中誠信亞太 CCXAP

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

Hong Kong, 25 September 2026 – China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") has assigned first-time long-term credit rating of A_g to Yantai Main City Holding Group Co., Ltd. ("MCHG" or the "Company"), with stable outlook.

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.

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, and the Zhifu District Government was the ultimate controller. 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.

Rating Rationale

Credit Strengths

High strategic importance in urban development and operation in Zhifu District. Following the consolidation of Yantai Chefoo, 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.

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. 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.

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. In addition, the Company also had onshore private corporate bonds issued.

Credit Challenges

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.

Increasing debt burden with relatively high capital expenditure pressure. MCHG’s debt burden has increased in recent years, mainly due to continued investment in urban renewal and construction projects. 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.

Moderate asset liquidity. MCHG’s asset liquidity was moderate. As of the end of March 2026, other receivables, inventories, investment properties, and other non-current assets accounted for a large portion of its total assets. We expect the Company’s liquidity risk to be manageable, given recurring payments from the local government and its strong access to diverse funding channels.

Rating Outlook

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.

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.

Rating Methodology

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

Regulatory Disclosures

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