

## Credit Opinion

31 December 2025

| Ratings                 |                  |
|-------------------------|------------------|
| Category                | Corporate        |
| Domicile                | China            |
| Rating Type             | Solicited Rating |
| Long-Term Credit Rating | A <sub>g</sub>   |
| Outlook                 | Stable           |

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### Client Services

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## China MCC22 Group Corporation Ltd.

### Initial credit rating report

**CCXAP assigns first-time long-term credit rating of A<sub>g</sub> to China MCC22 Group Corporation Ltd., with stable outlook.**

### Summary

The A<sub>g</sub> long-term credit rating of China MCC22 Group Corporation Ltd. ("MCC22" or the "Company") reflects the Company's (1) solid market position and growing operating scale in metallurgical construction; (2) diversified engineering construction business and sufficient order backlog; (3) relatively good financial profile, as reflected by lowering debt burden and improving profitability; and (4) diversified client structure.

However, the rating is constrained by the Company's (1) overseas projects with high business risks; (2) vulnerability to the fluctuations in cyclical industries such as steel and homebuilding; and (3) increasing proportion of private-owned enterprises client.

The rating also reflects our expectation of a high likelihood of support from Metallurgical Corporation of China Limited ("MCC"), given its (1) high strategic importance to MCC; and (2) close business and financial linkages with MCC. We believe that MCC has a strong capacity to support MCC22 by dint of (1) ultimate ownership by the central government; and (2) good track record of strong shareholder and government support.

The stable outlook on MCC22's rating reflects our expectation that the Company's strategic importance to MCC is unlikely to change. We also expect the Company to maintain stable credit metrics and market position over the next 12 to 18 months.

## Rating Drivers

- High likelihood of support from its parent when necessary
- Good market position in metallurgical construction
- Diversified client structure with increasing proportion of private-owned enterprises client
- Vulnerable to the fluctuations in cyclical industries
- High business risks from overseas projects
- Relatively good financial profile, as reflected by lowering debt burden and improving profitability
- Good access to funding sources

## Rating Sensitivities

### What could upgrade the rating?

The rating could be upgraded if (1) there are signs of improved parental support from MCC; and (2) MCC22's standalone credit quality improves significantly, including stronger market position, larger operating scale, and improved credit metrics.

### What could downgrade the rating?

The rating could be downgraded if (1) the credit quality of MCC deteriorates or the likelihood of parental support is expected to be weakened; or (2) MCC22's standalone credit quality worsens significantly, including material drop in market share, deterioration in credit metrics, and poor liquidity management.

## Key Indicators

|                              | 2022FY | 2023FY | 2024FY | 2025Q3 |
|------------------------------|--------|--------|--------|--------|
| Total Assets (RMB billion)   | 31.0   | 33.7   | 38.2   | 44.2   |
| Total Equity (RMB billion)   | 4.8    | 5.3    | 7.3    | 8.1    |
| Total Revenue (RMB billion)  | 30.5   | 35.3   | 33.6   | 23.4   |
| Net Profits (RMB billion)    | 0.4    | 0.7    | 0.8    | 0.6    |
| EBITDA/Revenue (%)           | 2.9    | 3.4    | 3.7    | -      |
| Return on Net Assets (%)     | 8.4    | 13.2   | 11.9   | -      |
| Total Debt/Total Capital (%) | 55.4   | 51.6   | 40.2   | 47.2   |
| Total Debt/EBITDA (x)        | 6.8    | 4.8    | 3.9    | -      |
| EBITDA/Interest (x)          | 3.2    | 5.1    | 5.5    | -      |

All ratios and figures are calculated using CCXAP's adjustments. Indicators marked with "-" are not applicable or not comparable.

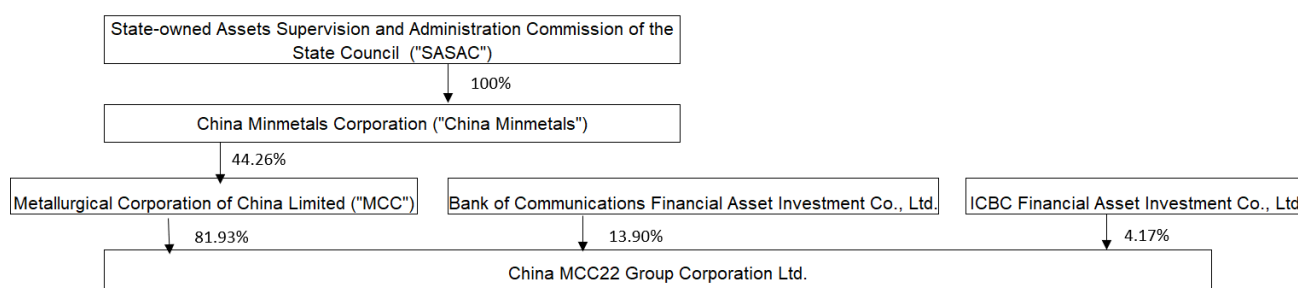
Source: Company data, CCXAP research

## Corporate Profile

Established in 1997, MCC22 is a Chinese state-owned enterprise mainly engaged in engineering construction-related businesses. The Company is one of the major subsidiaries of MCC (Stock codes: 01618.HK and 601618.SH), which is one of the largest engineering and construction ("E&C") companies in China and a market leader in metallurgical construction. In 2024, MCC22 achieved a total revenue of RMB33.6 billion, E&C projects contributed most of the Company's revenue, accounting for about 95.2%. The Company's E&C projects mainly include metallurgical, housing construction, municipal engineering. In addition, the Company also engages in property development, urban renewal, and technology and equipment manufacturing.

As of 30 September 2025, the Company was 81.93% directly held by MCC, while China Minmetals Corporation (“China Minmetals”) held around 44.26% shares of MCC. Bank of Communications Financial Asset Investment Co., Ltd. (“BoCom Financial”) and ICBC Financial Asset Investment Co., Ltd. (“ICBC Financial”) also directly held 13.9% and 4.17% of the Company’s shares. China Minmetals is in turn wholly owned by the State-owned Assets Supervision and Administration Commission of the State Council of China.

#### Exhibit 1. Shareholding chart as of 30 September 2025



Source: Company information, CCXAP research

## Rating Considerations

### Good market position in E&C industry, particularly metallurgical construction

MCC22 has a good market position in China’s E&C industry, particularly in the metallurgical construction segment. The Company has established a prominent market position through its extensive track record of constructing and participating in approximately one hundred major steel plant projects. Building upon the core engineering and construction expertise and experience, the Company has successfully diversified its industrial chain to construction fields such as non-ferrous metals, chemicals, and mining.

MCC22 has prevailing technical capabilities and qualifications as well as a strong market reputation, particularly in metallurgical and building construction fields. As of 30 September 2025, the Company had received a total of 2 special grade qualifications in metallurgical and building construction, and 3 integrated Class-A qualifications in engineering design and surveying. As of 30 September 2025, the Company had around 3,009 effective patents in total. Moreover, it has around 2,000 mid-to-senior level professional and technical personnel. MCC22’s strong technological and talent advantages enable it to meet a wide range of construction needs.

Metallurgical construction has high barriers to entry, with high technology requirements and strict regulations. These will deter new competitors from entering the industry and protect the Company with relatively stable profit margins on its projects. MCC22’s good market position in metallurgical projects also supports its access to new tendered projects and its stronger negotiating power with smaller subcontractors during the construction phase.

### Improving business structure and relatively sufficient order backlog

MCC22’s E&C projects are mainly focus on metallurgical, housing construction, municipal engineering construction. With its strong technical expertise and good market position in metallurgical construction, the Company maintained a steady growth on metallurgical construction business over the past few years. However, affected by the weak sentiment in the real estate sector and the continued fiscal constraints on local governments, the value of newly signed contracts for building construction declined from RMB73.4 billion in 2022 to RMB67.9 billion in 2024. Moreover, the delayed progress of market bidding has led to a decrease in

the value of newly signed contracts in municipal engineering projects. The Company has gradually expanded into other industries, such as new energy, mining, chemical and equipment manufacturing, which further enhances the diversification of the Company's business structure.

**Exhibit 2. Breakdown of newly signed contract value by business segment from 2022-2025Q3**

|                           | 2022                    |              | 2023                    |              | 2024                    |              | 2025Q3                  |              |
|---------------------------|-------------------------|--------------|-------------------------|--------------|-------------------------|--------------|-------------------------|--------------|
|                           | Contract Value (RMB bn) | Share (%)    | Contract Value (RMB bn) | Share (%)    | Contract Value (RMB bn) | Share (%)    | Contract Value (RMB bn) | Share (%)    |
| Housing construction      | 73.4                    | 72.8         | 68.7                    | 62.1         | 67.9                    | 56.0         | 41.4                    | 50.0         |
| Municipal engineering     | 14.2                    | 14.1         | 20.1                    | 18.2         | 11.4                    | 9.4          | 12.7                    | 15.3         |
| Metallurgical engineering | 8.4                     | 8.3          | 13.7                    | 12.4         | 12.6                    | 10.4         | 14.7                    | 17.8         |
| Property development      | 0.9                     | 0.9          | 1.2                     | 1.1          | 1.1                     | 0.9          | 0.3                     | 0.4          |
| Others*                   | 3.9                     | 3.9          | 6.9                     | 6.3          | 28.2                    | 23.3         | 13.6                    | 16.5         |
| <b>Total</b>              | <b>100.8</b>            | <b>100.0</b> | <b>110.7</b>            | <b>100.0</b> | <b>121.1</b>            | <b>100.0</b> | <b>82.7</b>             | <b>100.0</b> |

\*Other projects mainly include new energy, chemical and mining businesses, health and rehabilitation centers, and equipment manufacturing businesses such as forgings and steel structures

Source: Company data, CCXAP research

In 2022, the Company's newly signed contracts mainly relied on housing construction, which accounted for around 72.8% of the total newly signed contracts value. To diversify its business structure, the Company has been expanding its presence into other industrial projects through an extension of its industrial chain, reducing its dependence on housing construction projects. The proportion of newly signed contracts from others industries (such as new energy, chemical and mining) increased from 3.9% in 2022 to 23.3% in 2024, while that from housing construction decreased to 56.0% in 2024.

Moreover, the Company demonstrates a steady growth in obtaining new orders and sustaining sufficient order backlog. The total value of newly signed contracts increased from RMB100.8 billion in 2022 to RMB121.1 billion in 2024; while the coverage ratio of newly signed contracts to total revenue increased from 3.3x to 3.6x over the same period. Moreover, as of 30 September 2025, the Company had uncompleted contract amount of around RMB56.4 billion, indicating relatively sufficient order backlog.

**Diversified client structure with increasing proportion of private-owned enterprises client**

MCC22 has a diversified client base with nationwide geographic coverage, with competitive edge in the Beijing-Tianjin-Hebei region. As of 30 September 2025, the Beijing-Tianjin-Hebei region contributed 33.5% to the Company's newly signed contract value, with the remainder distributed across other domestic regions as well as overseas markets.

**Exhibit 3. Breakdown of newly signed contract value by business region from 2022-2025Q3**

|                              | 2022                    |              | 2023                    |              | 2024                    |              | 2025Q3                  |              |
|------------------------------|-------------------------|--------------|-------------------------|--------------|-------------------------|--------------|-------------------------|--------------|
|                              | Contract Value (RMB bn) | Share (%)    | Contract Value (RMB bn) | Share (%)    | Contract Value (RMB bn) | Share (%)    | Contract Value (RMB bn) | Share (%)    |
| Beijing-Tianjin-Hebei region | 55.0                    | 54.6         | 33.3                    | 30.1         | 41.8                    | 34.5         | 27.7                    | 33.5         |
| Northeast China              | 5.3                     | 5.2          | 25.2                    | 22.8         | 14.1                    | 11.7         | 4.2                     | 5.1          |
| Northwest China              | 6.5                     | 6.4          | 11.8                    | 10.6         | 12.3                    | 10.2         | 5.4                     | 6.6          |
| Central Plains               | 5.7                     | 5.6          | 5.1                     | 4.6          | 5.8                     | 4.8          | 11.6                    | 14.0         |
| Southern China               | 6.0                     | 5.9          | 5.1                     | 4.6          | 8.7                     | 7.2          | 3.8                     | 4.6          |
| Eastern China                | 17.7                    | 17.5         | 21.3                    | 19.3         | 15.0                    | 12.4         | 13.2                    | 16.0         |
| Southwest China              | 2.1                     | 2.1          | 3.3                     | 3.0          | 10.4                    | 8.6          | 2.9                     | 3.6          |
| Overseas                     | 1.2                     | 1.2          | 3.6                     | 3.3          | 9.9                     | 8.2          | 12.5                    | 15.2         |
| Others                       | 1.5                     | 1.4          | 2.0                     | 1.8          | 3.0                     | 2.5          | 1.3                     | 1.5          |
| <b>Total</b>                 | <b>100.8</b>            | <b>100.0</b> | <b>110.7</b>            | <b>100.0</b> | <b>121.1</b>            | <b>100.0</b> | <b>82.7</b>             | <b>100.0</b> |

Source: Company data, CCXAP research

However, the Company also demonstrates an increasing proportion of private-owned enterprises clients due to the expansion of other industrial projects such as new energy, mining, and chemical. The proportion of projects contracted from private enterprise clients increased from 38.7% in 2022 to 57.4% in 2024. The Company maintains a low exposure to projects with private property developers and has prudently allocated substantial bad debt provisions for this segment. As of 30 September 2025, its total receivables related to Evergrande Group amounted to RMB119.0 million, against which cumulative provisions of RMB53.0 million have been made. Moreover, under the increasing fiscal pressure on China's local governments, the project payment period from state-owned enterprises and local infrastructure investment and financing companies may also extend.

### **Vulnerable to the fluctuations in cyclical industries**

MCC22's construction business has a large exposure to cyclical industries, including housing construction and metallurgical construction, as well as property development. Given the volatile nature of these segments, we believe the Company's risk exposure to the housing construction and steel industries will remain a concern.

Affected by the real estate industry downturn and increasing fiscal pressure on China's local governments, which may affect the progress and quality of construction payments. The Company's overall project payments experience time lags, which may affect its asset liquidity. As of 30 September 2025, the accounts receivable, other receivables, and inventory amounted to RMB16.4 billion, with a growth rate of 13.4% year on year ("YoY"), accounting for 37.1% of the Company's total assets. Moreover, the Company also involves in property development which has added volatilities to its business profile. Due to the downturn in the real estate industry, the Company is focusing on the clearance of existing inventory. As of 30 September 2025, the Company held no property development projects under construction and had no land reserves pending development.

However, it is difficult to see a fundamental improvement in China's property market in the short term, and the real estate industry is still in a recovery phase. In addition, the cooldown of China's broad real estate market also adversely affected the Company's housing construction business, which weakened the payment ability of property owners and the growth momentum of the building construction.

The Company's metallurgical construction business is heavily exposed to the cyclical steel industry, which has witnessed a contraction from 2012 to 2017 due to the Chinese government's measures to ease excess capacity in the steel industry. However, driven by increased domestic investments in upgrading steel plants such as environmental protection installation and facility relocation, the Company's metallurgical construction business maintained a steady growth over the past few years.

The expansion of the Company's E&C projects into sectors such as new energy, chemicals, mining, and utilities can help hedge against certain cyclical risks. Meanwhile, the Company's ongoing expansion in overseas markets, particularly in countries along the "Belt and Road", could help support its business growth. However, overseas projects have relatively high business risk compare to domestic projects.

### **High business risks from overseas projects**

MCC22 has been actively expanding its overseas business, with sustained rapid growth in overseas projects. Its overseas portfolio primarily consists of metallurgical construction and non-metallurgical industrial construction projects. The value of newly signed contracts from overseas markets increased from RMB1.2 billion in 2022 to RMB9.9 billion in 2024, and further increased to RMB12.5 billion as of end-2025Q3. Clients include both domestic and overseas companies, as well as foreign government entities. However, overseas business increases its exposure to operational, financial, legal and geopolitical risks, posing uncertainties on the Company's ability to deliver projects on time and within budget. The intensification of geopolitical and political situations could disrupt domestic production and global logistics, resulting in higher operating costs and lower capacity. For example, the Company undertook a major project from Russia in 2024, with a total contract amount of RMB6.0 billion, which may carry relatively high exposure to geopolitical risk and exchange rate risk.

Despite the Company's continuous expansion in overseas market, we expect its exposure to overseas projects to remain manageable. Moreover, the potential risks related to overseas business could also be mitigated by the Company's limited exposure in each country and its strong technical expertise in the construction industry.

### **Relatively good financial profile, as reflected by lowering debt burden and improving profitability**

MCC22's total revenue increased from RMB30.5 billion in 2022 to RMB35.3 billion in 2023, and slightly decreased to RMB33.6 billion in 2024 due to the real estate industry downturn and increasing fiscal pressure on China's local governments led to a slowdown in project tendering and delays in project settlement for some projects. In 2025Q3, the Company's total revenue amounted to RMB23.4 billion, with a YoY growth rate of 3.5%. MCC22's profitability profile is relatively good. The Company's return on net assets increased from 8.4% in 2022 to 11.9% in 2024, while the EBITDA margin also rose from 2.9% to 3.7% over the same period. However, the credit impairment losses, driven largely by bad debts on some construction receivables, exerts a growing erosive effect on overall profitability. The Company's credit impairment losses totaled RMB469.9 million in 2024. The increasing pressure on advance funding and the need for impairment loss may further weaken the profitability of E&C companies. Moreover, the Company's period expense ratio (including management fee, research and development fee, marketing fee and finance cost) was 6.5% in 2024.

Benefited from the sustained net operating cash inflows, coupled with a slowdown of the property development business, which reduced the Company's financing demands. The Company's total debt decreased from RMB6.0 billion in 2022 to RMB4.9 billion in 2024. The Company's total debt increased to RMB7.2 billion due to the seasonal payment peak in the construction industry as of 30 September 2025. In addition, the Company's total equity saw a significant increase, driven by both profit accumulation and the debt-for-equity swap operations from BoCom Financial and ICBC Financial. As a result, its capitalization ratio decreased from 55.4% in 2022 to

47.2% as of 30 September 2025. Moreover, the Company demonstrated a relatively good credit metrics due to its good profitability and reducing debt level. The Company's debt to EBITDA ratio decreased to 3.9x in 2024 from 6.8x in 2022, and its EBITDA interest coverage increased to 5.5x in 2024 from 3.2x in 2022.

### **Good access to funding sources**

MCC22 has good relationships with major domestic financial institutions, such as large state-owned banks and policy banks. As of 30 September 2025, the Company had obtained total bank credit facilities of RMB29.2 billion, with an unutilized amount of RMB16.7 billion, indicating a sufficient liquidity buffer. Moreover, the Company has a presence in the onshore debt capital markets via the issuance of account receivables ABS. Benefiting from its strong shareholder background, the Company has smooth financing access from MCC Capital Center. With its strong state-owned background and leading market position, we believe that MCC22 will be able to maintain good access to funding sources.

### **External Support**

#### **High likelihood of support from parent company**

We believe MCC22 is highly likely to receive support from its parent, when necessary, given its (1) high strategic importance to MCC; and (2) the close business and financial linkages with MCC. We believe that MCC has strong capacity to support MCC22 by dint of (1) ultimate ownership by the central government; and (2) good track record of strong shareholder and government support.

MCC is the largest E&C company in China and a market leader in metallurgical construction. MCC has a strong market position in China's E&C industry, particularly in the metallurgical construction segment. It is one of the largest E&C companies in China and the country's largest metallurgical contractor and service provider. MCC22 has a very important position in MCC's operations as one of the major construction companies for domestic steel producers and its strategic role in the production upgrade of China's steel industry. As of the end-2024, MCC22 accounted for around 4.7% and 6.1% of MCC's total assets and total revenue, respectively. As a key subsidiary of MCC, MCC22 benefits from strong backing from MCC, particularly in areas of business synergy, internal management, credit endorsement, and funding access.

### **ESG Considerations**

The Company is subject to environmental laws and regulations governing air pollution, noise emissions, hazardous substances, water and waste discharge, and other environmental matters issued by the national governmental authorities. MCC22 assumes environmental risks for its construction projects. Such risks could be mitigated by conducting environmental studies and detailed planning prior to the commencement of projects and close supervision.

MCC22 is also exposed to social risks. MCC22 entails strong social responsibilities—including data privacy, and community well-being. Its social license to operate depends on fair labor practices, employee welfare, service quality, and local economic contributions. Shifting consumer preferences, demographic changes, and public health trends directly affect both demand and public perception.

The Company's governance considerations are also material as it is subject to oversight and reporting requirements to MCC. Overall, the Company has a relatively sound internal control and governance structure, and its development strategy aligns with industry policies and its business objectives.

## Rating Methodology

The methodology used in this rating is the Rating Methodology for [Engineering and Construction Companies \(December 2016\)](#).

## Appendix

### Exhibit 4. Peer Comparison

|   | China MCC22 Group Corporation<br>Ltd.                      | Metallurgical Corporation of China<br>Limited |
|---|--|---|
| Long-Term Credit Rating                   | A <sub>g</sub>   | AA <sub>g</sub> -                             |
| Shareholder                               | MCC 81.93%, BoCom Financial<br>13.9%, ICBC Financial 4.17% | China Minmetals 44.26%                        |
| Total Asset (RMB billion)                 | 38.2   | 808.0   |
| Total Equity (RMB billion)                | 7.3  | 182.3   |
| Total Revenue (RMB billion)               | 33.6   | 552.0   |
| Total Debt/Total Capital (%)              | 40.2   | 58.3  |
| EBITDA/Revenue (%)                        | 3.7  | 2.9   |
| EBITDA/Interest (x)                       | 5.5  | 2.4   |
| Newly signed contract value (RMB billion) | 121.1  | 1,248.7                                       |

All ratios and figures are calculated using CCXAP's adjustments based on financial data in 2024.

Source: Company information, CCXAP research

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