

Credit Opinion

27 October 2026

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 and relatively good economic and fiscal strengths, but constrained by its moderate fiscal stability and self-sufficiency.

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, for the next 12 to 18 months, 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.

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
- Access to diversified funding channels

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

	2023FY	2024FY	2025FY	2026H1
Total Asset (RMB billion)	46.9	49.3	50.3	51.1
Total Equity (RMB billion)	14.6	14.9	15.3	15.4
Total Revenue (RMB billion)	4.0	3.5	3.6	1.9
Total Debt/Total Capital (%)	57.2	59.4	60.4	60.7

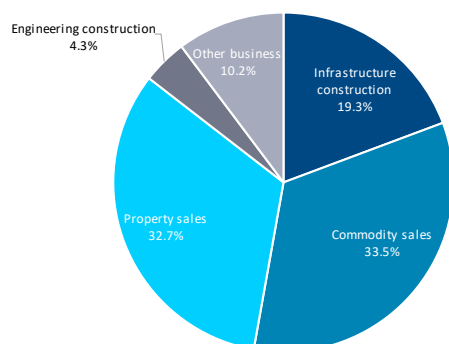
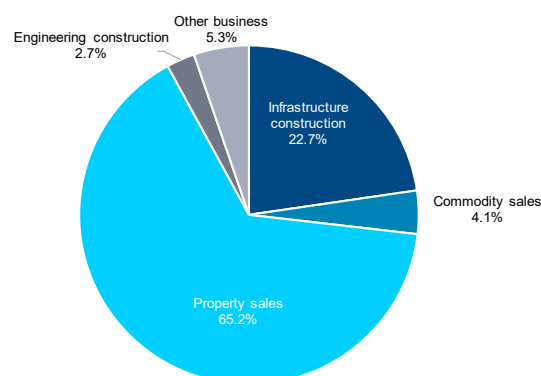
All ratios and figures are calculated using CCXAP's adjustments.

Source: Company data; CCXAP research

Corporate Profile

Established in 2019, SCCD is an important local infrastructure investment and financing company 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 2026, State-owned Assets Supervision and Administration Commission of the Sanming Municipal Government held 100% equity interests of SCCD and was its ultimate controlling shareholder.

From October 2025 to February 2026, the Company carried out an internal equity integration, under which its subsidiary Sanming City Construction Investment Group Co., Ltd. and the Company transferred their equity interests in several subsidiaries, including the real estate development, cultural tourism and urban service subsidiaries, to another wholly-owned subsidiary, Sanming Ruiyun Industrial Investment Group Co., Ltd.

Exhibit 1. Revenue structure in 2025**Exhibit 2. Gross profit structure in 2025**

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 and relatively good economic and fiscal strengths, but constrained by its moderate fiscal stability and self-sufficiency.

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 2025, Fujian Province recorded a gross regional product (“GRP”) of RMB6.0 trillion, with a GRP growth rate of 5.0% year-on-year (“YoY”), remaining among the top ten provinces in China in terms of GRP. Its general budgetary revenue achieved RMB372.4 billion in 2025. In 2026H1, Fujian Province recorded a GRP of RMB2.9 trillion, with a YoY increase of 4.0%.

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 2025, it recorded a GRP of RMB251.2 billion, decreasing by 4.3% YoY, mainly dragged by the 15.7% decline in the value added of its secondary industry. In 2026H1, Sanming City recorded a GRP of RMB126.4 billion, decreasing by 0.5% YoY. Sanming Municipal Government’s general budgetary revenue increased from RMB11.7 billion in 2024 to RMB12.0 billion in 2025. It has moderate fiscal stability, with tax income accounting for 60.3% of general budgetary revenue in 2025. Meanwhile, its fiscal balance has been relatively weak, with an average general budgetary revenue to general budgetary expenditure ratio of 31.2% over the past three years. Sanming Municipal Government has an increasing debt burden and a high debt ratio. As of end-2025, it had outstanding government debt of RMB108.7 billion, accounting for 43.3% of its GRP.

Exhibit 3. Key Economic and Fiscal Indicators of Sanming City

	2023FY	2024FY	2025FY
GRP (RMB billion)	280.7	265.2	251.2
GRP Growth (%)	1.1	5.4	-4.3
General Budgetary Revenue (RMB billion)	11.8	11.7	12.0
General Budgetary Expenditure (RMB billion)	36.1	39.8	38.1
Local Government Debt (RMB billion)	82.8	95.1	108.7

According to the final verification by the Fujian Provincial Bureau of Statistics, GRP for 2024 is the revised figure.

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. As of 31 December 2025, the estimated payments from the completed municipal projects commissioned by the government departments were RMB10.7 billion, of which the Company had received RMB6.0 billion, reflecting prolonged payment collection progress. As of the same date, the Company's major municipal projects under construction had an estimated total investment amount of RMB7.6 billion and an outstanding amount of RMB1.7 billion, and its projects under planning had a planned investment of RMB72.3 million, 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 31 December 2025, the Company had 3 affordable housing projects under construction, with an estimated total investment amount of RMB4.4 billion and an outstanding amount of RMB0.5 billion, and had no projects under planning. However, the payment collection progress is relatively slow. As of the same date, the total planned payments from the completed affordable housing projects were RMB2.5 billion, of which the Company had received RMB1.3 billion.

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. The property development business is susceptible to local property market conditions and policies, while the commodity sales business is exposed to certain advance payment and collection risks.

The Company participates in the development of residential and commercial properties. Driven by the delivery of pre-sold projects, the revenue of this segment increased from RMB687.7 million in 2024 to RMB1.2 billion in 2025, with gross profit margin of 36.2%. As of 31 December 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 had been sold. The Company also had 7 property development projects under construction as of 31 December 2025, with an accumulated investment of RMB9.5 billion and an outstanding investment amount of RMB0.8 billion. Given that there are no property projects under planning, the sustainability of this segment is subject to uncertainty.

The Company's commodity sales business is operated via its subsidiary under the demand-driven model, mainly covering copper rods, iron ore concentrate, steel, coal and agricultural products. In 2025, excluding the copper rod trade, the top 5 suppliers and the top 5 customers accounted for 34.5% and 27.2% of the total purchase and sales amounts, respectively. In 2025, the revenue from the commodity sales business was RMB1.2 billion, with a low gross profit margin of 2.2%. The Company provides credit periods of 45 to 90 days to its downstream customers, and certain customers had overdue payments as of end-2025. We believe the payment collection risk is manageable, as some overdue payments have been received.

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 further dropped from RMB621.1 million in 2024 to RMB152.0 million in 2025 due to the decrease in project volume, while the gross profit margin increased from 9.3% to 11.5% over the same period. As of 31 December 2025, the Company's contracts on hand amounted to approximately RMB350.0 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 2025 to 2026H1, the Company received government subsidies of RMB436.0 million. In 2025, the Company also received agency construction project payments of RMB190.0 million from the government departments, as well as special funds of RMB739.6 million. 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 RMB21.8 billion at end-2024 to RMB23.8 billion at mid-2026, with the total capitalization ratio increasing from 59.4% to 60.7% during the same period. In addition, the Company has certain short-term debt repayment pressure. As of 30 June 2026, its short-term debt to total debt ratio was 30.2%, and its cash to short-term debt ratio was 0.3x. 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 31 December 2025, the Company had low contingency liability risk. It provided external guarantees of RMB2.0 billion, representing 12.8% of its net assets. As the external guarantees were mainly provided to local state-owned enterprises, we believe the contingent risk is manageable.

Weak asset liquidity

SCCD's total assets mainly consist of receivables, other non-current assets, and inventories, which totally accounted for around 84.6% of its total assets as of 30 June 2026. Receivables are mainly unreceived project payments from the local government, other non-current assets are land assets for which land transfer fees have not yet been paid and currently with no development plans, and inventories are mainly development costs for

its construction projects, all of which are considered low liquidity. The restricted assets of the Company amounted to RMB4.3 billion, representing 8.5% of its total assets as of 31 December 2025. The Company's weak asset liquidity may undermine its financing flexibility.

Access to diversified funding channels

SCCD has diversified funding channels for external financing, such as bank borrowing and debt capital markets, accounting for 41.7% and 38.0% of the Company's total debt as of 31 December 2025, respectively. The Company has a good relationship with large domestic commercial and policy banks. As of 31 December 2025, the Company's total credit facilities amounted to RMB14.4 billion, of which the unutilized portion was RMB3.4 billion. From January 2025 to June 2026, SCCD and its subsidiary raised RMB2.4 billion with low coupon rates ranging from 1.88% to 2.8% in the onshore debt capital market. Furthermore, the Company has three outstanding offshore bonds, with a total issuance amount of RMB1.5 billion and coupon rates ranging from 5.0% to 5.3%. However, the Company has a moderate reliance on non-standard financing, which accounted for around 20.4% of the total debt as of 31 December 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 Sanming City. 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. Recently, certain directors and senior management of the Company and its subsidiaries were investigated for suspected serious violations of discipline and law, and the relevant positions have been changed. The subsequent improvement of the Company's internal control and governance structure should be monitored.

Structural Consideration

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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