CCXAP assigns first-time long-term credit rating of A_g to China MCC22 Group Corporation Ltd., with stable outlook.

Hong Kong, 31 December 2025 – China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") has assigned a first-time long-term credit rating of A_g to China MCC22 Group Corporation Ltd. ("MCC22" or the "Company"), with stable outlook.

The A_g long-term credit rating of MCC22 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.

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, with E&C projects contributing about 95.2% of the revenue. The Company's E&C projects mainly include metallurgical, housing construction, and 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, respectively. China Minmetals is in turn wholly owned by the State-owned Assets Supervision and Administration Commission of the State Council of China.

Rating Rationale

Credit Strengths

Solid market position and growing operating scale in metallurgical construction. MCC22 has a good market position in China's E&C industry, particularly in the metallurgical construction segment, with extensive experience in major steel plant projects. The Company has prevailing technical capabilities, strong qualifications, and a robust market reputation.

Diversified engineering construction business and sufficient order backlog. The Company has successfully diversified its business into other industries such as new energy, mining, chemicals, and equipment manufacturing. It demonstrates steady growth in obtaining new orders and sustains a sufficient order backlog, with uncompleted contract amount of around RMB56.4 billion as of 30 September 2025.

Relatively good financial profile. MCC22's profitability profile is relatively good, with return on net assets increasing to 11.9% in 2024 and EBITDA margin rising to 3.7% over the same period. The Company's debt burden has lowered, with the capitalization ratio decreasing to 47.2% as of 30 September 2025.

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.

Credit Challenges

Overseas projects with high business risks. The Company's overseas portfolio carries operational, financial, legal and geopolitical risks, posing uncertainties on project delivery and cost management.

Vulnerability to fluctuations in cyclical industries. The Company's construction business has large exposure to cyclical industries such as housing construction and metallurgical construction, which are affected by the real estate industry downturn and the cyclical nature of the steel industry.

Increasing proportion of private-owned enterprises client. The proportion of projects contracted from private enterprise clients increased to 57.4% in 2024, which may present higher credit risk compared to state-owned clients.

Rating Outlook

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.

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.

Rating Methodology

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

Regulatory Disclosures

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