

Credit Opinion

17 October 2025

Ratings	
Senior Unsecured Debt Rating	BBB _g +
Long-Term Credit Rating	BBB _g +
Outlook	Stable
Category	Corporate
Domicile	China
Rating Type	Solicited Rating

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Sanming City Construction and Development Group Co., Ltd.

Surveillance credit rating report

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

Summary

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.

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.

Rating Drivers

- Important position in infrastructure construction and affordable housing development in Sanming City
- High sustainability in public policy projects
- Good track record of receiving government support
- Medium exposure to commercial activities
- Relatively high debt leverage with certain short-term debt repayment pressure
- Weak asset liquidity
- Diversified funding channels with relatively large reliance on non-standard financing

Rating Sensitivities

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.

Key Indicators

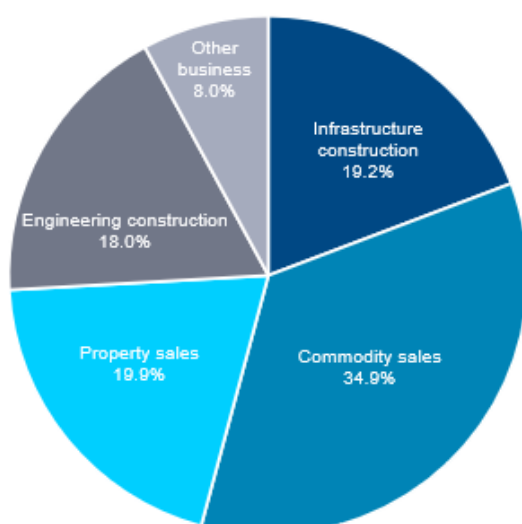
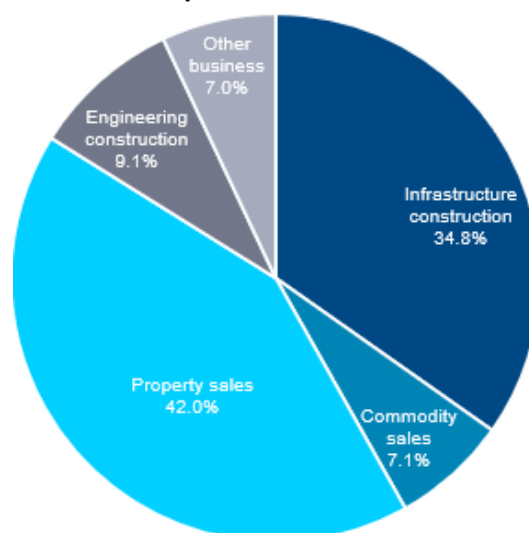
	2022FY	2023FY	2024FY	2025H1
Total Asset (RMB billion)	44.2	46.9	49.3	49.9
Total Equity (RMB billion)	14.2	14.6	14.9	15.1
Total Revenue (RMB billion)	3.7	4.0	3.5	2.0
Total Debt/Total Capital (%)	53.5	57.2	59.4	59.9

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

Source: Company data; CCXAP research

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.

Exhibit 1. Revenue structure in 2024**Exhibit 2. Gross profit structure in 2024**

Source: Company information, CCXAP research

Rating Considerations

Government Capacity to Provide Support

We believe that Sanming Municipal Government has a very strong capacity to provide support as reflected by its comprehensive industrial system, with ongoing economic growth and moderate fiscal stability.

Fujian Province is located on the southeastern coast of China and is recognized as one of the provinces with the fastest economic development in China. In 2024, Fujian Province recorded a gross regional product ("GRP") of RMB5.8 trillion, with a GRP growth rate of 5.5% year-on-year ("YoY"), ranking 8th in terms of GRP among all provinces in China. Its general budgetary revenue achieved RMB361.5 billion in 2024. In 2025H1, Fujian Province recorded a GRP of RMB2.8 trillion, with a YoY increase of 5.7%.

Located in the central part of Fujian Province, Sanming City is an emerging industrial hub with a comprehensive industrial system, encompassing industries such as metallurgy, chemicals, coal, plastics, papermaking, forestry, building materials, electronics, and medicine. In 2024, it recorded a GRP of RMB292.3 billion, with a YoY increase of 5.4%. Sanming Municipal Government's general budgetary revenue slightly decreased from RMB11.8 billion in 2023 to RMB11.7 billion in 2024 due to the decrease in tax income. It has moderate fiscal stability, with tax income accounting for 57.8% in 2024. Meanwhile, its fiscal balance has been relatively weak, with an average general budgetary revenue to general budgetary expenditure ratio of 31.3% over the past three years. Sanming Municipal Government has an increasing debt burden and a high debt ratio. As of end-2024, it has outstanding government debt of RMB95.1 billion, accounting for 32.5% of its GRP. In 2025H1, Sanming City recorded a GRP of RMB142.0 billion, with a YoY increase of 5.5%.

Exhibit 3. Key Economic and Fiscal Indicators of Sanming City

	2022FY	2023FY	2024FY
GRP (RMB billion)	282.4	280.7	292.3
GRP Growth (%)	2.0	1.1	5.4
General Budgetary Revenue (RMB billion)	11.1	11.8	11.7
General Budgetary Expenditure (RMB billion)	35.0	36.1	39.8
Local Government Debt (RMB billion)	70.5	82.8	95.1

Source: Statistics Bureau of Sanming City, CCXAP research

Government Willingness to Provide Support

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 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.

The municipal projects undertaken by the Company mainly include roads, bridges, schools, hospitals, and parks. The Company undertakes those projects under the agency construction model. It has completed a series of municipal projects with a total investment amount of RMB11.0 billion. The estimated payment from those projects is RMB11.9 billion, and the Company had received payments of RMB6.3 billion from the government, reflecting prolonged payment collection progress. As of 30 June 2025, the Company had a large number of municipal projects under construction or planning, with an estimated total investment amount of RMB8.1 billion and an outstanding amount of RMB1.7 billion, exerting certain capital expenditure pressure on the Company.

The Company also undertakes affordable housing construction projects. The completed projects were mainly carried out under the agency construction model, while the ongoing projects are carried out under the self-operation model. As of 30 June 2025, the Company had 4 affordable housing projects under construction, with an estimated total investment amount of RMB4.6 billion and an outstanding amount of RMB0.8 billion. As of end-2024, the total planned repayment amount of the affordable housing projects under the agency construction model was RMB2.3 billion, and the outstanding amount was RMB1.2 billion. The subsequent repayment progress shall be closely monitored.

Medium exposure to commercial activities

In addition to public 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.

The Company participates in the development of residential and commercial properties. The revenue of this segment declined by 5.4% YoY to RMB687.7 million in 2024 due to the slow destocking process. The gross profit margin also decreased from 43.7% in 2023 to 38.5% in 2024 due to the real estate market headwinds. As of 30 June 2025, the completed property development projects had a total saleable floor area of 1.1 million square meters, of which 0.9 million square meters have been sold. The Company also had 6 property development projects under construction as of 30 June 2025, with an estimated total investment of RMB10.7 billion and an outstanding amount of RMB0.7 billion. Given that there are no property projects under planning,

the sustainability of this segment is subject to uncertainty. In addition, the property development business is susceptible to local property market conditions and policies.

The Company's commodity sales business is operated via its subsidiary under the demand-driven model, mainly covering cement and steel. The business is also subject to the concentration risk. As of 30 June 2025, the top 5 suppliers accounted for 92.1% of the total purchase amount, and the top 5 customers accounted for 90.9% of the total sales. In 2024, the revenue from the commodity sales business increased by 9.2% to RMB1.2 billion, while the gross profit margin was relatively low and dropped to 3.7% due to the increase in the portion of copper rod trade.

The Company conducts engineering construction business through public market bidding and enters into engineering contracts with clients. During contract performance, the fulfillment progress and corresponding revenue are determined based on the proportion of actual costs incurred to the total estimated contract costs. The segment revenue in 2024 dropped by 47.4% YoY to RMB621.1 million due to a decrease in the current engineering project construction volume. As of 30 June 2025, the Company's contracts on hand amounted to approximately RMB960.9 million.

The Company also participates in hotel and catering, and property leasing businesses. However, the scale of these businesses is small, making a limited contribution to the Company's revenue and profit.

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. From 1 January 2024 to 30 June 2025, the Company received government subsidies of RMB280.1 million. The Company also received public project payments of RMB135.6 million from the local government during the same time period. 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.

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. Given the Company's large capital expenditure pressure, we expect the Company to maintain a relatively high debt leverage for the next 12-18 months.

As of 30 June 2025, the Company had low contingency liability risk. It provided an external guarantee of RMB1.7 billion, representing 11.4% of its net assets. As the external guarantee was provided to a local state-owned enterprise, we believe the contingent risk is manageable.

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. The restricted assets of the Company amounted to RMB3.9 billion, representing 7.8% of its total assets as of 30 June 2025.

Diversified funding channels with a moderate reliance on non-standard financing

SCCD has diversified funding channels for external financing. The Company has a good relationship with large domestic commercial and policy banks. As of 30 June 2025, the bank borrowing accounted for 42.6% of the Company's total debt. The Company's total credit facilities amounted to RMB14.3 billion, of which the unutilized portion was RMB2.2 billion. The Company also has access to the debt capital market. As of 30 June 2025, around 39.1% of debt was provided by onshore and offshore debt capital markets. From January 2024 to August 2025, SCCD and its subsidiary raised RMB4.0 billion with low coupon rates ranging from 2.2% to 2.9% in the onshore debt capital market. It also raised RMB1.5 billion from the offshore bond market, with coupon rates ranging from 5.0% to 5.3%. However, the Company has a moderate reliance on non-standard financing, which accounted for around 18.3% of the total debt as of 30 June 2025.

ESG Considerations

SCCD bears environmental risks through its infrastructure projects. Such risks could be mitigated by conducting environmental studies and detailed planning before the commencement of the projects, and close supervision during construction.

SCCD bears social risks as it implements public policy initiatives by building public infrastructure in the Zone. Demographic changes, public awareness, and social priorities shape the Company's development targets and ultimately affect the local government's propensity to support the Company.

SCCD's governance considerations are also material as the Company is subject to oversight by Sanming Municipal Government and has to meet several reporting requirements, reflecting its public-policy role and status as a government-owned entity.

Structural Considerations

SCCD's senior unsecured debt rating is equivalent to its long-term credit rating. We believe that government support will flow through the Company, given the strategic importance of SCCD's infrastructure and public facility assets in Sanming City, thereby mitigating any differences in an expected loss that could result from structural subordination.

Rating Methodology

The methodology used in this rating is the Rating Methodology for [China's Local Infrastructure Investment and Financing Companies \(July 2022\)](#).

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