

Credit Opinion

19 September 2025

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 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) increasing contingent liability risk from external guarantees.

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

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
- Increasing 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 strengthens 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 payments; or increase in debt burden.

Key Indicators

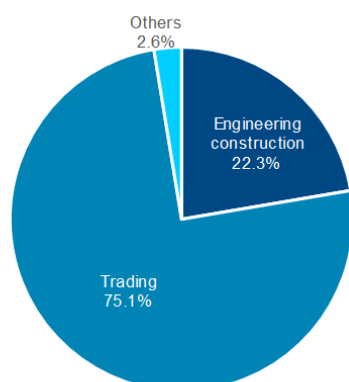
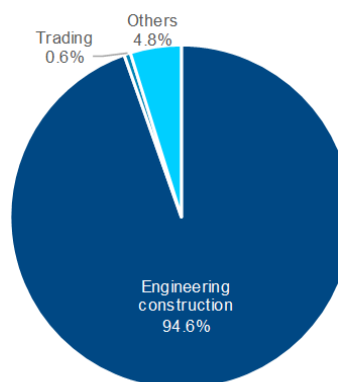
	2022FY	2023FY	2024FY
Total Asset (RMB billion)	14.7	15.4	16.2
Total Equity (RMB billion)	4.0	4.4	4.2
Total Revenue (RMB billion)	2.1	2.1	2.3
Total Debt/Total Capital (%)	64.1	66.4	69.5

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 ("LIIFC") in Fuzhou City. The Company is primary focused on infrastructure construction projects of 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 the end of 2024, FDEI is ultimately controlled and wholly owned by the Fuzhou State-owned Assets Supervision and Administration Commission ("Fuzhou SASAC").

Exhibit 1. Revenue structure in 2024**Exhibit 2. Gross profit structure in 2024**

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 ongoing economic and fiscal growth, but constrained by its relatively high debt burden.

Located in the east of Jiangxi Province, Fuzhou City is a prefecture-level city under the jurisdiction of Jiangxi Province. The economic strength of Jiangxi Province lies at middle level among all provinces in China. In 2024, Jiangxi Province's Gross Regional Product ("GRP") reached RMB3.4 trillion, ranking 15th among all provinces in China, with a year-on-year ("YoY") increase of 5.1%. In the first half of 2025, Jiangxi Province achieved a GRP of RMB1.7 trillion, with a growth rate of 5.6%. Its general budgetary revenue rose slightly from RMB306.0 billion in 2023 to RMB306.7 billion in 2024, with tax income accounting for approximately 63.5% of the general budgetary revenue over the past three years, reflecting moderate fiscal stability. However, Jiangxi Province faces a relatively heavy debt burden. In 2024, its government debt reached RMB1.5 trillion, accounting for around 44.0% of its GRP.

As a famous city of traditional Chinese opera, Fuzhou City is a key city for economic cluster development in the middle reaches of the Yangtze River, with good geographic advantages. Fuzhou City is economically dominated by biopharmaceuticals, automobiles and components, new energy materials, and modern information industries. Benefited from good location, Fuzhou City's GRP increased by 5.9% YoY to RMB217.3 billion in 2024, ranking 7th in terms of GRP among all the prefecture-level cities in Jiangxi Province. In the first half of 2025, Fuzhou City has recorded a GRP of RMB108.6 billion, demonstrating a YoY growth rate of 6.2%. Benefited from economic recovery, Fuzhou City's general budgetary revenue rose from RMB14.2 billion in 2023 to RMB14.8 billion in 2024. For the past three years, its average tax income accounted for 63.1% 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 RMB15.6 billion in 2023 to RMB14.1 billion in 2024. Additionally, it has weak fiscal self-sufficiency, with fiscal balance ratio of 27.0% in 2024. Fuzhou City's government debt increased from RMB91.1 billion in 2023 to RMB111.9 billion in 2024, accounting for 51.5% of its GRP.

Exhibit 3. Key economic and fiscal indicators of Fuzhou City

	2022FY	2023FY	2024FY
GRP (RMB billion)	194.6	203.5	217.3
GRP Growth (%)	5.0	6.3	5.9
General Budgetary Revenue (RMB billion)	13.7	14.2	14.8
General Budgetary Expenditure (RMB billion)	53.0	53.9	54.7
Local Government Debt (RMB billion)	74.4	91.1	111.9

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 carrying out 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 industrial transformation and upgrade of Fuzhou City. 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 in the foreseeable future. However, we expect the Company faces certain capital expenditure pressure brought by uncertain investment return from public-private partnership ("PPP") projects coupled with slow repayment progress.

Entrusted by the Fuzhou Municipal Government, FDEI undertakes infrastructure construction projects under agent construction model. These projects include government office and hospital construction in Fuzhou City. As of 31 December 2024, the Company had 4 construction projects under construction with a total estimated investment of approximately RMB933.0 million and uninvested amount of around RMB127.0 million. The Company has no agent construction projects under planning, indicating moderate project sustainability.

FDEI also enters into a PPP Project Agreement with the relevant departments of the Fuzhou Municipal Government. As the private sector of PPP projects, the Company generally establishes special purpose subsidiaries with government entities, which will be responsible for the investment, financing, construction and operation of the projects, including both livelihood-related initiatives and industrial park developments. As of 31 December 2024, the Company had totally invested RMB4.3 billion into 8 ongoing PPP projects, with RMB3.2 billion remaining uninvested, indicating large capital expenditure pressure. As the PPP projects are near completion and the Company has slowed down its investment pace, the engineering construction business has demonstrated continued decline in revenue and slow payment collection, with total received project payments of only RMB198.0 million. Besides, the Company's PPP projects have not yet entered into operational phase, with a significant portion of invested funds tied up in intangible assets and long-term receivables. Its fund balance heavily relies on future operating revenue and government subsidies, posing a certain level of uncertainty on investment recovery.

Medium exposure to commercial activities

FDEI's commercial businesses mainly include trading 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 investments in accordance with the government's planning for industrial development. 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 gross margin of the trading segment. In 2024, trading revenue accounted for 75.1% of the Company's total revenue, but recorded a low gross profit margin of only 0.6%.

FDEI also engages in property leasing business. In recent years, benefiting from the injection of commercial properties by the Fuzhou Municipal Government, the Company's leasing property revenue reached RMB3.4 million, RMB33.1 million, and RMB28.0 million from 2022 to 2024, respectively. At end-2024, the Company had investment properties with fair value of RMB4.3 billion, accounting for 26.2% of total assets.

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 has collaborated 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. From 2022 to 2024, it had achieved investment returns of RMB31.9 million. Additionally, the Company currently has equity investments in Jiangxi DBK Co., Ltd. and Jiangxi Zhite New Materials Co., Ltd. (Stock code: 300986.SZ), but FDEI's investment remains unexited, necessitating ongoing tracking of its 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 2023, the local government transferred properties assets with a book value of RMB352.0 million to the Company. It received government subsidies totaling RMB132.0 million from 2022 to 2024. Additionally, the local government provided payments for infrastructure projects, with total project payments reaching RMB389.0 million as of end-2024. Given its important position in the development of Fuzhou City, we believe that 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 has a fast debt growth over the past years. The Company's total debt increased from RMB8.6 billion at end-2023 to RMB9.6 billion at end-2024, with total capitalization ratio of 69.5%. In addition, the Company has a relatively large short-term debt burden. As of 31 December 2024, its short-term debt accounted for about 37.4% of total debt and its cash to short-term debt ratio was only 0.1x, 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, long-term receivables, and intangible assets, all of which have low liquidity. The investment properties are properties for leasing, the long-term receivables are mainly unreceived PPP project payments from the local government, while intangible assets are operational rights of PPP projects, totally accounting for about 60.3% of total asset at end-2024. Although the investment properties can provide stable income and cash flow to the Company, their scale is still limited.

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, including Agricultural Bank of China, China CITIC Bank, and Industrial and Commercial Bank of China. As of 31 December 2024, around 67.3% of the Company's debt financing was provided through bank loans, with total credit facilities of RMB9.5 billion and an available amount of about RMB837.0 million, indicating a moderate standby liquidity. In terms of direct financing, the Company maintains good access to both onshore and offshore debt capital markets. From January 2024 to July 2025, the Company issued 2 offshore bonds totaling USD211.0 million, with a financing cost of 7%. During the same period, the Company also raised RMB600.0 million through the onshore bond market. Its exposure to non-standard financing products remains low, accounting for around 3.4% of total debt. We consider the Company's diversified funding channel can largely fulfill its future capital expenditure needs.

Increasing contingent liability risk from external guarantees

FDEI is exposed to an increasing level of contingent liability risk, which could potentially increase its repayment obligations. As of 31 December 2024, the Company recorded an external guarantee amount of RMB1.6 billion, accounting for 45.4% of its total equity. Although most of the external guarantees were provided to state-owned enterprises in Fuzhou City, some were extended to private-owned entities. Notably, Jiangxi Gandong Advanced Technical School Co., Ltd. has been included in the list of persons subject to enforcement, and the Company has already repaid RMB24.0 million in interest on its behalf and recorded provision for bad debts of RMB12.0 million.

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 ratings (guaranteed) are based on our assessment on the credit quality of Hubei Financing Guarantee Group Co., Ltd. ("HBFG"), as the bonds (ISIN: XS2958655636) are 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 this 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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