

CCXAP affirms Sanming City Construction and Development Group Co., Ltd.'s long-term credit rating at BBB_g+, with stable outlook.

Hong Kong, 17 October 2025 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has affirmed Sanming City Construction and Development Group Co., Ltd.’s long-term credit rating at BBB_g+, with stable outlook. At the same time, CCXAP has affirmed the senior unsecured debt rating of BBB_g+ on the existing CNY bonds issued by the Company.

The BBB_g+ long-term credit rating of Sanming City Construction and Development Group Co., Ltd. (“SCCD” or the “Company”) reflects (1) Sanming Municipal Government’s very strong capacity to provide support, and (2) the local government’s very high willingness to provide support, based on our assessment of the Company’s characteristics. Our assessment of Sanming Municipal Government’s capacity to provide support is reflected by its comprehensive industrial system, with ongoing economic growth and moderate fiscal stability.

The rating also reflects the local government’s willingness to provide support, which is based on the Company’s (1) important position in infrastructure construction and affordable housing development in Sanming City; (2) high sustainability in public policy projects; and (3) good track record of receiving government support. However, the rating is constrained by the Company’s (1) medium exposure to commercial activities; (2) relatively high debt leverage with certain short-term debt repayment pressure; and (3) weak asset liquidity.

Corporate Profile

Established in 2019, SCCD is an important local infrastructure investment and financing platform (“LIIFC”) in Sanming City, mainly responsible for municipal infrastructure construction and affordable housing construction. The Company is also engaged in property development, commodity sales, and hotel and catering businesses. As of 30 June 2025, State-owned Assets Supervision and Administration Commission of the Sanming Municipal Government (“Sanming SASAC”) held 100% equity interests of SCCD and was its ultimate controlling shareholder.

Rating Rationale

Credit Strengths

Important position in infrastructure construction and affordable housing development in Sanming City. As the most important infrastructure construction and affordable housing construction entity in Sanming City, SCCD has a clear position and is mainly responsible for the municipal infrastructure construction and affordable housing construction of Sanming City. The Company has a strong market position and has successfully undertaken a substantial number of construction projects in the region. Considering the Company’s important position and its significant contribution to the urbanization of Sanming City, we believe that the Company is unlikely to be replaced by other state-owned enterprises in the foreseeable future.

High business sustainability in public policy projects. SCCD has abundant construction projects in the pipeline, which can ensure the sustainability of its public policy businesses, but

also exert certain capital expenditure pressure on the Company. Besides, the progress of the project payment from the local government is prolonged, causing capital occupation for the Company.

Good track record of receiving government support. The shareholding structure and business operations of the Company are highly correlated with Sanming Municipal Government, and the Company has a good track record of government support, such as subsidies, special bond funds, and asset injections, which are crucial for enhancing the Company's solvency and operational efficiency. Considering the Company's important position in Sanming City, we expect the Company to receive ongoing support from the local government in the foreseeable future.

Credit Challenges

Medium exposure to commercial activities. SCCD is also engaged in commercial businesses, including property development, engineering construction, and commodities sales. We consider the Company's exposure to commercial activities to be medium, as the proportion of commercial business assets accounted for around 20% of its total assets. The property development business is susceptible to local property market conditions and policies, while the commodity sales business is subject to the concentration risk.

Relatively high debt leverage with certain short-term debt repayment pressure. With ongoing public and commercial construction projects, SCCD's total debt has increased moderately and has maintained a relatively high debt leverage. SCCD's total debt increased from RMB19.5 billion at end-2023 to RMB22.6 billion at mid-2025, with the total capitalization ratio increasing from 57.2% to 59.9% during the same period. The Company's debt maturity profile was slightly improved, with the short-term debt ratio decreasing from 43.4% at end-2023 to 26.8% at mid-2025. However, the cash-to-short-term debt ratio was still low at 0.3x at mid-2025, indicating certain short-term debt repayment pressure.

Weak asset liquidity. SCCD's asset liquidity is low, which may undermine its financing flexibility. The Company's total asset mainly consists of receivables and inventories, which accounted for around 65.5% of its total assets as of 30 June 2025. Receivables are mainly unreceived project payments from the local government, and inventories are mainly development costs for its construction projects, both of which are considered low liquidity.

Rating Outlook

The stable outlook on SCCD's rating reflects our expectation that the local government's capacity to provide support will remain stable, and the Company will maintain its strong position in municipal infrastructure construction and affordable housing development of Sanming City for the next 12 to 18 months.

What could upgrade the rating?

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

What could downgrade the rating?

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

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