

Credit Opinion

9 June 2025

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

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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 high business risks; (2) vulnerability to the fluctuations in cyclical industries such as steel and homebuilding; and (3) modest financial profile, as reflected by increasing debt burden and weakened profitability.

The rating also reflects our expectation of a high likelihood of support from 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.

Rating Drivers

- High likelihood of support from its parent when necessary
- Solid market position and large operating scale in metallurgical construction
- Diversified engineering construction business and sufficient order backlog
- Fluctuations in cyclical industries
- High business risks from overseas projects
- Modest financial profile, as reflected by increasing debt burden and weakened profitability
- Good access to various funding sources

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

	2022FY	2023FY	2024FY
Total Assets (RMB billion)	585.4	661.6	808.0
Total Equity (RMB billion)	161.9	168.0	182.3
Total Revenue (RMB billion)	592.7	633.9	552.0
Net Profits (RMB billion)	12.9	11.4	7.9
EBITDA/Revenue (%)	3.7	3.1	2.9
Return on Net Assets (%)	8.0	6.8	4.3
Total Debt/Total Capital (%)	53.2	58.6	58.3
Total Debt/EBITDA (x)	6.4	8.1	11.2
EBITDA/Interest (x)	4.2	3.4	2.4

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

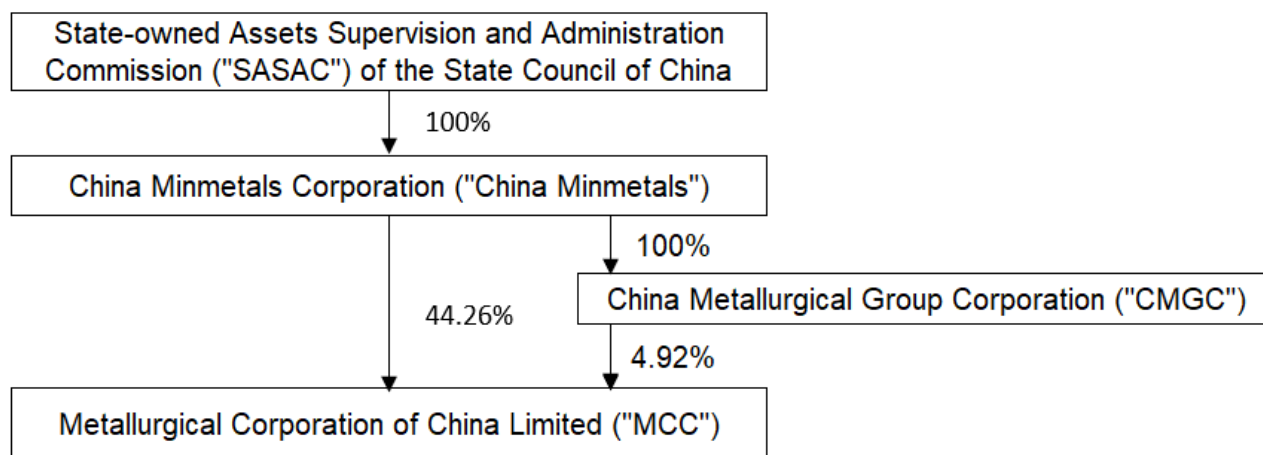
Source: Company data, CCXAP research

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 2024, MCC achieved a total revenue of RMB633.9 billion, E&C projects contributed most of the Company's revenue, accounting for about 90.8%. 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 2024, China Metallurgical Group Corporation (“CMGC”) transferred around 44.26% of MCC’s shares to China Minmetals. As of 31 December 2024, the Company was 4.92% directly held by CMGC (which is wholly owned by China Minmetals), while China Minmetals held around 44.26%. China Minmetals is in turn wholly owned by the State-owned Assets Supervision and Administration Commission (“SASAC”) of the State Council of China.

Exhibit 1. Shareholding chart as of 31 December 2024



Source: Company information, CCXAP research

Rating Considerations

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 5th in The Engineering News-Record’s 2024 Top 250 Global Contractors, ranking among the top ten for 16 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 2024, the Company had received a total of 49 special grade qualifications in engineering construction and 5 integrated Class-A qualifications in engineering design. In 2024, the Company had over 55,000 effective patents in total and issued a total of 79 international standards and 686 national standards. Moreover, it has over 60,000 engineers and technicians, 2 academicians of the Chinese Academy of Engineering and 13 national exploration and design masters. MCC’s strong technological and talent advantages enable it to meet a wide range of construction needs.

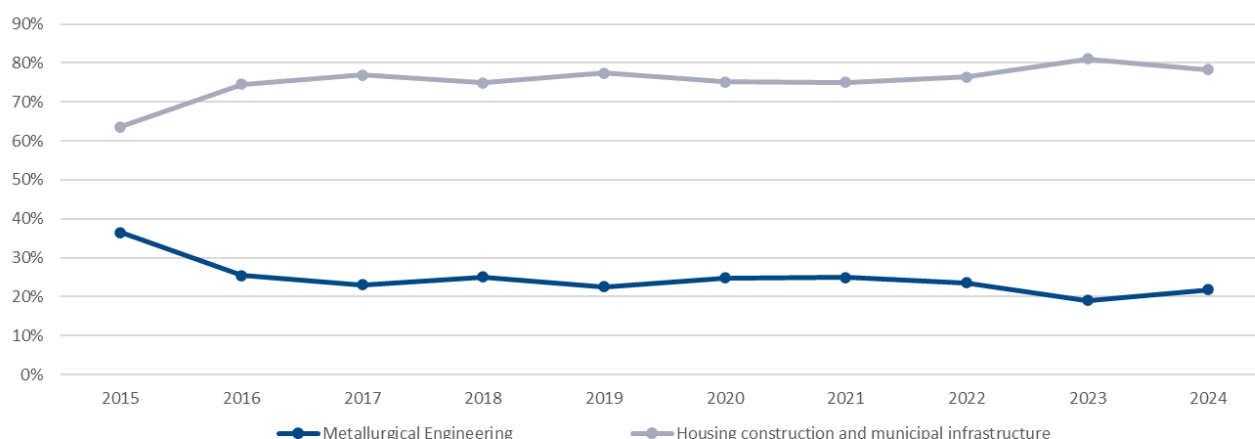
Metallurgical construction has high barriers to entry, with high technology requirements and strict regulations. These will deter new competitors from entering the industry and protect the Company with relatively stable profit

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 declined from RMB585.4 billion in 2023 to RMB501.5 billion in 2024. MCC has also gradually expanded into non-metallurgical construction businesses, which cover housing, transportation, and infrastructure construction. 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 78.2% of MCC's construction revenue in 2024, slightly decreasing from 81.0% in 2023. By increasing non-metallurgical construction projects, MCC reduces its dependence on traditional metallurgical construction.

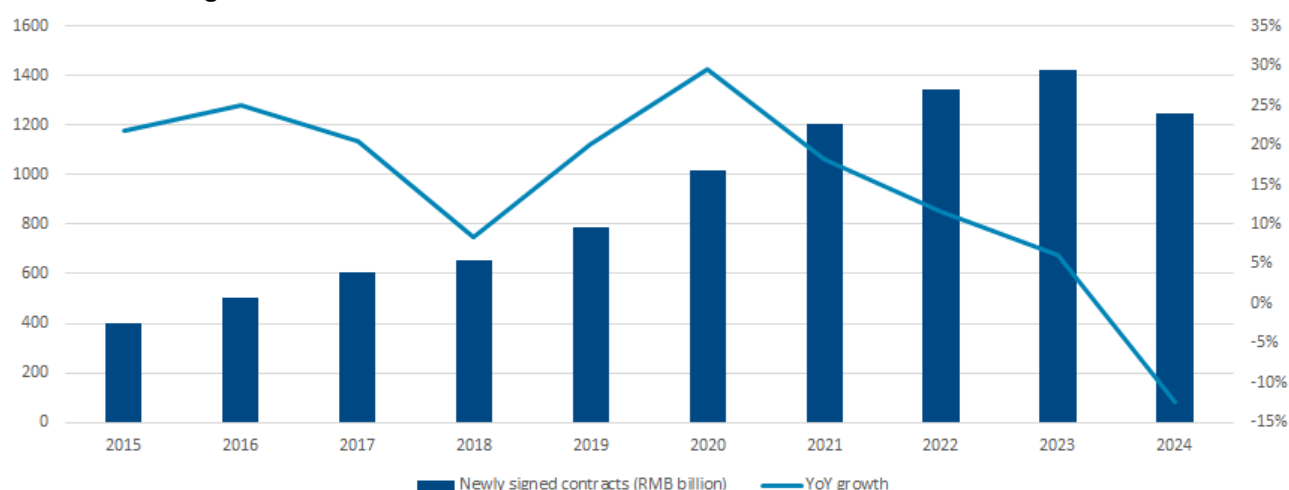
Exhibit 2. Revenue composition of MCC's construction businesses from 2015 to 2024



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 2024 decreased by 12.4% Year-on-Year ("YoY") to RMB1,248.7 billion, still more than double the total revenue for the year. In the first quarter of 2025, MCC recorded RMB230.7 billion in new orders, a YoY decrease of 27.2%. Nevertheless, the Company has continued to expand its presence in overseas markets, with the value of new orders from overseas contracts increasing by 46.9% YoY to RMB93.1 billion.

It is expected that property construction sector will still be in a cyclical period in 2025, and the scale of infrastructure construction investment will be relatively stable. We believe that the Company's expanded overseas 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 2024

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 2024, the Company had 8,764 domestic projects and 323 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 5% of the Company's total revenue in 2024.

Vulnerable to the fluctuations in cyclical industries

MCC's construction business has a large exposure to cyclical industries, including property development 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.

In 2024, revenue from housing construction and municipal infrastructure accounted for 78.2% 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 2024, the accounts receivable and inventory increased by 37.6% YoY, accounting for 35.8% of MCC's total assets. MCC's involvement in property development has added volatilities to its business profile, which accounted for approximately 3.4% of its total revenue in 2024. The Company mainly develops residential housing in key cities in the Pearl River Delta, the Yangtze River Delta, and the Beijing-Tianjin-Hebei Region. The homebuilding business is riskier than the construction business due to the volatile nature of the real estate segment. The Company's gross margin for the property development sector decreased from 7.9% in 2023 to 3.9% in 2024. In 2024, the Company recorded a slowdown in contracted sales, which slightly decreasing from RMB10.4 billion in 2023 to RMB10.0 billion in 2024. In addition, the Company expanded prudently in property

development with a primary focus on inventory destocking. Its newly construction projects significantly decreased from 1.6 million sqm in 2023 to 0.3 million sqm in 2024, while the total investment was RMB11.0 billion in 2024, maintaining around the same level compared to 2023.

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 MCC's homebuilding 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, MCC's revenue from metallurgical construction maintained at a high level, which was equivalent to RMB109.1 billion in 2024. 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

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 46.9% YoY in 2024, while it only represented 3.7% of the total projects under construction. The intensification of geopolitical and political situations could disrupt domestic production and global logistics, resulting in higher operating costs and lower capacity. For example, MCC experienced capacity constraints in most of its overseas mines due to the catastrophic flood and external safety problems in Pakistan, and the earthquake in Papua New Guinea. The political changes in Afghanistan also halted the copper mine production project in Aynak.

Despite the Company's continuous expansion in overseas market, we expect its exposure to overseas projects to remain manageable. Revenue from overseas projects accounted for approximately 5.1% of total revenue in 2024, while the Company's overseas assets only accounted for 4.6% 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.

Modest financial profile, as reflected by increasing debt burden and weakened profitability

MCC reported a rising debt level because of its investment in engineering construction projects in 2024. As of end-2024, the Company's total debt (including perpetual capital) increased to RMB178.7 billion from RMB160.6 billion at end-2023. Despite the increasing debt burden, the profit accumulation and equity investment introduced in the Company's subsidiaries, resulted in the reduction of its capitalization ratio from 58.6% to 58.3% over the same period. We expect MCC's debt level will increase in the next 12 to 18 months, given its continuous investment in engineering construction and property development projects. At the same time, the increased pressure on project payments and real estate sales will further increase the MCC's debt pressure.

In 2024, due to weakened domestic market demand, changes in steel industry policies, and intensified market competition, the revenue from engineering construction decreased by 14.4% YoY to RMB504.5 billion, which leads to the Company's total revenue decreased by 12.9% YoY to RMB552.0 billion. MCC's profitability and credit metrics also deteriorate. Despite decreasing revenue, MCC recorded lower business margins due to credit

impairment losses on some real estate projects and construction receivables, as well as costs incurred for securitization of receivables. The Company's asset impairment losses and credit impairment losses totaled RMB9.7 billion, a YoY increase of 8.8%. MCC's gross profit margin was recorded as 9.7% in 2024, and its bottom-line profit decreased by 30.7% YoY to RMB7.9 billion. The increasing pressure on advance funding and the need for impairment loss may further weaken the profitability of E&C companies. MCC's debt to EBITDA ratio increased to 11.2x in 2024 from 8.1x in 2023, and its EBITDA interest coverage decreased to 2.5x in 2024 from 3.4x in 2023. Nevertheless, we believe the Company's good project management and diversified business profile could help mitigate some of the negative factors on its profitability.

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. From January 2024 to June 2025, the Company issued 22 tranches of onshore bonds, including MTNs, totaling RMB37.6 billion, with average coupon rate of about 2.4%. Furthermore, MCC has maintained good relationships with major domestic financial institutions, such as large state-owned banks and policy banks. As of 31 December 2024, the Company had obtained total bank credit facilities of RMB1,350.0 billion, with an unutilized amount of RMB845.7 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 69th on the 2024 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 example, in 2024, the Company successfully won the bid of Zhengzhou Central Digital District (CDD) Construction Project, with a contract value of RMB5.9 billion. It also won the bid for a contract for Sentosa Waterfront Hotel Expansion Project in Singapore, with a contract value of RMB10.9 billion.

Rating Methodology

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

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