Credit Opinion

28 July 2026

Ratings	
Category	Corporate
Domicile	China
Rating Type	Solicited Rating
Long-Term Credit Rating	BBB_g+
Outlook	Stable

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Shangrao Industrial Investment Development Group Co., Ltd.

Surveillance credit rating report

CCXAP affirms Shangrao Industrial Investment Development Group Co., Ltd.'s long-term credit rating at BBB_g+, with stable outlook.

Summary

The BBB_g+ long-term credit rating of Shangrao Industrial Investment Development Group Co., Ltd. ("SIID" or the "Company") is underpinned by the Company's (1) role as the most important industrial investment platform in Shangrao City; (2) good market position in non-ferrous metals business with market volatility; and (3) strong regional competitiveness in power generation sector with policy support.

However, the rating is also constrained by the Company's (1) decreasing revenue and relatively weak profitability; (2) weak debt servicing metrics and high short-term debt repayment pressure; and (3) high reliance on non-standard financing.

The rating also reflects our expectation of a very high likelihood of strong support from the Shangrao Municipal Government and its parent, Shangrao Urban Operation (Holding) Group Co., Ltd. ("SUOG"), when necessary, given the Company's (1) status as the core subsidiary of SUOG, which is ultimately owned and controlled by the Shangrao State-owned Assets Supervision and Administration Commission ("Shangrao SASAC"); and (2) strategic importance in industrial investment in Shangrao City as a municipal first-level state-owned enterprise; and (3) good track record of receiving shareholder and government support.

The stable outlook on SIID's rating reflects our expectation that the Company will maintain its strategic role as the most important industrial investment platform in Shangrao City and continue to promote regional industrial development over the next 12-18 months.

Rating Drivers

- Most important industrial investment platform in Shangrao City
- Good market position in non-ferrous metals business with market volatility
- Strong regional competitiveness in power generation sector with policy support
- Decreasing revenue and relatively weak profitability
- Weak debt servicing metrics and high short-term debt repayment pressure
- High reliance on non-standard financing
- Very high likelihood of strong support from the Shangrao Municipal Government and its parent company

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) the parent company's capacity or willingness to provide support is expected to be strengthened; and (2) the Company's stand-alone credit profile improves significantly, such as a stronger market position and improvement in profitability.

What could downgrade the rating?

The rating could be downgraded if (1) the parent company's capacity or willingness to provide support is expected to be weakened; or (2) the Company's standalone credit quality worsens significantly, including a material deterioration in credit metrics and poor debt management.

Key Indicators

	2023FY	2024FY	2025FY	2026Q1
Total Assets (RMB billion)	11.5	11.4	13.0	13.5
Total Equity (RMB billion)	5.1	5.5	5.9	6.1
Total Revenue (RMB billion)	3.3	2.7	2.4	0.4
Net Profits (RMB billion)	0.03	0.04	0.03	0.01
EBIT Margin (%)	3.0	3.0	2.5	-
Return on Assets (%)	0.9	0.8	0.6	-
Total Debt/Total Capital (%)	48.3	48.8	49.9	52.4
Total Debt/EBITDA (x)	13.8	16.1	19.3	-
EBITDA/Interest (x)	1.5	1.0	1.4	-
FFO/Total debt (%)	2.3	-0.5	1.4	-

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

Source: Company data, CCXAP research

Corporate Profile

Established in March 2016, SIID became the most important industrial investment entity in Shangrao City after equity transfer and asset injection in 2024. Its business covers non-ferrous metals, photovoltaic new energy, sewage treatment, sand and gravel sales. According to the notice issued by the government, the Company is regarded as a first-level enterprise under the supervision of the municipal government and its daily operations are entrusted to SUOG. As of 31 March 2026, Shangrao City Construction Investment Development Group Co., Ltd., a subsidiary of SUOG, held 100.0% equity of the Company. Shangrao SASAC is the Company's ultimate controller.

Exhibit 1. Revenue structure in 2025

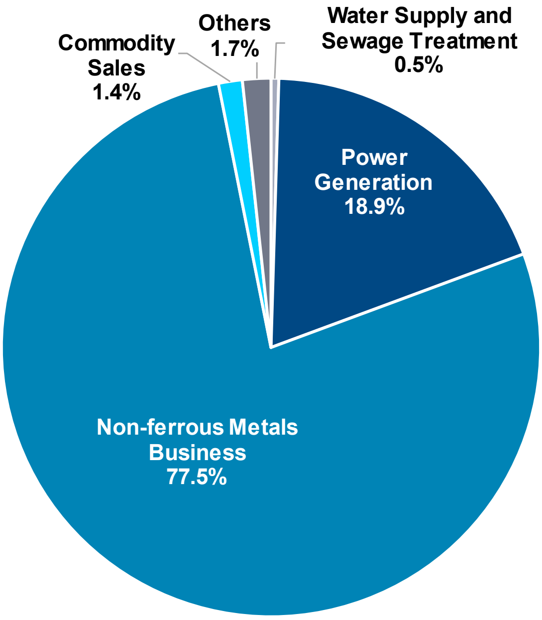
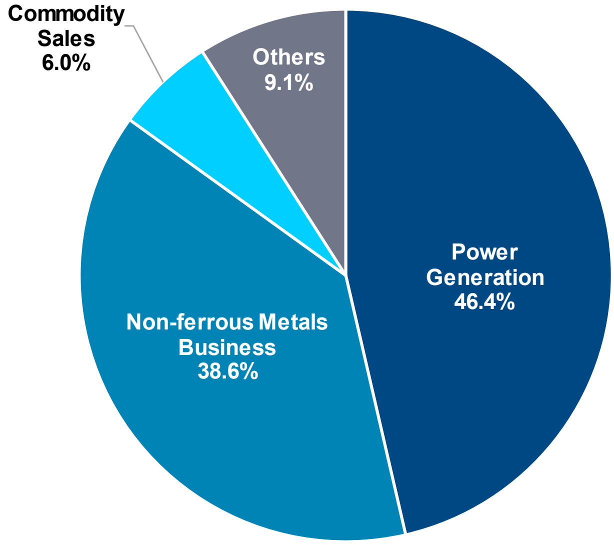
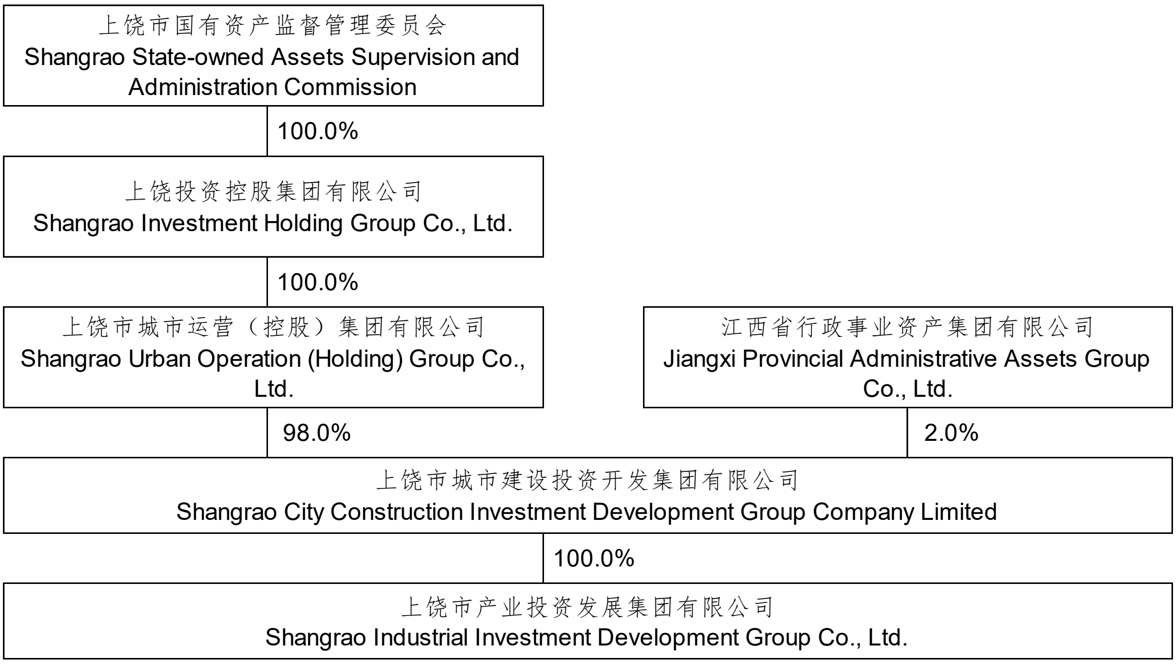


Exhibit 2. Gross profit structure in 2025



Source: Company information, CCXAP research

Exhibit 3. Shareholding chart as of 31 March 2026



Source: Company information, CCXAP research

Rating Considerations

Business Profile

Most important industrial investment platform in Shangrao City

SIID serves as the most critical industrial investment entity in Shangrao City, with core businesses spanning non-ferrous metals, power generation, and commodity sales. Its business portfolio exhibits good development momentum, aligning with government development strategies and supporting the region's sustainable economic growth and industrial development. SIID is regarded as a first-tier municipal enterprise under supervision. We believe the Company will maintain its strategic role as the most important industrial investment platform in Shangrao City for the next 12-18 months.

Good market position in non-ferrous metals business with market volatility

SIID engages in aluminum production and trading business via its subsidiary, Fujian Minfa Aluminum Co., Ltd. (“Minfa Aluminum”, stock code: 002578.SZ), which is the main income source of the Company, providing around 77.5% of total revenue in 2025. However, the non-ferrous metals segment is vulnerable to market fluctuations, given its high exposure to commodity price and cyclical demand.

In 2024, 31.6% equity stakes in Minfa Aluminum were contributed to SIID at zero consideration, and the Company became Minfa Aluminum's largest shareholder. Minfa Aluminum mainly engages in the research, development, production, and sales of architectural aluminum profiles, industrial aluminum profiles, and architectural aluminum formwork. As of end-2025, Minfa Aluminum had accumulated substantial intellectual property (142 national patents) and built notable industry influence (62 standards participation). Geographically, Minfa Aluminum’s sales are primarily domestic (92.0% of total revenue in 2025). It also exports its products to more than 30 countries and regions, including the EU, South America, Southeast Asia and the Middle East. Meanwhile, there has been a notable decrease in downstream customer concentration, reflecting a more diversified client base, as the top five customers accounted for 17.7% of total sales in 2025. However, it faces high concentration risk regarding upstream suppliers, with the top five suppliers representing 80.4% of total procurement in 2025.

As of 31 March 2026, Minfa Aluminum had total assets of RMB2.2 billion and net assets of RMB1.5 billion. 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, and it recorded a net loss of RMB29.6 million. 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. Given the aluminum business is sensitive to commodity prices and end-market demand, this segment requires ongoing monitoring.

Strong regional competitiveness in power generation sector with policy support

The Company has established strong regional competitiveness in photovoltaic power generation in Shangrao City, benefiting from regional policies and continued government subsidies, while providing essential services to local residents. However, the photovoltaic power generation segment’s profitability remains heavily dependent on government subsidies, and future policy adjustments could directly impact its revenue.

The power generation sector is a key development focus for SIID, which consists of two main businesses, photovoltaic power generation and waste treatment & power generation. The total revenue from the power generation sector increased from RMB414.5 million in 2024 to RMB456.7 million in 2025 while the gross margin improved from 16.6% to 21.0%. As of 31 March 2026, the Company's photovoltaic power stations were mainly located in 4 districts and counties in and near Shangrao City, with a total installed capacity of 256.6 MW. These projects were included in the first batch of national photovoltaic poverty alleviation initiatives, receiving strong government support. Variations in sunlight duration and intensity have led to fluctuations in power generation and revenue. The profitability of photovoltaic power generation business remains heavily reliant on policy subsidies. From 2023 to 2025, the Company obtained a total of RMB398.0 million in government subsidies. At the end of 2025, the Company still had RMB211.3 million in outstanding government subsidy receivables. The profitability of the business remains vulnerable to regulatory adjustments in feed-in tariffs, delays in subsidy disbursements, and rigid poverty alleviation costs (around RMB140.0 million per year), necessitating close monitoring of subsidy payment timeliness and policy development.

The waste treatment & power generation involves the operations of waste incineration plant with area of 31,620 square meters in Shangrao City, which is constructed by the Company with total investment of RMB912.0 million. The revenue from waste treatment & power generation increased from RMB152.3 million in 2024 to RMB161.4 million in 2025.

Financial Profile

Decreasing revenue and relatively weak profitability

SIID's business segments are highly market oriented, subject to the supply and demand dynamics. Owing to a decline in revenue from non-ferrous metals segment, SIID's total revenue fell from RMB2.7 billion in 2024 to RMB2.4 billion in 2025. However, the gross margin improved from 7.7% in 2024 to 8.1% in 2025, mainly driven by stronger profitability in the power generation business. Regarding period expenses, administrative expenses have remained the primary component in recent years, accompanied by a rising trend in the period expense ratio. In 2025, the period expense ratio increased slightly from 7.1% in 2024 to 7.3%.

SIID's profitability remains relatively weak, as reflected in its low return on assets ("ROA") and EBIT margin. ROA stayed consistently low at below 1% from 2023 to 2025, while the EBIT margin was 2.5% in 2025. SIID's diversified business portfolio could partially support its income, nevertheless, the Company's profitability is expected to stay relatively weak over the next 12 to 18 months.

Weak debt servicing metrics and high short-term debt repayment pressure

SIID's debt burden has increased alongside ongoing construction of self-operated projects, with adjusted total debt rising from RMB5.3 billion at end-2024 to RMB6.7 billion at end-2026Q1, and the total capitalization ratio increasing from 48.8% to 52.4% over the same period. As SIID's debt burden and financing costs increased, the Company's debt servicing capability is weak, as reflected by EBITDA interest coverage ratio of 1.4x and total debt/EBITDA ratio of 19.3x in 2025.

SIID faces high short-term debt repayment pressure. As of 31 March 2026, short-term debt accounted for 45.5% of total debt, while the unrestricted cash to short-term debt ratio was 0.2x, indicating insufficient cash reserves to cover its short-term obligations. Given the substantial capital expenditures required for the continued development of its diversified businesses, we expect that the Company will rely on external financing to meet its capital expenditure needs, and its total debt level will continue to increase over the next 12 to 18 months.

High reliance on non-standard financing

SIID's financing channels include bank loans, bond issuance and non-standard financing. As of 31 March 2026, the Company had obtained total bank credit facilities of RMB2.3 billion, with an unutilized amount of RMB481.9 million, indicating limited standby liquidity. In February 2026, the Company issued its first domestic bond of RMB1.0 billion at a coupon rate of 2.47%, expanding its financing channels. Meanwhile, the Company relies heavily on non-standard financing, accounting for 51.8% of its total debt as of 31 March 2026, all in the form of finance leases. Moreover, the equity pledge ratio of Minfa Aluminum is 50.0%, which is at a relatively high level. However, borrowings among the state-owned enterprises in the region could provide some liquidity buffer. We expect that the Company will continue to broaden its financing channels, such as increasing its credit facilities and issuing onshore or offshore bonds.

External Support

Very high likelihood of strong support from the Shangrao Municipal Government and its parent company

We anticipate the Company has a very high likelihood of receiving support from the Shangrao Municipal Government and its parent company when necessary, given the Company's (1) status as the core subsidiary of SUOG, which is ultimately owned and controlled by Shangrao SASAC; and (2) strategic importance in industrial investment in Shangrao City as a municipal first-level state-owned enterprise; and (3) good track record of receiving shareholder and government support.

We believe the Shangrao Municipal Government has very strong capacity to provide support when necessary, reflected its economic importance in Jiangxi Province, with ongoing economic and fiscal growth. In 2025, Shangrao City recorded a GRP of RMB393.6 billion, ranking the 4th 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. Its general budgetary revenue increased to RMB28.9 billion with tax income accounting for 66.6% of the general budgetary revenue in 2025, indicating moderate fiscal stability.

Ultimately owned and controlled by the Shangrao SASAC, SUOG is a pivotal comprehensive urban operation service provider in Shangrao City. SIID has an important position in SUOG's operations as the primary operating subsidiary in industrial investment. SUOG maintains a high degree of control over the Company's operations, including the formulation of business strategies and the appointment of the board of directors and key management personnel. In addition, the Company is required to report its annual budget, objectives, plans and performance to SUOG. In 2025, its total revenue and total assets accounted for 45.5% and 6.9% of SUOG, respectively.

Furthermore, SIID has a proven track record of receiving support from the local government in terms of financial subsidies and asset injections. In 2024, 31.6% equity in Minfa Aluminum, 100% equity in Shangrao Urban Investment Energy Group Co., Ltd., 100% equity in Shangrao Raoxin Building Materials Co., Ltd., and 100% equity in Shangrao Ecological Environment Engineering Investment Co., Ltd. were transferred into SIID, significantly enhancing the Company's capital strength and broadening its business scope. Meanwhile, SIID is regarded as a first-tier municipal enterprise under supervision. From 2025 to 2026Q1, the Company's paid-in capital increased by RMB578.0 million. In 2025, the Company received RMB5.7 million government subsidies to support its daily operation. We expect the Company will continuously receive comprehensive support from its parent company and Shangrao Municipal Government.

ESG Considerations

SIID faces environmental risks through its diverse operations, including non-ferrous metals, power generation, sewage treatment, and sand and gravel sales. These risks could be mitigated by implementing robust environmental management systems and complying with applicable environmental regulations.

SIID is also exposed to social risks as an industrial investment entity in Shangrao City. Demographic changes, public awareness and social priorities shape the government's development strategy, and they will affect the government's propensity to support the Company. The Company has established employee incentive mechanisms and training programs, and has not experienced any major negative social events or major safety accidents in recent years.

Regarding corporate governance, SIID is the primary operating subsidiary of SUOG in industrial investment and is subject to oversight under the municipal government's tiered management framework. While governance is strengthened by SUOG's supervision, challenges remain in establishing effective control over multiple subsidiaries following their integration in 2024, highlighting the need for further improvement in subsidiary management.

Rating Methodology

The methodology used in this rating is the Rating Methodology for General Corporate (May 2026).

A credit rating is the analytical result of current credit worthiness and forward-looking opinion on the credit risk of a rated entity or a debt issue. Credit ratings issued by CCXAP are opinions on the current and relative future credit risk of the rated entities or debt issues, but do not address any other risks, including but not limited to liquidity risk, market price risk, and interest rate risk.

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