Credit Opinion

30 June 2026

Ratings	
Category	Corporate
Domicile	China
Rating Type	Solicited Rating
Long-Term Credit Rating	AA_g-
Outlook	Stable

Metallurgical Corporation of China Limited

Surveillance credit rating report

CCXAP affirms Metallurgical Corporation of China Limited's long-term credit rating at AA_g-, with stable outlook.

Summary

The AA_g- long-term credit rating of Metallurgical Corporation of China Limited ("MCC" or the "Company") reflects the Company's (1) solid market position and large operating scale in metallurgical construction; (2) diversified engineering construction business and sufficient order backlog; (3) diversified client structure and geographic coverage; and (4) good access to various funding sources.

However, the rating is constrained by the Company's (1) overseas projects with certain business risks; (2) vulnerability to the fluctuations in cyclical industries such as steel and housing construction; and (3) moderate financial profile, as reflected by improving debt management but weakened profitability.

The rating also reflects our expectation of a high likelihood of support from China Minmetals Corporation ("China Minmetals"), given (1) its high strategic importance to China Minmetals; and (2) the close business and financial linkages with China Minmetals. We believe that China Minmetals has a strong capacity to support MCC 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 MCC's rating reflects our expectation that the Company's importance to China Minmetals is unlikely to change. We also expect the Company to maintain stable credit metrics and sufficient liquidity buffers over the next 12 to 18 months.

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Rating Drivers

- Solid market position and large operating scale in metallurgical construction
- Diversified engineering construction business and sufficient order backlog
- Vulnerable to the fluctuations in cyclical industries
- Business risks from overseas projects
- Moderate financial profile, as reflected by improving debt management but weakened profitability
- Good access to various funding sources
- High likelihood of support from its parent when necessary

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) there are signs of improved parental support from China Minmetals, given their closer business and financial linkages; or (2) MCC'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 China Minmetals deteriorates or the likelihood of parental support is expected to be weakened; or (2) MCC's standalone credit quality worsens significantly, including material drop in market share, deterioration in credit metrics, and poor liquidity management.

Key Indicators

	2023FY	2024FY	2025FY
Total Assets (RMB billion)	661.6	808.0	839.5
Total Equity (RMB billion)	168.0	182.3	183.6
Total Revenue (RMB billion)	633.9	552.0	455.4
Net Profits (RMB billion)	11.4	7.9	2.5
EBIT Margin (%)	2.5	2.1	1.9
Return on Assets (%)	2.5	1.6	1.0
Total Debt/Total Capital (%)	58.6	58.3	56.7
Total Debt/EBITDA (x)	8.1	11.2	12.5
EBITDA/Interest (x)	3.4	2.5	2.3
FFO/Total debt (%)	12.2	8.6	7.6

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

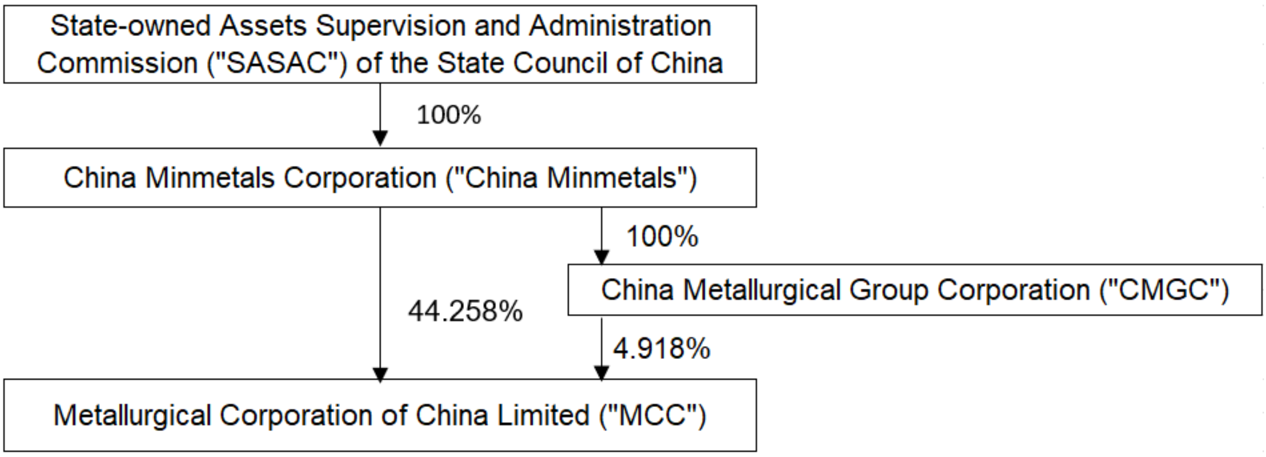
Source: Company data, CCXAP research

Corporate Profile

Headquartered in Beijing, MCC (Stock codes: 1618.HK and 601618.SH) is a Chinese state-owned enterprise mainly engaged in engineering construction-related businesses. MCC is one of the largest engineering and construction ("E&C") companies in China and a market leader in metallurgical construction. In September 2009, the Company's A shares and H shares were listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange, respectively. In 2025, MCC achieved a total revenue of RMB455.4 billion, E&C projects contributed most of the Company's revenue, accounting for about 89.6%. The Company's E&C projects include metallurgical, building and transportation infrastructure construction. MCC also engages in property development, equipment manufacturing and resource development. In December 2025, the Company sold its equity interests in six subsidiaries, including MCC Real Estate Group Co., Ltd. ("MCC Real Estate") and several mining companies, alongside its corresponding credit rights against MCC Real Estate, to China Minmetals Corporation and its subsidiaries.

As of 31 March 2026, the Company was 4.918% directly held by China Metallurgical Group Corporation ("CMGC"), a wholly-owned subsidiary of China Minmetals, while China Minmetals directly held an approximate 44.258% stake in the Company. China Minmetals is ultimately and fully owned by the State-owned Assets Supervision and Administration Commission ("SASAC") of the State Council of China.

Exhibit 1. Shareholding chart as of 31 March 2026



Source: Company information, CCXAP research

Rating Considerations

Business Profile

Solid market position and large operating scale in E&C, particularly metallurgical construction

MCC has a strong market position in China's E&C industry, particularly in the metallurgical construction segment. The Company is one of the largest E&C companies in China and the country's largest metallurgical contractor and service provider. CMGC ranked 7th in The Engineering News-Record's 2025 Top 250 Global Contractors, ranking among the top ten for 17 consecutive years.

MCC has a long track record in the E&C industry with a very strong presence in the construction of steel plants in China and is deemed to be the "Metallurgical Construction National Team". It offers a full range of services from planning, and design to construction of production facilities, and has participated in most of the medium and large-scale iron and steel plant projects in China.

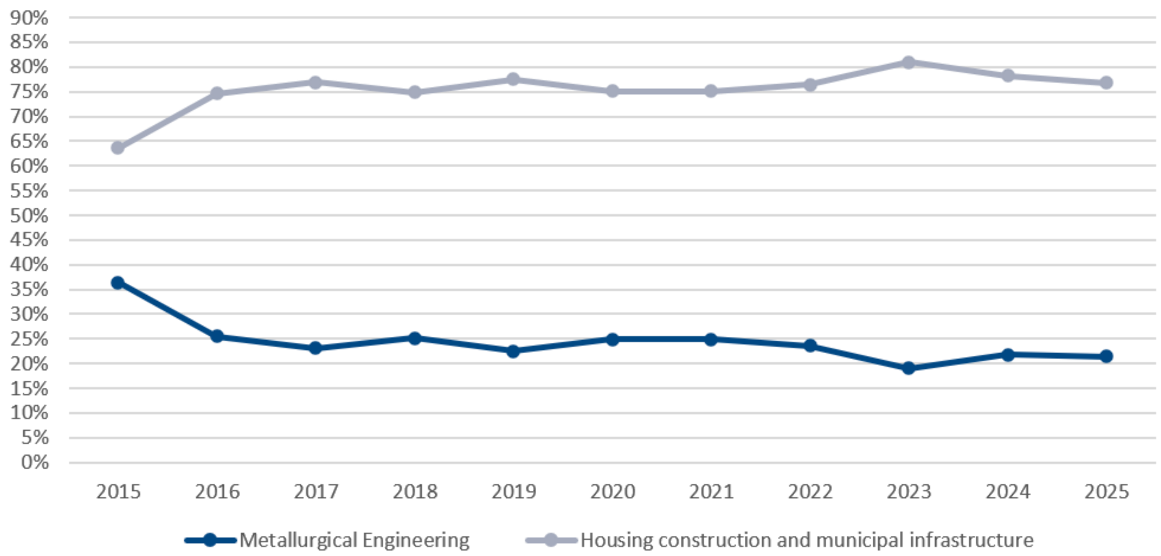
With profound experience in the construction of metallurgical projects, MCC has maintained prevailing technical capabilities and qualifications as well as a strong market reputation. As of 31 December 2025, the Company had received a total of 51 special grade qualifications in engineering construction and 4 integrated Class-A qualifications in engineering design. In 2025, the Company had over 54,000 effective patents in total and issued a total of 68 international standards and 670 national standards. Moreover, it has over 60,000 engineers and technicians, 1 academician of the Chinese Academy of Engineering and 10 national exploration and design masters. MCC’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. MCC’s strong 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.

Diversified engineering construction business and sufficient order backlog

MCC has maintained a stable revenue in metallurgical construction businesses before 2024, with its strong technical expertise and dominant market position. However, affected by weak domestic market demand, changes in steel industry policies, and intensified market competition, the revenue from the engineering contracting business continued to decline from RMB505.7 billion in 2024 to RMB408.0 billion in 2025. MCC has also gradually expanded into non-metallurgical construction businesses, which cover housing, transportation, and infrastructure construction, as well as the strategic layout of new energy investment and management. The expanded non-metallurgical construction businesses include infrastructure projects such as building roads, bridges, government buildings, stadiums, logistic centers and affordable housing. Since 2016, revenue from non-metallurgical construction businesses has accounted for more than 70% of MCC's total revenue, and contributed 76.8% of MCC’s construction revenue in 2025, slightly decreasing from 78.2% in 2024. By increasing non-metallurgical construction projects, MCC reduces its dependence on traditional metallurgical construction.

Exhibit 2. Revenue composition of MCC’s construction businesses from 2015 to 2025

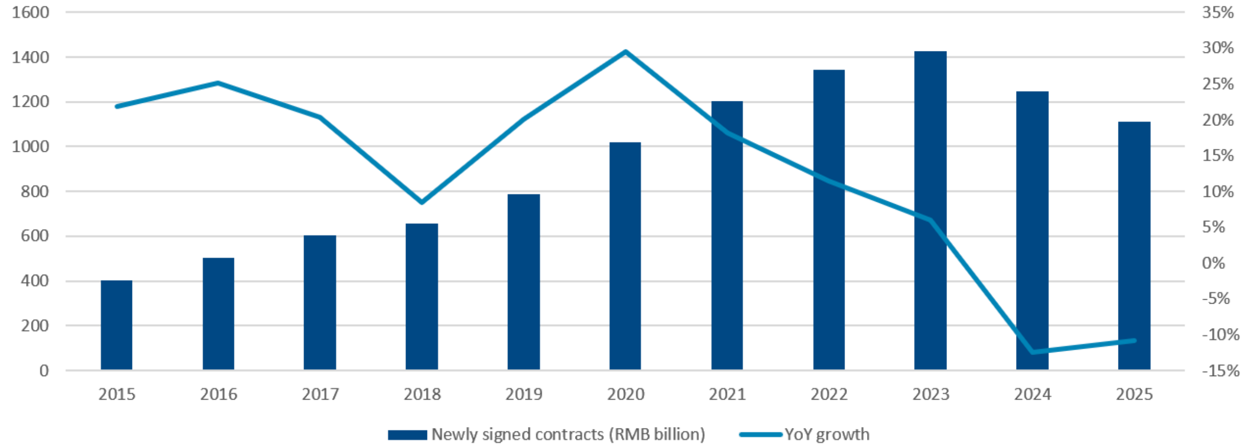


Source: Company information, CCXAP research

MCC demonstrates a strong capability in obtaining new orders and sustaining sufficient order backlog. Due to the downward pressure in the real estate market, as well as the slowdown of construction and steel industry, the value of new orders in 2025 decreased by 10.9% Year-on-Year (“YoY”) to RMB1,112.9 billion, maintained at more than double of the total revenue for the year. In the first quarter of 2026, MCC recorded RMB206.1 billion in new orders, a YoY decrease of 10.6%. Nevertheless, the Company has continued to expand its presence in overseas markets, with the value of new orders from oversea contracts increasing by 6% YoY to RMB100.7 billion in 2025.

It is expected that property construction sector will still be in a cyclical period in 2026, and the scale of infrastructure construction investment will be relatively stable. We believe that the Company's expanded oversea contracts and its sufficient order backlog will be a driving force of revenue growth and earning generation for the next two to three years.

Exhibit 3. Value growth of MCC's new orders from 2015 to 2025



Source: Company information, CCXAP research

Diversified client structure and geographic coverage

Under the broad economic slowdown, downward pressure in the real estate market, the increasing fiscal pressure on China's local governments, and the suspension of PPP projects, the payment period of MCC's construction projects may extend as the Company's clients mainly consist of local infrastructure investment and financing companies, state-owned enterprises and large steel mills.

Nonetheless, MCC's diversified client base with nationwide geographic coverage can mitigate part of the adverse impact. As of 31 December 2025, the Company had 10,900 domestic projects and 551 overseas projects under construction. The domestic business focuses on key economic regions such as the Bohai Rim Area, the Greater Bay Area, the Yangtze River Delta region, the Chengdu-Chongqing Twin City region, and the Central City Clusters. In addition, MCC has appropriately reduced the business in regions with weaker economic development and financial resources. MCC's extensive client base will help mitigate risks from a single project or client exposure. Its top five clients accounted for less than 10% of the Company's total revenue in 2025.

Vulnerable to the fluctuations in cyclical industries

MCC's construction business has a large exposure to cyclical industries, including housing and metallurgical construction. Given the volatile nature of these segments, we believe the Company's risk exposure to the homebuilding and steel industries will remain a concern. Nevertheless, giving to the divestment of subsidiaries in 2025, the Company's risk exposure related to the real estate sector has appropriately decreased.

In 2025, revenue from housing construction and municipal infrastructure accounted for 76.8% of MCC's engineering construction revenue. The real estate industry downturn may affect the progress and quality of construction payments. The Company's overall project payment lags behinds, which may affect its asset liquidity. As of 31 December 2025, the accounts receivable increased by 14.0% YoY, accounting for 29.0% of MCC's total assets. This was primarily driven by This was primarily driven by the downturn in the real estate market, which led to an increase in receivables related to housing construction services. The cooldown of Chinese real estate market still adversely affected MCC's housing construction business, which also weakened the sales of housing on hand, 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. Due to the contraction of the real estate sector, the domestic construction steel industry is currently experiencing a downturn. However, because of increasing domestic investments in upgrading steel plants such as environmental protection installation and facility relocation, MCC's revenue from metallurgical construction still maintained at a high level. 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. In 2025, revenue from the metallurgical construction business amounted to RMB87.5 billion.

Business risks from overseas projects

MCC's 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 value of new orders for overseas projects grew by 6% YoY in 2025 to RMB100.7 billion, representing 9.0% of the total new orders signed in 2025. The intensification of geopolitical and political situations could disrupt domestic production and global logistics, resulting in higher operating costs and lower capacity. However, through asset divestment, the Company sold its Pakistani mines and Afghan Aynak copper mine to its parent company, Minmetals Group, mitigating the geopolitical risks tied to these assets.

Despite the Company's continuous expansion in overseas market, we expect its exposure to overseas projects to remain manageable. Revenue from oversea projects accounted for approximately 6.9% of total revenue in 2025, while the Company's oversea assets only accounted for 3.3% of its total asset, maintained at a manageable level. 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.

Financial Profile

Moderate financial profile, as reflected by improving debt management but weakened profitability

Due to the divestment of real estate and other subsidiaries, the Company's debt levels experienced a decrease in 2025. As of end-2025, the Company's total debt (including perpetual capital) decreased to RMB164.4 billion from RMB178.7 billion at end-2024. Meanwhile, its capitalization ratio also decreased from 58.3% to 56.7% over the same period. We expect MCC's debt level will stay in a high level in the next 12 to 18 months, given its continuous investment in engineering construction projects. At the same time, the increased pressure on project payments will increase the MCC's debt pressure.

In 2025, due to weakened domestic market demand, changes in steel industry policies, and intensified market competition, the revenue from engineering construction decreased by 19.3% YoY to RMB408.0 billion, which leads to the Company's total revenue decreased by 17.5% YoY to RMB455.4 billion. MCC's profitability also deteriorated. The Company's gross profit margin was recorded at 10.1% in 2025, and its net profit decreased by 68.1% YoY to RMB2.5 billion. However, a portion of these decreases was also attributable to the divestment of subsidiaries.

MCC's debt to EBITDA ratio slightly increased to 12.5x in 2025 from 11.2x in 2024, and its EBITDA interest coverage also decreased to 2.3x in 2025 from 2.5x in 2024. Nevertheless, we believe the Company's good project management and diversified business profile could help mitigate some of the negative factors on its profitability.

One-off impact due to the disposal of non-core businesses

In December 2025, the Company divested six subsidiaries, including MCC Real Estate and several mining firms, alongside its credit rights against MCC Real Estate, to China Minmetals and its subsidiaries. This shift was primarily driven by state directives for central SOEs to achieve strategic realignment toward core mandates, specialized integration, and optimized resource configuration.

This divestment of subsidiaries resulted in a substantial contraction in inventories, which plummeted from RMB75.6 million in 2024 to RMB15.7 million, marking a YoY decline of 79.25%. Meanwhile, due to the unique and occasional nature of this divestment, and pursuant to China Securities Regulatory Commission regulatory requirements, the total transaction loss of around RMB1.5 billion was recognized as non-recurring items. Given that this net loss reflects the offsetting effect between heavy impairment charges and significant disposal gains, it ultimately led to a sharp increase in the Company's asset and credit impairment losses for 2025.

Through the divestiture of non-core assets like property sales, the Company will effectively defuse its real estate exposure, streamline its business portfolio, and solidify its core segments, thereby enhancing management efficiency, operational resilience, and its overall risk profile.

Good access to various funding sources

MCC has diversified financing channels, supported by its listed status in both Shanghai and Hong Kong exchanges and its state-owned background. Moreover, the Company remains a strong presence in the onshore and offshore debt capital markets. In 2025, the Company issued 16 tranches of onshore bonds, mainly MTNs, totaling RMB29.8 billion, with coupon rate from 2.05% to 2.55%. Furthermore, MCC has maintained good relationships with major domestic financial institutions, such as large state-owned banks and policy banks. As of 31 December 2025, the Company had obtained total bank credit facilities of RMB1,112.7 billion, with an unutilized amount of RMB707.9 billion, indicating a sufficient liquidity buffer.

With its strong state-owned background and leading market position, we believe that MCC will be able to maintain good access to multiple financing channels.

External Support

High likelihood of support from parent company

MCC is highly likely to receive support from its parent, when necessary, given (1) its high strategic importance to China Minmetals; and (2) the close business and financial linkages with China Minmetals. We believe that China Minmetals has strong capacity to support MCC by dint of (1) ultimate ownership by the central government; and (2) good track record of strong shareholder and government support. China Minmetals is an international metals and mining corporation that is wholly owned by the SASAC of the State Council of China, with a strong policy role of securing base metal supply in China.

MCC has a very important position in China Minmetals' operations as the primary construction company for domestic steel producers and its strategic role in the production upgrade of China's steel industry. China Minmetals is an international metals and mining corporation that is wholly owned by the SASAC of the State

Council of China, and is also listed by the central government as one of the 53 key state-owned enterprises related to national security and the lifeline of the national economy. It primarily engages in metals and mining businesses including the exploration, mining, smelting, processing, and trading of metals and minerals. Ranked 86th on the 2025 Fortune Global 500 list, China Minmetals demonstrates outstanding overall competitiveness. As a key subsidiary of China Minmetals, MCC benefits from strong backing from China Minmetals, particularly in areas of business synergy, internal management, credit endorsement, and funding access.

MCC continues to benefit from its state-owned background in project generation and financing. For instance, in 2025, the Company successfully secured a multi-billion RMB contract for the integrated development of the Cuihu District in Zhengzhou Airport Economy Zone, alongside a major RMB7.9 billion order for the Xinghe Coking and Tail Gas Comprehensive Utilization project.

Meanwhile, China Minmetals absorbed a significant portion of the Company's real estate and mining business segments and consolidated internal group resources, providing powerful support for the Company's industrial structure optimization and business risks reduction.

Rating Methodology

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

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