

Fujian Zhanglong Group Co., Ltd.

Lianhe Ratings Global Limited (“Lianhe Global”) has affirmed ‘A-’ global scale Long-term Issuer and Issuance Credit Rating of Fujian Zhanglong Group Co., Ltd. (“Zhanglong Group” or “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 very strong support to Zhanglong Group if needed, in light of its 90% ownership of Zhanglong Group, Zhanglong Group's strategic position as an important state-owned asset operation and development entity of Zhangzhou and the strong linkage between the Zhangzhou government and Zhanglong Group, 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 Zhanglong Group encounter any operational or financial difficulties.

Zhangzhou is a prefecture-level city in southern Fujian Province. Zhangzhou's GDP grew steadily by 6.1% year-over-year in 2024 and reached RMB606.4 billion. The budgetary revenue of the Zhangzhou government stayed roughly flat at RMB27.6 billion in 2024 compared with RMB27.9 billion in 2023.

The Positive Outlook reflects our expectation that Zhanglong Group's strategic importance would be strengthened given the increasing strategic importance of Dongshan County as a major county in Fujian Province with abundant marine resources, equity transfer to the company and the management appointment, and receiving support from both the People's Government of Fujian Province (“Fujian government”) and the Zhangzhou government. Besides, the Zhangzhou government will continue to ensure Zhanglong Group's stable operation.

Lianhe Global has also affirmed ‘A-’ global scale Long-term Issuance Credit Rating of the senior unsecured USD bonds issued by Zhanglong Group at the same time. A full list of affirmed issuance rating is included in this report.

Rating Rationale

Government's Ownership and Supervision: The Zhangzhou government has 90% ownership of Zhanglong Group via the State-owned Assets Supervision and Administration Commission of the Zhangzhou government (“Zhangzhou SASAC”). The other 10% stake is held by Fujian Provincial Department of Finance. The Zhangzhou government also has strong control and supervision over Zhanglong Group, including control of the board of directors, senior management appointments, major strategic, investment and financing planning.

Strategic Importance and Strategic Alignment: Zhanglong Group is an important state-owned entity that is mainly responsible for regional industrial development, infrastructure construction and operation of Zhangzhou, to support the local economic and industrial development, as well as urban infrastructure construction and development. The company involves in water supply, supply chain and public rental housing businesses in Zhangzhou. Following the injection of assets in Dongshan county (“Dongshan”) in 2023, Zhanglong

Summary

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|---------------|--|
| Issuer Rating | A- |
| Outlook | Positive |
| Location | China |
| Industry | Local Investment and Development Companies |
| Date | 3 September 2025 |

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Applicable Criteria

[China Local Investment and Development Companies Criteria \(31 July 2025\)](#)

Group also involves in the development of Dongshan, such as fishing port construction, marine technology, logistics, etc. Going forward, Zhanglong Group will further consolidate its leading role and accelerate the development of Dongshan. Moreover, Zhanglong Group participates in the development of a number of industrial parks (such as green building materials, intelligent agriculture, logistics park, etc.) and other municipal infrastructure facilities in Zhangzhou.

Ongoing Government Support: Zhanglong Group continues to receive supports from the Zhangzhou government for its business operation, mainly including asset injections, equity injections, government subsidies, financial support, and it also benefits from preferential tax and/or tax exemption policies in encouraged industrial and/or utilities business. Zhanglong Group received financial subsidies with a total amount of RMB1.1 billion from 2021 to 2024. Also, Zhanglong Group received a gratuitous transfer of 2 million shares of Zhangzhou Pientzhuang Pharmaceutical Co. Ltd. under the arrangement of the Zhangzhou government. The transfer was completed in July 2025. We believe Zhanglong Group is likely going to receive timely government support in the form of operational and/or financial subsidies.

Zhanglong Group's Financial Matrix and Liquidity Position: Zhanglong Group's total assets showed a continuous growth trend in the past few years and reached RMB114.4 billion at end-June 2025. Zhanglong Group's financial leverage, as measured by the debt to capitalization ratio, remained stable at 59.7% at end-June 2025, compared with 61.4% and 61.1% at end-2023 and end-2024, respectively, and 60.2% at end-March 2025. Zhanglong Group mainly relies on external financing for capital expenditure. The total adjusted debt of Zhanglong Group reached RMB56.5 billion at end-June 2025, of which the short-term and long-term debt accounted for 57.2% and 42.8%, respectively.

The liquidity of Zhanglong Group was moderate. At end-June 2025, Zhanglong Group had total cash of RMB4.9 billion, compared with its debt to be due within one year of RMB32.3 billion. Having said that, Zhanglong Group was able to mitigate the risk of the short-term debt burden through rolling over the bank borrowings and capital market refinancing. Zhanglong Group has access to multiple financing channels including bank borrowings, bond issuance and other non-traditional financing channels. At end-March 2025, the company had a total credit line of RMB60.4 billion, of which RMB30.4 billion was available.

Rating Sensitivities

We would consider downgrading Zhanglong Group's rating if (1) there is 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 Zhanglong Group, or (3) there is a downgrade in our internal credit assessment on the Zhangzhou government.

We would consider upgrading Zhanglong Group's rating if (1) there is an upgrade in our internal credit assessment on the Zhangzhou government, and/or (2) there is strengthened support from the Fujian government.

Any rating action on Zhanglong Group's rating would result in a similar rating action on its USD bonds.

Full List of Issuance Ratings

A full list of issuance ratings is included below:

- USD500 million 6.7% senior unsecured bonds due 2026 affirmed at 'A-'

- USD500 million 5.1% senior unsecured bonds due 2028 affirmed at 'A'

Operating Environment

Economic Condition of Zhangzhou

Zhangzhou's economy maintained a stable growth in the past few years and its GDP reached RMB606.4 billion in 2024, representing a year-on-year growth of 6.1% (2023: 5.9%). Zhangzhou's economic growth was mainly fueled by secondary and tertiary industries, which accounted for 45.0% and 44.9% of GDP in 2024, respectively. The GDP per capita of Zhangzhou was RMB119,500 in 2024, which was lower than that of Fujian Province (RMB137,900) but higher than that of China (RMB95,700).

| Zhangzhou's GDP and Fixed Asset Investment | | | |
|---|-------|-------|-------|
| (RMB billion) | 2022 | 2023 | 2024 |
| GDP | 570.7 | 572.8 | 606.4 |
| -Primary industry (%) | 10.0 | 10.5 | 10.1 |
| -Secondary industry (%) | 50.1 | 47.0 | 45.0 |
| -Tertiary industry (%) | 39.9 | 42.5 | 44.9 |
| GDP growth rate (%) | 6.9 | 5.9 | 6.1 |
| Fixed asset investment growth rate (%) | 10.1 | 8.1 | 8.5 |
| Population (million) | 5.1 | 5.1 | 5.1 |

Source: Financial Bureau of Zhangzhou, statistical bureau of Zhangzhou and Lianhe Global's calculations

Fiscal Condition of Zhangzhou

The budgetary revenue of the Zhangzhou government stayed roughly flat at RMB27.6 billion in 2024 compared with RMB27.9 billion in 2023, with the contribution of tax revenue slightly down to 58.4% from 59.8% over the same period. The fiscal self-sufficiency rate of the Zhangzhou government remained weak, with its budget deficit widened to 110.0% in 2024 from 86.8% in 2023.

The outstanding debt of the Zhangzhou government kept growing in past few years. At end-2024, the Zhangzhou government's outstanding debt increased to RMB168.8 billion from RMB142.8 billion at end-2023, mainly due to the issuance of special purpose debts to support local public projects. Having said that, its government debt ratio, as measured by the total government debt/aggregate revenue, decreased slightly to 193.4% at end-2024 from 200.6% at end-2023.

| Zhangzhou's Fiscal Condition | | | |
|--------------------------------------|-------------|-------------|-------------|
| (RMB billion) | 2022 | 2023 | 2024 |
| Budgetary revenue | 25.1 | 27.9 | 27.6 |
| Budgetary revenue growth rate (%) | 16.7* | 11.5 | -1.3 |
| Tax revenue | 13.0 | 16.7 | 16.1 |
| Tax revenue (% of budgetary revenue) | 51.8 | 59.8 | 58.4 |
| Government fund income | 22.7 | 17.0 | 22.2 |
| Transfer payment | 23.0 | 25.5 | 33.0 |
| Aggregate revenue | 71.8 | 71.2 | 87.3 |
| Budgetary expenditure | 50.2 | 52.2 | 57.9 |
| Budget balance ¹ (%) | -100.3 | -86.8 | -110.0 |

¹ Budget balance = (1-budgetary expenditure / budgetary revenue) * 100%

*Excluding the influence of value-added tax credit refund

Source: Financial Bureau of Zhangzhou, statistical bureau of Zhangzhou and Lianhe Global's calculations



Company Profile

Zhanglong Group was established in July 2001 with an initial registered capital of RMB100 million under the approval of the Zhangzhou government. After several capital injections and equity transfers, both the registered capital and paid-in capital of Zhanglong Group reached RMB3.83 billion at end-June 2025. The Zhangzhou government, as the actual controller of the company, has 90% ownership of Zhanglong Group via the Zhangzhou SASAC. The other 10% stake is held by Fujian Provincial Department of Finance.

Zhanglong Group is a diversified state-owned entity that engages in infrastructure construction, water supply and sewage treatment, industrial park development in Zhangzhou. It also engages in trading business, property sales, expressway operation, modern agriculture, industrial investment and other businesses to facilitate the economic development and support the urban development of the region. The company recognized revenue of RMB26.2 billion in the first half of 2025 with a gross margin of 2.5%.

Key Financial Data

| (RMB million) | 2022 | 2023 | 2024 | 2025.6 |
|---|--------|---------|---------|---------|
| Total Assets | 81,070 | 101,869 | 112,841 | 114,381 |
| Equity | 25,757 | 32,978 | 36,449 | 38,125 |
| Debt | 45,943 | 52,354 | 57,145 | 56,542 |
| Debt / (Debt + Equity) (%) | 64.1 | 61.4 | 61.1 | 59.7 |
| Unrestricted cash/ST Debts (x) | 0.1 | 0.1 | 0.1 | 0.1 |
| Debt/EBITDA (x) | 45.0 | 25.6 | 25.0 | - |
| Revenue | 35,033 | 46,718 | 48,312 | 26,183 |
| Operation Profit | -60 | 537 | 74 | -96 |
| Gross Margin (%) | 4.3 | 3.4 | 3.1 | 2.5 |
| Cash from sales or services/ Revenue (%) | 109.4 | 106.9 | 113.4 | 113.4 |

Source: Zhanglong Group and Lianhe Global's calculations

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