastructure investment and financing companies ("LIIFCs") by total assets in Jinjiang City. The Company is the most important infrastructure construction and urban operation services entity in Jinjiang City. It primarily engages in infrastructure construction, public transport operation, land development and consolidation, and affordable housing construction. The Company also engages in commercial business such as property development, material trading, security services, and property leasing. As of the end of September 2024, the Company was wholly owned and ultimately controlled by Jinjiang State-owned Assets Operation and Security Center.

Exhibit 1. Revenue structure in 2023

Source: Company information, CCXAP research

Exhibit 2. Gross profit structure in 2023**Exhibit 3. Shareholding chart as of 30 September 2024**

Source: Company information, CCXAP research

Rating Considerations

Government Capacity to Support

We believe the Jinjiang City Government has a strong capacity to provide support given its economic importance in Quanzhou City, with muscular comprehensive strength, ranking 8th by comprehensive strength among the top 100 counties (including county-level cities) in China, with ongoing economic and fiscal growth.

Fujian Province is located on the southeastern coast of China and is recognized as one of the provinces with the fastest economic development in China. In 2024, Fujian recorded a gross regional product (“GRP”) of RMB5.8 trillion, with a GRP growth rate of 5.5% year-on-year (“YoY”), ranking 8th in terms of GRP among all provinces in China. Its general budgetary revenue achieved RMB361.5 billion in 2024.

Located in the southeast of Fujian Province, Quanzhou City connects Putian and Fuzhou in the north and Xiamen in the south. It is one of the “reforms and opening-up” areas in China. The pillar industries in Quanzhou City include textiles, petrochemicals, machinery and equipment, building materials and home furnishing. With the ongoing industrial development and robust private sector, the economic strength of Quanzhou City has continuously grown. The GRP of Quanzhou City increased from RMB1,217.3 billion in 2023 to RMB1,309.5 billion in 2024, ranking 2nd among 9 prefecture-level cities in Fujian Province. Quanzhou Municipal Government recorded a public budgetary revenue of RMB57.3 billion. However, its fiscal balance is moderate with a general budgetary revenue/general budgetary expenditure ratio of 67.9%. Its debt burden is also moderate. In 2024, the local government’s outstanding debt grew to RMB266.1 billion, accounting for 20.3% of GRP.

Exhibit 4. Key Economic and Fiscal Indicators of Quanzhou City

	2022FY	2023FY	2024FY
GRP (RMB billion)	1,210.3	1,217.2	1,309.5
GRP Growth (%)	3.5	4.8	3.5
General Budgetary Revenue (RMB billion)	52.7	58.1	57.3
General Budgetary Expenditure (RMB billion)	80.5	85.0	84.3
Local Government Debt (RMB billion)	211.3	234.3	266.1

Source: Statistic Bureau of Quanzhou City, CCXAP research

Jinjiang City is a county-level under Quanzhou City, with a total area of 649 square kilometers. In 2024, Jinjiang City ranked 8th by comprehensive strength among the top 100 counties (including county-level cities) in China, according to China Small and Medium Cities Development Index Research Group. Jinjiang City is an important manufacturing base in China, with developed shoe-making and textile and garment industries. With the ongoing industrial development, the economic strength of Jinjiang City has continuously grown. The GRP of Jinjiang City increased from RMB336.3 billion in 2023 to RMB350.0 billion in 2024, with a GRP growth rate of 7.0%. Jinjiang City Government’s public budgetary revenue also increased from RMB15.3 billion in 2023 to RMB15.5 billion in 2024. Its GRP and general budgetary revenue rank 1st among 11 districts/counties in Quanzhou City. It has good fiscal self-sufficiency, with a fiscal balance ratio of 89.3% in 2024. The local government’s outstanding debt grew to RMB49.9 billion, accounting for 14.2% of GRP in 2024.

Exhibit 5. Key Economic and Fiscal Indicators of Jinjiang City

	2022FY	2023FY	2024FY
GRP (RMB billion)	320.7	336.3	350.0
GRP Growth (%)	4.0	6.5	7.0
General Budgetary Revenue (RMB billion)	15.1	15.3	15.5
General Budgetary Expenditure (RMB billion)	17.6	18.5	17.3
Local Government Debt (RMB billion)	36.9	44.1	49.9

Source: Statistic Bureau of Jinjiang City, CCXAP research

Government Willingness to Support

Dominant strategic role as the largest state-owned enterprise in Jinjiang City

There are three main LIIFCs in Jinjiang City, including FJCI, Fujian Jinyuan Development Group Co., Ltd. ("FJDG"), and Jinjiang State-owned Capital Investment and Operation Co., Ltd. ("JSCI"). FJCI handles urban development. FJDG is responsible for infrastructure in Jinjiang ETDZ. JSCI undertakes industrial development, public utilities, and property development. Their roles are well-defined with minimal overlap.

The Company is the most critical urban construction and development entity, as well as the largest LIIFC in Jinjiang City with a dominant position in various public policy projects, including infrastructure construction, affordable housing construction, and land consolidation. Considering its strategic significance to the development of Jinjiang City, we believe the Company is unlikely to be replaced by other local state-owned enterprises in the foreseeable future.

High sustainability for public policy projects

The urban development and construction segments are FJCI's core business, covering infrastructure building, affordable housing construction, and land development in Jinjiang's core areas. With numerous large-scale ongoing projects, the Company shows strong stability and sustainability in the urban development and construction business. However, it also brings the issue of slow repayment collection progress and large capital expenditure pressure.

The Company's infrastructure construction business includes urban infrastructure construction (mainly municipal construction and street lighting projects) and transportation infrastructure construction (mainly road and bridge construction). FJCI mainly adopts an agency construction model to conduct infrastructure construction projects. The Company has currently completed 21 infrastructure projects, with a total investment amount of RMB22.2 billion, and an unreceived repurchase payment of RMB10.4 billion. As of 30 September 2024, the Company had 6 major infrastructure projects under construction and planning, with a total planned investment amount of RMB9.3 billion and an outstanding amount of RMB4.0 billion.

FJCI also engages in affordable housing construction in Jinjiang City. The business model of the affordable housing construction business is similar to that of the infrastructure construction business. The Company has completed 21 affordable housing projects, with a total investment of RMB27.2 billion, and an unreceived repurchase payment of RMB9.5 billion. As of 30 September 2024, the Company had 2 major affordable housing under construction, with a total planned investment amount of RMB3.0 billion and an outstanding amount of RMB1.0 billion. In recent years, its affordable housing business has faced certain capital expenditure pressures, and the overall settlement progress of projects has been slow.

FJCI focuses on the development of the land consolidation business in Jinjiang City. The Company also adopts an agency construction model under this segment. As of 30 September 2024, the Company had two major land development projects under construction, with a total planned investment amount of RMB7.8 billion and an outstanding amount of RMB1.0 billion. However, the project construction period is long, leading to certain capital occupations. As of 30 September 2024, the Company completed seven major land development projects, with a total invested amount of RMB19.4 billion and an unreceived repurchase payment of RMB10.3 billion.

Moderate exposure to commercial activities

In addition to public activities, FJCI is also involved in commercial activities such as property operation, trading, security and protection services, property management and leasing. We consider FJCI's commercial business exposure moderate, as its market-driven businesses accounted for less than 30% of its total assets as of 30 September 2024.

As a key urban operation service provider in Jinjiang City, FJCI is also involved in property operations. This business mainly encompasses property operation, property management, property leasing and property development. As of 30 September 2024, there were 4 property development projects under construction, with a total planned investment of RMB3.2 billion, and an outstanding amount of RMB1.0 billion. In recent years, the Company's revenue from property operation business has mainly come from the disposal of remaining resettlement housing projects and the sales of self-developed property development projects. However, the sales of self-developed property development projects are subject to the local real estate market condition, the sales progress should be closely monitor. The property operation business revenue increased from RMB285.0 million in 2022 to RMB961.0 million in 2023, mainly due to the delivery of major property development projects and the auction of residential parking spaces. The property operation also had a good gross profit margin of 27.3%, which effectively supplements the Company's overall revenue and profit.

The trading segment serves as a pivotal revenue stream for the Company's core business, and it employs a sale-driven procurement model. The trading portfolio primarily encompasses coal, steel, chemicals, and timber commodities. As of 30 September 2024, the top five suppliers and customers accounted for 47.5% of total purchases and 54.5% of total sales, respectively. In addition, some of the upstream and downstream involve private-owned enterprises with relatively weak operational capabilities, and there is a certain fund recovery risk. Notably, the trading segment has maintained a low gross margin. In 2023, the gross margins of the trading segment were 2.1%.

FJCI is the only state-owned security company in Jinjiang City and also the largest security company. It provides security services to government agencies, schools, and tourist attractions. This segment's revenue increased from RMB231.0 million in 2022 to RMB274.0 million in 2023, showing a relatively stable scale. Although the gross profit margin of the security service business was 10.8% in 2023, its profit contribution was relatively limited.

In addition, the Company has broadened its business scope to other businesses, such as urban management services, parking lot operation, vehicle inspection, and maintenance, which also provide supplementary revenue. The associated operating revenues can generate relatively stable operating cash flows. Moreover, the Company's business diversification level and risk-resistance capabilities have also been enhanced.

Good track record of receiving government support

FJCI has a good track record of receiving payments from the Jinjiang City Government. These payments come in various forms, including government subsidies and special government funds. From 2023 to 2024Q3, the local government provided cumulative subsidies of RMB651.3 million to the Company. The Company's paid-in capital increased by RMB80.0 million in 2023. Meanwhile, it also obtained special funds of RMB1.5 billion from 2023 to 2024Q3. In addition, the Company has also received repurchase payments for its public projects, yet the repayment progress is relatively slow and requires close attention. Given the Company's significant position and contribution to regional economic growth, we believe FJCI will receive continuous government support to sustain its business operations.

Relatively high debt leverage with large short-term debt maturities

Due to the expansion of the construction projects, FJCI demonstrated fast debt growth over the past year. Its total debt increased from RMB63.8 billion at the end of 2022 to RMB80.7 billion as of 30 September 2024, while its total capitalization ratio increased from 56.8% to 64.2% over the same period, maintaining a relatively high level. In addition, the Company has a certain degree of short-term debt repayment pressure. As of 30 September

2024, its short-term debt accounted for 43.1% of the total debt, and the cash to short-term debt ratio was 0.1x. As the government repayment progress is prolonged, the Company relies on external financing. We expect that considering the substantial future capital requirements, the Company's debt burden will continue to increase within the next 12 to 18 months.

Moderate asset liquidity

FJCI's asset liquidity is moderate, which may undermine its financial flexibility. In recent years, the construction and settlement progress of infrastructure projects have been relatively slow, resulting in a large amount of capital occupation and hence weakening the asset liquidity. The Company's total assets are mainly composed of inventory and contract assets, accounting for 80.5% of the total assets as of 30 September 2024. Inventory and contract assets are mainly the construction costs of public projects, with relatively low liquidity. Nevertheless, some of the Company's assets are income-generating and can yield supplementary revenue, such as investment properties.

In terms of contingent liability, the Company bears low contingent risks. As of 30 September 2024, its outstanding external guarantee amount was RMB2.9 billion, accounting for 6.0% of its net assets. All external guarantees were provided to local state-owned enterprises.

Relatively high reliance on non-standard financing

FJCI's debt mainly consists of bank borrowings, non-standard financing, and bond issuances. The Company maintains a good relationship with large domestic banks, and approximately 27.5% of its debt is bank loans. As of 30 September 2024, the Company had obtained a total credit line of RMB33.1 billion from domestic banks, with an available credit line of RMB10.9 billion. Sufficient standby credit lines will effectively alleviate the Company's liquidity pressure and provide important guarantees for debt repayment and capital liquidity. FJCI has issued debts in both onshore and offshore debt capital markets, which accounts for 44.8% of its debt. However, a relatively large amount of bond financing may make the Company vulnerable to the fluctuations of the capital market. From January 2024 to March 2025, the Company had issued offshore bonds with a total issued amount of USD458 million and RMB3.6 billion. In addition, the Company and its subsidiary had issued onshore bonds with a total issuance amount of RMB5.5 billion over the same period. However, the Company has a relatively high exposure to non-standard financing, such as financial leasing, and trustee financing. As of 30 September 2024, non-standard financing accounted for 27.7% of the total debt.

ESG Considerations

FJCI bears environmental risks through its infrastructure projects. Such risks could be moderated by conducting environmental studies and detailed planning before the commencement of projects and close supervision during the construction.

The Company is also exposed to social risks as a public services provider in Jinjiang City. Demographic changes, public awareness, and social priorities shape the government's target for FJCI or affect the government's propensity to support the Company.

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

Rating Methodology

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

Appendix

Exhibit 6. Peer Comparison

	Fujian Jinjiang Construction Investment Holding Group Co., Ltd.	Fujian Jinshang Holding Group Co., Ltd.
Long-Term Credit Rating	Ag-	BBB _g +
Shareholder	Jinjiang State-owned Assets Operation and Security Center	Fujian Jinjiang Industrial Development Investment Group Co., Ltd.
Positioning	Responsible for infrastructure construction and urban operation services	Responsible for the construction of the industrial park and the public utility services in Jinjiang City, including water supply and pipeline construction
Total Asset (RMB billion)	145.6	20.8
Total Equity (RMB billion)	48.0	12.3
Total Revenue (RMB billion)	5.8	0.4
Total Debt/Total Capital (%)	64.2	30.8

All ratios and figures are calculated using CCXAP's adjustments based on financial data in 2024Q3.

Source: Company information, CCXAP research

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