

Yantai Chefoo Finance Holding Group Co., Ltd.

Lianhe Ratings Global Limited (“Lianhe Global”) has assigned ‘A-’ global scale Long-term Issuer Credit Rating with Stable Outlook to Yantai Chefoo Finance Holding Group Co., Ltd. (“YCFHG”)

Summary

The Issuer Credit Rating reflects a high possibility that the People’s Government of Zhifu District, Yantai City (“Zhifu government”) would provide very strong support to YCFHG if needed, in light of its indirect majority ownership of YCFHG, YCFHG’s strategic importance as an important local investment and development company (“LIDC”) that is responsible for urban development and operation and infrastructure construction in Zhifu District, Yantai City (“Zhifu”), and the linkage between the Zhifu government and YCFHG, including approval of the senior management appointment, strategic alignment, supervision of major investment and financing plan decisions and ongoing operational and financial support. In addition, the Zhifu government may face significant negative impact on its reputation and financing activities if YCFHG encounters any operational and financial difficulties.

Zhifu is a core urban district under the jurisdiction of Yantai City, Shandong Province and located in the northeastern part of Shandong Peninsula. Zhifu’s GDP grew by 6.2% to RMB137.8 billion in 2024, while its budgetary revenue reached RMB8.1 billion in 2024.

The Stable Outlook reflects our expectation that YCFHG’s strategic importance would remain intact while the Zhifu government will continue to ensure YCFHG’s stable operation.

Rating Rationale

Government’s Ownership and Supervision: The Zhifu government indirectly holds the majority ownership of YCFHG through the State-owned Assets Operation and Security Center of Zhifu District, Yantai City’s wholly-owned subsidiary, Yantai Major City Holding Group Co., Ltd. (“YMCHG”). The local government has the final decision-making authority and supervision over the company, including approval and supervision of the senior management, strategy alignment and major investment and financing plan decisions, etc.

Strategic Importance and Strategic Alignment: As a key entity for infrastructure construction and urban investment and operation in Zhifu, YCFHG plays an important role in promoting regional urban development and upgrading. Its business operations and strategic layout are closely aligned with the development goals of Zhifu government and the regional industrial planning. The company undertakes core functions including regional urban renewal, infrastructure construction, and state-owned asset operation. Meanwhile, YCFHG’s exploration of market-oriented diversification has enhanced the stability and sustainability of its overall operations, further consolidating its strategic importance in supporting Zhifu’s economic growth and urban construction.

Ongoing Government Support: As an important part of the LIDC reform in Zhifu, the company benefits from favorable conditions that facilitate project acquisition and resource access. The local government provided ongoing support to YCFHG by injecting cash, equity of local SOEs and other assets into the company between 2022 and the first nine months of 2025. The company also received operational subsidies totaling RMB1.0 billion over the

Summary

Issuer Rating	A-
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	30 April 2026

Analysts

Rechel Chen
+852 3462 9589
rechel.chen@lhratingsglobal.com

Joyce Huang, CFA
+852 3462 9586
joyce.huang@lhratingsglobal.com

Applicable Criteria

[China Local Investment and Development Companies Criteria \(31 July 2025\)](#)

same period. We expect YJDG to receive ongoing support from the local government in the future considering its strategic importance in Zhifu.

YCFHG's Financial Matrix and Liquidity Position: YCFHG's total assets increased steadily from RMB39.7 billion at end-2023 to RMB60.4 billion at end-September 2025, driven by expansion of its business scale. YCFHG's total debt has been on an upward trend over the past few years, increasing to RMB27.1 billion at end-September 2025 from RMB17.3 billion at end-2023. The company's financial leverage, as measured by the debt-to-capitalization ratio, increased to 47.5% from 44.7% during this period.

YCFHG's short-term debt servicing pressure was moderate. It mainly relies on external financing and has access to various financing channels, including bank loans, bond issuance and non-traditional financing, to support its debt repayments and business operations. The company has unused bank facilities of RMB37.7 billion at end-2024.

Rating Sensitivities

We would consider downgrading YCFHG's rating if (1) there is perceived weakening in support from the local government, particularly due to its reduced strategic importance, or (2) there is a significant reduction of the local government's ownership of YCFHG, or (3) there is a downgrade in our internal credit assessment on the Zhifu government.

We would consider upgrading YCFHG's rating if there is an upgrade in our internal credit assessment on the Zhifu government.

Operating Environment

Economic Condition of Zhifu

Zhifu is a core urban district under the jurisdiction of Yantai City, Shandong Province and located in the northeastern part of Shandong Peninsula. As the economic and cultural center of Yantai City, Zhifu has established an industrial structure featured with information technology and intelligent manufacturing, cultural tourism, modern finance, and modern commerce. Zhifu has jurisdiction over 12 streets and 2 provincial industrial parks, with a total area of 179 square kilometers. At end-2024, Zhifu had a resident population of 0.9 million, with an urbanization rate of 100%.

Zhifu maintained relatively stable economic growth in the past three years, and its GDP amount reached RMB137.8 billion in 2024, representing a year-over-year growth rate of 6.2%. The economy of Zhifu was mainly boosted by the tertiary industries, which accounted for 76.7 of GDP in 2024. The GDP per capita of Zhifu increased steadily in the past three years and reach c. RMB156,200 in 2024, much higher than that of Shandong Province (c. RMB97,800) and that of China (c. RMB95,700).

Zhifu's Economic Condition			
(RMB billion)	2022	2023	2024
GDP	117.3	130.1	137.8
-Primary industry (%)	0.7	0.7	0.6
-Secondary industry (%)	19.3	22.6	22.7
-Tertiary industry (%)	80.0	76.7	76.7
GDP growth rate (%)	5.0	6.1	6.2
Fixed asset investment growth rate (%)	10.2	8.5	3.4
Population (million)	0.9	0.9	0.9

Source: Statistical Bureau of Zhifu and Lianhe Global's calculations

Fiscal Condition of Zhifu

The budgetary revenue of the Zhifu government increased steadily from RMB7.4 billion in 2022 to RMB8.1 billion in 2024, while the contribution of tax revenue to budgetary revenue was lowered to 54.6% from 64.4% over the same period. The fiscal self-sufficiency rate of the Zhifu government was high, and it achieved continuous budget surpluses in the past three years. Both Government fund income and transfer payment from higher government were relatively small, together representing c.27% of fiscal revenue in 2024.

The outstanding debt of the Zhifu government kept growing in past few years. At end-2024, the Zhifu government's outstanding debt increased to RMB11.8 billion, including general government debts of RMB2.7 billion and special debts of RMB9.1 billion. Its government debt ratio, as measured by the total government debt/aggregate revenue, was elevated to 98.2% at end-2024 from 89.2% at end-2022, mainly due to the large increase in special debts.

Zhifu's Fiscal Condition			
(RMB billion)	2022	2023	2024
Budgetary revenue	7.4	7.8	8.1
Budgetary revenue growth rate (%)	10.2	4.8	3.9
Tax revenue	4.8	5.4	4.4
Tax revenue (% of budgetary revenue)	64.4	69.1	54.6
Government fund income	0.2	0.3	0.6
Transfer payment	2.0	1.7	2.6
Aggregate revenue	10.0	10.6	12.0
Budgetary expenditure	5.5	5.5	5.6
Budget balance ¹ (%)	26.5	29.1	30.3

¹ Budget balance = (1-budgetary expenditure / budgetary revenue) * 100%

Source: Financial Bureau of Zhifu, Statistical Bureau of Zhifu and Lianhe Global's calculations

Company Profile

Ownership Structure

YCFHG was established in June 2017 with an initial registered capital of RMB10.0 million. Through successive capital injections and asset allocations from the government (including the receipt of free-of-charge transferred properties and equity assets in 2024, YCFHG's capital strength has been steadily enhanced. Its paid-in capital reached RMB15.0 billion at end-September 2025. Currently, YCFHG is 99.93% owned by Zhifu SAOSC's wholly-owned YMCHG, with the Zhifu Government as its ultimate controller.

Revenue Breakdown

YCFHG is a core infrastructure construction and urban investment operation entity in Zhifu, primarily engaged in four key business segments: engineering construction, land consolidation, trade, and real estate sales. It also operates supplementary businesses including asset leasing and sand sales, forming a diversified revenue structure supported by its strategic positioning in the regional development.

YCFHG's total revenue reached RMB1.6 billion, RMB1.4 billion, and RMB1.6 billion in 2022, 2023, and 2024, respectively, with overall gross profit margins fluctuating between 20.7% and 30.1% during the period. The slight fluctuation in revenue and gross margin was mainly driven by the progress of regional infrastructure projects and changes in business mix.

Engineering Construction

As YCFHG's largest revenue contributor, this business is undertaken by the company's headquarters and its subsidiary Shandong Gangcheng Construction Engineering Group Co., Ltd., focusing on infrastructure projects within the Xingfu New Town area (e.g., roads, pipelines, schools, and public facilities). The business model involves advancing construction funds by YCFHG, with the Zhifu Government repaying the principal plus a 15% markup within 3 years after project completion.

Revenue reached RMB757.2 million (48.8% of total), RMB515.5 million (35.7% of total), and RMB977.4 million (61.08% of total) in 2022, 2023, and 2024, respectively. The significant growth in 2024 was due to increased project undertakings. Gross profit margins stood at 14.9%, 12.0%, and 9.7% in the three years, with the 2024 decline attributed to lower margins from self-operated infrastructure projects.

YCFHG had 13 ongoing projects at end-2024 (e.g., Xingfu New Town Roads, Yantai No.1 High School New Campus Phase I) with a total planned investment of RMB3.9 billion and remaining investment of RMB1.5 billion, as well as 5 proposed projects (e.g., Citizen Cultural Square, Xingfu New Town Ten Roads) with a total planned investment of RMB2.5 billion.

Land Consolidation

YCFHG acts as the primary undertaking entity for urban renewal and land consolidation in Zhifu District, focusing on the Xingfu New Town area and surrounding plots. The business model for pre-2021 projects involves YCFHG advancing demolition and consolidation funds, with the government returning the principal plus a 15% annual return after land transfer; post-2021 projects adopt a "three-level linkage" model, balancing first-level consolidation investment through second-level development and third-level operation returns.

Revenue was RMB240.6 million, RMB75.5 million, and RMB79.7 million in 2022-2024, maintaining a stable 100% gross profit margin due to the cost-plus pricing mechanism. As of end-2024, the Xingfu New Town land consolidation project (total planned investment RMB9.5 billion) had incurred RMB8.9 billion in expenditures, with RMB1.0 billion in recognized revenue and RMB614 million in recovered funds.

Trade Business

Supplemented by the company's headquarters and subsidiary Yantai Hejin Trading Co., Ltd., this business focuses on the trading of construction materials, decorative materials, and non-ferrous metals (e.g., aluminum ingots, zinc ingots) under an order-driven "purchase-for-sale" model, with no credit terms offered to downstream customers. Revenue grew from RMB229.8 million in 2022 to RMB327.4 million in 2023 and RMB358.9 million in 2024, driven by increased investment in non-ferrous metals. Gross profit margins were 0.6%, 3.9%, and 1.1% in 2022-2024, with the 2024 decline affected by compressed margins in construction materials.

Real Estate Sales

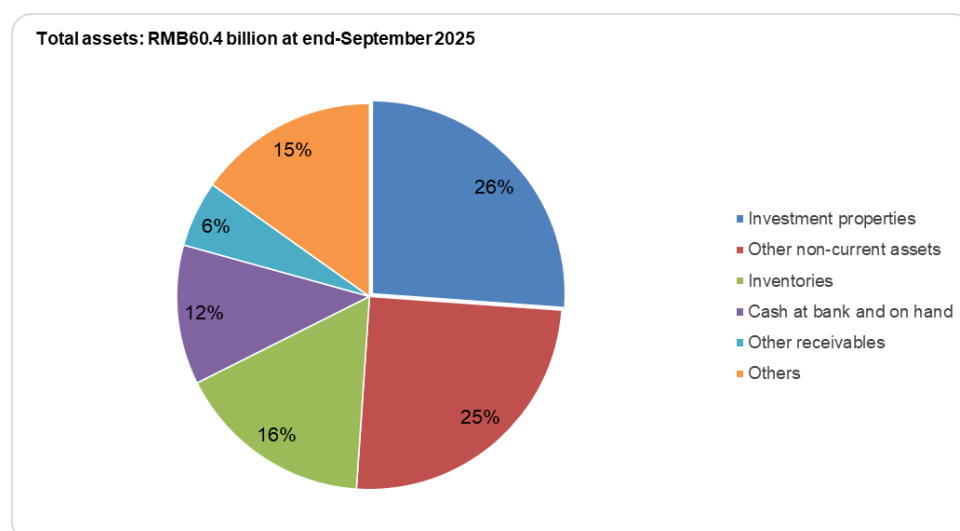
YCFHG's sole real estate project is Longhai Jiayuan, which includes resettlement housing (self-funded development) and non-resettlement housing (government-injected assets). Injected by the Zhifu Government with an assessed value of RMB7.0 billion, covering 151,300 sqm of residential space, 122,200 sqm of street-front shops, 19,400 sqm of office space, 4,000 sqm of farmers' markets, 17,300 sqm of underground storage, and 3,770 parking spaces. As of end-2024, land use rights have been obtained, and property rights certificates are being processed sequentially.

Other Businesses

This segment primarily includes asset leasing (office buildings, facilities) and sand sales (government-injected sand resources), serving as a stable supplementary revenue source.

Assets Breakdown

YCFHG's asset liquidity is constrained by three key factors: (1) the high proportion of non-current assets (55.4% of total assets at end-September 2025) leading to a rigid asset structure; (2) the large scale of assets with unresolved property rights (RMB7.0 billion in developed products and RMB3.7 billion in investment properties at end-September 2025), which limits asset monetization and collateral utilization; and (3) the long cycle and low turnover of core assets (inventories, construction in progress) tied to regional infrastructure and urban renewal projects. These factors collectively weaken the company's ability to convert assets into cash to meet short-term operational and debt-servicing needs.



Source: The company's financial reports and Lianhe Global's calculations

Key Financial Data

(RMB million)	2022	2023	2024	2025.9
Total Assets	35,210	39,708	45,933	60,380
Equity	21,122	21,413	21,681	30,019
Debt	13,001	17,282	22,675	27,116
Debt / (Debt + Equity) (%)	38.1	44.7	51.1	47.5
Unrestricted cash/ST Debts (x)	1.9	1.6	0.7	1.0
Debt/EBITDA (x)	19.9	28.0	35.1	-
Revenue	1,552	1,444	1,600	1,476
Operation Profit	208	206	217	199
Gross Margin (%)	30.1	24.4	20.7	25.6
Cash from sales or services/ Revenue (%)	82.1	69.6	72.9	96.9

Source: YCFHG and Lianhe Global's calculations

Disclaimer

Ratings (including credit ratings and other rating products) and research reports published by Lianhe Ratings Global Limited (“Lianhe Global” or “the Company” or “us”) are subject to certain terms and conditions. Please read these terms and conditions at the Company’s website: www.lhratingsglobal.com

A rating is an opinion which addresses the creditworthiness of an entity or security or the assessment of an instrument. Ratings are not a recommendation or suggestion to buy, sell, or hold any security or instrument. Ratings do not address market price, marketability, and/or suitability of any security nor its tax implications or consequences. Ratings may be subject to upgrades or downgrades or withdrawal at any time for any reason at the sole discretion of Lianhe Global.

All ratings are the products of a collective effort by accredited analysts through rigorous rating processes. No individual is solely responsible for a rating. All ratings are derived by a rating committee vesting process. The individuals identified in the reports are solely for contact purpose only.

Lianhe Global conducts its rating services based on third-party information which we reasonably believe to be true. Lianhe Global relies on information generally including audited financial statements, interviews, management discussion and analysis, relevant third-party reports, and publicly available data sources to conduct our analysis and uses reasonable measures so that the information it uses in assigning a rating is of sufficient quality to support a credible rating. However, Lianhe Global has not conducted any audit, investigation, verification or due diligence. Lianhe Global does not guarantee the accuracy, correctness, timeliness, and/or completeness of the information. Ratings may contain forward-looking opinions of Lianhe Global which may include forecasts about future events which by definition are subject to change and cannot be considered as facts. Please see Lianhe Global’s website for the last rating action and the rating history. Please see Lianhe Global’s website for the methodologies used in determining ratings, further information on the meaning of each rating category, and the definition of default.

Under no circumstances shall Lianhe Global, its directors, shareholders, employees, officers and/or representatives or any member of the group of which Lianhe Global forms part be held liable to any party for any damage, loss, liability, cost, expense or fees in connection with any use of the information published by the Company.

Lianhe Global receives compensation from issuers, underwriters, obligors, investors or principals for conducting rating services for solicited ratings. An unsolicited rating is a rating that is initiated by the Company and not requested by the issuer, underwriters, obligors, investors or principals.

Ratings included in any rating reports are disclosed to the rated entity (and/or its agents) prior to publishing. Rating reports and research reports published by Lianhe Global are not intended for distribution to, or use by, any person in any jurisdiction where such use would infringe local laws and regulations. Any user relying on information available through rating reports and research reports is responsible for consulting the relevant agencies or professionals accordingly to comply with the applicable local laws and regulations.

All published rating reports and research reports are the intellectual property of Lianhe Global. Any reproduction, redistribution, or modification, in whole or part, in any form by any means is prohibited unless such user has obtained prior written consent from Lianhe Global.

Lianhe Global is a subsidiary of China Lianhe Credit Rating Co., Ltd. The rating committee of Lianhe Global has the ultimate power of interpretation of any methodology or process used in the Company’s independent ratings and research.

Copyright © Lianhe Ratings Global Limited 2026.