中誠信亞太 CCXAP

Credit Opinion

25 September 2026

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

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Yantai Main City Holding Group Co., Ltd.

Initial credit rating report

CCXAP assigns first-time long-term credit rating of A_g to Yantai Main City Holding Group Co., Ltd., with stable outlook.

Summary

The A_g long-term credit rating of Yantai Main City Holding Group Co., Ltd. ("MCHG" or the "Company") reflects Zhifu District Government's (1) very strong capacity to provide support, and (2) extremely 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) high strategic importance in the urban development and operation of Zhifu District; (3) good 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) increasing debt burden with relatively high capital expenditure pressure; and (3) moderate asset liquidity.

The stable outlook on MCHG's rating reflects our expectation that the local government's capacity to support will remain stable, and the Company will maintain its important role in urban development and operation of Zhifu District over the next 12-18 months.

Rating Drivers

- High strategic importance in urban development and operation in Zhifu District
- Good track record of receiving government support
- Medium exposure to commercial activities
- Increasing debt burden and moderate asset liquidity
- Good access to funding

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 exposure to risky commercial activities or 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 or weakened funding ability.

Key Indicators

	2023FY	2024FY	2025FY	2026Q1
Total Asset (RMB billion)	40.1	46.5	62.6	65.6
Total Equity (RMB billion)	21.8	22.2	31.1	31.2
Total Revenue (RMB billion)	1.4	1.6	1.9	0.6
Total Debt/Total Capital (%)	43.9	50.5	46.6	48.5

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

Source: Company Information, CCXAP research

Corporate Profile

Established in September 2022, MCHG 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 key urban development and operation activities, including urban renewal, infrastructure construction, engineering construction, and state-owned asset operation in Zhifu District. Apart from public projects, the Company also engages in commercial activities such as property leasing and sales, and trading. As of 31 March 2026, the Company was wholly owned by the State-owned Assets Operation and Security Center of Zhifu District. The Zhifu District Government was the ultimate controller of the Company. In 2025, the local government completed a major consolidation of district-level state-owned assets, including the transfer of a 99.9333% equity interest in Yantai Chefoo Finance Holding Group Co., Ltd. ("Yantai Chefoo") to the Company, significantly expanding the Company's asset base and business scope.

Exhibit 1. Shareholding chart as of 31 December 2025

State-owned Assets Operation and Security Center of Zhifu District
芝罘区国有资产运营保障中心

100%

Yantai Main City Holding Group Co., Ltd.
烟台主城控股集团有限公司

Source: Company information, CCXAP research

Exhibit 2. Revenue structure in 2025

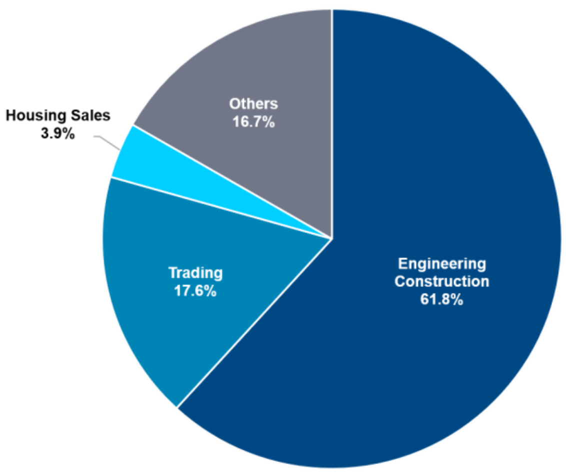
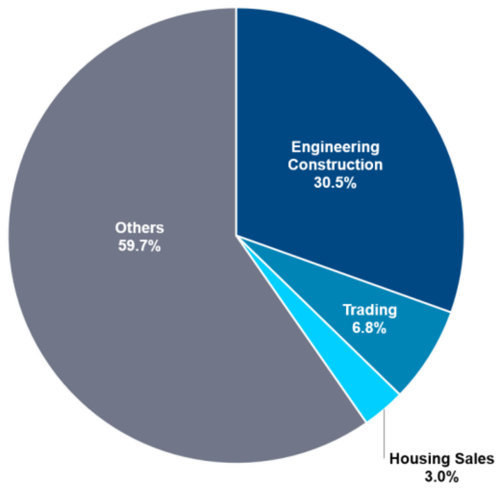


Exhibit 3. Gross profit structure in 2025



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 cities 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	1,135.1
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

High strategic importance in urban development and operation in Zhifu District

Following the consolidation of Yantai Chefoo in 2025, MCHG became the most important urban development, operation, and industrial investment entity in Zhifu District. The Company is closely related to the local urban development and public welfare, mainly undertaking urban renewal, engineering construction and state-owned asset operation. Given its important role in major urban development projects and public functions, we believe the Company is unlikely to be replaced by other local SOEs in the next 12-18 months.

The Company is the exclusive developer of the Happiness New City project, primarily responsible for urban renewal within the area and its surrounding regions. The Company provides upfront funding for demolition and land consolidation, while the Zhifu District Government repays the land costs plus a certain percentage of markup after the relevant land is disposed of. As of 31 March 2026, the Happiness New City Start-up Area project had an estimated total investment of RMB8.9 billion, which had been fully invested. The Company had recognized RMB1.1 billion of revenue and received RMB595.0 million of repayments, while RMB4.4 billion of previous land consolidation investment had also been recovered. From January 2023 to March 2026, 6 plots of land were transferred in Happiness City, with a total area of 448.2 mu and a total transfer price of RMB686.0 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.

MCHG also conducts infrastructure construction through its subsidiary, Yantai Chefoo, primarily within the Happiness City area. The Company engages in the construction of urban infrastructure projects that align with its urban renewal initiatives, such as industrial parks and so on.

The operating entities of the Company’s 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 Yantai Chefoo is mainly responsible for infrastructure construction business.

The Company also undertakes resettlement housing projects in support of local urban redevelopment. Longhai Jiayuan Community is a major resettlement housing project in Zhifu District, with the resettlement portion developed by the Company and repurchased by the local government for relocation purposes after completion. The Company is in charge of fundraising for the construction of the project. As of 31 March 2026, the project had a total investment of RMB719.0 million, with approximately 605.1 thousand square meters sold. The Company had recognized cumulative revenue of RMB771.0 million and received repayments of RMB367.0 million, while around 40.7 thousand square meters remained for sale subject to the government resettlement plan.

Good track record of receiving government support

As the most important urban development, operation, and industrial investment entity in Zhifu District, MCHG has a good track record of receiving support from the local government, including capital and asset injections, equity transfers, project repayments, government subsidies and government special bonds. Since its establishment, the local government has transferred various operating assets and equity interests to the Company, which has strengthened its capital base and expanded its business scope. In 2025, the local government injected approximately RMB8.4 billion of capital into the Company, including RMB1.1 billion in cash and RMB7.3 billion in operating properties. In addition, a 99.9333% equity interest in Yantai Chefoo was transferred to the Company in 2025, further consolidating its role as the key urban development and state-owned asset operation entity in Zhifu District.

Given the Company's strong strategic importance in the urban development of Zhifu District, we expect it to continue to receive support from the local government in the foreseeable future.

Medium exposure to commercial activities

MCHG also participated in commercial businesses, including property sales, leasing, engineering construction and trading. These businesses diversify the Company's revenue sources but also expose it to market competition, counterparty and collection risks. We consider the Company's overall exposure to commercial activities to be medium 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%, providing a supplementary recurring revenue to the Company. However, the leasing business may be affected by the local operating environment and development.

Market-oriented engineering construction is mainly undertaken by Qicai Construction and Port City Construction, which obtain projects primarily through market-based tendering. Qicai Construction was acquired by the Company in November 2025 with cash contribution and operates nationwide, while Port City Construction focuses its business scope within Yantai City. These two construction enterprises possess multiple Grade I and Grade II construction qualifications. As of 30 June 2026, the Company's major completed market-oriented construction projects had an aggregate contract value of RMB794.7 million, with RMB683.5 million of revenue recognized and RMB648.1 million collected. Its major projects under construction had a total contract value of RMB1.0 billion, with RMB527.4 million of revenue recognized and RMB434.0 million collected. The relatively large project pipeline supports business continuity, but the Company still faces certain collection pressures due to its upfront funding.

The Company also engages in trading business, including construction 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. Trading revenue stood at RMB327.4 million, RMB359.0 million, and RMB327.9 million from 2023 to 2025, accounting for 22.7%, 22.4%, and 17.5% of total revenue, respectively. 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 43.5% of total procurement and sales from the top 5 customers accounted for 42.9% of total sales in 2025.

Increasing debt burden and moderate asset liquidity

MCHG's debt burden has increased in recent years, mainly due to continued investment in urban renewal and construction projects. At the end of 2024, the Company recorded total debt of RMB22.8 billion, which increased to RMB27.3 billion as of end-2025. By the end of March 2026, the total debt had expanded to RMB29.4 billion. From 2023 to the first quarter of 2026, the Company's total capitalization ratio (total debt/total capital) experienced some fluctuations. The ratio grew rapidly from 2023 to 2024, rising from 43.9% to 50.5%. However, benefiting from asset injections, the total capitalization ratio declined to 46.6% in 2025. In the first quarter of

2026, the Company's total capitalization ratio stood at 48.5%. Meanwhile, short-term debt accounted for 25.6% of its total debt as of the same date, with a cash to short-term debt ratio was 0.9x. 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.

MCHG’s assets liquidity was moderate. As of the end of March 2026, other receivables, inventories, investment properties, and other non-current assets accounted for 73.9% of its total assets. As of the same date, restricted assets were RMB 507.3 million, representing only 1.6% of net assets. 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.

As of 31 March 2026, the Company's external guarantee amounted to RMB543.7 million, accounting for 1.7% of its net assets. The external guarantees were primarily provided to local SOEs, with only one guarantee of RMB3.0 million extended to a private enterprise. Therefore, we believe the Company's external guarantee risk is relatively low, driven by the small number of external guarantees as well as the local government's tight control over the SOEs.

Good access to funding

MCHG has good access to multiple financing channels, including bank loans, onshore bond issuances, and non-standard financing products, which may partially release capital expenditure pressure and liquidity constraint. 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, such as Evergrowing Bank Co., Ltd., Bank of China and China Construction Bank. As of 31 March 2026, the Company had obtained total bank facilities of RMB62.4 billion, with an unutilized portion of RMB38.7 billion, indicating sufficient banking liquidity.

In addition, as of July 2026, the Company had an outstanding amount of RMB7.5 billion in onshore private corporate bonds. The Company also has exposure to non-standard financing products, which account for approximately 18.7% of its total debt.

ESG Considerations

MCHG faces environmental risks through its infrastructure construction and urban renewal 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.

MCHG bears social risks as it implements urban renewal, resettlement housing and infrastructure construction 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.

MCHG’s governance considerations are also material as the Company is subject to local government oversight and reporting requirements, reflecting its public 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).

Appendix

Exhibit 6. Peer Comparison

	Yantai Main City Holding Group Co., Ltd. (“MCHG”)	Yantai Chefoo Finance Holding Group Co., Ltd. (“Yantai Chefoo”)
Long-Term Credit Rating	A_g	A_g-
Shareholder	State-owned Assets Operation and Security Center of Zhifu District (100%)	MCHG (99.93%)
Positioning	Major urban developer and operator in Zhifu District	Key entity in urban renewal and construction in Zhifu District
Total Asset (RMB billion)	62.6	61.1
Total Equity (RMB billion)	31.1	30.1
Total Revenue (RMB billion)	1.9	1.8
Total Debt/Total Capital (%)	46.6	47.3

All ratios and figures are calculated using CCXAP’s adjustments based on financial data for 2025.

Source: Company information, CCXAP research

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