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

Hong Kong, 16 July 2026 – China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") has affirmed the long-term credit rating of Shangrao Innovation Development Industry Investment Group Co., Ltd. ("SIIG" or the "Company") at BBB_g+, with stable outlook.

The BBB_g+ long-term credit rating of SIIG 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 Shangrao Municipal Government's capacity to support reflects its 4th ranking in terms of economic strength in Jiangxi Province, with good economic growth and moderate fiscal profile.

The rating also reflects the local government's willingness to support, which is based on the Company's (1) dominant position in infrastructure construction and utility services in Shangrao Economic and Technical Development Zone ("Shangrao ETDZ"); (2) sufficient reserve of public policy projects; and (3) good track record of receiving government payments. However, SIIG's rating is constrained by its (1) increasing exposure to commercial activities, with certain industrial investment risks; (2) high debt leverage and moderate asset quality; and (3) medium contingent liability risk from external guarantees.

Corporate Profile

Founded in 2015, SIIG, previously known as Shangrao Economic and Technical Development Zone State-owned Capital Operation Co., Ltd., is one of the largest financing and investment entities in Shangrao City. The Company mainly engages in infrastructure construction, industrial investment, water supply and sewage treatment businesses in Shangrao ETDZ. As of 31 March 2026, Shangrao State-owned Assets Supervision and Administration Commission ("Shangrao SASAC") was its ultimate controller and held 55% of the Company's stake, while the Management Committee of Shangrao ETDZ held the remaining 45%.

Rating Rationale

Credit Strengths

Dominant position in infrastructure construction and utility services in Shangrao ETDZ. As the dominant infrastructure developer in Shangrao ETDZ, SIIG serves as a critical role in delivering public policy projects. The Company has successfully executed numerous infrastructure and public projects, including roads, water supply systems, wastewater treatment, and shanty town renovation, significantly contributing to regional urbanization. Given its strategic role and proven track record in undertaking public-policy projects in Shangrao ETDZ, we believe SIIG will maintain an irreplaceable position among local state-owned enterprises in the foreseeable future.

Sufficient reserve of public policy projects. Positioned as the primary infrastructure investment platform designated by the Management Committee of Shangrao ETDZ, the

Company undertakes a large number of infrastructure construction projects. With a substantial project pipeline, the Company has sound business sustainability, but with certain capital expenditure pressure.

Good track record of receiving government payments. SIIG has a good track record of receiving support from local government in terms of capital injection, asset injection, special funds, and subsidies, greatly increasing the financing stability and comprehensive competitiveness of the Company. Given SIIG's important role in the region, we expect the Company will continue to receive support from local government in the future.

Credit Challenges

Increasing exposure to commercial activities, with certain industrial investment risks. We consider SIIG has medium exposure to commercial activities, such as industrial investment, rental housing, metallic material business and self-operated projects construction. These activities provide supplementary income to the Company but exert certain funding and business risks, especially the investment risks from industrial investment business.

High debt leverage. Along with the continuous investment in construction projects, the Company's total debt increased from RMB49.8 billion at end-2024 to RMB54.6 billion at end-2026Q1, with a relatively high total capitalization ratio of 57.6%. We expect the Company's debt leverage to remain at a high level in the next 12 to 18 months, given its large capital expenditure needs for its extensive construction projects in the pipeline.

Moderate asset quality. As of 31 March 2026, the Company's inventories, investment property, and total receivables accounted for 64.5% of total assets. The inventories mainly consist of development costs from construction projects and land reserves, while the receivables are mainly unreceived payments from local government, both of which are considered low liquidity. Nevertheless, it has investment properties with a value of RMB25.8 billion for leasing, providing stable supplementary income and stable cash flow to the Company. In addition, the Company has water supply and sewage treatment assets, which provide stable cash flow to the Company and further enhances the profitability of its assets.

Medium contingent liability risk from external guarantees. As of 31 March 2026, the Company's external guarantee amount was RMB4.7 billion, accounting for about 11.7% of its net assets. Around 88.0% of the external guarantees were provided to local state-owned enterprises ("SOEs") in Shangrao City and the remaining external guarantees were provided to local private-owned enterprises. We estimate most of these local SOEs are likely to be supported by the local government when necessary, so that contingent risk would be controllable.

Rating Outlook

The stable outlook on SIIG's rating reflects our expectation that, for the next 12 to 18 months, the local government's capacity to support the Company will remain stable, and the Company will maintain its important position of urban infrastructure development platform of Shangrao City and Shangrao ETDZ.

What could upgrade the rating?

The rating could be upgraded if (1) the local government's capacity to support strengthens; or (2) the Company's characteristics change in a way that strengths the local government's willingness to support, such as increase in its strategic significance; increase in government payments; or improvement in debt management.

What could downgrade the rating?

The rating could be downgraded if (1) the local government's capacity to support weakens; or (2) the Company's characteristics change in a way that weakens the local government's willingness to support, such as decrease in its strategic significance; decrease in government payments; or increase in exposure to commercial activities.

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

CCXAP's Rating Symbols and Definitions are available on its website at:
http://www.ccxap.com/en/rating_services/category/6/

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

Eddie Li
Credit Analyst
+852-2860 7130
eddie_li@ccxap.com

Elle Hu
Executive Director of Credit Ratings
+852-2860 7120
elle_hu@ccxap.com

Client Services: +852-2860 7111

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

Email: info@ccxap.com

Tel: +852-2860 7111

Fax: +852-2868 0656