

Credit Opinion

8 July 2025

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

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Shangrao Innovation Development Industry Investment Group Co., Ltd.

Surveillance credit rating report

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

Summary

CCXAP has upgraded the long-term credit rating of Shangrao Innovation Development Industry Investment Group Co., Ltd. ("SIIG" or the "Company") to BBB_g+

 from BBB_g, with stable outlook. The rating upgrade is based on the increased predictability of government payments provided to the Company, with the support from special bond funds. It also reflects the policy role of the Company, as the dominant urban infrastructure development platform in Shangrao Economic and Technical Development Zone ("Shangrao ETDZ").

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 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 liquidity; and (3) medium contingent liability risk from external guarantees

The stable outlook on SIIG'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 of urban infrastructure development platform of Shangrao City and Shangrao ETDZ.

Rating Drivers

- Dominant position in infrastructure construction and utility services in Shangrao ETDZ
- Sufficient reserve of public policy projects
- Good track record of receiving government payments
- Increasing exposure to commercial activities, with certain industrial investment risks
- High debt leverage and moderate asset liquidity
- Medium contingent liability risk from external guarantees

Rating Sensitivities

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 strengthens 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.

Key Indicators

	2022FY	2023FY	2024FY	2025Q1
Total Asset (RMB billion)	87.4	93.7	95.6	97.2
Total Equity (RMB billion)	39.1	40.2	40.2	40.3
Total Revenue (RMB billion)	9.5	8.9	6.7	1.3
Total Debt/Total Capital (%)	52.4	54.7	55.3	56.4

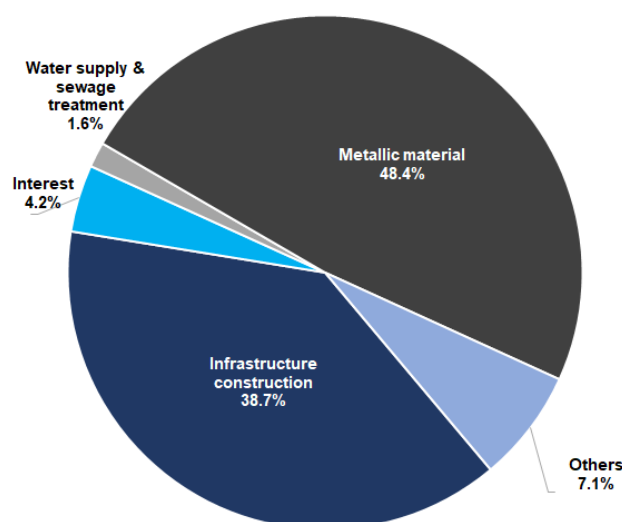
All ratios and figures are calculated using CCXAP's adjustments.

Source: Company data, CCXAP research

Corporate Profile

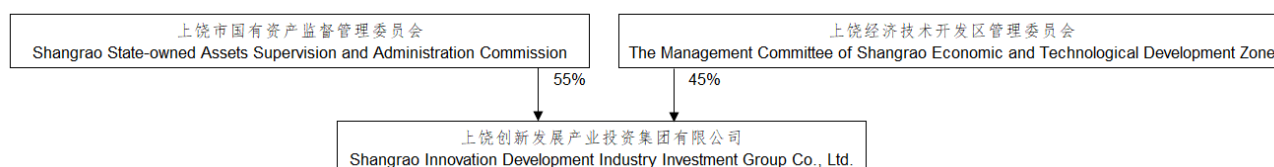
Founded in 2015, SIIG, previously known as Shangrao Economic and Technical Development Zone State-owned Capital Operation Co., Ltd., is one of the largest financing and investment entities in Shangrao City. The Company mainly engaged in infrastructure construction, industrial investment, water supply and sewage treatment businesses in Shangrao ETDZ. As of 31 March 2025, 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%.

Exhibit 1. Revenue structure in 2024



Source: Company information, CCXAP research

Exhibit 2. Shareholding and organization chart as of 31 March 2025



Source: Company information, CCXAP research

Rating Considerations

Government Capacity to Provide Support

We believe that the Shangrao Municipal Government has a strong capacity to provide support for the Company, given its 4th ranking in terms of economic strength in Jiangxi Province, with good economic growth and moderate fiscal profile.

Jiangxi Province is located in the central-southeastern part of 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. Its pillar industries also include electronic information, equipment manufacturing, and automotive sectors. Its economic strength improved steadily with gross regional product (“GRP”) increasing by 5.1% year-over-year (“YoY”) to RMB3.4 trillion, ranking 15th among all provinces in China. Its general budgetary revenue rose slightly from RMB306.0 billion in 2023 to RMB306.7 billion in 2024, with tax income accounting for approximately 63.5% of the general budgetary revenue over the past three years, reflecting moderate fiscal stability. However, Jiangxi Province faces a relatively heavy debt burden. In 2024, its government debt reached RMB1.5 trillion, accounting for around 44.0% 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. Thanks to promotion of pillar industries, the economic strength of Shangrao City continued to grow in the past year. In

2024, Shangrao City recorded GRP of RMB372.1 billion, ranking the 4th among 11 prefecture-level cities in Jiangxi Province, with a solid economic growth rate of 5.7%. With the ongoing development of the regional economy, Shangrao City's fiscal income has also increased. In 2024, its general budgetary revenue increased by 4.0% YoY to RMB28.2 billion, with tax income accounting for 67.0%, indicating moderate fiscal stability. However, the fiscal balance of Shangrao City is still weak, with a fiscal balance ratio of 33.8% in 2024, indicating high reliance on the income from land market and the income transferred from the higher-tier government. Affected by depressed land market conditions. The revenue from government funds decreased from RMB3.4 billion in 2023 to RMB2.7 billion in 2024. During the same period, Shangrao City had an outstanding direct government debt balance of RMB157.1 billion, accounting for 42.2% of the 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 of the debt burden of local state-owned enterprises.

Exhibit 3. Key economic and fiscal indicators of Shangrao City

	2022FY	2023FY	2024FY
GRP (RMB billion)	331.0	340.2	372.1
GRP Growth (%)	5.1	6.7	5.7
General Budgetary Revenue (RMB billion)	25.1	27.1	28.2
General Budgetary Expenditure (RMB billion)	79.4	81.5	83.5
Local Government Debt (RMB billion)	111.8	132.8	157.1

Source: Statistics Bureau of Shangrao City, CCXAP research

Shangrao ETDZ, located in the west of Shangrao City Center, was established in 2001 and promoted to a National Economic and Technical Development Zone in 2010. It covers an area of 207 square kilometers ("km²"), with planning built-up industrial area of 104 km², and has a total population of over 126 thousand and over 3,000 registered companies. Moreover, Shangrao ETDZ prioritizes three pillar industries: photovoltaic new energy, optoelectronic information, and new energy vehicles, while cultivating emerging sectors and modern services. It has 946 industrial enterprises, including 378 large-scale enterprises such as Jinko Energy, Phoenix Optics and Great Wall Motor. In 2024, it ranked second among all provincial development zones in industrial revenue, total profits as well as value-added output of large-scale enterprises. Benefiting from ongoing development of pillar industries, Shangrao ETDZ achieved fast economic growth in recent years. The total revenue of industrial enterprises in Shangrao ETDZ increased from RMB240.6 billion in 2023 to RMB258.2 billion in 2024. In addition, Shangrao ETDZ's general budgetary revenue increased by 4.4% YoY to RMB3.5 billion in 2024, indicating strong economic vitality of Shangrao ETDZ.

Government Willingness to Provide Support

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

The Company conducts infrastructure construction projects through its subsidiaries under entrusted construction, PPP, self-construction and self-operated, and government purchase service models. As of 31 March 2025, the Company had 23 completed projects with total invested amount of RMB5.6 billion, of which RMB4.9 billion has been recovered. The collection progress for major ongoing projects is moderate, with remaining payments scheduled to be recovered within the next 2-3 years. Meanwhile, the Company had 32 projects under construction, with a total planned investment of RMB23.9 billion and outstanding amount of RMB9.3 billion. Besides, the Company had 10 infrastructure construction projects under planning, with a total estimated investment of RMB3.2 billion. Upon completion of infrastructure construction projects, the entrusting parties will settle with the Company based on investment costs plus a certain percentage of markup. The Company also participates in shantytown renovation projects under government purchase service model. As of 31 March 2025, the Company had one project under construction with a total invested amount of RMB1.7 billion, expected to receive payments totaling RMB2.6 billion.

SIIG is the sole entity to provide water supply and sewage treatment services in Shangrao ETDZ. As of 31 March 2025, the Company had two water supply plants and one sewage treatment plant, with a daily water supply capacity of 200 thousand tons and a daily sewage treatment capacity of 80 thousand tons respectively, serving around 58.0 thousand households in Shangrao ETDZ. The Company plans to expand its water supply plants to meet the increasing water demand in Shangrao ETDZ. Due to the public welfare nature of the business, the local government has provided subsidies and special bonds to support its daily operation and project construction. In addition, the Company's sole status in this business can ensure the business sustainability and stability.

Increasing exposure to commercial activities, with certain industrial investment risks

We consider SIIG have medium exposure to commercial activities, such as industrial investment, rental housing, metallic material business and self-operated projects construction, accounting for around 20% to 25% of its total assets. These activities provide supplementary income to the Company but exert certain funding and business risks, especially the investment risks from industrial investment business.

SIIG remains strategically positioned as an important industrial investment entity to promote the development of pillar industries in Shangrao City. It engages in industrial investment business by ways of fund investment, equity investment, direct lending, and financial leasing. As of 31 March 2025, the Company had invested in 5 industrial funds, with a total contribution of RMB5.9 billion and an uninvested amount of RMB2.5 billion, which mainly focus on automobiles, photovoltaics and biomedical industries, posing certain industrial concentration risks to the Company. In 2024, the Company received dividend revenue of RMB700.0 million.

The Company also provides loans to enterprises settled in Shangrao ETDZ through direct lending and debt investment to obtain interests and leasing fee. As of 31 March 2025, the total outstanding lending amount was about RMB8.9 billion, most of which were provided to private-owned enterprises with credit enhancement measures. Notably, the Company has significant investments and outstanding loans in Aiways Automobile Co., Ltd. ("Aiways") and its subsidiary Jiangxi Yiwei Automobile Manufacturing Co., Ltd. However, Aiways has been in financial distress with ongoing lawsuits, which have led to uncertainty in fund recovery. To mitigate risks, the Company has implemented credit enhancement measures and an exit plan for Aiways and its affiliates.

In addition, as of 31 March 2025, the Company's subsidiary had overdue entrusted loan of RMB620 million with no new additions since 2024. The Company has taken litigation preservation measures and received land and properties assets with total estimated value of RMB667 million for asset revitalization to offset the overdue loan. Overall, as the investment cycle is long and the dividend income is susceptible to the policies and market condition, there is uncertainty in the cash collection and investment return.

The Company also engages in metallic material sales business, which is an important income driver of the Company and accounted for 48.4% of its total revenue in 2024. In 2024, sales of the top 5 clients and purchases from the top 5 suppliers accounted for around 64.8% and 67.1% of total sales and purchases, respectively. Moreover, the gross profit margin of this business sector was still as low as below 1.0% in 2024, but could partially relieved by tax refunds and industrial support funds. From 2024 to 2025Q1, the Company's metallic material business received value-added tax refunds and industrial support funds totaling RMB309.0 million.

SIIG participates in the construction of rental housing and factories under self-operated model, which are mainly leased out after completion for fund balancing. As of 31 March 2025, the Company owned leasable rental housing of 2.8 million square meters ("sqm") and factories of 2.0 million sqm, with moderate occupancy rate of 60.5% and 65.2%, respectively. We expect the rental housing business can generate supplementary income to the Company with increasing leasable areas in the future, but it is constrained by its relatively small business scale. As of 31 March 2025, the Company had 9 self-operated projects under construction, with total estimated investment of RMB5.5 billion and uninvested amount of RMB2.6 billion. Given the large investment amount of self-operated projects, we believe the Company may face certain capital expenditure pressure, and there is uncertainty in terms of investment returns because future operations of self-operated projects are subject to local industry development.

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. Since 2022, the Company received capital injections of RMB3.4 million from the Management Committee of Shangrao ETDZ. In terms of asset injections, the Management Committee of Shangrao ETDZ has also injected property assets of RMB2.5 billion to the Company since 2022, consolidating its business foundation and enhancing its business scope. From 2022 to 2025Q1, the Company has received government subsidies totaling RMB1.6 billion. The government has increased its funding support to the Company's project construction. As of end-2024, the Company had received special funds of RMB324.7 million. In 2025Q1, the Company and its subsidiaries received about RMB390 million in special bond funds. Given SIIG's important role in the region, we expect the Company will continue to receive support from local government in the future.

High debt leverage and moderate asset liquidity

Along with the continuous investment in construction projects, the Company's total debt increased from RMB48.6 billion at end-2023 to RMB52.2 billion at 2025Q1, with a relatively high total capitalization ratio of 56.4%. In addition, the Company still has a relatively high short-term debt servicing pressure, as reflected by, after excluding restricted cash, its cash to short-term debt ratio of 0.1x and the short-term debt to total debt ratio of 26.5% at end-2024. 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.

In addition, SIIG's asset liquidity is considered moderate. As of 31 March 2025, the Company's inventories, investment property, and total receivables accounted for 70.8% 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. Meanwhile, The Company had a relatively large amount of restricted assets totaling RMB23.0 billion, which accounted for 23.6% of its total assets as of 31 March 2025, consisting mainly of monetary capital, inventories and investment real estates. 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.

Diversified access to funding channels

The Company has access to various sources of funding, including bank loans, onshore and offshore bond financing and non-standard financing. As of 31 March 2025, it had total credit facilities of approximately RMB45.3 billion, with unused portion of RMB17.1 billion, indicating sufficient liquidity buffer. The Company also has a good track record for fund-raising activities in debt capital markets. As of 20 June 2025, the Company had 22 onshore and 2 offshore outstanding bonds, with total outstanding amount of RMB17.2 billion and USD107.4 million, respectively. In addition, the Company's exposure to non-standard financing is low, accounting for around 6.7% of total debt financing as of 31 March 2025. We expect the Company's large investment needs can be mitigated by its diversified financing channels.

Medium contingent liability risk from external guarantees

SIIG has medium exposure to contingent liabilities. As of 31 March 2025, the Company's external guarantee amount was RMB5.5 billion, accounting for about 13.6% of its net assets. Around 76.7% 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. However, the Company and its subsidiaries were involved in a number of lawsuits due to industrial investment and entrusted loans. The Company is actively resolving these issues through litigation preservation. The above major litigation progress and capital repatriation situation need to be continuously monitored.

ESG Considerations

SIIG assumes environmental risks through its infrastructure construction projects. Such risks could be moderated through environmental studies and detailed planning prior to the start of the projects and close supervision during construction.

In terms of social awareness, SIIG has played a crucial role in the social welfare of Shangrao ETDZ by involving the construction of infrastructure construction shantytown renovation and water supply projects.

In terms of corporate governance, SIIG's governance considerations are also material as the Company is subject to oversight and reporting requirements of the local government, reflecting its public-policy role and status as a government-owned entity.

Rating Methodology

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

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