

Credit Opinion

15 June 2026

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

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Yantai Transportation Group Co., Ltd.

Initial credit rating report

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

Summary

The A_g+ long-term credit rating of Yantai Transportation Group Co., Ltd. (“YTTG” or the “Company”) is underpinned by the Company’s (1) important strategic role in transportation investment and construction in Yantai City; (2) diversified business portfolio in commercial activities, with competitive advantage in transportation-related areas; and (3) good access to funding.

However, the rating is constrained by the Company’s (1) relatively weak profitability; (2) rapid debt growth with relatively weak debt serving capability; and (3) relatively large capital expenditure pressure.

The rating also reflects a high likelihood of government support from the State-owned Assets Supervision and Administration Commission of Yantai Municipal Government (“Yantai SASAC”) when needed, which is based on the Company’s (1) direct ownership and ultimate control by Yantai SASAC; (2) regional importance in transportation-related public welfare in Yantai City; and (3) solid track record of receiving support from the local government.

The stable outlook on YTTG’s rating reflects our expectation that the Company will maintain its regional competitiveness and importance in Yantai City and continue to receive ongoing support from the Yantai Municipal Government over the next 12 to 18 months.

Rating Drivers

- Important strategic role in transportation investment and construction in Yantai City
- Supplementary revenue and profit benefited from diversified businesses
- Relatively weak profitability
- Rapid debt growth with relatively weak debt serving capability
- Modest liquidity position mitigated by good access to funding
- High likelihood of support from the Yantai Municipal Government

Rating Sensitivities

Business Profile

What could upgrade the rating?

The rating could be upgraded if (1) the likelihood of support from the Yantai Municipal Government increases; and (2) the Company's stand-alone credit profile improves significantly, such as a stronger market position and improvement in profitability.

What could downgrade the rating?

The rating could be downgraded if (1) the likelihood of support from the Yantai Municipal Government decreases; or (2) the Company's standalone credit quality worsens significantly, including a material drop in credit metrics and poor debt management.

Key Indicators

	2023FY	2024FY	2025FY
Total Assets (RMB billion)	51.8	50.5	55.1
Total Equity (RMB billion)	41.3	40.6	41.6
Total Revenue (RMB billion)	3.9	3.2	3.6
Net Profit (RMB million)	-32.6	27.3	31.0
EBIT Margin (%)	3.2	4.6	5.2
Return on Assets (%)	0.5	0.3	0.4
Total Debt/Total Capital (%)	14.4	15.8	21.0
Total Debt/EBITDA (x)	18.6	24.3	26.4
EBITDA/Interest (x)	1.5	1.3	1.3
FFO/Total debt (%)	-0.6	-1.2	-0.9

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

Source: Company information, CCXAP research

Corporate Profile

Established in December 2019, formerly known as Yantai Rail Transit Group Co., Ltd., YTTG is positioned as the most important comprehensive transportation industry group in Yantai City, covering six major areas: transportation infrastructure construction, passenger and freight transport, transportation-related investment, port services, as well as road and bridge engineering. It boasts exclusive operational advantages in the field of transportation investment and construction in Yantai City. In addition, the Company engages in other businesses, including merchandise sales, property sales, asset leasing and operation, and other services. As of 31 March 2026, YTTG was 94.144% owned by Yantai SASAC, while Shandong Caixin Asset Operation Co., Ltd. held the remaining 5.856%. Its ultimate controlling shareholder is Yantai Municipal Government.

Exhibit 1. Revenue structure in 2025

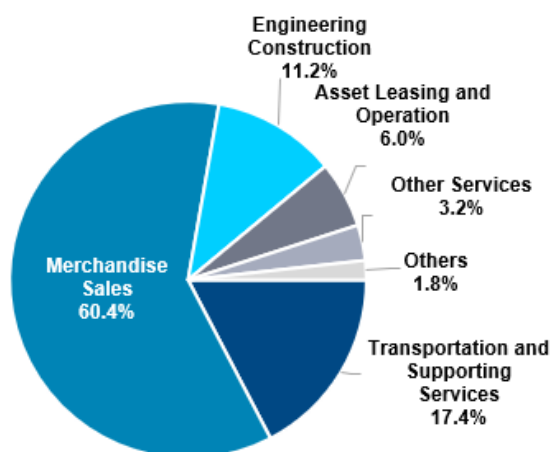
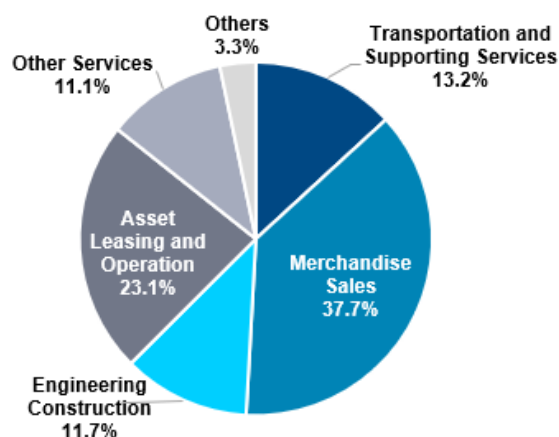
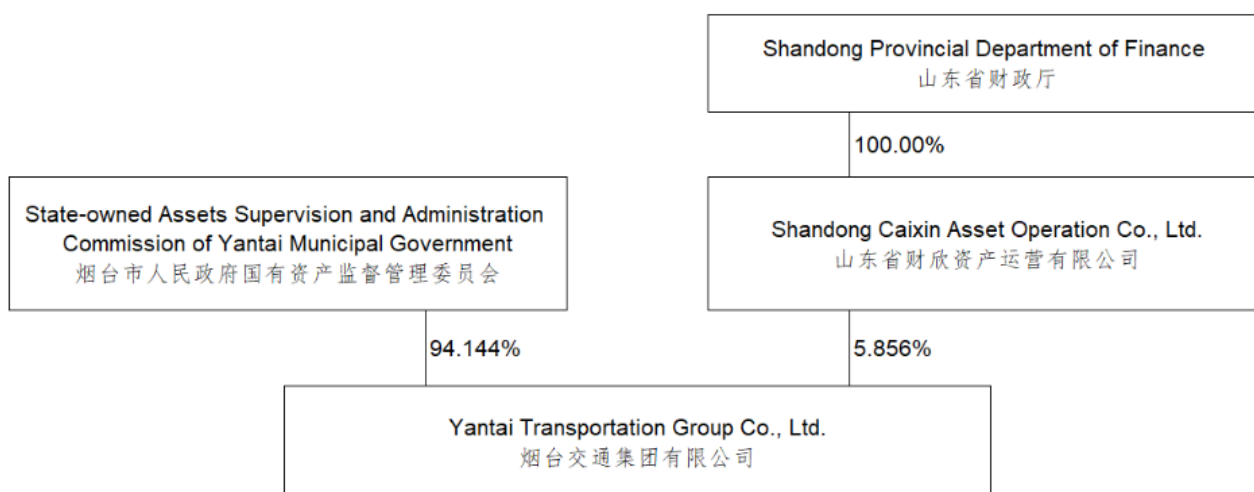


Exhibit 2. Gross profit structure in 2025



Source: Company information, CCXAP research

Exhibit 3. Shareholding and organization chart as of 31 March 2026



Source: Company information, CCXAP research

Rating Considerations

Business Profile

Important strategic role in transportation investment and construction in Yantai City

YTTG serves as the most important comprehensive transportation group in Yantai City, the Company has outstanding advantages in the field of transportation investment and construction. It is the major entity in construction of transportation facilities in Yantai City, covering six major areas: transportation construction, passenger transportation, transportation services, transportation investment, port services, as well as road and bridge construction.

YTTG's engineering construction business is mainly undertaken by its subsidiary, Yantai Transportation Road & Bridge Group Co., Ltd., which holds a wide range of industry qualifications enabling it to be more competitive in the tendering market and access to quality projects, such as the First Class General Contracting Qualification for Highway Engineering Construction. YTTG mainly undertakes engineering construction projects for transportation infrastructure and daily maintenance of highways in Yantai City, with clients primarily being government related units and state-owned enterprises. From 2023 to 2025, the Company's revenue from the engineering construction business declined from RMB1.0 billion to RMB405.2 million, mainly due to the transfer out of its landscaping, municipal maintenance, and drainage construction subsidiaries, while its gross profit margin rose from 11.3% to 17.0%. From 2024 to 2025, the total value of newly signed contracts of the Company was RMB1.7 billion. As of end-2025, YTTG's construction projects mainly consist of daily maintenance and repair works for national and provincial highways within Yantai City, with a total existing signed contract value of RMB3.1 billion. The Company has relatively large project reserve and sound business sustainability. Moreover, the Company has actively expanded its project portfolio beyond Yantai City over the past years, such as Jinan City and Weifang City.

Furthermore, the Company plays a key role in the construction of Yantai City's rail transit system, aligning with the long-term government development plan. The Company had 3 projects under planning, namely the Yantai Rail Transit Lines 1 and 3, the reserved municipal transportation works for Yantai South Railway Station, and the supporting urban rail transit projects for Penglai International Airport. Among them, the estimated total investment for the first phase of the Yantai Rail Transit Lines 1 and 3 project is RMB47.8 billion, with 40% of the funding provided by Finance Bureau of Yantai City. However, there is uncertainty regarding the approval time for the Company's rail transit projects, as the National Development and Reform Commission has not yet accepted the first round of construction plans for rail transit in general prefecture-level cities.

The Company also engages in self-operated construction projects to enhance the quality of life for local citizens, including the construction of 6 hospitals and the Yantai South Railway Station Integrated Transportation Hub Project. The construction costs of such projects are mainly funded by self-raised funds, bank loans, and government special funds. The funds will be balanced by the operating income generated upon completion, such as rental income, property management, and parking fees. By the end of 2025, the Company's planned total investment in self-operated projects was RMB11.7 billion, with an outstanding amount of RMB7.6 billion, exerting capital expenditure pressure to the Company.

Provision of transportation and supporting services in Yantai City

YTTG provides public transportation and supporting services in Yantai City. The main operating entity of the Company's transportation business is its subsidiary Yantai Jiaoyun Group Co., Ltd. Its business scope covers road passenger and freight transport, car rental, cargo warehousing, vehicle maintenance and other services,

making it one of the major transportation enterprises in Yantai City. The Company's transportation business mainly consists of passenger transport and freight transport segments.

As of the end of 2025, YTTG had 126 intercity buses with 45 running routes, among which 7 serve urban areas. Its passenger transport routes covered several prefecture-level cities in Shandong Province, as well as direct interprovincial lines reaching Henan, Hebei and other provinces. This business operated on a self-financing basis with prices set in accordance with government-guided rates. YTTG's passenger transport business included passenger coaches, taxis, school buses, public buses and stations, among which the passenger coach business is the main source of passenger transport revenue. Due to the diversion of passenger flow caused by the launch of high-speed trains in Yantai City, some medium- and long-distance bus routes have been suspended or reduced in frequency. From 2023 to 2025, the Company's revenue from passenger transport business fell from RMB247.0 million to RMB230.0 million, while its gross profit margin dropped from 14.0% to 3.7%, both indicators showing a fluctuating decline.

The Company's freight business adopts two models, including self-operating model and contracting model. Under the self-operating model, its freight cover Shandong, Beijing, Tianjin, Jiangsu and other regions, including business segments such as logistics transportation, warehousing and distribution, passenger bus express delivery, and road-rail combined transport. Under the contracting model, YTTG generated revenue by contracting operating routes externally. In 2024, YTTG reduced its freight business operated under the contracting model and shifted to mainly self-operating model. Alongside the expansion of the freight business under self-operating model, the Company's revenue from this business increased from RMB57.0 million in 2024 to RMB69.0 million in 2025.

Merchandise sales business as the main revenue contributor, with high concentration risks

The Company's largest revenue source is the merchandise sales business, mainly covering convenience store retail, sales of oil products, building materials and non-ferrous metals. Over the past three years, this business has remained the Company's largest revenue contributor, accounting for more than half of its total revenue since 2024. In 2025, revenue from this business reached RMB2.2 billion, with a gross profit margin of 10.2%. Among these, the oil product and retail businesses are relatively stable and can deliver steady profits, with their gross profit margins staying above 10% and 30% respectively over the past three years. The Company's oil product sales business mainly involves gas station operations, with the gasoline and diesel as major products. As of end-2025, the Company operated 9 gas stations with no ongoing or planned construction projects.

The Company's non-ferrous metals sales business is mainly undertaken by the subsidiary of Yantai Transportation Service Group Co., Ltd. ("YTTS"). In 2023, the Company shifted its main trading focus from building materials to non-ferrous metals such as indium and bismuth. As a result, from 2023 to 2025, non-ferrous metal sales rose sharply from RMB177.7 million to RMB1.2 billion. However, due to the business nature, this segment has a low profit margin, averaging at 0.9%, and it is susceptible to the volatility of commodities prices and global economic conditions. In addition, it faces high concentration risks. Its top five suppliers and customers account for 100% of total procurement and sales, respectively.

Supplementary revenue and profit benefited from diversified businesses

The Company had supplementary income and profit from diversified business segments, including asset leasing and operation, security services, and real estate sales. We believe that the diversified business portfolio can diversify the Company's business risks, but some of the businesses have exerted certain capital expenditure pressure to the Company.

The asset leasing and operation business is mainly operated by subsidiaries of YTTS and Yantai Transportation Construction Group Co., Ltd. (“YTTC”). Revenue is mainly generated through leasing office buildings, commercial properties, residential buildings and other real estate properties allocated free of charge by the government or self-constructed by the Company, as well as providing property management services. From 2023 to 2025, revenue from this sector rose from RMB115.5 million to RMB217.9 million, with gross profit margins exceeding 60.0% across all three years. As of end-2025, the Company held 88.2 thousand square meters of leasable properties, with an occupancy rate exceeding 80.0%. As of the same date, YTTG had a talent apartment project under construction.

YTTG also engages in the real estate sales business with a self-development model. As of 31 December 2025, the Company has completed 4 real estate projects, including residential and office buildings, with an overall selling rate of 51.3%. Total recognized revenue from these projects stood at RMB4.0 billion, while cumulative payments collected amounted to RMB4.2 billion. As of the same date, YTTG had 3 residential property projects under construction, with a total investment of RMB2.6 billion and an uninvested amount of RMB795.2 million. These projects had started pre-sales, with an overall absorption rate of 29.7%. The Company also had 2 property development projects under planning, with a total planning investment of RMB210.9 million. As of end-2025, the Company had 5 reserved land parcels for real estate development, mainly for residential use, with a total value of RMB1.2 billion and a total area of 335.1 thousand square meters. Against the backdrop of a downturn in the real estate industry, attention needs to be paid to the sales progress of the Company's real estate projects and the pace of investment in property development projects.

The Company also engages in security service business, mainly including escort services and security services. It is the only state-owned enterprise (“SOE”) in Yantai City with the qualification for socialized armed escort and security, granting it a regional monopoly advantage. Its clients are mainly the government agencies, enterprises, and financial institutions in the region that require security services. As of end-2025, the Company's security services covered most financial institutions across all 7 districts and 6 counties in Yantai City, with a high market share of 97.7%. This business recorded annual revenue of more than RMB244.0 million and gross profit margins above 20.0% over the past three years, delivering stable cash flow to the Company.

Financial Profile

Relatively weak profitability

YTTG's total revenue has fluctuated slightly over the past three years. In 2024, the Company's revenue declined to RMB3.2 billion from RMB3.9 billion in 2023, mainly due to the divestiture of its human resources business segment and landscaping construction subsidiary, as well as the contraction of its freight business. In 2025, the growth in the Company's merchandise sales revenue led to an increase in its total operating revenue, rebounding to RMB3.6 billion. In terms of business segment, merchandise sales business being the largest revenue contributor (60.4%), followed by transportation and supporting services (17.4%) and engineering construction (11.2%).

The Company's profitability metrics were relatively weak, as reflected by the improving yet weak return on assets and EBIT margin. The Company's return on assets remained low over the past years, averaging 0.4%, while the EBIT margin increased from 3.2% in 2023 to 5.2% in 2025. Over the past three years, the non-operating gains contribute significantly to total profit, mainly investment income. Although its net profit has turned positive since 2024, the Company's periodic expenses remain high, and its profit continues to rely on other operating gains, reflecting relatively weak overall profitability. Considering YTTG's diversified business portfolio and continuous expansion, we expect the Company's revenue to maintain a growth trend, while its

profitability is likely to remain weak over the next 12 to 18 months, as the investment payback period for its projects is generally long.

Rapid debt growth with relatively weak debt serving capability

Due to the expansion of its business scope and relatively large capital expenditure on its construction development projects, YTTG's total debt has been growing rapidly. From 31 December 2023 to 31 December 2025, the Company's total debt increased from RMB6.9 billion to RMB11.1 billion. The total capitalization ratio also increased to 21.0% from 14.4% over the same period. As of 31 December 2025, the Company's short-term debt accounted for 27.4% of total debt, with a cash to short-term debt ratio of 0.5x. Considering the further development of its diversified business and the relatively large capital expenditure on its construction projects, we expect that the Company will rely on external financing to meet its capital expenditure and the total debt level will continue to increase.

In addition, as the Company's debt burden increased, YTTG had a relatively weak debt servicing capability, which is reflected by its debt serving metrics. From 2023 to 2025, the Company's average total debt/EBITDA ratio and average EBITDA coverage ratio were 23.1x and 1.4x respectively, reflecting relatively weak debt servicing capacity. Moreover, the Company posted recurring net operating cash outflows over the same period, driving its average FFO/total debt ratio negative to -0.9%.

Modest liquidity position mitigated by good access to funding

YTTG had moderate asset liquidity. As of 31 December 2025, the Company's assets are predominantly equity-based, yet bring in limited investment income. As of the same date, the investments in other equity instruments, long-term equity investments, and other non-current financial assets accounted for 54.3% of its total assets, while these assets generated merely RMB147.1 million in investment income in 2025. The Company's investments in other equity instruments mainly consisted of interests in the Shandong Port Group Co., Ltd. ("Port Group") and railway-related projects. From 2023 to 2025, the cumulative investment income from holding these instruments stood at RMB264.0 million, which was primarily derived from dividends received from Port Group. Over the same period, its total return on long-term equity investments amounted to RMB86.0 million, reflecting a relatively small scale of investment income generated from equity assets. In addition, its other non-current financial assets were predominantly composed of the investment in Evergrowing Bank Co., Ltd., valued at RMB1.5 billion. As of 31 December 2025, the Company's total restricted assets amounted to RMB434.7 million, accounting for less than 1.0% of its total assets.

YTTG shows good access to various funding channels, such as bank loans, domestic bond issuance, government special bonds, and non-standard financing, which could mitigate the capital expenditure pressure driven by business expansion and ongoing construction projects. The Company's debt was primarily financed through bank loans and special bonds, which accounted for more than 70% of total debt, with an overall average financing cost of 3.5%, as at end-2025. The Company had long-term relationships with major joint-stock commercial banks. As of end-2025, YTTG had total bank credit facilities of RMB9.6 billion, of which RMB4.1 billion remained available, providing standby liquidity to the Company. In addition, YTTG tapped into the debt capital market in 2025, issuing 2 tranches of 3-year and 5-year onshore corporate bonds, raising RMB1.0 billion and RMB500.0 million with coupon rates of 2.1% and 2.0%, respectively. Moreover, the Company had a relatively low exposure to non-standard financing, accounting for less than 5.0% of total debt as of end-2025, mainly from financial leasing companies.

External Support

High likelihood of support from Yantai Municipal Government

We anticipate the Company has a high likelihood of support from the Yantai Municipal Government, given its (1) direct ownership and ultimate control by Yantai SASAC; (2) regional importance in transportation-related public welfare in Yantai City; and (3) solid track record of receiving support from the local government.

Yantai City is located in the middle of the Shandong Peninsula. Its 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 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.

Yantai City has four municipal SOEs: Yantai Lantian Investment Development Group Co., Ltd., Yantai Guofeng Investment Holding Group Co., Ltd., Yantai City Finance and Investment Development Group Co., Ltd., and YTTG. Overall, each has a clear functional positioning, and YTTG has a clear division of labor with other SOEs in their main businesses. As the most important comprehensive transportation industry group in Yantai City, the Company plays a vital role in local social and economic development and remains highly irreplaceable. Yantai Municipal Government had a high degree of control over the Company’s operations, including the formulation of business strategies and the appointment of the board of directors and key management personnel. The Company is also required to report its annual budget, objectives, plans and performance to Yantai SASAC.

YTTG had a solid track record of receiving support from the local government, including equity transfer, capital injection, and government subsidies. In terms of equity transfer, from 2023 to 2025, the Company received a total of RMB334.2 million from the government through equity transfer, such as China Railway Bohai Railway Ferry Co., Ltd., Shandong Fangzheng Highway Engineering Supervision & Consultancy Co., Ltd., Yantai Tonghui Trading Co., Ltd. In 2024, the Company received cash injection from the local government, increasing its paid-in capital by RMB280.0 million. In the same year, the Company also received asset injections, including buildings and land, with a total amount of RMB39.3 million. From 2023 to 2025, the Company received government capital appropriations, raising its capital surplus by RMB1.0 billion. During the same period, the Company received a total of RMB46.5 million of government subsidies. Meanwhile, the Company also received government special bonds totaling RMB2.1 billion. We expect that, as the most important comprehensive transportation industry group in Yantai City, the Company will continue to receive ongoing supports from the local government over the next 12 to 18 months.

ESG Considerations

YTTG is exposed to environmental risks because its operations cover urban rail transit supporting projects, transportation, engineering construction and real estate development, which may generate dust, noise, exhaust gas and sewage discharge. It has demonstrated sound performance in sustainable development and environmental incident management. In response to national strategies for green and low-carbon economic and social transition as well as the “Dual Carbon” goals, the Company has proactively pursued green development.

YTTG also faces social risks given its role in providing transportation services and social welfare of the residents in the Yantai 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.

YTTG's governance considerations are also material as the Company is subject to oversight and reporting requirements to the Yantai Municipal 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 [General Corporate \(May 2026\)](#).

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