Credit Opinion

4 September 2026

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

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Yantai Chefoo Finance Holding Group Co., Ltd.

Surveillance credit rating report

CCXAP upgrades Yantai Chefoo Finance Holding Group Co., Ltd.'s long-term credit rating to A_g-, with stable outlook.

Summary

CCXAP has upgraded the long-term credit rating of Yantai Chefoo Finance Holding Group Co., Ltd. ("Yantai Chefoo" or the "Company") to A_g- from BBB_g+, reflecting the stronger capacity to provide support from Zhifu District Government, driven by Zhifu District's ongoing economic growth and regional industrial potential, which will provide greater momentum for the Company's growth.

The A_g- long-term credit rating of Yantai Chefoo reflects Zhifu District Government's (1) very strong capacity to provide support; and (2) very high willingness to provide support, based on our assessment of the Company's characteristics.

Our assessment of Zhifu District Government's capacity to support reflects its sound economic fundamentals and fiscal strength, such as high fiscal balance ratio and manageable debt burden.

The rating also reflects the local government's willingness to support, which is based on the Company's (1) ultimate control by the Zhifu District Government; (2) strategic importance in the regional development of Zhifu District; (3) solid track record of receiving government support; and (4) good access to funding.

However, the Company's rating is constrained by its (1) medium exposure to commercial activities; (2) relatively fast debt growth with relatively large capital expenditure pressure; and (3) moderate asset liquidity.

The stable outlook on Yantai Chefoo's rating reflects our expectation that the local government's capacity to support will remain stable, and the Company's characteristics, such as its essential role in urban renewal and urban infrastructure construction in Zhifu District, will remain largely unchanged over the next 12-18 months.

Rating Drivers

- Strategic importance in the regional development of Zhifu District
- Medium exposure to commercial activities
- Solid track record of receiving government support
- Good access to funding
- Relatively fast debt growth and moderate asset liquidity

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) Zhifu District Government’s capacity to support strengthens; and (2) the Company’s characteristics change in a way that strengthens the local government’s willingness to support, such as lower the exposure to risky commercial activities and improved debt management.

What could downgrade the rating?

The rating could be downgraded if (1) Zhifu District Government’s capacity to support weakens; or (2) the Company’s characteristics change in a way that weakens the local government’s willingness to support, such as reduced strategic significance, deteriorated debt management, or weakened funding ability.

Key Indicators

	2023FY	2024FY	2025FY	2026Q1
Total Assets (RMB billion)	39.7	45.9	61.1	64.2
Total Equity (RMB billion)	21.4	21.7	30.1	30.1
Total Revenue (RMB billion)	1.4	1.6	1.8	0.6
Total Debt/Total Capital (%)	44.5	51.1	47.3	49.0

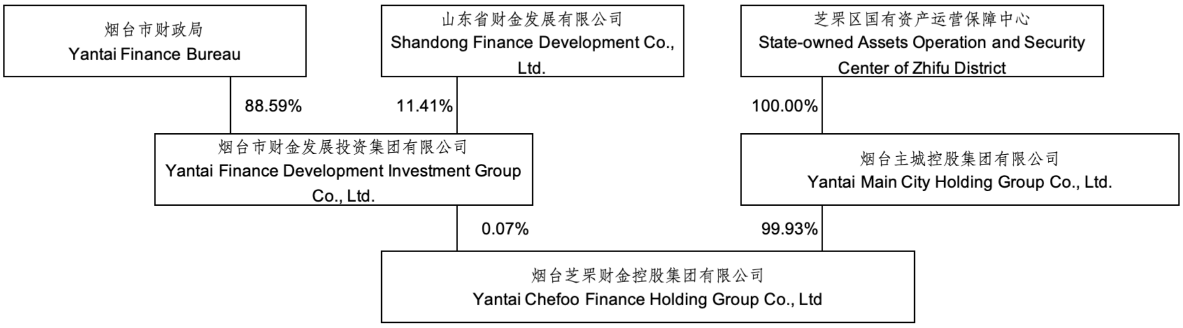
All ratios and figures are calculated using CCXAP’s adjustments.

Source: Company Information, CCXAP research

Corporate Profile

Founded in June 2017, Yantai Chefoo is the most important urban development, operation, and industrial investment entity in Zhifu District, Yantai City, Shandong Province. The Company is the largest state-owned enterprise by asset size and primarily responsible for industry-city integration, urban renewal, urban operation, and industrial investment in Zhifu District. Apart from public development projects, the Company engages in some commercial activities such as property leasing and sales, and trading business. In November 2025, the Zhifu District Finance Bureau executed an uncompensated transfer of a 99.93% equity interest in Yantai Chefoo from the State-owned Assets Operation and Security Center of Zhifu District to Yantai Main City Holding Group Co., Ltd. (“MCHG”). As of 31 March 2026, the Company was 99.93% owned by MCHG and 0.07% owned by Yantai Finance Development Investment Group Co., Ltd. The Zhifu District Government was the ultimate controller of the Company.

Exhibit 1. Shareholding chart as of 31 March 2026



Source: Company information, CCXAP research

Exhibit 2. Revenue structure in 2025

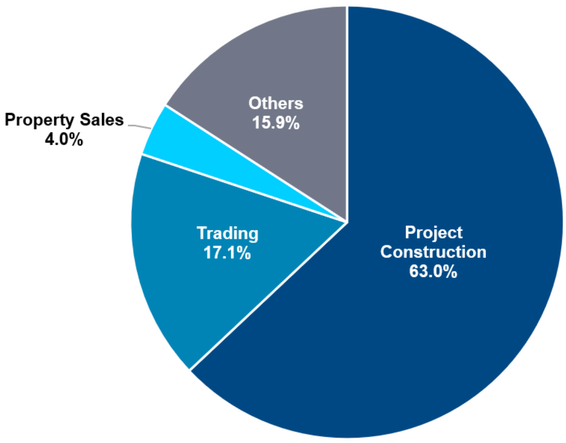
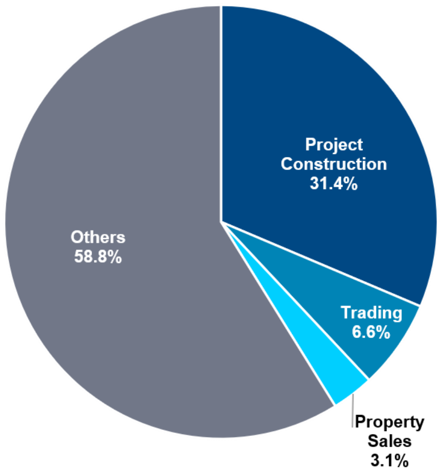


Exhibit 3. Gross profit structure in 2025



Source: Company information, CCXAP research

Rating Considerations

Government's Capacity to Provide Support

We believe Zhifu District Government has a very strong capacity to provide support given its sound economic fundamentals and fiscal strength, such as high fiscal balance ratio and manageable debt burden.

Shandong Province is the third largest province in China by gross regional products ("GRP") over the past three years, with a solid foundation in industries such as logistics, shipbuilding, marine technology, chemical, automotive, and agri-food. Yantai City is located in the middle of the Shandong Peninsula and has focused on 16 key industrial chains, including petrochemicals and new chemical materials, biomedicine, clean energy, advanced gold processing, aerospace, marine engineering, and automobiles. Yantai City's economy is relatively strong, with the third-highest GRP among the prefectural level in Shandong Province over the past three years. In 2025, Yantai City reported a GRP of RMB1.1 trillion, increased by 6.1% year-over-year ("YoY"). In the first half of 2026, its GRP increased by 5.8% YoY to RMB573.7 billion. In addition, its general budgetary revenue increased to RMB70.0 billion in 2025 from RMB69.9 billion in 2024, ranking third among prefecture-level cities in Shandong Province. Yantai City's fiscal balance was moderate. In the past three years, its general budgetary revenue covered over 68.9% of its general budgetary expenditure, and tax income accounted for 63.3% of its general budgetary revenue on average. As of 31 December 2025, Yantai Municipal Government reported an outstanding government debt of RMB294.1 billion and accounted for 25.9% of its GRP.

Exhibit 4. Key economic and fiscal indicators of Yantai City

	2023FY	2024FY	2025FY
GRP (RMB billion)	1,016.2	1,078.3	1135.1
GRP Growth (%)	6.6	6.1	6.1
General Budgetary Revenue (RMB billion)	67.4	69.9	70.0
General Budgetary Expenditure (RMB billion)	95.3	100.5	105.2
Local Government Debt (RMB billion)	209.9	251.2	294.1

Source: Yantai Municipal Government, CCXAP research

Zhifu District is the economic and cultural center of Yantai City, focusing on the development of the pillar industries such as information technology and intelligent manufacturing, culture tourism, finance and commerce. The local government has long placed a strong emphasis on investment promotion, attracting key enterprises such as Yantai CIMC Raffles Offshore Engineering Co., Ltd., Yantai Port Group Co., Ltd., Dongfang Electronics Co., Ltd., and Moon Environment Technology Co., Ltd., which collectively contribute the majority of the local tax revenue. The Zhifu District government also has been actively driving the establishment of several headquarters-level projects in recent years. With these pillars, Zhifu District has witnessed a steady growth in its fiscal capacity. In 2025, the GRP of Zhifu District rose by 4.3% YoY to RMB141.8 billion, ranking third among 11 districts/counties in Yantai City. In the first half of 2026, Zhifu District has achieved GRP of RMB74.6 billion, representing a 4.9% YoY increase. It has a very healthy fiscal profile, with an average tax revenue/general budgetary revenue ratio of 59.6% and a high average fiscal balance ratio (general budgetary revenue/general budgetary expenses) of 140.2% over the past three years, indicating strong fiscal self-sufficiency. Zhifu District Government also had a relatively low debt burden, with outstanding government debt of RMB14.5 billion at end-2025, accounting for 10.3% of its GRP.

Exhibit 5. Key economic and fiscal indicators of Zhifu District

	2023FY	2024FY	2025FY
GRP (RMB billion)	130.1	137.8	141.8
GRP Growth (%)	6.1	6.2	4.3
General Budgetary Revenue (RMB billion)	7.8	8.1	8.2
General Budgetary Expenditure (RMB billion)	5.5	5.6	6.0
Local Government Debt (RMB billion)	10.2	11.8	14.5

Source: Zhifu District Government, CCXAP research

Started in 2019, Happiness City project is the largest urban renewal project in Yantai City and Zhifu District, located in the downtown area of Yantai City. This project is divided into three construction stages including starting area, advancing area, and expanding area, respectively. Moreover, this key project with two-level government cooperation plays an important role in upgrading of industrial structure and conversion of old and new kinetic energy in Yantai City, which is expected to support the social and economic development in Zhifu District in the foreseeable future.

Government's Willingness to Provide Support

Strategic importance in the regional development of Zhifu District

Yantai Chefoo's main businesses are closely related to the economic and social development of Zhifu District, acting as the key urban development, operation, and industrial investment entity commissioned by the Zhifu District Government to undertake industry-city integration, urban renewal, urban operation, and industrial investment. Most importantly, the Company is the exclusive developer of the Happiness City project. Upon completion, Happiness City will become a hub engine for Yantai's westward development and a model for the transformation of new and old kinetic energy in Shandong Province.

Yantai Chefoo serves as the principal entity undertaking urban renewal projects in Zhifu District, including the area of Happiness City, west of Huanhai Road, and Jinglun Street District. The Company is responsible for raising the funds for demolition and land development. Upon the land sales, the local government would pay the cost of land development plus a certain percentage of markup. As of 31 March 2026, the Company had completed land consolidation of 13,800 mu, mainly in the Happiness City area, with an invested amount of RMB8.9 billion for demolition, land consolidation, and related expenses. In 2025, 2 plots of land were transferred in Happiness City, with a total area of 115.2 mu and a total transfer price of RMB190.0 million. However, the land transfer process is largely susceptible to the local land market and government policies, which may also exert higher volatility during the downturn of China's property market.

Yantai Chefoo also conducts urban infrastructure construction mainly in the Happiness City area. The Company engages in the construction of urban infrastructure projects that align with its urban renewal business, such as industrial parks. As of 31 March 2026, Yantai Chefoo had 3 key infrastructure construction projects under construction, with a total investment amount of RMB872.0 million and an uninvested amount of RMB321.0 million. These projects have received RMB454.1 million of paybacks from the local government. Meanwhile, the Company had no proposed infrastructure construction projects under planning. All the construction costs of infrastructure construction projects are funded by self-raised funds. The current traditional infrastructure construction projects have been progressively completed, and the infrastructure construction business will shift more toward the urban renewal model in the future.

The operating entities of engineering construction business include Yantai Chefoo and its subsidiaries, such as Shandong Port City Construction Engineering Group Co., Ltd. ("Port City Construction") and Qicai Construction Development Co., Ltd. ("Qicai Construction"), which are subsidiaries of Yantai Port City Industrial Investment Development Co., Ltd. Among them, Port City Construction and Qicai Construction are primarily responsible for market-oriented construction business, while the Company is mainly responsible for infrastructure construction business.

The Company conducts resettlement housing construction and sales through its subsidiary, Yantai Longhai Real Estate Co., Ltd. ("LHRE"), which was transferred by Zhifu District Government in 2022. LHRE is in charge of fundraising for the construction of Longhai Jiayuan Community project, the resettlement part of which would be purchased by the local government after the project is completed. As of 31 March 2026, the total investment amount of this project was RMB719.0 million, realizing income of RMB771.0 million but receiving payments of RMB367.0 million. From January 2025 to March 2026, The Company sold approximately 18.2 thousand square meters of resettlement housing. As of 31 March 2026, the remaining sales area of resettlement part of Longhai Jiayuan Community project was 40.7 thousand square meters, which will be sold in accordance with the government's resettlement plan.

Yantai Chefoo's public attributes remain stable, given its dominant role in the development of the Happiness City project and other large-scale urban renewal projects. We expect that the Company will continue to undertake public projects within its mandated areas, making it unlikely to be replaced by other state-owned enterprises in the foreseeable future.

Medium exposure to commercial activities

Yantai Chefoo engages in other commercial activities, including property sales, leasing, and trading. Although the commercial assets accounted for a relatively large proportion of total assets as of 31 March 2026, we estimate the Company’s risk exposure to commercial activities to be moderate, as the majority of the assets are properties transferred by the local government without upfront investment capital needs.

The Company participates in the sale and leasing of properties, primarily comprising the non-resettlement part of Longhai Jiayuan Community project transferred by the local government. We consider its business risk to be relatively low, as the investment for construction is completed and will not incur any large capital spending. The leased properties held by the Company include commercial shops, office buildings, and industrial parks, with an occupancy rate exceeding 65%. In 2025 and the first quarter of 2026, these properties generated RMB130.3 million in rental income, providing a supplementary recurring revenue to the Company. However, the leasing business may be affected by the local operating environment and development.

Yantai Chefoo’s trading business mainly includes the sales of building materials and decorative materials. The Company's trading business operates under a sales-driven procurement model, in which the upstream and downstream clients as well as the product prices are locked in advance to control operational risks. The trading business remained an important source of commercial revenue. Since 2025, the Company has pivoted its trading portfolio primarily toward building materials while progressively increasing the share of high-value-added products, driving a significant increase in gross margin from around 1.1% in 2024 to 10.0% in 2025. However, this segment is exposed to certain concentration risk, as its procurement from the top 5 suppliers accounted for 45.3% of total procurement and sales from the top 5 customers accounted for 44.7% of total sales in 2025.

Solid track record of receiving government support

Yantai Chefoo has a solid track record of receiving support from the local government in terms of subsidies, capital injections, assets transfers, and payments. Since its establishment, the local government has injected various assets into the Company, including operational resources such as investment properties and sandstone resources, which strengthened the Company’s capital strength and broadened its business scope. Given its dominant position in the urban renewal and infrastructure construction of Zhifu District, we expect the Company will continue to receive support from the local government in the foreseeable future, which will further enhance its operating and capital strength accordingly.

Relatively fast debt growth and moderate asset liquidity

Due to the ongoing investment in Happiness City project and urban infrastructure construction projects, Yantai Chefoo demonstrated relatively fast debt growth during the recent years. The Company’s total debt increased from RMB24.3 billion as of 31 March 2025 to RMB29.1 billion as of 31 March 2026, while its total capitalization ratio (total debt/total capital) decreased from 52.8% to 49.1%. The Company’s short-term debt repayment pressure is manageable, with short-term debt accounted for 25.8% of the total debt and cash to short-term debt ratio of around 0.9x at the end of March 2026. Considering the ongoing investment in the Happiness City project and other construction projects as well as the funding gap between government payments and upfront investments, we expect the Company’s debt level will continue to increase in the coming 12 to 18 months.

However, we expect the Company’s liquidity risk to be manageable, given the recurring payments from the local government and its strong access to diverse funding channels.

Moreover, Yantai Chefoo’s asset liquidity remained moderate. As of the end of March 2026, other non-current assets, inventories, investment properties and intangible assets accounted for around 71.7% of its total assets. All these assets are considered to have low liquidity.

Good access to funding

Yantai Chefoo has good access to multiple financing channels, including bank loans, bond issuances, and non-standard financing products, which may partially alleviate its capital expenditure pressure and liquidity constrict. The primary sources of funding are bank loans and bond issuances. The Company’s important strategic position in Zhifu District is well-recognized by large state-owned commercial banks and national joint-stock commercial banks in China, including EverGrowing Bank Co., Limited, Postal Savings Bank of China Co., Ltd., and Bank of China Limited. As of 31 March 2026, Yantai Chefoo obtained total credit facilities of RMB62.1 billion, with an undrawn amount of RMB38.7 billion, indicating sufficient standby liquidity. Meanwhile, the Company’s non-standard financing products account for approximately 18% of its total debt. In addition, the Company has access into the domestic bond market. From January 2025 to June 2026, it issued 4 tranches of bonds in the onshore market, raising RMB5.0 billion.

ESG Considerations

Yantai Chefoo faces environmental risks because it has undertaken urban renewal and infrastructure construction projects. Such risks could be moderated by conducting environmental studies and planning prior to the start of the projects, and close monitoring during the construction phase.

Yantai Chefoo bears social risks as it implements public policy initiatives by building public infrastructure in Zhifu District. 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.

Yantai Chefoo’s governance considerations are also material as the Company is subject to oversight by the Zhifu District Government and has to meet several reporting requirements, reflecting its public-policy role and status as a government-owned entity.

Rating Methodology

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

A credit rating is the analytical result of current credit worthiness and forward-looking opinion on the credit risk of a rated entity or a debt issue. Credit ratings issued by CCXAP are opinions on the current and relative future credit risk of the rated entities or debt issues, but do not address any other risks, including but not limited to liquidity risk, market price risk, and interest rate risk.

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