
CCXAP assigns BBB_g+ to Shangrao Urban Operation (Holding) Group Co., Ltd.'s proposed CNY bonds.

Hong Kong, 19 September 2024 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned an expected senior unsecured debt rating of BBB_g+ to the proposed CNY bonds to be issued by Shangrao Urban Operation (Holding) Group Co., Ltd. (“SUOG” or the “Company”) (BBB_g+ /stable).

The bonds constitute direct, unconditional, unsubordinated, and unsecured obligations of SUOG, which shall at all times rank pari passu with all the Company's other present and future unsecured and unsubordinated obligations. The Company intends to use the net proceeds for project construction and supplementary working capital.

Corporate Profile

Established in 2020 and formerly known as Shangrao City Urban Investment Cultural Tourism Development Co., Ltd, SUOG is an important local infrastructure investment and financing Companies (“LIIFCs”) in Shangrao City after equity transfer and capital injection in December 2022. The Company is mainly responsible for land development, shantytown renovation, resettlement housing construction, urban infrastructure construction and state-owned assets operation in Shangrao City as well as commercial businesses including self-operated projects construction, production and trading of aluminum, electricity generation, expressway operation, property sales, engineering construction and hotel management. As of 31 March 2024, the State-owned Assets Supervision and Administration Commission of Shangrao City (“Shangrao SASAC”) was the ultimate controller of the Company, holding 100% stakes of the Company through Shangrao Investment Holding Group Co., Ltd. (“SIHG”).

Rating Rationale

SUOG's senior unsecured debt rating is equivalent to its long-term credit rating. We believe that government support will flow through the Company given its essential role as one of the four state-owned assets operation entities in Shangrao City, thereby mitigating any differences in an expected loss that could result from structural subordination.

The BBB_g+ long-term credit rating of SUOG reflects Shangrao Municipal Government's (1) very strong capacity to support, and (2) very high willingness to support, based on our assessment of the Company's characteristics. Our assessment of the Shangrao Municipal Government's capacity to provide support reflects its fifth ranking in terms of economic strength in Jiangxi Province, with fast economic growth and moderate fiscal profile.

The rating also reflects the local government's willingness to provide support, which is based on the Company's (1) essential role as one of the four state-owned assets operation entities in Shangrao City; (2) key position as the major infrastructure construction and land development platform in Shangrao City; and (3) solid track record of receiving government payments. However, the rating is constrained by the Company's (1) medium exposure to commercial

activities; (2) rapid debt growth and moderate asset liquidity; and (3) medium contingent liability risk from external guarantees.

Rating Outlook

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 major infrastructure construction and land development entity in Shangrao City.

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.

Rating Methodology

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

Regulatory Disclosures

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