

Zhangzhou Transportation Development Group Co., Ltd.

Surveillance Report

Summary

Issuer Rating	BBB+
Outlook	Positive
Location	China
Industry	Local Investment and Development Companies
Date	10 July 2024

Key Figures of Zhangzhou and ZZT

(RMB billion)	2022	2023
Zhangzhou		
GDP	570.7	572.8
GDP growth rate (%)	6.9	5.9
Budgetary revenue	25.1	27.9
Government fund	22.7	17.0
Transfer payment	*23.0	5.8
Budgetary expenditure	49.9	52.2
ZZT		
Assets	70.1	71.7
Equity	25.6	26.7
Revenue	10.0	3.2

*Updated data

Source: Public information, ZZT and Lianhe Global's calculations

Lianhe Ratings Global Limited ("Lianhe Global") has affirmed 'BBB+' global scale Long-term Issuer Credit Rating of Zhangzhou Transportation Development Group Co., Ltd. ("ZZT" of "the company"); Issuer Rating Outlook Revised to Positive

Summary

The Issuer Credit Rating reflects a high possibility that the Zhangzhou Municipal People's Government ("Zhangzhou government") would provide strong support to Zhangzhou Transportation Development Group Co., Ltd. ("ZZT" or "the company") if needed, in light of its 90% ownership of ZZT, ZZT's strategic position as an important transportation infrastructure and assets operation entity in Zhangzhou City ("Zhangzhou") and the strong linkage between the Zhangzhou government and ZZT including management supervision, strategic alignment, and ongoing operational and financial support. In addition, the Zhangzhou government may face significant negative impact on its reputation, business and financing activities should ZZT encounter any operational or financial difficulties.

The Positive Outlook reflects our expectation that ZZT's strategic importance would be strengthened given its increasing involvement in modern marine industry, as well as new development in low-altitude economy and industrial transformation, while the Zhangzhou government will continue to ensure ZZT's stable operation. ZZT is strengthening its role as an integrated entity in modern marine industry development, which involves the development of fishing ports, docks, deep-sea marine culture, etc. Also, ZZT is involving in low-altitude economy, which includes infrastructure construction, transportation, equipment manufacturing, logistic service, etc. Besides, ZZT is accelerating its industrial transformation, such as increasing its investment in the comprehensive supply chain services and green transportation industry.

Rating Rationale

Government's Ownership and Supervision: The Zhangzhou government directly holds 90% ownership of ZZT through the State-owned Assets Supervision and Administration Commission of the Zhangzhou government ("Zhangzhou SASAC"). Zhangzhou SASAC is the actual controller of the company. The remaining 10% stake of the company is held by the Fujian Provincial Department of Finance. The Zhangzhou government has strong control and supervision over ZZT, including control of the board of directors, senior management appointments and major strategic, investing and financing plans. In addition, the Zhangzhou government has assessment mechanism over the company and it appoints auditor to supervise the operating performance and financial position on a periodic basis.

Strategic Importance to Zhangzhou and Strategic Alignment: ZZT is the major entity responsible for transportation infrastructure construction and urban transportation operation in Zhangzhou. The company also undertakes other businesses such as cargo ship leasing, tourism development and merchandise sales. ZZT is going to strengthen its role as an integrated entity in modern marine industry development, which involves the

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Applicable Criteria

[China Local Investment and Development Companies Criteria \(5 December 2022\)](#)



development of fishing ports, docks, deep-sea marine culture, etc. Also, ZZT will involve in low-attitude economy, which includes infrastructure construction, transportation, equipment manufacturing, logistic service, etc. Besides, ZZT will also accelerate its industrial transformation, such as increasing its investment in the comprehensive supply chain services and green transportation industry. ZZT plays an important role in promoting the economic and social development of the region. Its business operation and development have been aligned with the government's development plans.

Ongoing Government Support: ZZT receives various and stable financial subsidies from the local government, including transportation-related construction project subsidies and transportation subsidies from different levels of governments. Most of the subsidies were on a regular basis. In 2020-2023, ZZT received a total financial subsidy of RMB1.2 billion from the local government. Also, ZZT received an asset injection of tourist scenic roads with the amount of RMB10.0 billion from the local government in 2023. We believe ZZT is likely going to receive government support in time of operational and/or financial subsidies.

ZZT's Financial Matrix and Liquidity Position: ZZT's total assets increased to RMB71,706 million at end-March 2024 from RMB51,267 million at end-2022, as the company actively participated in the construction business. ZZT's total adjusted debt (treating perpetual debts as debt instead of equity) increased to RMB45,219 million at end-March 2024, which was 24.3% higher than that at end-2022 (RMB36,368 million). At end-March 2024, the short-term debt and long-term debt accounted for 31.6% and 68.4% of the total adjusted debt, respectively. The company's financial leverage, as measured by debt/capitalization, fell from 72.4% at end-2022 to 65.7% at end-March 2024.

ZZT's liquidity is tight. At end-March 2024, ZZT had cash of RMB2.5 billion and an unused credit line of RMB3.4 billion, compared with its debt to be due within one year of RMB14.3 billion. ZZT has access to multiple financing channels including bank borrowings, corporate bonds, offshore USD bonds and other financing channels. Bank loans, corporate bonds and other financing channels.

Zhangzhou's Economy and Fiscal Condition: Zhangzhou's GDP reached RMB572.8 billion in 2023, representing a year-over-year growth rate of 5.9%, which was ranked 4th out of all cities in Fujian Province in terms of GDP in 2023. Zhangzhou's GDP per capita was RMB113,087 and disposable income per capita was RMB38,727 in 2023, which were increased by 6.0% and 6.1% compared to 2022, respectively. The budgetary revenue of the Zhangzhou government increased to RMB27.9 billion and represented an annual growth rate of 11.5% in 2023, with the contribution of tax revenue to the budgetary revenue elevated to 59.8% in 2023 from 51.8% in 2022. The financial self-sufficiency rate of Zhangzhou remained low and recorded a budget deficit of 86.8% in 2023. The outstanding debt of the Zhangzhou government continued to grow in 2023, which was mainly due to the rise in special purpose debt. The outstanding debt was RMB142.8 billion in 2023, including RMB49.6 billion of general obligations and RMB93.2 billion of special purpose debt. The debt ratio (total outstanding debt/aggregate fiscal revenue) surged to 269.5% in 2023 from 161.2% in 2022.

Rating Sensitivities

We would consider downgrading ZZT's rating if (1) there is a perceived weakening in support from the Zhangzhou government, particularly due to its reduced strategic importance with diminished government functions, or (2) there is a significant reduction of



the Zhangzhou government's ownership of ZZT, or (3) there is a downgrade in our internal credit assessment on the Zhangzhou government.

We would consider upgrading ZZT's rating if (1) there is strengthened support from the Zhangzhou government, or (2) there is a continuing demonstration of the strengthening of ZZT's strategic importance in Zhangzhou, or (3) there is an upgrade in our internal credit assessment on the Zhangzhou government.

Company Profile

ZZT was established by the Transportation Bureau of Zhangzhou in May 2011 with an initial registered capital of RMB100 million. In December 2014, ZZT's shareholder was changed to the Zhangzhou SASAC from the Transportation Bureau of Zhangzhou. In October 2021, Zhangzhou SASAC transferred 10% of the equity of ZZT to the Fujian Provincial Department of Finance. Zhangzhou SASAC is the actual controller of ZZT.

ZZT is the major entity responsible for transportation infrastructure construction and urban transportation operation in Zhangzhou. The company also undertakes other businesses such as cargo ship leasing, tourism development and merchandise sales. ZZT plays an important role in promoting the economic and social development of the region. Its business operation and development have been aligned with the government's development plans.

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