

Yantai Main City 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 Main City Holding Group Co., Ltd. (“YMCHG” or “the company”)

Summary

The Issuer Credit Rating reflects a high possibility that the People’s Government of Yantai City (“Yantai government”) and the People’s Government of Zhifu District, Yantai City (“Zhifu government”) would provide strong support to YMCHG if needed, in light of the government’s full ownership of YMCHG, YMCHG’s strategic importance as an important local investment and development company (“LIDC”) that is responsible for infrastructure construction and urban development and operation in Zhifu District, Yantai City (“Zhifu”), and the linkage between the local government and YMCHG, 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 Yantai and Zhifu government may face significant negative impact on its reputation and financing activities if YMCHG encounters any operational and financial difficulties.

Yantai is a prefecture-level city under the jurisdiction of Shandong Province and located in the northeastern part of Shandong Peninsula. Yantai’s GDP grew by 6.2% to RMB1,078.3 billion in 2024, while its general public budget revenue reached RMB69.9 billion in 2024. Zhifu is a core urban district under the jurisdiction of Yantai City. 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 YMCHG’s strategic importance would remain intact while the Yantai and Zhifu government will continue to ensure YMCHG’s stable operation.

Rating Rationale

Government’s Ownership and Supervision: The Zhifu government directly holds the full ownership of YMCHG through the State-owned Assets Operation and Security Center of Zhifu District, Yantai City. The local government has the final decision-making authority and supervises the company, including management appointment, decision on its strategic development and investment plan and supervision of its major funding decisions. In addition, the government has assessment mechanism over the company and it appoints auditors to supervise the operating performance and financial position on a periodic basis.

Strategic Importance and Strategic Alignment: As a core comprehensive urban operation and investment platform for both Yantai City and its core Zhifu District, YMCHG plays a pivotal role in advancing local urban development strategy and boosting Zhifu’s construction. Its business layout and strategic planning are closely aligned with government’s long-term development goals and Zhifu’s key industrial layout. The company undertakes core functions including comprehensive urban operation, key infrastructure project investment and construction, state-owned asset management and activation, and regional industrial investment and cultivation. Meanwhile, YMCHG’s exploration of market-oriented and diversified business sectors has strengthened the sustainability of its overall

Summary

Issuer Rating	A
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	[] March 2026

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Applicable Criteria

China Local Investment and Development Companies Criteria (31 July 2025)

operations, further solidifying its strategic position in supporting Yantai's economic and social development as well as enhancing Zhifu's core urban functions.

Ongoing Government Support: As a key pillar of Yantai's urban development strategy and a key participant in Zhifu's LIDC system, YMCHG enjoys access to project resources and policy support from both governments. Between 2023 and the first nine months of 2025, the governments provided sustained support to the company, including injecting high-quality assets such as key urban operational properties and land use rights, transferring equity of local state-owned enterprises, and allocating special financial funds for major projects. Over the same period, YMCHG also received operational subsidies totaling RMB892.5 million. Considering YMCHG's strategic role in advancing urban upgrading and promoting regional industrial development, we expect the company to continue receiving support from the local government.

YMCHG's Financial Matrix and Liquidity Position: YMCHG's total assets increased steadily from RMB40.1 billion at end-2023 to RMB62.0 billion at end-September 2025, driven by expansion of its business scale and consolidation of local LIDCs. YMCHG's total debt has been on an upward trend over the past few years, increasing to RMB27.5 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 46.9% from 44.2% during this period.

YMCHG's short-term debt servicing pressure was moderate. YMCHG 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.

Rating Sensitivities

We would consider downgrading YMCHG'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 YMCHG, or (3) there is a downgrade in our internal credit assessment on the Yantai government.

We would consider upgrading YMCHG's rating if (1) there is strengthened support from the local government, or (2) there is an upgrade in our internal credit assessment on the Yantai government.

Operating Environment

Economic Condition of Yantai

Yantai is a prefecture-level city under the jurisdiction of Shandong Province and located in the eastern part of Shandong Peninsula, bordering the Bohai Sea and the Yellow Sea. As a key coastal city and an important economic and transportation hub in East China, Yantai has formed an industrial structure featured with marine economy, high-end equipment manufacturing, electronic information, and cultural tourism. The city governs 5 districts, 6 county-level cities, and multiple national-level development zones and functional areas, with a total area of 13,900 square kilometers. At end-2024, Yantai had a resident population of 7.0 million, with an urbanization rate of 70.1%.

Yantai's GDP amount increased to RMB1,078.3 billion in 2024 from RMB1,016.2 billion in 2023, with its economic growth rate slightly slowdown to 6.2% from 6.6% over the same period. Yantai's GDP was mainly boosted by secondary and tertiary industries, which

accounted for 42.6% and 51.1% of GDP in 2024, respectively. The GDP per capita of Yantai was RMB153,335 in 2024, which was much higher than that of Shandong Province (c. RMB97,800) and that of China (c. RMB95,700).

Yantai's Economic Condition			
(RMB billion)	2022	2023	2024
GDP	951.6	1016.2	1078.3
-Primary industry (%)	7.0	6.9	6.3
-Secondary industry (%)	42.3	42.1	42.6
-Tertiary industry (%)	50.7	51.0	51.1
GDP growth rate (%)	5.1	6.6	6.2
Fixed asset investment growth rate (%)	8.5	5.8	4.8
Population (million)	7.1	7.0	7.0

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

Fiscal Condition of Yantai

The budgetary revenue of the Yantai government increased to RMB69.9 billion in 2024 from RMB67.4 billion in 2023, with the contribution of tax revenue lowered to 61.3% from 70.1%. The fiscal self-sufficiency rate of the Yantai government was relatively weak, with its budget deficit expanded slightly from 41.4% in 2023 to 43.8% in 2024.

The outstanding debt of the Yantai government kept growing in past few years. At end-2024, the Yantai government's outstanding debt increased to RMB251.2 billion from RMB209.9 billion at end-2023, mainly due to the issuance of special debts to support local public projects. Its government debt ratio, as measured by the total government debt/aggregate revenue, was elevated to 181.0% at end-2024 from 167.3% at end-2023.

Yantai's Fiscal Condition			
(RMB billion)	2022	2023	2024
Budgetary revenue	63.5	67.4	69.9
Budgetary revenue growth rate (%)	-1.7	6.1	3.7
Tax revenue	42.6	47.2	42.8
Tax revenue (% of budgetary revenue)	67.1	70.1	61.3
Government fund income	39.1	27.8	34.9
Transfer payment	27.1	27.1	25.0
Aggregate revenue	130.7	125.5	133.8
Budgetary expenditure	92.3	95.3	100.5
Budget balance ¹ (%)	-45.3	-41.4	-43.8

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

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

Company Profile

Ownership Structure

YMCHG was established in September 2022 with an initial registered capital of RMB10.0 billion. Through successive capital injections, equity transfers and high-quality asset allocations from the government (including the transfer of equity in core subsidiary companies in 2025), YMCHG's capital strength and asset scale have been substantially enhanced. Its paid-in capital reached RMB1.1 billion at end-September 2025. YMCHG is 100% directly owned by Zhifu SAOSC at end-September 2025.

Business Segments

YMCHG takes urban renewal, industrial investment, and capital operation as its core strategic directions, and has formed five key business segments with complementary advantages: engineering construction, asset operation, real estate development, industrial investment, and financial empowerment. The company adheres to market-oriented operations while fulfilling state-owned enterprise responsibilities, and its revenue structure is characterized by stable growth and multi-dimensional support, driven by key urban construction projects and high-quality asset operation.

YMCHG's total revenue reached RMB1.4 billion, RMB1.6 billion, and RMB1.5 billion in 2023, 2024 and the first nine months of 2025, respectively, with overall gross profit margins fluctuating between 21.0% and 26.0% 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.

As a key business segment supporting regional development, engineering construction covers four major categories, including infrastructure, investment and operation, shantytown renovation and resettlement, and social welfare projects. Since its establishment, YMCHG has accumulated 122 major investment projects, focusing on improving regional infrastructure conditions and ensuring people's livelihood needs, and has made important contributions to the high-quality development of Yantai's main urban area. The business model adheres to the principle of "government guidance and enterprise operation", and effectively guarantees project progress and construction quality through standardized management and efficient resource allocation.

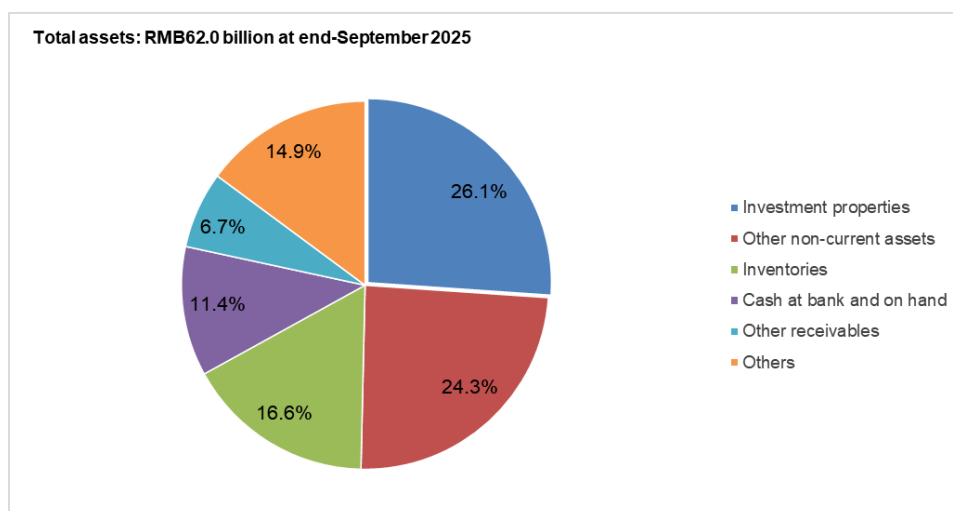
Focusing on the two core directions of commercial asset operation and apartment asset operation, this segment is committed to maximizing the value of existing assets. Commercial asset operation includes the professional operation and management of industrial parks, office buildings, and street-front shops, providing high-quality spatial carriers for enterprises and institutions. Apartment asset operation mainly covers talent apartments and scattered residential properties in communities, taking "building a gathering place for talents" as the core goal, and providing reliable residential support for the introduction and retention of talents in Yantai's main urban area, forming a stable and sustainable revenue source.

Following the idea of market operation, the real estate development business focuses on four key areas: old renovation and resettlement housing, residential real estate, industrial real estate, and commercial real estate. While complying with urban development planning, the company insists on high-quality development, pays attention to the improvement of intrinsic value, and promotes the integration of real estate projects with urban functional improvement and people's livelihood security, realizing the unification of social benefits and economic benefits.

The industrial investment business is mainly undertaken by Shenlan Venture Capital Co., Ltd., a market-oriented investment subsidiary under the company. With the unique fund manager license among county-level platform companies in Yantai, the subsidiary adheres to the guiding principle of market-oriented operation, focusing on potential industrial tracks in the Jiaodong region, and is committed to building a well-known local fund management company, injecting strong momentum into the company's industrial upgrading and diversified development.

Assets Breakdown

YMCHG's asset liquidity is constrained by three key factors: (1) the high proportion of non-current assets (59.3% of total assets at end-September 2025) leading to a rigid asset structure; (2) the large scale of assets with unresolved property rights (RMB6.3 billion in developed products and RMB16.2 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)	2023	2024	2025.9
Total Assets	40,133	46,547	62,044
Equity	21,815	22,165	31,090
Debt	17,282	22,905	27,498
Debt / (Debt + Equity) (%)	44.2	50.8	46.9
Unrestricted cash/ST Debts (x)	1.6	0.7	1.0
Debt/EBITDA (x)	23.2	27.6	-
Revenue	1,444	1,602	1,485
Operation Profit	191	180	204
Gross Margin (%)	24.4	21.0	26.0
Cash from sales or services/ Revenue (%)	69.6	72.8	96.7

Source: YMCHG and Lianhe Global's calculations

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