

Credit Opinion

10 December 2025

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

Analyst Contacts

Peter Chong +852-2860 7124
Associate Director of Credit Ratings
peter_chong@ccxap.com

Jonathan Kwong +852-2860 7133
Senior Credit Analyst
jonathan_kwong@ccxap.com

Elle Hu +852-2860 7120
Executive Director of Credit Ratings
elle_hu@ccxap.com

**The first name above is the lead analyst for this rating and the last name above is the person primarily responsible for approving this rating.*

Client Services

Hong Kong +852-2860 7111

Xiamen Xindeco Ltd.

Surveillance credit rating report

CCXAP affirms Xiamen Xindeco Ltd.'s BBB_g long-term credit rating, with stable outlook.

Summary

The BBB_g long-term credit rating of Xiamen Xindeco Ltd. ("Xiamen Xindeco" or the "Company") reflects the Company's (1) good market position in supply chain trading with strong channel advantage; (2) good access to capital; and (3) electronic information sector plays an important role in the transformation of the Company's operational structure.

However, the rating is constrained by the Company's (1) earnings vulnerable to commodity price volatility and global economic conditions; (2) decreasing revenue with weak profitability; and (3) high debt leverage.

The rating also reflects a high likelihood of receiving support from its parent, Xiamen ITG Holding Group Co., Ltd. ("Xiamen ITG Group"), which is based on (1) the Company's status as the important subsidiary in commodity trading and automobile distribution of Xiamen ITG Group; (2) good track record of receiving support from Xiamen ITG Group; and (3) medium parent-subsidiary linkage. It also reflects the high likelihood of receiving support from Xiamen Municipal Government, given the Company's (1) ultimate ownership by Xiamen Municipal Government; and (2) important position in local economic development.

The stable outlook on Xiamen Xindeco's rating reflects our expectation that the Company will maintain its good market position in the supply chain trading business over the next 12-18 months.

Rating Drivers

- Good market position in supply chain trading with strong channel advantage
- Earnings vulnerable to commodity price volatility and global economic conditions
- Automobile distribution business challenged by intensified market competition
- Decreasing revenue with weak profitability
- High debt leverage with short-term debt repayment pressure, partly mitigated by good access to capital
- High likelihood of support from the parent company

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) Xiamen ITG Group's willingness and capacity to provide support increases; and (2) the Company's stand-alone credit profile improves significantly, such as having a more diversified business profile or improved credit metrics.

What could downgrade the rating?

The rating could be downgraded if (1) Xiamen ITG Group's willingness and capacity to provide support decreases; or (2) the Company's stand-alone credit profile weakens significantly, such as deterioration in credit metrics or weakened liquidity position.

Key Indicators

	2022FY	2023FY	2024FY	2025H1
Total Assets (RMB billion)	16.1	16.0	12.8	17.9
Total Equity (RMB billion)	1.6	1.6	0.7	0.5
Total Revenue (RMB billion)	94.0	71.5	43.8	16.3
Net Profit (RMB million)	218.8	-634.5	-818.5	-39.0
EBIT Margin (%)	0.7	-0.5	-1.0	0.7
Return on Assets (%)	3.9	-2.2	-3.0	-
Total Debt/Total Capital (%)	89.2	89.1	95.0	97.5
Total Debt/EBITDA (x)	12.2	253.2	-295.0	-
EBITDA/Interest (x)	2.6	0.1	-0.2	-
FFO/Total debt (%)	4.1	-3.3	-0.2	-

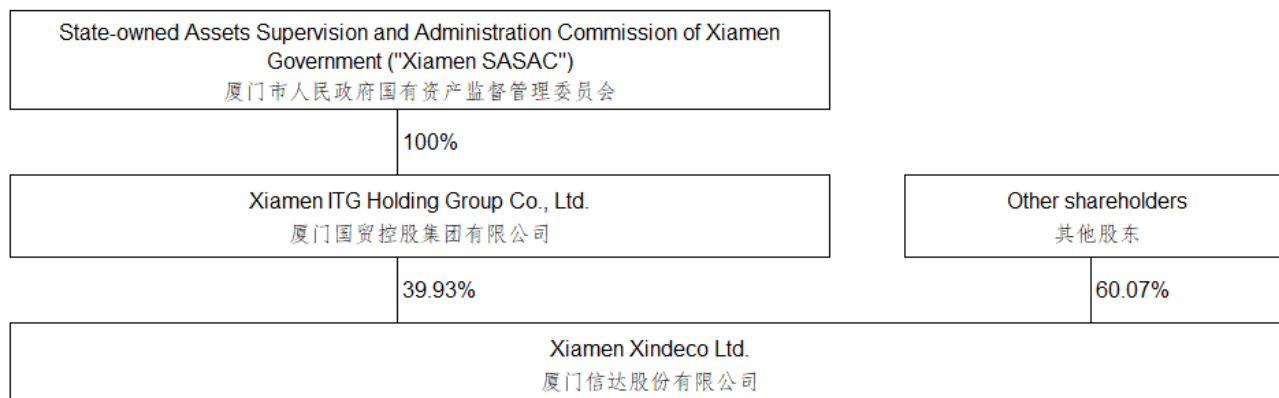
All ratios and figures are calculated using CCXAP's adjustments. Indicators marked with "-" are not applicable or not comparable.

Source: Company data, CCXAP research

Corporate Profile

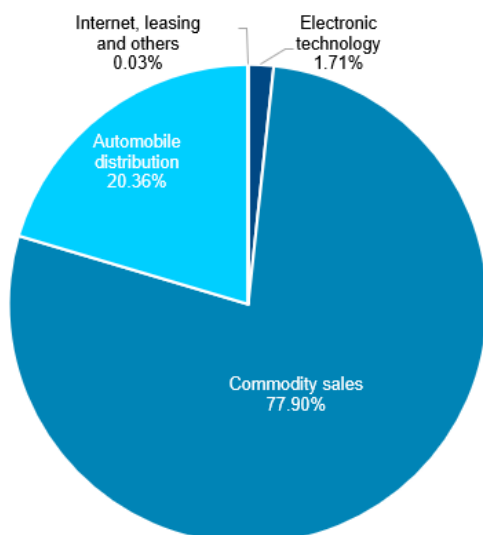
Xiamen Xindeco (Stock Code: 000701.SZ) was founded in 1984 and listed on the Shenzhen Stock Exchange in 1997. The Company is a core member of Xiamen ITG Group, with main business covering automobile distribution, supply chain, and information technology. It has been consecutively selected as one of the top 500 listed companies in China. As of 30 June 2025, Xiamen ITG Group is the largest shareholder of the Company, holding 39.93% of the Company. State-owned Assets Supervision and Administration Commission of Xiamen Government ("Xiamen SASAC") is the ultimate controller of the Company.

Exhibit 1. Shareholding chart as of 30 June 2025



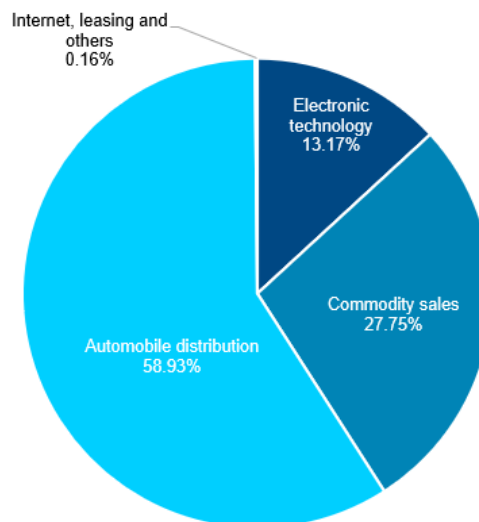
Source: Company information, CCXAP research

Exhibit 2. Revenue structure in 2024



Source: Company information, CCXAP research

Exhibit 3. Gross profit structure in 2024



Rating Considerations

Business Profile

Good market position in supply chain trading with a strong channel advantage

Xiamen Xindeco is primarily engaged in supply chain trading, and it mainly comprises the trading of non-ferrous metals (copper, aluminum, zinc) and ferrous metals (iron ore, steel, and coal). The Company has demonstrated a good market position in the commodity trading business with a core emphasis on non-ferrous metals and ferrous metals. The Company is one of the 2024 Top 20 Global Iron Ore Trading Suppliers. The Company mainly adopts the self-operated approach with a focus on domestic trading, and is supported by import trading, while the scale of export trading is relatively small.

Exhibit 4. Revenue breakdown of commodity trading from 2022 to 2025Q1

(RMB billion)	2022	2023	2024	2025Q1
Domestic	65.6	46.4	21.6	3.2
Import	18.9	14.6	12.2	1.9
Export	1.2	1.1	0.3	0.04
Total	85.6	62.1	34.1	5.1

Source: Company information, CCXAP research

The Company continue to expand its portfolio in 2024 by adding specialty products including zinc concentrate, zinc calcine, and secondary zinc oxide, continuously enriching its range of traded products. The Company's ferrous metals trading is progressively transitioning towards an integrated supply chain service model. For instance, the Company now offers raw material procurement and finished product sales services for its steel clients. Additionally, the Company is providing more value-added services such as the establishment of proprietary steel storage facilities, the provision of customized coal processing services, and the promotion of integrated supply chain processing, warehousing, and logistics. The Company recorded a noticeable decline in trade volume and sales revenue in 2024, mainly due to the price fluctuations of major commodities, couple with the copper trade has been significantly impacted by the influence of a key partner, Xi'an Maike Metal International Group Co., Ltd. As a result, in 2024, the revenue of the commodity trading segment declined by 45.1% YoY, but the gross profit margin increased slightly to 0.8%.

Benefiting from its long operating track record, the Company has strong resources and sales channel advantages. Most of its upstream suppliers are resource-based enterprises, and most of its downstream customers are production-oriented enterprises and large-scale traders. The Company also closely monitors the exposure to each counterparty to avoid overconcentration. The top 5 upstream and downstream enterprises only accounted for 17.7% and 17.8% of the total procurement and total sales in 2024, respectively.

Meanwhile, given several default cases by the Company's trading partners (mainly Xi'an Maike Metal International Group Co., Ltd.), relevant overdue payments have yet to be fully repaid by these trading partners, entailing certain payment collection risks. The asset impairment loss amounted to RMB335.8 million in 2024 mainly due to inventory write-downs of commodities and optoelectronic products, which further weakened the Company's profitability.

Earnings vulnerable to commodity price volatility and global economic conditions

The commodity trading business is highly cyclical, as the underlying goods are mainly sensitive to economic cycles, resulting in large price volatility during the economic downturn and recovery period in recent years. Major

commodities of the Company's trading portfolio, especially ferrous commodities, have seen price fluctuations in recent years, and the trend may persist. Affected by the slowdown in the Chinese property sector and weak demand, ferrous metals (such as steel and coal) experienced a downward momentum since 2022. In contrast, nonferrous metal (such as copper) demonstrated relative resilience compared to ferrous metal, mainly due to the tight supply and growing demand from new energy sector (such as electric vehicles and photovoltaics).

In addition, the commodity price volatility risk can be partly offset by the Company's risk management measures. The Company uses commodity and foreign exchange derivative instruments to hedge against price and exchange rate fluctuation risks.

Automobile distribution business challenged by intensified market competition

Xiamen Xindeco also participates in the automobile distribution business, which involves operating traditional automobile 4s stores, new energy vehicle services, and secondhand car distributions. According to the China Automobile Dealers Association's "2024 China Automobile Dealer Group Top 100 Ranking", the Company ranked 46th out of the top 100. The Company focused on the mid-high-end fuel car market. As of 30 June 2025, the Company owned 29 mid-high-end automobile brand distribution rights.

In recent years, diminishing purchasing power of customers and evolving domestic environmental policies weighed on the performance of the Company's automobile business. In addition, as the penetration rate of affordable new energy vehicles continues to rise in China, the traditional fuel vehicle market has been under pressure. The performance of the Company's automobile segment is consistent with the general slowdown in sales of the traditional fuel vehicle industry in China. Due to the intensified market competition and the new car sales price under pressure, the automobile distribution business is facing headwinds. The Company is now seeking expansion into the new energy vehicle market and expanding automotive trade networks in Southeast Asia, the Middle East, West Africa, and other overseas markets, the Company's annual vehicle export volume surged by 174.0% year-over-year. As a result, the revenue from automobile distribution business increased from RMB8.3 billion in 2023 to 8.9 billion in 2024.

Supplementary income from the information technology segment and digital technology segment

The information technology segment consisted of optoelectronic business (LED packaging and its applications) and Internet of Things business (RFID electronic and Smart City). In 2024, the sales volume of LED packaging and its corresponding application products experienced a further decline, influenced by factors such as the heightened competition and overcapacity in the LED market, and the rapid evolution of new technologies and products. Nevertheless, the Internet of Things business provided a certain buffer as the RFID segment demonstrated resilient gross margin over the past few years (2024: 24.8%). Smart City segment, in which the Company provided electronic solutions, generated supplementary revenue of RMB525.0 million in 2024 with a net profit margin of around 5%.

In order to further advance the Company's strategic industrial transformation, the Company acquired 100% shares of Xiamen Guomao Digital Technology Co., Ltd. (a subsidiary of Xiamen ITG Group) for RMB60.8 million in March 2025. The acquisition enhanced digital business collaboration and technological innovation capabilities. The Company has established over a hundred digital and intelligent enterprise projects within the Fujian province, as well as implemented projects such as smart agriculture, smart fishing ports, and artificial intelligence data centers in Shandong, Hainan, Henan, and other regions.

Financial Profile

Decreasing revenue with weak profitability

Affected by the intensified market competition in the automobile industry, and commodity price volatility, the Company's total revenue has further dropped from RMB71.5 billion in 2023 to RMB43.8 billion in 2024. Supply chain trading is the main contributor, accounting for 77.9% of total revenue in 2024, followed by automobile distribution (20.4%) and electronic technology (1.7%). The decline in revenue was primarily due to the contraction of the Company's supply chain trading business, from RMB62.2 billion to RMB34.1 billion over the same period. In 2025H1, with the continuous contraction of major business lines such as commodity trading and automobile distribution, the Company's total revenue dropped by 35.3% YoY.

As a result of the challenges in the major business lines, Xiamen Xindeco's profitability profile is weak. The Company's gross profit margin increased from 1.0% in 2023 to 2.2% in 2024, but was still at a low level. Although the gross profit margin of the information technology segment remained at a relatively high level, its contribution to the overall profit is limited due to its small scale. The Company also recorded asset impairment loss of RMB335.8 million and credit impairment loss of RMB222.1 million in 2024, which further dampened its profitability. The Company's return on total assets remained negative and further decreased from -2.2% in 2023 to -3.0% in 2024, while the EBIT margin also dropped from -0.5% to -1.0% over the same period. Overall, the Company's profitability is expected to remain relatively weak due to the challenges in its major business lines.

High debt leverage with short-term debt repayment pressure

The Company's debt leverage is relatively high. From 2023 to 2025H1, the Company's total debt (including perpetual debt) further increased from RMB11.2 billion to RMB15.3 billion. The adjusted total capitalization ratio increased from 89.2% to 97.5%, reaching a high level although trading companies typically demonstrate high debt leverage. The increase in leverage is mainly due to the increasing debt amount and accumulative profit loss. Moreover, its total equity is comprised primarily of perpetual debt and non-controlling interests, resulting in a relative weakness in the stability of the equity base. Due to the business nature of commodity trading, the Company has a large reliance on short-term financing and has relatively high short-term debt repayment pressure. As of 30 June 2025, the Company's short-term debt accounted for 64.3% of its total debt, which is at a relatively high level. The Company's debt structure needs to be improved.

Moderate credit metrics

The Company's debt-serving metrics are weak given its large debt burden. With EBITDA dropping into negative territory, the Company's EBITDA interest coverage ratio deteriorated to negative. The weak debt-servicing metrics are mainly due to the weak performance in the automobile distribution and supply chain trading business, which made up the majority of EBITDA in the past few financial years. Affected by the weak profitability, the Company's core business cash generation capacity also weakened over the past three years. Its funds from operation/total debt ratio recorded -0.2x at end-2024. The Company's restricted assets were large and may negatively influence its financing flexibility. As of 30 June 2025, the Company's restricted assets amounted to RMB3.2 billion, which is mainly pledged for loans, accounting for 17.9% of its total assets.

Good access to capital

Xiamen Xindeco's weak credit metrics can be partially mitigated by its good access to capital. Its external financing channels concentrated on indirect financing channels such as bank loans, which provided a stable source for the Company. As of 31 March 2025, the Company has ample liquidity support from banks, with a

total credit facility of RMB30.7 billion and an unutilized amount of RMB12.2 billion. In addition, as a listed company on the Shenzhen Stock Exchange, the Company has smooth access to direct financing. Meanwhile, the Company has outstanding perpetual bonds with a total outstanding amount of RMB2.0 billion as of 30 June 2025. The Company also has exposure to non-standard perpetual loan facilities with trustee institutions, and the facility size was RMB1.0 billion as of 30 June 2025.

External Support

High likelihood of support from the parent company

Xiamen Xindeco has a high likelihood of receiving support from its parent, Xiamen ITG Group, given its (1) status as an important subsidiary in commodity trading and automobile distribution of Xiamen ITG Group; (2) good track record of receiving support from Xiamen ITG Group; and (3) the medium parent-subsidary linkage. We also believe that Xiamen Xindeco has a high likelihood of receiving support from Xiamen Municipal Government via Xiamen ITG Group, considering its (1) ultimate ownership by the local government; and (2) important position in local economic development.

Xiamen ITG Group is the second largest state-owned enterprise under Xiamen SASAC and one of the domestic leading enterprises of the supply chain management industry. As a nation-leading supply chain management company, Xiamen ITG Group has diversified business including supply chain management, financial services, urban construction, health and consumption, and high-end manufacturing. Xiamen SASAC has positioned Xiamen ITG Group as a modern, international, and comprehensive state-owned capital investment group, which plays a key role in the local economic development. We believe the financial impact and social impact of Xiamen ITG Group's default are also very strong.

In addition, as Xiamen Xindeco is the major subsidiary of Xiamen ITG Group that focuses on non-ferrous metals and ferrous metals trading, which plays an important role in Xiamen ITG Group's supply chain management business. Moreover, the Company's electronics and information sector plays a key role in the transformation of Xiamen ITG Group' business structure, demonstrating a medium parent-subsidary linkage. In recent years, Xiamen ITG Group has continued to provide support to the Company. For instance, the Company's publicly issued debt financing instruments are all guaranteed by Xiamen ITG Group. In 2023, the Company issued a private offering to selected investors, with Xiamen ITG Group subscribing to 27.4 million shares with a value of RMB142.0 million. Moreover, Xiamen ITG Group has entered into a Financial Assistance Agreement with the Company in January 2025, wherein it will provide up to RMB2.0 billion of funds to support the Company's liquidity needs.

We believe that Xiamen Xindeco will remain an important subsidiary of Xiamen ITG Group, and the strong willingness to support the Company from the local government and Xiamen ITG Group is unlikely to change in the near to medium term.

ESG Considerations

The Company is subject to environmental laws and regulations governing air pollution, noise emissions, hazardous substances, water and waste discharge, and other environmental matters issued by the national governmental authorities. Xiamen Xindeco assumes environmental risks for its construction projects and civil explosives business. Such risks could be mitigated by conducting environmental studies and detailed planning prior to the commencement of projects and close supervision.

Xiamen Xindeco is also exposed to social risks. Its social license to operate depends on fair labor practices, employee welfare, service quality, and local economic contributions. Shifting consumer preferences, demographic changes, and public health trends directly affect both demand and public perception.

The Company's governance considerations are also material as it is subject to oversight and reporting requirements to the local government, reflecting its status as a government-owned entity.

Rating Methodology

The methodology used in this rating is the Rating Methodology for [General Corporate \(April 2019\)](#).

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China Chengxin (Asia Pacific) Credit Ratings Company Limited

Address: Suites 1904-1909, 19/F, Jardine House,
1 Connaught Place, Central, Hong Kong

Website: www.ccxap.com

Email: info@ccxap.com

Tel: +852-2860 7111

Fax: +852-2868 0656