

## Credit Opinion

12 December 2025

### Ratings

Senior Unsecured

Debt Rating  $A_g/A_g^{+*}$   
(credit-enhanced)

Long-Term Credit  
Rating  $BBB_g$

Outlook Stable

Category Corporate

Domicile China

Rating Type Solicited Rating

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## Fu Gang Construction Group Co., Ltd.

### Surveillance credit rating report

**CCXAP affirms the long-term credit rating of Fu Gang Construction Group Co., Ltd. at  $BBB_g$ , with stable outlook.**

### Summary

The  $BBB_g$  long-term credit rating of Fu Gang Construction Group Co., Ltd. ("Fu Gang" or the "Company") reflects the Rugao City Government's very strong capacity to provide support and its high willingness to provide support, based on our assessment of the Company's characteristics.

Our assessment of the local government's capacity to provide support reflects Rugao City's status as one of the CCID Top 100 Counties in China and its relatively good economic position among all the counties/districts in Nantong City for years. However, its fiscal self-sufficiency is moderate.

The rating also reflects the local government's willingness to provide support, which is based on the Company's (1) important role in infrastructure construction and urban utilities in Rugao City, especially in Rugao Port Area; (2) track record of receiving government support; and (3) access to diversified funding.

However, the rating is constrained by the Company's (1) increasing debt burden and moderate asset liquidity; and (2) medium level of contingent risk.

The stable outlook on Fu Gang's rating reflects our expectation that the local government's capacity to provide support will remain stable, and the Company will maintain its important role in the development of Rugao City over the next 12 to 18 months.

## Rating Drivers

- Clear and important position in Rugao City, especially in Rugao Port Area
- Track record of receiving government support
- Access to diversified funding
- Increasing debt burden and moderate asset liquidity
- Medium level of contingent risk

## Rating Sensitivities

### What could upgrade the rating?

The rating could be upgraded if (1) the local government's ability to provide support strengthens; or (2) the Company's characteristics change in a way that strengthens the local government's willingness to provide support, such as increased policy importance, improved debt management or reduction in exposure to external guarantees.

### 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, increased exposure to commercial activities or weakened access to funding.

## Key Indicators

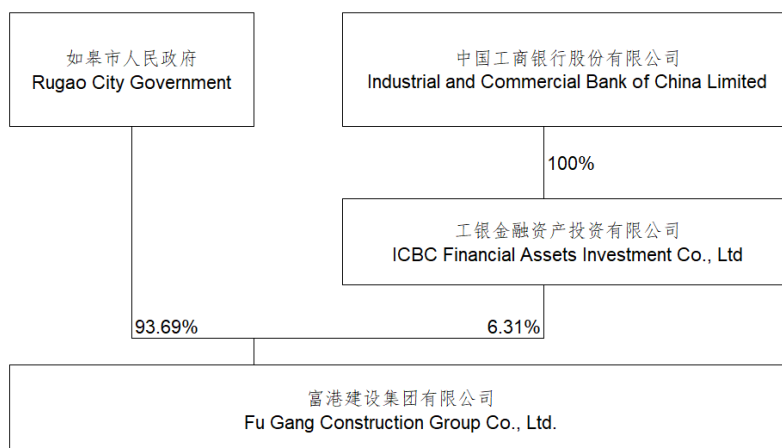
	2022FY	2023FY	2024FY	2025Q3
Total Assets (RMB billion)	19.9	22.8	24.0	29.1
Total Equity (RMB billion)	8.7	8.9	9.1	11.8
Total Revenue (RMB billion)	2.0	1.9	1.3	1.0
Total Debt/Total Capital (%)	57.0	59.4	60.6	57.6

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

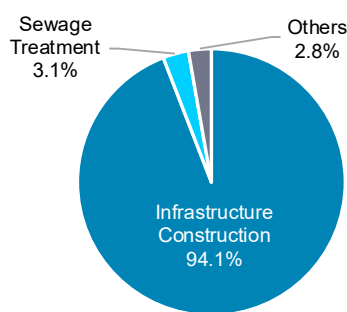
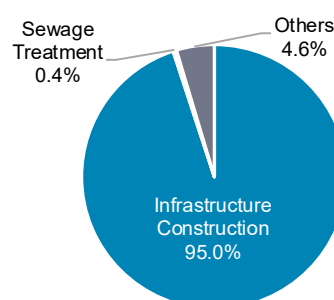
Source: Company data, CCXAP research

## Corporate Profile

Founded in 2010, Fu Gang is one of the important local infrastructure investment and financing companies ("LIIFCs") in Rugao City, and primarily undertakes the role of infrastructure construction and sewage treatment in Rugao Port Area (Changjiang Town), a sub-center of Rugao City. Fu Gang's business scope mainly includes infrastructure construction, sewage treatment, trading and land transfer businesses. As of 30 September 2025, the Company was controlled by Rugao City Government, which directly held 98.67% of the Company's shares; the remaining shares were held by ICBC Financial Asset Investment Co., Ltd.

**Exhibit 1. Shareholding chart as of 30 September 2025**

Source: Company information, CCXAP research

**Exhibit 2. Revenue structure in 2024****Exhibit 3. Gross profit structure in 2024**

Source: Company information, CCXAP research

**Rating Considerations****Government's Capacity to Provide Support**

We believe that the Rugao City Government has very strong capacity to provide support to the Company, based on its position as one of the top 100 counties in China in terms of comprehensive strength, complemented by its record of sustained rapid economic growth. However, Rugao City's fiscal balance ratio remains relatively low.

Jiangsu Province is one of the leading and well-developed provinces in China. It is home to many of the world leading enterprises of electronic equipment, chemicals, and textiles. Jiangsu Province is the second largest province in China by GRP, after Guangdong Province. In 2024, its total GRP amounted to RMB13.7 trillion, a year-over-year ("YoY") increase of 5.8%. The GRP per capita for the same period was RMB160,694, ranking top among all provinces in China. In the first three quarters of 2025, Jiangsu Province achieved a GRP of RMB10.3 trillion, representing a YoY increase of 5.4%.

Located in the south of Jiangsu Province, Nantong City is an economic center and a modern port city on the north shore of the Yangtze River Delta. On the back of its port resources and location advantages, Nantong City has developed six core industrial sectors, including shipbuilding and marine equipment, textile and garment, electronic information, new materials, high-end equipment, and new energy. Nantong's GRP reached RMB1.2 trillion in 2024, ranking 4<sup>th</sup> among the prefecture-level cities in Jiangsu Province. In the first three quarters of 2025, Nantong City recorded a GRP of RMB978.9 billion, a YoY increase of 5.4%. Nantong Municipal

Government's fiscal indicators showed a continued improvement given the improved self-sufficiency ratio (general budgetary revenue/general budgetary expenditure) and good revenue generating ability. It reported a general budgetary revenue of RMB70.1 billion in 2024, of which tax revenue accounted for over 70% of general budgetary revenue on average over the past three years. Its fiscal self-sufficiency ratio was 56.8% on average over the past three years. The government fund budget revenue is an important supplement to fiscal revenue. However, affected by the slowdown of the real estate and land market conditions, the government fund revenue continued to decline to RMB83.5 billion in 2024. As of 31 December 2024, Nantong Municipal Government's outstanding debt amounted to RMB261.6 billion, accounting for 21.1% of GRP.

#### Exhibit 4. Key economic and fiscal indicators of Nantong City

	2022FY	2023FY	2024FY
GRP (RMB billion)	1,138.0	1,180.0	1,242.2
GRP Growth (%)	2.1	5.8	6.2
General Budgetary Revenue (RMB billion)	61.3	68.0	70.1
General Budgetary Expenditure (RMB billion)	114.7	118.1	117.9
Local Government Debt (RMB billion)	197.9	213.0	261.6

Source: Nantong Municipal Government, CCXAP research

Rugao City is under the jurisdiction of Nantong City. It has a solid industrial foundation, leveraging its riverside and coastal resources along with the locational advantages of the Yangtze River Delta. The industrial structure of Rugao City has been transformed and upgraded in recent years, forming leading industries such as intelligent equipment manufacturing, new energy vehicles, new materials, and third-generation semiconductors. In 2025, Rugao City ranked 20<sup>th</sup> in the CCID Top 100 Counties in China. In recent years, Rugao City's GRP increased steadily to RMB161.5 billion in 2024 from RMB147.9 billion in 2022. During the same period, its general budgetary revenue increased to RMB8.0 billion from RMB7.4 billion. Tax income accounted for around 77.2% on average of the general budgetary revenue over the past three years, representing a relatively stable revenue generating ability, while its fiscal self-sufficiency ability was moderate with an average fiscal balance ratio of 53.5% over the past three years. At the end of 2024, the local government's outstanding debt was RMB33.8 billion, accounting for 20.9% of GRP.

#### Exhibit 5. Key economic and fiscal indicators of Rugao City

	2022FY	2023FY	2024FY
GRP (RMB billion)	147.9	153.4	161.5
GRP Growth (%)	2.3	5.9	6.5
General Budgetary Revenue (RMB billion)	7.4	7.7	8.0
General Budgetary Expenditure (RMB billion)	13.6	14.6	14.9
Local Government Debt (RMB billion)	28.5	29.4	33.8

Source: Rugao City Government, CCXAP research

Rugao City has several key development function zones, including Rugao Economic and Technological Development Zone, Rugao High-Tech Industrial Development Zone, and Rugao Port Area (Changjiang Town). The Changjiang Town and Rugao Port Area are managed as a single entity. As a key town in Jiangsu Province, Rugao Port Area (Changjiang Town) is located in the southern end of Rugao City, on the north bank of the Yangtze River, with a planning area of 200 square kilometers and 32 villages under its jurisdiction. The town boasts 48 kilometers of Yangtze River coastline and two national-level Yangtze River main navigation channels. Following years of development, a number of specialized industrial parks have been constructed in the Rugao

Port Area, including the Ship Offshore and Heavy Equipment Park, the Green New Material Park, the Communication Appliance and Electronics Park, the Modern Logistics Park, the Eco-tourism Resort and the Modern Agricultural Park.

### **Government's Willingness to Provide Support**

#### **Clear and important position in Rugao City, especially in Rugao Port Area**

Fu Gang is given a clear position and different business area by Rugao City Government compared with other LIIFCs in Rugao City. It is positioned as an integrated service provider of urban infrastructure and utilities in Rugao Port Area. There are 2 major LIIFCs in the Rugao Port Area, namely Fu Gang and Rugao Yanjiang Development and Investment Co., Ltd. ("YJDI"). As a wholly-owned subsidiary of Rugao City Transportation Industry Group Co., Ltd., YJDI is mainly responsible for land consolidation, resettlement housing and the construction and maintenance of the old urban area within the Rugao Port Area. Given its role in Rugao Port Area and its close relationship with the local government, we believe that Fu Gang will continue to receive support from the local government.

#### **Undertaking infrastructure construction and sewage treatment in Rugao Port Area**

Fu Gang bears the responsibility for the infrastructure construction in Rugao Port Area, as well as the construction of related supporting facilities mainly through agency construction model. Under the agency construction mode, the Company signs construction agreements with a local state-owned enterprise ("SOE") and carries out the construction work accordingly. Upon completion of the project construction, the commissioner would carry out the acceptance and settlement procedures, and the Company recognizes a markup on total cost as revenue after examinations of projects. The Company has successfully delivered a series of local infrastructure construction projects including hospitals, schools, sewage treatment plants and roads over the past few years, with a total investment of around RMB8.1 billion. As of 31 March 2025, the Company had 3 key infrastructure projects under construction with an expected total investment of around RMB4.6 billion and uninvested amount of RMB3.1 billion. Meanwhile, it had 2 key projects under planning with total estimated investment of RMB5.9 billion. These projects are mainly related to industrial park development and ecological renovation.

In addition, Fu Gang operates sewage treatment business within the Rugao Port Area with the grant of concession. The business mainly involves collection and treatment of the industrial and residential sewage in the Rugao Port Area. The Company operates 2 wastewater treatment plants and a combined pipeline network length of 33.0 kilometers, with a design capacity of 40,000 tons per day. For industrial sewage, the Company collects sewage treatment fees directly from the enterprises under the government guideline price. The Company's sewage treatment business generates stable revenues, but is dependent on government subsidies due to its livelihoods and public nature. In 2025, the local government transferred 100% of its share holdings in Rugao Gaogang Water Supply Co., Ltd. to the Company, which is responsible for water supply and sewage treatment services within the Rugao Port Area. This led to an expansion of the Company's business scope, with revenue increasing and a strengthened regional franchise.

We believe the Company's pipelines of projects and regional franchise for sewage treatment will ensure Fu Gang's important presence in the Rugao Port Area.

#### **Low exposure to commercial activities**

Fu Gang is also engaged in commercial activities such as trading business. Based on our assessment, its risk

exposure to commercial activities is relatively small. In addition, the Company has no longer carried the trading business as the main business since the fourth quarter of 2023.

### **Track record of receiving government support**

Fu Gang has received ongoing support from the Rugao City Government, including capital injections, project payments and financial subsidies. For example, from 2024 to 2025Q3, the Company received government subsidies of RMB115.0 million. Meanwhile, as of 31 March 2025, the Company has received a total of RMB5.7 billion in infrastructure project repayments from the local government. During the first three quarters of 2025, the Company received a capital injection of RMB1.0 billion in cash from the Rugao City Government which increased its paid-in capital. In addition, the Company has also received a variety of asset injections, such as water supply franchise rights and equities in other SOEs, which have combined to increase the Company's capital reserve by RMB1.3 billion in the first three quarters of 2025. We expect Fu Gang to receive ongoing government support given its position as the main entity for infrastructure construction in Rugao Port Area.

### **Increasing debt burden and moderate asset liquidity**

Fu Gang has an increasing debt burden owing to its debt-driven business expansion over the past few years. Affected by the continuous investment in infrastructure construction projects, the Company's total debt has maintained an increasing trend. From 2023 to 30 September 2025, its total debt increased to RMB16.0 billion from RMB13.0 billion; the total capitalization ratio, measured by total debt to total capital, decreased to 57.6% mainly due to the increase of equity. The Company has a relatively high short-term debt burden, with the short-term debt accounting for around 42.0% of the total debts and the cash to short-term debt ratio at 0.3x, as of 30 September 2025. The amount that the Company planned to invest in the construction of infrastructure in the future is relatively large. Given the Company will keep reliance on external financing, we expect that its debt level will continue to increase over the next 12 to 18 months.

In addition, Fu Gang's asset liquidity is moderate. There was a significant allocation to receivables and inventories with limited profitability, which together accounted for 87.8% of total assets as of 30 September 2025. The Company's inventories mainly include costs of construction projects and land, of which 90 land parcels with a total area of 2.2 million square meters were mainly for commercial and residential use. On top of that, Fu Gang's accounts receivables are mainly from project settlements with local SOEs, which accounted for 11.9% of its total assets as of 30 September 2025. Such payments may be subject to the fiscal regime and land market conditions. The Company's other receivables are primarily comprised of amounts due from local SOEs, which are substantial in scale and have an uncertain payback period, forming a certain occupation of the Company's funds. As of 30 September 2025, the Company has pledged a number of assets for loans, such as cash and land in inventory, with a total amount of RMB4.1 billion, accounting for around 14.1% of its total assets, which weakened its asset liquidity. However, with the economic development of Rugao Port Area, the Company's land assets may appreciate in value and can be used for industrial investment and development purposes.

### **Access to diversified funding**

Fu Gang's pressure on large expenditures and short-term debt burden could be partially released by its refinancing ability. The Company's financing channels mainly include bank loans and direct financing, along with a certain scale of non-standard financing products. It has maintained good relationships with policy banks, joint-stock commercial banks and large state-owned commercial banks, such as China Agricultural Development Bank, Bank of Nanjing Co., Ltd. and Industrial and Commercial Bank of China. As of 30 September 2025, the Company has obtained total bank credit facilities of RMB19.9 billion, with an unutilized amount of

RMB8.4 billion. The Company also has a track record for fund-raising activities in the capital market. For example, as of 30 September 2025, the Company's financing balance from debt issuance was RMB2.9 billion, including 3 onshore bonds with coupon rates from 2.37% to 3.7% and 3 tranches of CNY offshore bonds with coupon rates within 3.1%-5.6% range. Fu Gang's exposure to non-standard financing is manageable, mainly including financial leasing, accounting for around 5.2% of the total debts. Overall, we expect the Company's refinancing risk to be relatively manageable over the next 12-18 months.

### **Medium level of contingent risk**

Fu Gang's credit profile is constrained by substantial external guarantees, which could potentially increase its repayment obligations. As of 30 September 2025, the Company had outstanding external guarantees of RMB5.1 billion, accounting for 43.5% of its net assets. All the external guarantees were provided to SOEs in Rugao City, which we believe the risks are relatively manageable.

In addition, as of the end of September 2025, the Company was involved in a material litigation matter concerning a contractual dispute between Jiangsu Hongjing Group Co., Ltd. and several local SOEs such as YJDI and Fu Gang. The case is still pending in the High Court of Jiangsu Province. Beforehand, the judgement from Nantong Intermediate People's Court was that the Company was jointly and severally liable for YJDI's obligation with amount of approximately RMB225.6 million. The amount involved in the lawsuit accounts for less than 5% of the Company's net assets and has limited impact on the Company's operations and credit profile.

## **ESG Considerations**

Fu Gang 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.

Fu Gang bears social risks as it implements public policy initiatives by undertaking infrastructure construction projects in Rugao Port Area. 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.

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

## **Credit Enhancement**

Fu Gang's senior unsecured debt ratings are based on our assessment of the credit quality of the Bank of Nanjing and the Bank of Jiangsu (the "LC Banks"), as the bonds (ISIN: HK0001089405) (ISIN: HK0001089397) were fully supported by an irrevocable SBLC from the Bank of Nanjing, Nantong Branch and the Bank of Jiangsu, Nantong Branch, respectively. The payment obligations of the LC Banks under the SBLC shall at all times rank pari passu with all of its other present and future unsecured and unsubordinated obligations. Our analysis of the transactions is based on the LC Banks to support the payment of the bonds through the SBLC. Any change to the credit quality of the LC Banks could lead to a corresponding change in the rating of the bonds.



**Exhibit 6. Information of rated bonds of Fu Gang**

ISIN	LC Bank	Senior Unsecured Debt Rating
HK0001089405	Bank of Nanjing, Nantong Branch	A <sub>g</sub>
HK0001089397	Bank of Jiangsu, Nantong Branch	A <sub>g</sub> <sup>+</sup>

**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 LC Bank's assessment is the Rating Methodology for [Banks \(November 2021\)](#).

**Appendix****Exhibit 7. Peer comparison**

	Jiangsu Gaokai Investment Development Group Co., Ltd.	Fugang Construction Group Co., Ltd.
Long-Term Credit Rating	BBB <sub>g</sub> <sup>+</sup>	BBB <sub>g</sub>
Shareholder	Rugao City Government (100%)	Rugao City Government (93.69%); ICBC Financial Asset Investment Co., Ltd. (6.31%)
Positioning	Key developer in Rugao City responsible for development and operation of industrial parks	Integrated service provider of urban infrastructure and utilities in Rugao Port Area.
Total Assets (RMB billion)	50.9	29.1
Total Equity (RMB billion)	19.4	11.8
Total Revenue (RMB billion)	1.3	1.0
Total Debt/Total Capital (%)	60.3	57.6

All ratios and figures are calculated using CCXAP's adjustments based on financial data as of 30 September 2025.

Source: Company information, CCXAP research



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