

Credit Opinion

20 June 2025

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

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Maoming Port Group Co., Ltd.

Initial credit rating report

CCXAP assigns first-time long-term credit rating of BBB_g to Maoming Port Group Co., Ltd., with stable outlook

Summary

The BBB_g long-term credit rating of Maoming Port Group Co., Ltd. ("MMPG" or the "Company") reflects Maoming Municipal 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 Maoming Municipal Government's capacity to provide support reflects its economic importance as an important petrochemical base in Guangdong Province, with ongoing economic and fiscal growth.

The rating also reflects the local government's willingness to support, which is based on the Company's (1) important role in the port infrastructure construction and industrial investment in Maoming City; (2) high sustainability of public policy projects; (3) good track record of receiving government support; and (4) good access to funding.

However, the rating is constrained by the Company's (1) medium exposure to commercial activities; (2) increasing debt burden while improving debt structure; and (3) weak asset liquidity.

The stable outlook on MMPG's rating reflects our expectation that the local government's capacity to provide support will remain stable, and the Company will maintain its important role in the promotion of the port construction and industrial development in Maoming City over the next 12 to 18 months.

Rating Drivers

- Important role in the port infrastructure construction and industrial investment in Maoming City
- High sustainability of public policy projects
- Medium exposure to commercial activities
- Good track record of receiving government support
- Increasing debt burden while improving debt structure
- Weak asset liquidity
- Good access to funding

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) the Maoming Municipal 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 improved debt management; or decrease in exposure to commercial activities.

What could downgrade the rating?

The rating could be downgraded if (1) the Maoming Municipal 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 decrease in its strategic significance; decrease in government payments; or increase in exposure to commercial activities.

Key Indicators

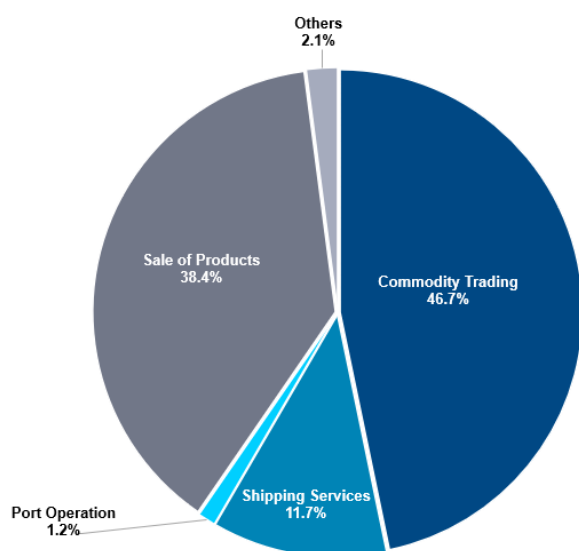
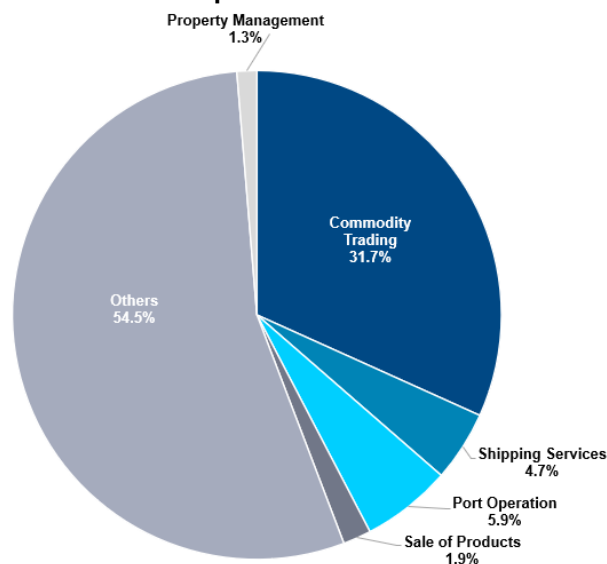
	2022FY	2023FY	2024FY
Total Asset (RMB billion)	11.8	13.6	19.3
Total Equity (RMB billion)	3.9	3.9	5.4
Total Revenue (RMB billion)	0.8	2.0	4.5
Total Debt/Total Capital (%)	61.2	66.0	71.3

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

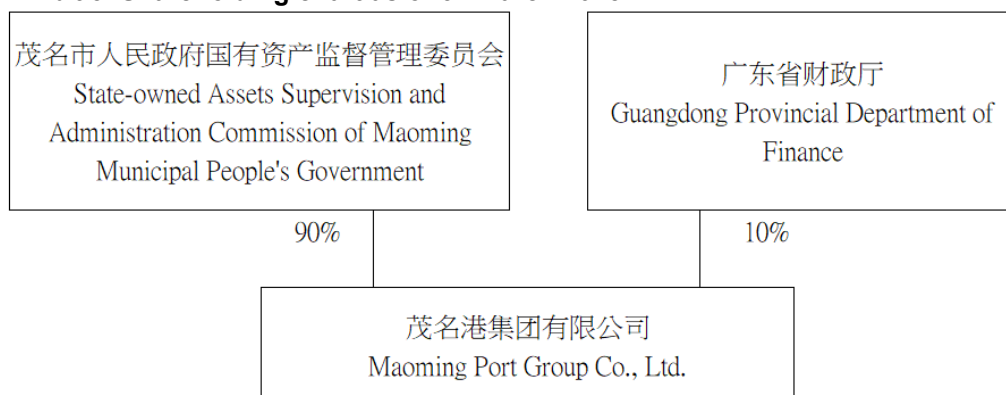
Source: Company data, CCXAP research

Corporate Profile

Established in September 2004, MMPG, formerly known as Maoming Bohe New Port Development Co., Ltd., is a key entity for the port infrastructure construction and industrial investment in Maoming City, undertaking and driving the significant task of port development. The Company's main businesses include port construction and infrastructure construction in the Maoming Binhai New District ("MBND"). The Company is also engaged in commercial business such as port operation, production and sales of petrochemical products, as well as hazardous waste treatment, commodity trading, property management, product selling, shipping services, and logistics park construction, and other commercial businesses. As of 31 March 2025, the State-owned Assets Supervision and Administration Commission of Maoming Municipal People's Government ("Maoming SASAC") is the ultimate controlling shareholder of the Company, holding 90.0% of the Company's shares. The remaining shares are held by Guangdong Provincial Department of Finance.

Exhibit 1. Revenue structure in 2024**Exhibit 2. Gross profit structure in 2024**

Source: Company information, CCXAP research

Exhibit 3. Shareholding chart as of 31 March 2025

Source: Company information, CCXAP research

Rating Considerations

Government's Capacity to Provide Support

We believe Maoming Municipal Government has a very strong capacity to provide support to the Company, given its economic importance as an important petro chemical base in Guangdong Province, with ongoing economic and fiscal growth.

Guangdong Province is located in the southern coastal area of China and is the largest economic province in the country. Dominated by manufacturing, trade, finance, and technology industries, it is an important export-oriented economic region in China. In 2024, the province's gross regional product ("GRP") reached RMB14.2 trillion, ranking first among all provinces in the country, with a year-on-year ("YoY") increase of 3.5%. The general public budget revenue is RMB1.4 trillion, of which tax revenue accounts for 72.5%. At the same time, the debt burden is moderate. In 2024, the debt balance was RMB3.5 trillion, accounting for 24.9% of the GRP.

Maoming is a prefecture-level city located in the southwestern part of Guangdong Province, with total area of 11.5 thousand square kilometers. With its superior geographical location, it serves as a crucial transportation hub connecting the Pearl River Delta and western Guangdong. Meanwhile, Maoming City is a key national base

for petrochemicals and energy, providing stable support for economic development. In recent years, the economic strength of Maoming has been gradually enhanced. In 2024, its GRP reached RMB407.2 billion, ranking 9th among the 21 prefecture-level cities in Guangdong Province, with a YoY growth rate of 2.5%. The general public budget revenue amounted to RMB15.2 billion, of which tax revenue accounted for 43.1%, indicating its modest fiscal stability. However, the government debt burden of Maoming City has been rising annually. By the end of 2024, its local government debt had rapidly increased from RMB67.4 billion in 2022 to RMB100.6 billion, representing 24.7% of its GRP.

Exhibit 4. Key economic and fiscal indicators of Maoming City

	2022FY	2023FY	2024FY
GRP (RMB billion)	390.5	398.7	407.2
GRP Growth (%)	0.5	3.7	2.5
General Budgetary Revenue (RMB billion)	14.1	14.5	15.2
General Budgetary Expenditure (RMB billion)	51.3	51.3	53.1
Local Government Debt (RMB billion)	67.4	80.7	100.6

Source: Statistics Bureau of Maoming City, CCXAP research

Maoming Port, originally known as Shuidong Port, is a national Grade I open port in Maoming City and includes three ports: Shuidong Port, Bohe New Port, and Jida Port. After more than 20 years of construction and development, it has developed into a comprehensive port facilitating the transportation of a wide range of goods, such as crude oil, liquid chemicals, and bulk cargoes, which is one of the leading ports along the coast of Southern China. In 2024, Maoming Port had a cargo throughput of about 36.4 million tons. The aforesaid ports laid a strong foundation for the Company to maintain its sustainable development and to capture business opportunities in the future.

Government's Willingness to Provide Support

Important role in the port infrastructure construction and industrial investment in Maoming City

There are four major local infrastructure investment and financing companies ("LIIFCs") in Maoming City, namely MMPG, Maoming Development Group Co., Ltd. ("MMDG"), Maoming Metro Holdings Group Co., Ltd. ("MMHG"), and Maoming Transportation Construction Investment Group Co., Ltd. ("MTCI"). MMDG is the most important urban comprehensive operator in Maoming City, with core businesses including infrastructure construction and transportation services. MMHG is mainly responsible for the development and construction of Shuidong Bay District in Maoming City, and MTCI is primarily responsible for transportation infrastructure construction, passenger and freight transportation, and station operation.

MMPG is an important port construction and operation entity in Maoming City, responsible for the construction of Maoming Port, as well as part of the infrastructure construction in the MBND. The Company's business aligns with the long-term strategic planning of Maoming City and has distinct functions compared to the other regional LIIFCs. We believe that the Company is unlikely to be replaced by other local state-owned enterprises in the foreseeable future.

On 3 January 2025, four berths in the eastern area of the Bohe New Port were opened, with the East Area chemical wharf and its ancillary facilities project, as well as the 100,000-ton product oil wharf being put into production. It is expected to become a significant regional port that provides modern, large-scale, specialized and deep-water terminals to support and promote the development of the port industry in Maoming City, further enhancing the Company's strategic position.

High sustainability of public policy projects

As a well-established port construction entity and operator in Maoming City, MMPG's main public services include port construction and infrastructure construction in the MBND. The Company has numerous ongoing and planned projects, ensuring the sustainability of its business. However, it also brings the issue of large capital expenditure pressure.

MMPG is the undertaker and promoter of port construction in Maoming City and has actively participated in the construction of Bohe New Port through self-funded, agency, and joint construction models. As of 31 December 2024, the Company had 6 projects under construction and planning, with a planned total investment of RMB3.9 billion and an uninvested amount of RMB2.9 billion, and the funding sources include own funds, bank loans, and government special bonds. In addition, Jida Port is a reserve port available for future development. Overall, the Company has a substantial project reserve, which is expected to support its business sustainability.

MMPG is also responsible for some infrastructure construction projects in the MBND, which are conducted under agency and government repurchase models. As of 31 December 2024, the Company had three ongoing projects under construction, with an invested amount of RMB1.2 billion and an uninvested amount of RMB0.9 billion. The government payments for these infrastructure construction projects were RMB1.1 billion. The local government has provided financial support through allocating project capital and local government debt swap. While the Company's infrastructure project reserve is adequate, it plans to focus its future development on port construction and operation. As a result, the investment in infrastructure projects in MBND will gradually decrease.

Medium exposure to commercial activities

In addition to public utilities, MMPG is involved in various commercial activities such as port operation, production and sales of petrochemical products, as well as hazardous waste treatment, commodity trading, property management, product selling, shipping services, and logistics park construction. We consider MMPG's commercial business exposure to be medium, as its market-driven businesses account for around 15-20% of its total assets.

As a comprehensive port operator, MMPG provides a wide range of port operation services, primarily consisting of stevedoring, storage, and other port-related services. In terms of storage service, as of 31 December 2024, the Company owned 5 warehouses, 10 open storage yards, 18 oil products and chemical products storage tanks, and 18 liquefied petroleum gas storage tanks. Regarding the stevedoring business, the goods mainly include oil, natural gas, coal, grains, steel, and construction materials for mines. In recent years, affected by the economic situation, the cargo throughput has gradually declined, and Shuidong Port has a relatively shallow water depth and a limited number of berths, resulting in limited port operation revenue. Hence the port operation revenue has shown a downward trend, decreasing from RMB60.7 million in 2022 to RMB53.3 million in 2024. However, with four berths at Bohe New Port being put into operation, its revenue is expected to increase in the future.

Aligned with the strategic development planning of Maoming City, MMPG acquired Maoming Petrochemical Shi Hua Co., Ltd. ("MPSH", Stock Code: 000637.SZ) and Sinomach Technology Development (Maoming) Co., Ltd. ("STDM") in 2024, expanding its business into production and sales of petrochemical products, as well as hazardous waste treatment. MPSH is the first and only A-share listed company in Maoming City, primarily engaged in the production and sale of petrochemical products. However, in recent years, MPSH has suffered continuous loss, mainly due to the international oil prices fluctuating downward under the influence of the economic situation. In addition, STDM is responsible for Maoming City's circular economy project, which

conducts harmless treatment of waste generated from industrial production. Its revenue has also dipped, due to a production halt caused by bankruptcy reorganization in 2024. Nevertheless, the revenue from petrochemical product production & sales and hazardous waste treatment business is expected to improve in the future, after MMPG's acquisitions.

Commodity trading is the largest income source of MMPG. In 2024, the Company's trading business revenues were RMB2.1 billion, accounting for 46.7% of the total revenue, but with a low gross profit margin of 1.2%. The trading business is conducted under a demand-driven model, with trading products mainly including building materials, oil products, agricultural products, as well as non-ferrous metals. In 2024, the proportion of the top five suppliers and customers both exceeded 75%, indicating a relatively high concentration. Moreover, most of the suppliers and customers are private enterprises and the business is susceptible to fluctuation of commodity prices, which exerts certain risk control pressure on the Company.

MMPG has operated its shipping services since 2022, which is conducted under the demand-driven model. Its revenue increased from RMB186.0 million in 2022 to RMB520.6 million in 2024, with a low gross profit margin of less than 1%. Moreover, the concentration of suppliers and customers is very high. As the end of 2024, the proportions of the top five suppliers and customers both exceeded 99%. The Company also plans to expand shipping value-added services and develop a logistics park construction business, including three proposed projects, with a planned total investment of RMB1.5 billion.

Additionally, the Company is engaged in other businesses, including ticket revenue, property management and leasing, and granite mining and selling. The Company added ticket revenue in 2024, mainly from operating the Beijing Ocean Aquarium, which brought substantial profits to the Company. In 2024, its gross profit margin reached 46.5%. Although other income scale is limited, they provide supplemental profits to the Company. Moreover, the Company's business diversification level and risk-resistance capabilities have also been enhanced.

Good track record of receiving government support

As the important port operation entity in Maoming City, MMPG has a track record of receiving support from the local government. These supports take various forms, such as government subsidies, and project special funds payments. As of the end of 2024, the Company had cumulatively received RMB1.2 billion in special funds for infrastructure construction and other projects allocated by the government. Meanwhile, from 2022 to 2024, the Company received a total of RMB476.0 million in subsidies for port construction and operation, which has enriched the Company's profit scale. Overall, given its important position and contribution to regional economic development, we believe that MMPG will receive ongoing government support to support its business operations.

Increasing debt burden while improving debt structure

MMPG's debt burden has been increasing over the past year. With investment in port construction projects and infrastructure projects in MBND, the Company's total debt increased from RMB6.0 billion at end-2022 to RMB9.8 billion at end-2024. In the same period, the total capitalization ratio increased to a high level, rising from 61.2% to 71.3%. Nonetheless, in recent years, the Company's debt structure has been improved. The proportion of short-term debt in total debt dropped significantly from 49.1% in 2021 to 26.0% at end-2024. We expect that considering the substantial future capital requirements, the Company's debt burden will continue to increase within the next 12 to 18 months.

Weak asset liquidity

MMPG's asset liquidity is weak, which may undermine its financial flexibility. As of 31 December 2024, the Company's total assets consisted mainly of inventory, construction in progress, investment property and fixed assets, accounting for 73.3% of its total assets. Construction in progress mainly represents the investment costs in construction projects like the infrastructure projects in Bohe New Port, inventory and investment property mainly consist of land use rights, while fixed assets mainly consist of MPSH's machinery and equipment, all of which have low liquidity. In addition, MMPG's restricted assets amounted to RMB1.7 billion as of 31 December 2024, mainly consisting of land assets used as collateral, accounting for 8.6% of the total assets.

Good access to funding

MMPG has good access to funding from bank borrowings and bond financing, which accounted for 60.5% and 39.5% of the Company's total debt at end-2024, respectively. The Company maintains solid cooperation with multiple domestic banks. As of 31 December 2024, it had obtained total credit facilities of RMB25.4 billion from various banks, with a remaining available of RMB15.2 billion. In addition, the Company has a track record of fund-raising activities in both onshore and offshore debt capital markets. From 2022 to 2024, it issued a total of RMB6.5 billion in both domestic and offshore markets, with average coupon rate of 3.8%. Moreover, the Company has no reliance on non-standard financing.

ESG Considerations

MMPG faces environmental risks through its large-scale development projects. Such risks could be mitigated by implementing advanced waste management systems in its operations. Additionally, conducting comprehensive environmental impact assessments before project initiation and ensuring strict compliance with environmental regulations during execution can further reduce these risks.

MMPG bears social risks as it engages in community development initiatives. The changing demographics of the areas where the Company operates, public awareness of social issues, and evolving community expectations shape the Company's social responsibility targets and ultimately affect the local community's support for the Company. By actively engaging with local communities, promoting diversity and inclusion in its workforce, and ensuring fair labor practices, the Company can better manage these social risks.

The Company's governance considerations are also significant as MMPG is subject to oversight by relevant regulatory bodies and has to meet various reporting requirements. This reflects its commitment to transparency and accountability. Effective corporate governance practices, such as maintaining a diverse and experienced board of directors, ensuring ethical business conduct, and protecting shareholder rights, are essential for the Company to maintain its reputation and long-term success.

Rating Methodology

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

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