

Credit Opinion

22 June 2026

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

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Wenzhou Communications Development Group Co., Ltd.

Initial credit rating report

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

Summary

The A_g⁺ long-term credit rating of Wenzhou Communications Development Group Co., Ltd. (“WCDG” or the “Company”) reflects Wenzhou Municipal Government’s (1) extremely 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 Wenzhou Municipal Government’s capacity to provide support reflects Wenzhou City’s economic importance in Zhejiang Province, with ongoing economic and fiscal growth.

The rating also reflects the local government’s willingness to provide support, which is based on the Company’s (1) status as the most important transportation infrastructure construction and operation entity in Wenzhou City, with high business sustainability; (2) solid track record of receiving government support; and (3) good access to funding.

However, the rating is constrained by the Company’s (1) high exposure to commercial activities; (2) moderate asset quality; and (3) rapid debt growth and relatively high debt leverage.

The stable outlook on WCDG’s rating reflects our expectation that, for the next 12 to 18 months, the local government’s capacity to support will remain stable, and the Company will maintain its dominant role in transportation infrastructure construction and operation in Wenzhou City.

Rating Drivers

- Most important transportation infrastructure construction and operation entity in Wenzhou City
- High sustainability in transportation infrastructure construction and operation
- High exposure to commercial activities
- Solid track record of receiving government support
- Rapid debt growth and relatively high debt leverage
- Moderate asset quality
- Good access to funding

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) the local government's capacity to provide support strengthens; and (2) the Company's characteristics change in a way that strengthens the local government's willingness to provide support, such as improvement in debt leverage or assets quality.

What could downgrade the rating?

The rating could be downgraded if (1) the local government's capacity to provide support weakens; or (2) the Company's characteristics change in a way that weakens the local government's willingness to provide support, such as decrease in its strategic significance; decrease in government payments; or increase in exposure to commercial activities.

Key Indicators

| | 2023FY | 2024FY | 2025FY | 2026Q1 |
|------------------------------|--------|--------|--------|--------|
| Total Asset (RMB billion) | 75.7 | 77.9 | 154.9 | 158.2 |
| Total Equity (RMB billion) | 22.4 | 23.1 | 59.7 | 58.9 |
| Total Revenue (RMB billion) | 3.8 | 3.7 | 7.0 | 1.4 |
| Total Debt/Total Capital (%) | 68.7 | 70.8 | 56.7 | 58.0 |

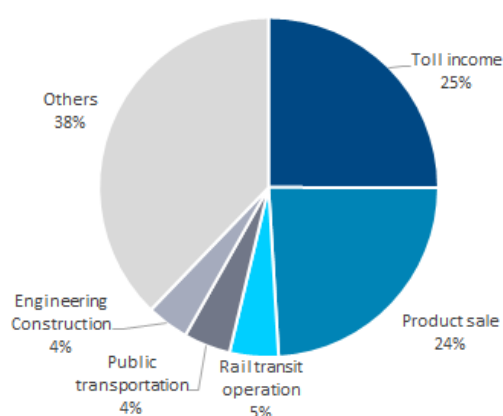
All ratios and figures are calculated using CCXAP's adjustments.

Source: Company information, CCXAP research

Corporate Profile

Established in 1998, WCDG is the most important local infrastructure investment and financing companies ("LIIFCs") for transportation infrastructure construction and operation in Wenzhou City. After the asset restructure in 2025, the Company is mainly engaged in construction and operation of expressway and transit railway, and public transportation operation. In addition, the Company also engages in diversified commercial businesses, such as product sale and engineering construction. As of 31 March 2026, the State-owned Assets Supervision and Administration Commission of Wenzhou Municipal Government ("Wenzhou SASAC") held 93.61% equity interests of WCDG, while Zhejiang Caikai Group Co., Ltd. held the remaining 6.39%. Wenzhou SASAC is the ultimate controlling shareholder of the Company.

Exhibit 1. Revenue structure in 2025



Source: Company information, CCXAP research

Rating Considerations

Government Capacity to Provide Support

We believe that Wenzhou Municipal Government has extremely strong capacity to provide support as reflected by its economic importance in Zhejiang Province, with ongoing economic and fiscal growth.

Zhejiang Province is one of the most economically developed provinces in China, and its comprehensive economic strength and private economy lead in China. In 2025, the gross regional product (“GRP”) of Zhejiang Province was RMB9.5 trillion, ranking 4th among all provinces in China, with a year-on-year (“YoY”) increase of 5.5%. In 2025, its general budgetary revenue reached RMB886.5 billion, ranking 3rd among all provinces in China.

Located in the southeast of Zhejiang Province, Wenzhou City is one of China's 45 highway main hub cities and one of the country's 25 main hub ports, with convenient transportation and abundant tourism resources. In recent years, Wenzhou City has promoted the development of five pillar industries, including electrical equipment, footwear, apparel, auto parts and pumps. In 2025, Wenzhou City's GRP increased by 6.1% YoY to RMB1,021.4 billion, ranking 3rd among all prefecture-level cities in Zhejiang Province. Benefiting from the industrial development, the Wenzhou Municipal Government's general budgetary revenue increased from RMB63.3 billion in 2024 to RMB64.7 billion in 2025. Government fund revenue is an important supplement to fiscal revenue, but it shows a decreasing trend for the past few years due to the impact of land market conditions. However, Wenzhou City's debt profile is modest and its outstanding governmental debt amounted to RMB365.4 billion at the end of 2024, equivalent to 37.6% of its GRP. Regarding the refinancing environment, Wenzhou City's debt ratio is at a relatively low level among prefecture-level cities in Zhejiang Province, and the overall refinancing environment for local state-owned enterprises is relatively good.

Exhibit 2. Key Economic and Fiscal Indicators of Wenzhou City

| | 2023FY | 2024FY | 2025FY |
|---|--------|--------|---------|
| GRP (RMB billion) | 873.1 | 971.9 | 1,021.4 |
| GRP Growth (%) | 6.9 | 6.3 | 6.1 |
| General Budgetary Revenue (RMB billion) | 62.3 | 63.3 | 64.7 |
| General Budgetary Expenditure (RMB billion) | 117.6 | 117.8 | 120.6 |
| Local Government Debt (RMB billion) | 307.5 | 365.4 | 438.1 |

Source: Statistics Bureau of Wenzhou City, CCXAP research

Government Willingness to Provide Support

Most important transportation infrastructure construction and operation entity in Wenzhou City, with high business sustainability

There are two functional LIIFCs in Wenzhou City, Wenzhou City Construction Development Group Co., Ltd., which is mainly responsible for urban infrastructure construction, land development, and water affairs in Wenzhou City, and WCDG.

The Company is the primary investment and financing platform of the Wenzhou Municipal Government focusing on the development and construction of transportation infrastructure within Wenzhou City. In 2025, the local government transferred 100% equity interests of Wenzhou Mass Transit Railway Investment Group Co., Ltd. and Wenzhou Transportation Group Corporation into the Company. After the asset restructuring in 2025, the Company has been mainly engaged in construction and operation of expressway and transit railway, and public transportation operation, making great contributions to the local economic and social development. Considering its high strategic significance to the development of Wenzhou City, we believe the Company is unlikely to be replaced by other local state-owned enterprises in the foreseeable future. In addition, the Company's transportation infrastructure construction and operation business has high sustainability given the considerable amount of transportation construction projects in the pipeline and the long charging period of its road assets. However, the large outstanding investment amount has also exerted large capital expenditure pressure on the Company.

As the most important transportation construction and operation entity in Wenzhou City, the Company responsible for operating expressways within Wenzhou City, assumed the management responsibilities for these expressways. As of 31 March 2026, the Company operated 9 wholly-owned and controlled expressways and bridges with a total toll mileage of 268.5 kilometers, with the toll collection period lasting at least until 2035. In addition, the Company invested in expressways through equity participation. As of 31 March 2026, the Company had equity-participated in 2 expressways with a total toll mileage of 374.0 kilometers. In 2025, the Company received investment return of RMB131.8 million and dividend of RMB164.6 million from the equity-participated expressways. As of 31 March 2026, the Company had 5 expressway projects under construction, with total estimated investment of RMB59.3 billion and uninvested amount of RMB20.1 billion.

Furthermore, the Company's continued increase in maintenance expenditures has eroded the gross profit margin of its toll business. In addition, depreciation of roads and bridges and high financial expenses have significantly impacted its profitability, resulting in continued losses. In 2025, the gross losses from the operation of expressways and bridges amounted to RMB199.2 million.

After the asset restructuring in 2025, the Company has become the sole entity for the construction and operation of transit railway in Wenzhou City, undertaking important functions in the investment, construction, operation, and management of 3 railway projects (S1, S2 and S3), with total length of 203.2 kilometers. As of 31 March 2026, the construction of S1, S2 projects had already completed, and the Company had invested RMB5.4 billion into S3 project, with estimated total investment of RMB16.4 billion. In 2025, the revenue from transit railway operation amounted to RMB326.5 million. However, the business is in the early stages of operation and is still in the development phase, resulting in gross losses.

The Company is also responsible for the public bus transportation in Wenzhou City, with 371 bus routes, and 2,245 buses as of 31 March 2026. Due to its public welfare nature, this segment relies on government subsidies to achieve breakeven.

High exposure to commercial activities

WCDG also engages in diversified commercial businesses, including product sale, engineering construction, property leasing, property management, charging services, education services, and advertising businesses. We consider the Company's exposure to commercial businesses to be high, as they are the main profit contributors of the Company.

The product sale business mainly involves the sale of oil products and commodities. The sale of oil products mainly involves selling fuel to external customers through its own gas stations, and establishing gas stations in highway service areas and parking areas to refuel vehicles traveling on highways. As of 31 March 2026, the Company owned a total of 22 gas stations, including 10 internal gas stations and 12 external gas stations. Meanwhile, the sale of commodities mainly involves trading of steel and rails. However, the business is subject to high concentration risk, as the top suppliers accounted for 95.2% of total procurement in 2025. In 2025, the revenue from product sale business amounted to RMB1.7 billion, with gross profit margin of 4.5%.

The engineering construction business involves public bidding of land rehabilitation projects in Wenzhou City. The Company undertakes the projects under EPC model and is mainly responsible for the funding of the projects. As of 31 March 2026, the Company had 19 projects under construction, with total contract value of RMB1.5 billion and recognized revenue of around RMB0.9 billion. The revenue from engineering construction declined from RMB475.7 million in 2023 to RMB282.1 million in 2025.

Apart from product sales and engineering construction, the Company also engages in diversified businesses, such as property leasing, property management, charging services, education services, and advertising businesses. Although each of these businesses is relatively small and contributes little to the Company's revenue, they are the main profit contributors of the Company.

Solid track record of receiving government support

As the most important transportation infrastructure construction and operation entity in Wenzhou City, WCDG has a track record of receiving government support in the form of capital injection, asset transfer and financial subsidies. From 2023 to 2025, the local government had provided financial subsidies of RMB1.7 billion to the Company. In 2025, the local government transferred 100% equity interests of Wenzhou Mass Transit Railway Investment Group Co., Ltd. and Wenzhou Transportation Group Corporation, as well as injected capital into the Company to support its business development, raising its capital reserve by RMB11.3 billion. The Company also received ongoing special project funds from the government. Considering its strategic importance in Wenzhou City, we expect the local government will provide ongoing support to the Company in the future.

Rapid debt growth and relatively high debt leverage

WCDG's total debt has increased rapidly in the past three years due to external financing needs and the asset restructuring. The Company's adjusted total debt increased from RMB46.3 billion at end-2023 to RMB72.2 billion as of 31 March 2026. Nonetheless, its capitalization ratio declined from 68.7% to 58.0% during the same period due to the increase of net assets, but remained at a relatively high level. Meanwhile, the Company's short-term repayment pressure is manageable as its short-term debt accounted for 9.8% of its total debt and cash to short-term debt ratio was 1.0x at end-2026Q1. Given its continuous investment for transportation infrastructure projects, we expect the Company's debt burden will continue to grow for the next 12 to 18 months.

The Company has low contingent liability risk. As of 31 March 2026, the Company had outstanding external guarantees of RMB1.9 billion, accounting for 3.3% of its net assets. All the external guarantee amount was provided to state owned enterprises in Wenzhou City.

Moderate asset quality

The Company's asset liquidity is weak, which may undermine its financing flexibility. As of 31 March 2026, the Company's total assets mainly consisted of fixed assets and construction in progress, accounting for around 66.2% of total assets. The fixed assets are mainly self-owned road and bridge assets, and construction in progress are mainly transportation projects, all with weak liquidity. Nevertheless, the fixed assets can provide stable toll income and cash flow to the Company.

Meanwhile, the Company has pledged its charge rights of expressways as collateral for bank borrowings, with total pledged amount of RMB41.8 billion at end-2026Q1.

Good access to funding

As the most important transportation construction and operation entity in Wenzhou City, WCDG has good access to funding from banks and bond market. The Company has sufficient standby liquidity. As of 31 March 2026, it had obtained total credit facilities of RMB122.6 billion, with available amount of RMB65.7 billion. The Company also has good recognition in onshore debt capital markets. From January 2023 to April 2026, the Company had raised RMB7.6 billion via issuance of multiple medium-term notes and SCPs. Non-standard financing accounted for around 5% of its total debt. Considering its important status in Wenzhou City, we expect the Company to maintain access to stable funding and retain good refinancing capabilities.

ESG Considerations

WCDG assumes environmental risks through its infrastructure construction projects such as railway and expressway construction. Such risks could be moderated through environmental studies and detailed planning prior to the start of the projects and close supervision during construction.

In terms of social awareness, WCDG has played a crucial role in the social welfare of Wenzhou City by involving in transportation infrastructure construction and operations in Wenzhou City.

In terms of corporate governance, WCDG's governance considerations are also material as the Company is subject to local government oversight and 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 [China's Local Infrastructure Investment and Financing Companies \(July 2022\)](#).

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