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

Hong Kong, 28 July 2026– China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has affirmed the long-term credit rating of Shangrao Industrial Investment Development Group Co., Ltd. (“SIID” or the “Company”) at BBB_g+, with stable outlook.

The BBB_g+ long-term credit rating of SIID 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.

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.

Rating Rationale

Credit Strengths

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. 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 and net profit of RMB10.6 million, 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 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 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.

Credit Challenges

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. 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.

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

High reliance on non-standard financing. SIID’s financing channels include bank loans, bond issuance and non-standard financing. 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. We expect that the Company will continue to broaden its financing channels, such as increasing its credit facilities and issuing onshore or offshore bonds.

Rating Outlook

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.

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.

Rating Methodology

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

Regulatory Disclosures

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