

## Credit Opinion

30 June 2026

### Ratings

Senior Unsecured Debt Rating	BBB <sub>g</sub> <sup>+</sup>
Long-Term Credit Rating	BBB <sub>g</sub> <sup>+</sup>
Outlook	Stable
Category	Corporate
Domicile	China
Rating Type	Solicited Rating

### Analyst Contacts

Peter Chong +852-2860 7124  
Associate Director of Credit Ratings  
[peter\\_chong@ccxap.com](mailto:peter_chong@ccxap.com)

Celestyn Nan +852-2860 7126  
Credit Analyst  
[celestyn\\_nan@ccxap.com](mailto:celestyn_nan@ccxap.com)

Elle Hu +852-2860 7120  
Executive Director of Credit Ratings  
[elle\\_hu@ccxap.com](mailto:elle_hu@ccxap.com)

*\*The first name above is the lead analyst for this rating and the last name above is the person primarily responsible for approving this rating.*

### Client Services

Hong Kong +852-2860 7111

## Shangrao Urban Operation (Holding) Group Co., Ltd.

### Surveillance credit rating report

**CCXAP affirms Shangrao Urban Operation (Holding) Group Co., Ltd.'s long-term credit rating at BBB<sub>g</sub><sup>+</sup>, with stable outlook.**

### Summary

The BBB<sub>g</sub><sup>+</sup> long-term credit rating of Shangrao Urban Operation (Holding) Group Co., Ltd. (“SUOG” or the “Company”) reflects Shangrao Municipal Government’s (1) very 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 the Shangrao Municipal Government’s capacity to provide support reflects its economic importance in Jiangxi Province, with ongoing economic and fiscal growth.

The rating also reflects the local government’s willingness to provide support, which is based on the Company’s (1) role as the pivotal comprehensive urban operation service provider in Shangrao City; (2) good track record of receiving government support; and (3) access to diversified financing channels.

However, the rating is constrained by the Company’s (1) medium exposure to commercial activities; (2) high debt leverage with relatively large short-term debt pressure; and (3) moderate asset quality.

The stable outlook on SUOG’s rating reflects our expectation that the local government’s capacity to support the Company will remain stable, and the Company will maintain its important position as the primary infrastructure construction platform and the key urban operation services provider in Shangrao City over the next 12 to 18 months.

## Rating Drivers

- Pivotal comprehensive urban operation service provider in Shangrao City
- Medium exposure to commercial activities
- Good track record of receiving government support
- High debt leverage with relatively large short-term debt pressure
- Moderate asset quality
- Access to diversified financing channels

## Rating Sensitivities

### What could upgrade the rating?

The rating could be upgraded if (1) the local government's capacity to provide support strengthens; and (2) changes in Company's characteristics enhance local government's willingness to provide support, such as decreased exposure to commercial activities and improving debt management.

### What could downgrade the rating?

The rating could be downgraded if (1) the local government's capacity to provide support weakens; or (2) changes in Company characteristics decrease the local government's willingness to provide support, such as reduced regional significance and deteriorated financing capability.

## Key Indicators

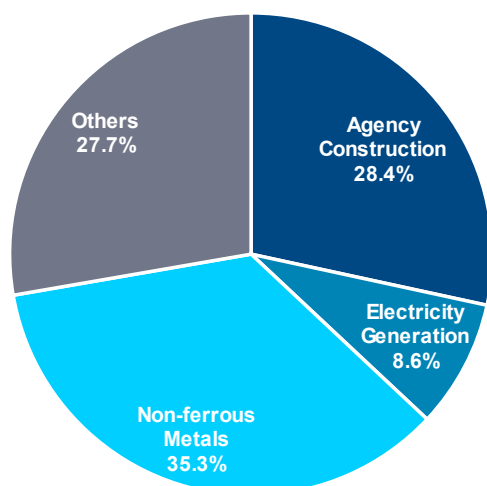
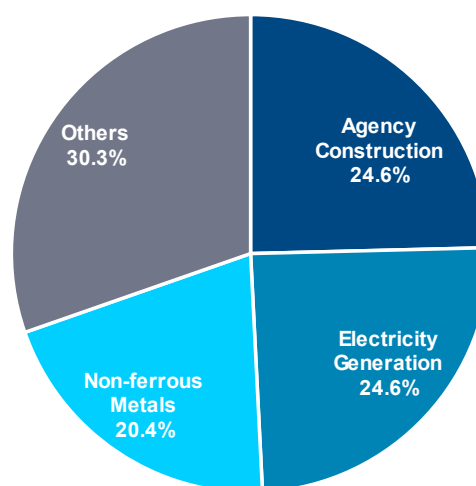
	2023FY	2024FY	2025FY
Total Asset (RMB billion)	136.1	184.6	189.1
Total Equity (RMB billion)	53.0	94.6	95.0
Total Revenue (RMB billion)	5.8	5.3	5.3
Total Debt/Total Capital (%)	57.8	43.9	44.3

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

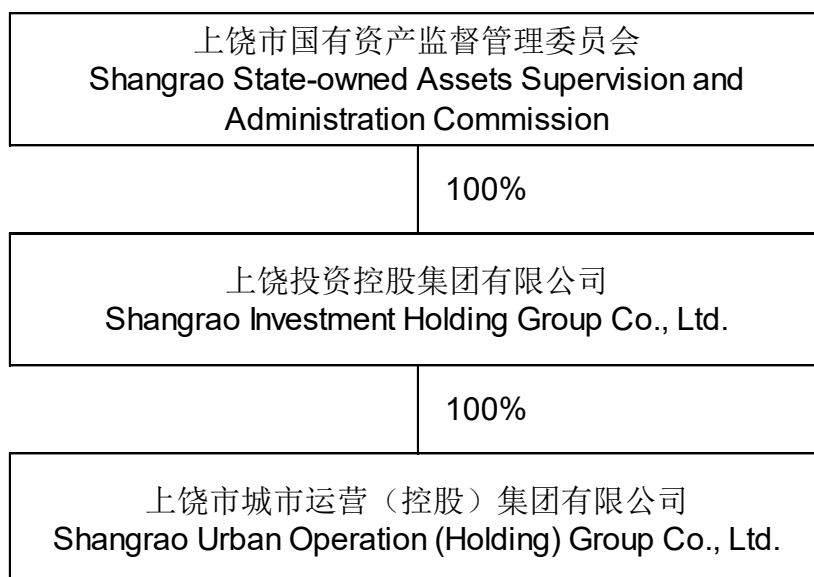
Source: Company data, CCXAP research

## Corporate Profile

Established in 2020, SUOG is one of the most important local infrastructure investment and financing companies in Shangrao City. The Company is mainly responsible for urban infrastructure construction, resettlement housing construction and land development in Shangrao City, as well as commercial businesses such as aluminum production and trading, electricity generation, public transportation operations, and agricultural resource leasing. As of 31 March 2026, the State-owned Assets Supervision and Administration Commission of Shangrao City ("Shangrao SASAC") was the ultimate controller of the Company, holding 100% shares of the Company through Shangrao Investment Holding Group Co., Ltd. ("SIHG").

**Exhibit 1. Revenue structure in 2025****Exhibit 2. Gross profit structure in 2025**

Source: Company information, CCXAP research

**Exhibit 3. Shareholding chart as of 31 March 2026**

Source: Company information, CCXAP research

## Rating Considerations

### Government's Capacity to Provide Support

We believe that the Shangrao Municipal Government has a strong capacity to provide support for the Company, given its economic importance in Jiangxi Province, with ongoing economic and fiscal growth.

Jiangxi Province is located in the central-southeastern China, along the southern bank of the middle and lower reaches of the Yangtze River. The province is rich in non-ferrous metal resources, and has formed national advanced manufacturing clusters such as copper-based new materials and rare earth new materials and application. Its pillar industries also include electronic information, equipment manufacturing, and new energy. Its economic strength improved steadily with gross regional product ("GRP") increasing by 5.2% year-over-year

("YoY") to RMB3.6 trillion, ranking 15<sup>th</sup> among all provinces in China. In the first quarter of 2026, Jiangxi Province achieved a GRP of RMB857.4 billion, with a YoY growth of 5.0%, rising to 14<sup>th</sup> place nationally. Its general budgetary revenue rose slightly from RMB306.7 billion in 2024 to RMB307.9 billion in 2025, with tax income accounting for approximately 64.6% of the general budgetary revenue over the past three years, reflecting moderate fiscal stability. However, Jiangxi Province faces a relatively heavy debt burden. In 2025, its government debt reached RMB1.7 trillion, accounting for around 48.4% of its GRP.

Shangrao City is located in the Yangtze River Delta Economic Area. As an important transport hub in China, Shangrao City has a convenient and advanced transportation network connecting major cities in China. Shangrao City has built its industrial structure around the "2+4+N" framework, with non-ferrous metals and photovoltaic new energy as its leading industries, and electronic information, non-metallic materials, automobiles, and machinery manufacturing as its key sectors. Supported by its pillar industries, the economic strength of Shangrao City continued to grow in the past year. In 2025, Shangrao City recorded a GRP of RMB393.6 billion, ranking the 4<sup>th</sup> among 11 prefecture-level cities in Jiangxi Province, with a solid economic growth rate of 5.6%. In the first quarter of 2026, Shangrao City achieved a GRP of RMB91.0 billion, increasing by 3.8% YoY. With the ongoing development of the regional economy, Shangrao City's fiscal income has also increased. In 2025, its general budgetary revenue increased to RMB28.9 billion with tax income accounting for 66.6% of the general budgetary revenue, indicating moderate fiscal stability. However, the fiscal balance of Shangrao City is still weak, as its fiscal balance ratio was 35.3% in 2025, indicating high reliance on land market proceeds and transfer payments from higher-level governments. During the same period, Shangrao City had an outstanding direct government debt balance of RMB181.9 billion, accounting for 46.2% of Shangrao City's GRP. The local government debt scale is expanding at a relatively fast pace, and the overall regional debt pressure is relatively high taking into account the debt burden of local state-owned enterprises.

#### **Exhibit 4. Key economic and fiscal indicators of Shangrao City**

	2023FY	2024FY	2025FY
GRP (RMB billion)	340.2	372.1	393.6
GRP Growth (%)	6.7	5.7	5.6
General Budgetary Revenue (RMB billion)	27.1	28.2	28.9
General Budgetary Expenditure (RMB billion)	81.5	83.4	81.9
Local Government Debt (RMB billion)	132.8	157.1	181.9

Source: Statistics Bureau of Shangrao City, CCXAP research

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

#### **Pivotal comprehensive urban operation service provider in Shangrao City**

There are four main state-owned assets operation entities in Shangrao City, each with a clear positioning in the development of the region. As a leading infrastructure construction entity and an essential comprehensive urban operation service provider in Shangrao City, SUOG has played an active role in the implementation of the local government's key strategic initiatives for urban planning and municipal construction by undertaking a series of infrastructure and resettlement housing construction as well as land development projects in the region. Given its critical role in the regional development, we believe that the Company will not be easily replaced by other state-owned enterprises in the foreseeable future.

SUOG has undertaken numerous key projects through its major subsidiary, Shangrao City Construction Investment Development Group Company Limited ("SCID"), including infrastructure construction, resettlement

housing, and land development, demonstrating its dominant market position and strong business competitiveness within the region. Given that the urbanization of Shangrao City has reached a mature stage, we expect the number of infrastructure construction projects of the Company will gradually decrease, and the Company faces certain capital expenditure pressure from ongoing construction projects and slow repayment progress.

The Company primarily engages in infrastructure construction operations through the agency construction model. The Company is responsible for road, schools, flood control landscaping projects and other construction tasks in the urban area of Shangrao City. As of 31 December 2025, the Company had 6 projects under construction with a gross investment amount of RMB6.3 billion and an uninvested amount of RMB2.1 billion. The Company also had 11 infrastructure construction projects under planning with an estimated investment of RMB5.6 billion. Although the future investment amount is relatively large, funds from policy banks and special government bonds can partially alleviate the Company's capital expenditure pressure.

The Company also undertakes resettlement housing projects, which are carried out through a combination of agency construction agreements with the local government and government-subsidized sales to designated relocated households. As of 31 December 2025, the Company had 15 resettlement housing projects under construction, with a total estimated investment amount of RMB11.8 billion and an uninvested amount of RMB3.8 billion, indicating relatively large capital expenditure pressure. However, the Company has no proposed resettlement housing project, indicating that the business sustainability is moderate. Furthermore, despite an invested amount of RMB8.0 billion and recognized revenue of RMB5.0 billion, the Company has only received RMB2.0 billion in repayments from this business. Many of the resettlement housing units have not yet been placed on the market, resulting in a low sales rate and a long capital recovery cycle, which exposes the Company to fiscal balance risk.

In addition, the Company is the primary government-authorized land development entity in Shangrao City. As of 31 December 2025, the Company had invested RMB28.1 billion into 4 ongoing land development projects with a collected payment of only RMB2.0 billion, indicating slow progress of project repayments. In addition, the Company has no land development projects under planning, suggesting relatively weak business sustainability.

### **Medium exposure to commercial activities**

SUOG also engages in commercial activities, including production and trading of aluminum, electricity generation, public transportation operation, expressway operation, agricultural resource leasing, self-operated projects construction, product sales, property sales, and hotel management businesses, accounting for around 40% of its total assets. We consider the Company's exposure to commercial businesses to be medium as most of the commercial businesses provide stable income and reasonable profit to the Company. In addition, some market-oriented businesses are closely related to the urban development of Shangrao City.

SUOG conducts aluminum production and trading business via Fujian Minfa Aluminum Co Ltd ("Minfa Aluminum", stock code: 002578.SZ), which serves as the Company's major revenue contributor. The Company adopts an appropriate hedging strategy to mitigate aluminum price volatility through futures contracts. Minfa Aluminum's products are mainly sold domestically, accounting for 92.0% of total sales in 2025. Its downstream customer base is relatively diversified, with the top 5 customers accounting for 17.7% of total sales, while upstream supplier concentration remains high, with the top 5 suppliers representing 80.4% of total procurement in 2025. Due to intensified competition in the aluminum processing industry, sluggish downstream demand recovery, and aluminum price fluctuations, Minfa Aluminum's revenue decreased from RMB2.2 billion in 2024 to RMB1.9 billion in 2025, accounting for 35.3% of the Company's total revenue. Its gross profit margin declined

from 5.7% in 2024 to 4.9% in 2025, and it recorded a net loss of RMB29.6 million, the first net loss since listing. Nevertheless, in the first quarter of 2026, Minfa Aluminum achieved revenue of RMB360.0 million, up 20.3% YoY, and net profit of RMB10.6 million, surging 409.5% YoY, driven by its expansion into new energy sectors and growth in export business.

The energy and environmental sector is a key development focus of SUOG, comprising two main businesses: photovoltaic power generation and waste treatment & power generation. In terms of photovoltaic power generation, as of 31 March 2026, the Company's photovoltaic power stations were mainly located in 4 districts and counties near Shangrao City, with a total installed capacity of 256.6 MW. However, the revenue contribution of this segment remained relatively low, accounting for 5.6% of total revenue in 2025. Besides, this business segment is highly reliant on government subsidies and related policies for its revenue. The Company received a total of RMB398.0 million in government subsidies from 2023 to 2025. In terms of waste treatment & power generation, it generated RMB161.4 million in 2025 and RMB34.4 million in 2026Q1, respectively, supplementing the Company's income.

SUOG also engages in public transportation operation business in Shangrao City. At end-2025, it had 104 bus routes and 791 buses. However, due to significant vehicle depreciation, fuel costs, labor expenses, and maintenance costs, the business has suffered losses since 2022. Given the public welfare nature of this business, the local government provided subsidies to support its daily operations, and the Company received a total of RMB168.0 million from 2023 to 2025. Additionally, the Company engages in highway operation business through its subsidiary with a total of operating revenue of RMB158.0 million over the same period, providing supplementary income to the Company.

In addition, the Company expanded its business scope to agricultural reclamation resource leasing following the injection of Shangrao State-owned Farm Industry Investment and Development Co., Ltd. ("SSTI") by the local government. In 2024, in accordance with relevant documents issued by the Shangrao SASAC, SSTI was incorporated into SUOG's consolidation scope. SSTI engages in the investment and development of agricultural and forestry resources, as well as leasing of agricultural reclamation resources. It generated operating income of RMB190.1 million and net income of RMB115.0 million in 2025. As of end-2025, the Company had 1 project under construction, with a total estimated investment amount of RMB1.2 billion and an uninvested amount of RMB23.0 million.

Furthermore, SUOG engages in self-operated construction projects, such as hotel and port terminal. As of 31 December 2025, the Company mainly had 3 self-operated construction projects under construction with a total investment of RMB4.5 billion and an outstanding amount of RMB1.4 billion. The Company is expected to achieve fund balancing through future operating income, such as leasing income. However, the investment recovery cycle is long, making it more difficult to achieve fund balancing in a short period of time. Meanwhile, project construction funding mainly comes from bank loans and self-financing, and the relatively large scale of investment will bring more pressure on the capital expenditure of the Company.

The Company also participates in product sales, property sales, and hotel management businesses. These businesses contribute modestly to the Company's total revenue due to their relatively small operational scale.

### **Good track record of receiving government support**

SUOG has a solid track record of receiving support from the local government and shareholders, including capital injections, asset transfers, project payments and subsidies, which have significantly strengthened the Company's capital base and operational capabilities. Over the years, the local government has transferred

equity interests in SSTI, and injected various assets into the Company, including land assets, the Shangwu Expressway and integrated transportation hub, sewage pipelines, and real estate properties. In 2025, the Company received an asset injection of RMB3.5 million from the local government. Additionally, SUOG received a total of RMB789.7 million in government subsidies in 2025 to support its future investments and debt repayment. Given SUOG's critical strategic role in the region, we expect the Company to continue receiving government support in the future.

### **High debt leverage with relatively large short-term debt pressure**

Due to ongoing capital expenditure for infrastructure construction projects, SUOG's total debt has continued to grow and remained at a high level. The Company's total debt increased from RMB74.0 billion at end-2024 to RMB75.4 billion at end-2025, with its total capitalization ratio increasing from 43.9% to 44.3% over the same period. The Company is subject to certain refinancing pressure considering its large amount of short-term debt. At end-2025, the proportion of short-term debt to total debt was 32.6% and its cash-to-short-term-debt ratio was only 0.2x, indicating continued short-term debt-servicing pressure. Considering the substantial capital expenditure requirements from its extensive pipeline of construction projects, we expect that the Company will rely on external financing to meet its funding needs, and the total debt level will continue to increase, leading to further fund occupation due to slow project repayment progress.

### **Moderate asset quality**

SUOG's assets are primarily composed of inventory, receivables, and other non-current assets, all with relatively low liquidity, together accounting for 73.8% of total assets as of 31 December 2025. Inventory mainly consists of infrastructure construction costs, while receivables primarily comprise uncollected project payments from the local government and state-owned enterprises, as well as on-lending loans to county-level state-owned enterprises. Other non-current assets are mainly agricultural reclamation resources held by SSTI, which provide supplementary rental income to the Company. In addition, as of 31 December 2025, the amount of restricted assets was RMB18.6 billion, accounting for 9.9% of total assets, which were mainly pledged as bank collateral.

Besides, SUOG has low exposure to external guarantees. As of 31 March 2026, the Company's external guarantees amounted to RMB5.9 billion, representing about 6.2% of its net assets. Among these, 55.0% were provided to SIHG. All these external guarantees were provided to local state-owned enterprises, with relatively low credit risks considering that they will receive support from the local government when needed.

### **Access to diversified financing channels**

SUOG has a diversified range of financing channels, including bank borrowings, bond financing, and non-standard financing. As of 31 December 2025, it had obtained total credit facilities of RMB51.8 billion from diversified policy banks and major domestic commercial banks, with an available amount of RMB18.4 billion, indicating sufficient standby liquidity. As of 31 December 2025, around 38.4% of the Company's debt was provided by the debt capital market. In terms of onshore bonds, it issued various bond types such as corporate bonds, MTNs, SCPs, and PPNs, while still holding unissued quotas totaling RMB5.0 billion. Additionally, the Company and its subsidiary SCID had 5 offshore bonds with a total outstanding amount of RMB1.5 billion and USD97.0 million as of 31 May 2026. In addition, the Company has medium exposure to non-standard financing, which accounted for around 19.3% of its total debt at end-2025.

## ESG Considerations

The Company is subject to environmental laws and regulations governing air pollution, noise emissions, hazardous substances, water and waste discharge and other environmental matters issued by the national governmental authorities. SUOG assumes environmental risks for its infrastructure projects. Such risks could be mitigated by conducting environmental studies and detailed planning prior to the commencement of projects and close supervision during construction.

SUOG is also exposed to social risks as it implements public policy initiatives by building public infrastructure in Shangrao Municipal. Demographic changes, public awareness and social priorities shape the government's development strategy, and it will affect the government's propensity to support the Company.

The Company's governance considerations are also material as it is subject to oversight and reporting requirements to the local government, reflecting its public-policy role and status as a government-owned entity. SUOG believes that it complies in all material respects with the applicable governmental regulations, rules and executive orders in each jurisdiction in which it operates. The Company maintains regular communication with local governments and regulatory authorities through its management team or representatives, ensuring compliance with the requirements and conditions for obtaining and maintaining the licenses, concessions, permits, or certificates.

## Structural Consideration

The rating of the senior unsecured bonds is equivalent to SUOG's long-term credit rating. We believe that government support will flow through the Company given its important role in comprehensive urban operation in Shangrao City, thereby mitigating any differences in an expected loss that could result from structural subordination.

## Rating Methodology

The methodology used in this rating is the Rating Methodology for [China's Local Infrastructure Investment and Financing Companies \(July 2022\)](#).

## Appendix

### Exhibit 5. Peer Comparison

	<b>Shangrao Urban Operation (Holding) Group Co., Ltd.</b>	<b>Shangrao City Construction Investment Development Group Company Limited</b>
Long-Term Credit Rating	BBB <sub>g</sub> +	BBB <sub>g</sub> +
Shareholder	Shangrao Investment Holding Group Co., Ltd.	Shangrao Urban Operation (Holding) Group Co., Ltd. (98%); Jiangxi Provincial Administrative Assets Group Co., Ltd. (2%)
Positioning	One of the four state-owned assets operation entities in Shangrao City; Responsible for infrastructure construction, land development, resettlement housing construction in Shangrao City	Responsible for infrastructure construction, land development, resettlement housing construction in Shangrao City
Total Asset (RMB billion)	189.1	184.1
Total Equity (RMB billion)	95.0	91.7
Total Revenue (RMB billion)	5.3	5.2
Total Debt/Total Capital (%)	44.3	42.0

All ratios and figures are calculated using CCXAP's adjustments based on 2025FY financials.

Source: Company data, CCXAP research

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**China Chengxin (Asia Pacific) Credit Ratings Company Limited**

Address: Suites 1904-1909, 19/F, Jardine House,  
1 Connaught Place, Central, Hong Kong

Website: [www.ccxap.com](http://www.ccxap.com)

Email: [info@ccxap.com](mailto:info@ccxap.com)

Tel: +852-2860 7111

Fax: +852-2868 0656