

Credit Opinion

25 June 2026

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

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Client Services

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Wenzhou Chengda Traffic Development Co., Ltd.

Initial credit rating report

CCXAP assigns first-time long-term credit rating of BBB_g+ to Wenzhou Chengda Traffic Development Co., Ltd., with stable outlook.

Summary

The BBB_g+

 long-term credit rating of Wenzhou Chengda Traffic Development Co., Ltd. (“Chengda Traffic” or the “Company”) is underpinned by the Company’s (1) status as an important state-owned enterprise providing comprehensive engineering services in Wenzhou City, with good technical strength and qualifications; (2) sufficient contracts to support business development; and (3) low debt burden.

However, the rating is constrained by the Company’s (1) moderate business diversification and customer concentration (2) intensified competition from private sector; and (3) small revenue scale, with moderate profitability.

The rating also reflects a moderate likelihood of support from its shareholder and the local government, which is based on the Company’s (1) ownership and control by Wenzhou Communications Development Group Co., Ltd. (“WCDG”) and the State-owned Assets Supervision and Administration Commission of Wenzhou Municipal Government (“Wenzhou SASAC”); (2) status as an important engineering consulting subsidiary of WCDG, with certain business linkage with WCDG; and (3) track record of receiving support from the local government.

The stable outlook on Chengda Traffic’s rating reflects our expectation that, for the next 12 to 18 months, the Company will maintain its status as an important state-owned comprehensive engineering service enterprise in Wenzhou City, with low debt burden.

Rating Drivers

- Important state-owned enterprise providing comprehensive engineering services in Wenzhou City, with good technical strength and qualifications
- Sufficient contracts to support business development
- Moderate business diversification and customer concentration
- Intensified competition from private sector
- Small revenue scale, with moderate profitability
- Low debt burden
- Moderate likelihood of support from its shareholder and the local government

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) the likelihood of support from the shareholder and the local government increases significantly; and (2) the Company's stand-alone credit profile improves significantly, including enhancement of core business profitability and strengthening of market position.

What could downgrade the rating?

The rating could be downgraded if (1) the likelihood of support from the Wenzhou City Government decreases; or (2) the Company shows eroded liquidity profile or substantial increase in debt burden.

Key Indicators

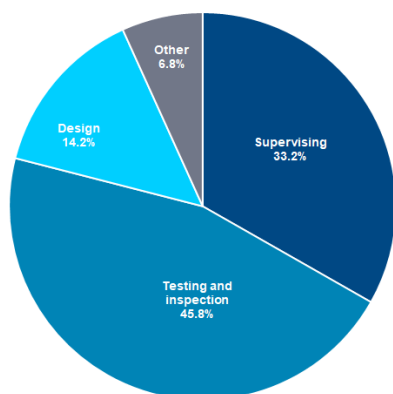
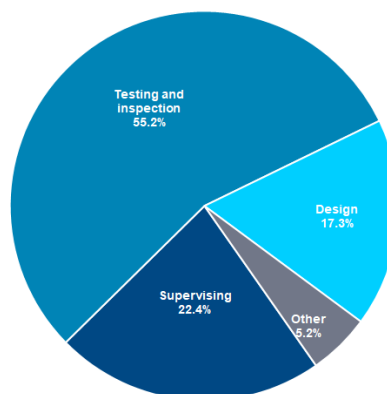
	2023FY	2024FY	2025FY
Total Assets (RMB million)	578.1	679.1	749.1
Total Equity (RMB million)	339.0	400.3	462.3
Total Revenue (RMB million)	453.5	466.2	481.6
Net Profits (RMB million)	59.7	61.3	62.0
EBIT Margin (%)	16.1	15.7	15.1
Return on Assets (%)	13.2	11.6	10.2
Total Debt/Total Capital (%)	5.0	7.1	4.5
Total Debt/EBITDA (x)	0.2	0.3	0.2
EBITDA/Interest (x)	142.7	88.4	110.4
FFO/Total debt (%)	485.3	300.5	423.9

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

Source: Company data, CCXAP research

Corporate Profile

Established in 1995, Chengda Traffic is a comprehensive engineering consulting firm specializing in engineering supervision, testing and inspection, and project management technical consulting services. Its main clients are large state-owned enterprises in the highway, bridge, and tunnel sectors. As of 31 March 2026, WCDG directly and indirectly held 97.0% of the Company's shares, while Wenzhou Construction Group Co., Ltd. held the remaining 3.0%. Wenzhou SASAC is its ultimate controller.

Exhibit 1. Revenue structure in 2025**Exhibit 2. Gross profit structure in 2025**

Source: Company information, CCXAP research

Rating Considerations

Business Profile

Important state-owned enterprise providing comprehensive engineering services in Wenzhou City, with good technical strength and qualifications

The engineering supervision and testing industries are highly subject to local engineering construction, facing the dual challenges of weakening demand and intensified competition. Chengda Traffic is a comprehensive engineering service enterprise specializing in engineering supervision, testing and inspection, and project management technical consulting services in Wenzhou City. Leveraging its complete qualifications, advanced technical capabilities, and state-owned background, the Company provides high-quality engineering supervision and testing services, with strong regional advantage.

As of end-2025, the Company held complete qualifications for its core businesses, such as Class A supervision qualification for highway engineering, Class B qualifications for supervision of housing engineering and municipal public engineering, Class A qualification for testing and inspection of highway engineering, and Class B qualification for testing and inspection of waterway engineering. These qualifications not only demonstrate the Company's professional standing in the industry, but also help the Company secure more market opportunities.

Sufficient contracts to support business development

Chengda Traffic primarily acquires projects through public bidding. After signing contracts, the Company provides relevant services and the project owner makes payment according to the contract terms, with payment cycle of approximately 1 to 6 months. The Company has sufficient contracts at hand, which can support its business development. As of end-2025, the Company held supervision contracts of RMB403.6 million, and testing contacts of RMB116.4 million at hand. In 2025, the revenue from supervision amounted to RMB160.1 million with gross profit margin of 22.0% and the revenue from testing and inspection amounted to RMB220.4 million with gross profit margin of 39.4%.

Moderate business diversification and customer concentration

The Company mainly engages in engineering supervision and testing businesses. Engineering supervision refers to the supervision and management of engineering projects in accordance with relevant technical standards and approved construction documents, within the scope stipulated in the supervision contract, while testing and inspection are the activities of using specific methods or equipment to test or monitor the quality and technical indicators of materials, components, and engineering products used in engineering projects, based on relevant standards or technical specifications. However, these businesses have moderate customer concentration as the revenue from top five customers represented about 40.0% of total revenue in 2025, with most customers being expressway construction and investment enterprises in Wenzhou City, including its affiliated companies.

In addition, the Company also engages in design, consulting, and engineering construction businesses. However, the scale of these businesses is limited, accounting for about 20% of total revenue and gross profit of the Company in 2025.

Intensified competition from private sector

The engineering supervision and testing industries are industries that require qualification for entry. In the past, state-owned enterprises dominated the market by leveraging their resource advantages. However, with the gradual opening up of the testing and supervision market, the original market structure has changed, with intensified competition from private sector.

From 2020 to 2024, the annual income of enterprises with engineering supervision qualifications remained stable within the range of RMB160.0 billion to RMB170.0 billion, indicating that the supervision business has maintained steady development. Currently, in the context of the overall downward trend in the construction industry, the supervision industry is facing multiple challenges, including fluctuations in market demand, intensified competition, significant pressure on project payment, and low-price competition from private enterprises.

As of the end of 2024, there were 53,057 testing and inspection institutions in China, a year-on-year (“YoY”) decrease of 1.4%, with total operating revenue of RMB487.6 billion, a YoY increase of 4.4%. With the deepening reforms of the testing and inspection market, the proportion of testing and inspection institutions affiliated with public institutions has been declining in recent years, while the proportion of private enterprises has been increasing year by year. Multiple domestic regulatory departments have introduced a series of policies to encourage social capital participation in the testing and inspection industry and strive to achieve fair and just competition among various types of enterprises within the industry, ultimately increasing industry concentration.

Financial Profile

Small revenue scale, with moderate profitability

Chengda Traffic’s revenue scale is small, but shows an increasing trend. From 2023 to 2025, its total revenue rose from RMB453.5 million to RMB481.6 million. Testing and inspection business is its largest revenue contributor (45.8%), followed by supervising (33.2%). Benefiting from the stable gross profit margin of test detection and supervising businesses, the Company’s gross profit margin remains stable at around 33% for the past three years.

The Company's profitability is moderate, showing a slight decreasing trend. The Company's growing period expenses and credit impairment loss have eroded its operating profits. From 2023 to 2025, the Company's EBIT margin declined from 16.1% to 15.1%.

The Company's total assets mainly consist of monetary funds and account receivables, accounting for 80.2% of total assets. Most of the account receivables have ages within 2 years, which will be converted into cashflow upon completion of the contracts, demonstrating relatively good asset quality. However, its collection of account receivable is relatively slow, with account receivable turnover ratio of 1.2x in 2025, resulting in its moderate return on assets. From 2023 to 2025, the Company's EBIT/average assets ratio declined from 13.2% to 10.2%.

Low debt burden

Chengda Traffic's debt burden is low. As of 31 December 2025, the Company's adjusted total debt (lease liabilities) amounted to RMB21.7 million, with a low total capitalization ratio of 4.5%. Although the short-term debt accounted for 44.2% of total debt, its cash to short-term debt ratio was 21.6x, indicating sufficient monetary funds to cover the short-term debt. Given its limited financing and investment needs, we expect that the Company's debt burden will remain at a low level for the next 12 to 18 months.

With low debt burden, Chengda Traffic's long-term debt servicing capability is strong. In 2025, the Company's total debt/EBITDA ratio and EBITDA interest coverage ratio were 0.2x and 110.4x, respectively, indicating sufficient operating income to cover its debts and interests. In addition, the Company's operating cash flow is also sufficient to cover its debts. In 2025, its FFO/total debt ratio reached 423.9%.

External Support

Moderate likelihood of support from its shareholder and the local government

We expect Chengda Traffic has a moderate likelihood of receiving support from the shareholder and the local government in times of need. This expectation incorporates our considerations of the Company's (1) ownership and control by WCDG and the Wenzhou SASAC; (2) status as an important engineering consulting subsidiary of WCDG, with certain business linkage with WCDG; and (3) track record of receiving support from the local government.

We believe that the Wenzhou Municipal Government has strong capacity to provide support, given its economic importance in Zhejiang Province, with ongoing economic and fiscal growth. 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 2025, Wenzhou City's gross regional product 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.

WCDG is the primary investment and financing platform of the Wenzhou Municipal Government focusing on the development and construction of transportation infrastructure within Wenzhou City, 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.

Chengda Traffic is an important engineering consulting subsidiary of WCDG. In 2025, the Company's total revenue and total assets accounted for 6.9% and 0.5% of WCDG, respectively. WCDG maintains an extremely high degree of control over Chengda Traffic's operations, including the formulation of business strategies and the appointment of the board of directors and key management personnel. The Company is also required to

report its annual budget, objectives, plans and performance to WCDG. The Company also has certain business linkage with WCDG, with affiliate transaction with WCDG and its other subsidiaries of RMB134.6 million, accounting for 27.9% of its total revenue in 2025.

Chengda Traffic has a track record of receiving support from the local government in terms of subsidies. The Company received government subsidies and of RMB1.1 million from 2023 to 2025.

ESG Considerations

Chengda Traffic bears environmental risks through its engineering projects. Such risks could be moderated by conducting environmental studies and detailed planning before the commencement of projects and close supervision during the construction.

Chengda Traffic is also exposed to social risks as a state-owned engineering service provider in Wenzhou City. Demographic changes, public awareness and social priorities shape government's target for Chengda Traffic, or affect the government's propensity to support the Company.

Chengda Traffic's governance considerations are also material as the Company is subject to oversight and reporting requirements to the local government, reflecting its status as a state-owned entity. The Company has board of shareholders and board of directors, but no board of supervisors.

Rating Methodology

The methodology used in this rating is the Rating Methodology for [General Corporate \(May 2026\)](#).

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