

Fujian Zhanglong Group Co., Ltd.

Lianhe Ratings Global Limited (“Lianhe Global”) has upgraded the global scale Long-term Issuer and Issuance Credit Rating of Fujian Zhanglong Group Co., Ltd. (“Zhanglong Group”) to ‘A’ from ‘A-’; Issuer Rating Outlook Revised to Stable

Summary

The Issuer Credit Rating upgrade reflects Zhanglong Group’s increasing strategic importance in Zhangzhou City (“Zhangzhou”) and Fujian Province, given its deepening role in the development of marine economy, cross-Strait integration, and the China-Philippines “Two Countries, Twin Parks” initiative, as well as continuous support received from both Zhangzhou Municipal People’s Government (“Zhangzhou government”) and the People’s Government of Fujian Province (“Fujian government”).

We believe this continues to reflect a high possibility that the Fujian government and the Zhangzhou government would provide strong support to Zhanglong Group if needed, in light of their 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 local government and Zhanglong Group, including management supervision, strategic alignment, and ongoing operational and financial support. In addition, we believe the local government has a strong willingness to ensure Zhanglong Group’s business and financial viability in order to safeguard its reputation and local financing activities.

Zhangzhou is a prefecture-level city in southern Fujian Province. Zhangzhou’s GDP grew by 3.0% year-over-year to RMB615.4 billion in 2025, while the budgetary revenue of the Zhangzhou government grew by 3.6% year-over-year to RMB28.5 billion over the same period.

The Stable Outlook reflects our expectation that Zhanglong Group’s strategic importance would remain intact while the Fujian and Zhangzhou governments will continue to ensure Zhanglong Group’s stable operation.

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

Summary

Issuer Rating	A
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	24 June 2026

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Applicable Criteria

China Local Investment and Development Companies Criteria (31 July 2025)

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 in 2023, Zhanglong Group also involves in the development of marine economy (such as fishing port construction, marine technology, logistics) and cross-Strait integration (such as trade with Taiwan). Moreover, Zhanglong Group participates in the development of several industrial parks (including the one related to the China-Philippines “Two Countries, Twin Parks” initiative) and other municipal infrastructure facilities in Zhangzhou.

Ongoing Government Support: Zhanglong Group continues to receive support from the local 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 RMB1.0 billion from 2023 to 2025. Also, Zhanglong Group received a gratuitous transfer of 2 million shares of Zhangzhou Pientzehuang Pharmaceutical Co. Ltd. under the arrangement of the Zhangzhou government in 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 RMB123.0 billion at end-March 2026. Zhanglong Group’s financial leverage, as measured by the debt to capitalization ratio, was elevated slightly to 62.4% at end-March 2026, compared with 61.1% and 61.5% at end-2024 and end-2025, respectively. Zhanglong Group mainly relies on external financing for capital expenditure. The total adjusted debt of Zhanglong Group reached RMB64.0 billion at end-March 2026, of which the short-term and long-term debt accounted for 59.5% and 40.5%, respectively.

The short-term debt servicing pressure of Zhanglong Group was moderately high. At end-March 2026, Zhanglong Group had total cash of RMB8.1 billion, compared with its debt to be due within one year of RMB38.1 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-2025, the company had a total credit line of RMB64.2 billion, of which RMB33.7 billion was available.

Rating Sensitivities

We would consider downgrading Zhanglong Group’s rating if (1) there is perceived weakening in support from the Fujian or Zhangzhou government, particularly due to its reduced strategic importance, or (2) there is a significant reduction of the government’s ownership of Zhanglong Group, or (3) there is a downgrade in our internal credit assessment on the Fujian government.

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

Full List of Issuance Rating

A full list of issuance ratings is included below. Any rating action on Zhanglong Group’s rating would result in a similar rating action on its USD bonds:

- USD500 million 6.7% senior unsecured bonds due 2026 upgraded to ‘A’ from ‘A-’

- USD500 million 5.1% senior unsecured bonds due 2028 upgraded to 'A' from 'A-'

Operating Environment

Economic Condition of Zhangzhou

Zhangzhou's GDP grew by 3.0% year-over-year to RMB615.4 billion in 2025, which ranked 4th among all prefecture-level cities in Fujian Province. Zhangzhou's economic growth was primarily driven by the secondary and tertiary sectors, which contributed 43.8% and 46.3% to the GDP in 2025, respectively. Fixed asset investment in Zhangzhou contracted by 1.6% year-over-year in 2025, compared with a growth of 8.5% in 2024.

Zhangzhou's Economic Condition			
(RMB billion)	2023	2024	2025
GDP	579.0	606.4	615.4
-Primary industry (%)	10.5	10.1	9.9
-Secondary industry (%)	47.0	45.0	43.8
-Tertiary industry (%)	42.5	44.9	46.3
GDP growth rate (%)	5.9	6.1	3.0
Fixed asset investment growth rate (%)	8.1	8.5	-1.6
Population (million)	5.1	5.1	5.1

Source: Statistics Bureau of Zhangzhou and Lianhe Global's calculations

Fiscal Condition of Zhangzhou

The budgetary revenue of the Zhangzhou government grew by 3.6% year-over-year to RMB28.5 billion in 2025, compared with a contraction of 1.30% in 2024. The contribution of tax revenue to budgetary revenue was elevated to 59.5% in 2025 from 58.4% in 2024. The fiscal self-sufficiency of the Zhangzhou government improved slightly, with its budget deficit narrowing to 107.0% from 109.9% over the same period. In addition, government fund income decreased slightly to RMB21.1 billion in 2025.

The outstanding debt of the Zhangzhou government increased to RMB193.9 billion at end-2025 from RMB169.4 billion at end-2024, mainly due to the new issuance of special purpose debts. Its government debt ratio, as measured by total government debt to aggregate revenue ratio, was further elevated to 237.8% in 2025 from 208.1% in 2024.

Zhangzhou's Fiscal Condition			
(RMB billion)	2023	2024	2025
Budgetary revenue	27.9	27.6	28.5
Budgetary revenue growth rate (%)	11.5	-1.3	3.6
Tax revenue	16.7	16.1	17.0
Tax revenue (% of budgetary revenue)	59.8	58.4	59.5
Government fund income	17.0	22.2	21.1
Transfer payment	25.5	27.1	27.1*
Aggregate revenue	73.0	81.4	81.5*
Budgetary expenditure	52.2	57.9	59.1
Budget balance ¹ (%)	-86.9	-109.9	-107.0
Government debt ratio (%)	195.6	208.1	237.8

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

* Estimated data

Source: Financial 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-March 2026. 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 RMB13.2 billion in the first quarter of 2026 with a gross margin of 3.2%.

Key Financial Data (RMB million)	2023	2024	2025	2026.3
Total Assets	101,869	112,841	119,291	122,982
Equity	32,978	36,449	38,424	38,562
Debt	52,354	57,145	61,279	63,960
Debt / (Debt + Equity) (%)	61.4	61.1	61.5	62.4
Unrestricted cash/ST Debts (x)	0.1	0.1	0.1	0.2
Debt/EBITDA (x)	25.6	25.0	33.3	-
Revenue	46,718	48,312	56,183	13,172
Operating Profit	537	74	115	-28
Gross Margin (%)	3.4	3.1	2.8	3.2
Cash from sales or services/ Revenue (%)	106.9	113.4	111.1	121.8

Source: Zhanglong Group and Lianhe Global's calculations

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