

Credit Opinion

25 July 2025

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

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Henan Zhengzhou New District Construction Investment Co., Ltd.

Surveillance credit rating report

CCXAP affirms Henan Zhengzhou New District Construction Investment Co., Ltd.'s long-term credit rating at BBB_g+, with stable outlook.

Summary

The BBB_g long-term credit rating of Henan Zhengzhou New District Construction Investment Co., Ltd. ("ZZNDCl" or the "Company") reflects (1) Zhengdong New District Government's 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 Zhengdong New District Government's capacity to provide support reflects Zhengdong New District's comprehensive economic strength, with good economic fundamentals and high fiscal self-sufficiency.

The rating also reflects the local government's willingness to support, which is based on the Company's (1) important strategic role in the regional development of Zhengdong New District; (2) good track record of receiving government support; and (3) diversified funding channels.

However, the rating is constrained by the Company's (1) high exposure to commercial activities with relatively high capital expenditure pressure; and (2) fast debt growth and moderate asset liquidity.

The stable outlook on ZZNDCl's rating reflects our expectation that the Zhengdong New District Government's capacity to support will remain stable, and the Company will maintain its important role in Zhengdong New District over the next 12-18 months.

Rating Drivers

- Important strategic role in the regional development of Zhengdong New District
- High exposure to commercial activities
- Good track record of receiving government support
- Fast debt growth and moderate asset liquidity
- Diversified funding channels

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) the local government's capacity to provide support strengthens; or (2) the Company's characteristics change in a way that strengthens the local government's willingness to provide support, such as reduced exposure to commercial activities.

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 reduced strategic significance and government payments or reduced in refinancing capacity.

Key Indicators

	2022FY	2023FY	2024FY	2025Q1
Total Asset (RMB billion)	50.0	52.7	54.6	55.1
Total Equity (RMB billion)	16.0	17.0	15.8	15.8
Total Revenue (RMB billion)	1.4	2.0	1.6	0.3
Total Debt/Total Capital (%)	56.6	62.0	66.4	66.9

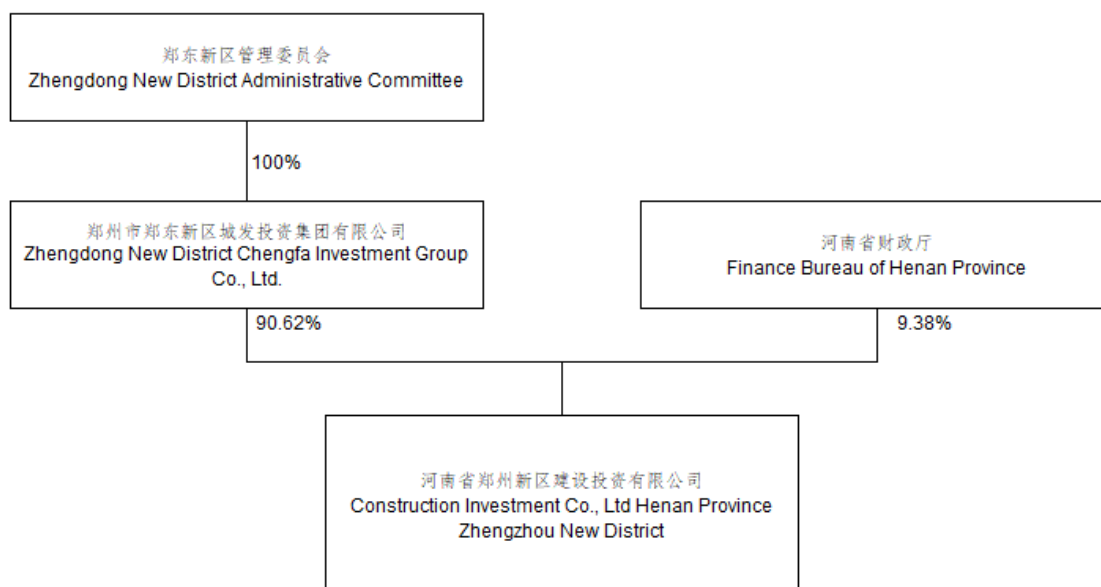
All ratios and figures are calculated using CCXAP's adjustments.

Source: Company data, CCXAP research

Corporate Profile

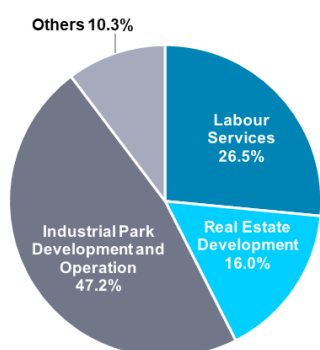
Established in 2002, ZZNDCl is an important infrastructure investment, construction and operation entity in Zhengdong New District with the largest assets scale, focusing on infrastructure construction, resettlement housing as well as municipal and environmental services. In addition, the Company also engages in commercial businesses including industrial park development and operation, property leasing, and real estate development. In 2024, the Management Committee of Zhengdong New District transferred all its shareholding in ZZNDCl to Zhengzhou Zhengdong New District Chengfa Investment Group Co., Ltd. ("Chengfa Group"). As of 31 March 2025, the Management Committee of Zhengdong New District owned 90.62% of ZZNDCl's shares through Chengfa Group, while the Finance Bureau of Henan Province held the remaining 9.38% of the Company's shares. The Management Committee of Zhengdong New District remain the ultimate controller of the Company.

Exhibit 1. Shareholding chart as of 31 March 2025



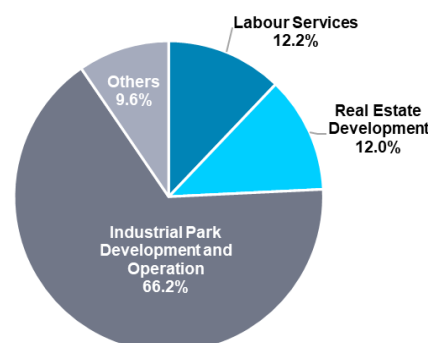
Source: Company information, CCXAP research

Exhibit 2. Revenue structure in 2024



Source: Company information, CCXAP research

Exhibit 3. Gross profit structure in 2024



Rating Considerations

Government Capacity to Provide Support

We believe that the Zhengdong New District Government has very strong capacity to provide support as reflected by its comprehensive economic strength, with good economic fundamentals and high fiscal self-sufficiency.

Henan Province is a leading economic province and is recognized as one of the most developed provinces in China. It is located at the junction of the three major regions in China, including eastern, central and western regions. It has a strategic position as an important transportation and communication hub, and a material distribution center in China. With the good transportation and location advantages, Henan Province's gross regional product ("GRP") ranked 6th among all provinces in China in 2024 with a GRP of RMB6.4 trillion and growth rate of 5.1% year-on-year ("YoY"). Meanwhile, its general budgetary revenue was RMB439.9 billion.

Located in the northern part of Henan Province, Zhengzhou City is the capital and largest city of Henan Province. It serves as the political, economic, technological and educational center of Henan Province. Zhengzhou City has formed six leading industries, including automobile and equipment manufacturing, electronic information, modern food manufacturing, biomedicine, new materials and aluminum processing products. In recent years, Zhengzhou's economic performance outperforms other cities in Henan Province, as it ranked 1st among all prefecture-level cities in Henan Province in terms of GRP and general budgetary revenue over the past three years. In 2024, its GRP was recorded at RMB1.5 trillion with a GRP growth of 5.7% YoY. Meanwhile, Zhengzhou City reported a general budgetary revenue of RMB115.5 billion, of which tax income accounted for 67.1% of its fiscal revenue, representing a relatively good fiscal quality. In addition, it has relatively good fiscal self-sufficiency, with an average general budgetary revenue to general budgetary expenditure ratio of 76.7% over the past three years. However, Zhengzhou Municipal Government's ongoing investments in fixed assets and urban renewal led to high debt ratio and growing debt burden. It has outstanding government debt of RMB393.8 billion at the end of 2024 compared to RMB293.2 billion at the end of 2022, accounting for 27.1% of its GRP.

Exhibit 4. Key economic and fiscal indicators of Zhengzhou City

	2022FY	2023FY	2024FY
GRP (RMB billion)	1,253.8	1,361.8	1,453.2
GRP Growth (%)	1.0	7.4	5.7
General Budgetary Revenue (RMB billion)	113.1	116.6	115.1
General Budgetary Expenditure (RMB billion)	145.6	152.0	152.4
Local Government Debt (RMB billion)	293.2	335.5	393.8

Source: Statistics Bureau of Zhengzhou City, CCXAP research

Established in 2003, Zhengdong New District is a new urban area located in the eastern part of Zhengzhou City, covering a jurisdiction area of 260 square kilometers and a planning control area of 3.7 million square kilometers. Zhengdong New District plays a particularly important role in accelerating the industry upgrades of Zhengzhou City by fostering the construction of "three highlands" (national innovation highland, talent highland and open highland), "two centres" (international financial centre and international consumption centre) and "a new city" (modern international new city). Many enterprises have settled in Zhengdong New District including Fortune 500 companies, large domestic enterprises, and licensed financial institutions. The economic performance of the Zhengdong New District continues to improve, providing a good operating environment for the Company. Zhengdong New District has been ranking 2nd among all the districts and counties in Zhengzhou City in terms of GRP and general budgetary revenue over the past three years. According to the preliminary statistics, it achieved a GRP of RMB150.3 billion and a general budgetary revenue of RMB13.0 billion in 2024, with a YoY growth rate of 4.4% and 1.9% respectively. Zhengdong New District is characterized by its good self-sufficiency and fiscal stability. Over the past three years, the tax revenue accounted for around 92.9% of its general budgetary revenue on average and the average fiscal balance ratio (general budgetary revenue/general budgetary expenditure) was more than 100%. At the end of 2024, the local government's outstanding debt was RMB17.7 billion, accounting for 11.8% of its GRP.

Exhibit 5. Key economic and fiscal indicators of Zhengdong New District

	2022FY	2023FY	2024FY
GRP (RMB billion)	128.9	138.9	150.3
GRP Growth (%)	1.0	7.4	4.4
General Budgetary Revenue (RMB billion)	10.6	12.7	13.0
General Budgetary Expenditure (RMB billion)	7.5	11.0	9.2

Local Government Debt (RMB billion)	10.8	12.8	17.7
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Source: Management Committee of Zhengdong New District, CCXAP research

Government Willingness to Provide Support

Important strategic role in regional development of Zhengdong New District

As an important urban infrastructure investment and operation entity in Zhengdong New District, ZZNDCl has a clear strategic role in regional development, especially in the development of industrial parks and supporting infrastructure within the High-speed Rail Station Area and the Baisha Park Area. The Company is commissioned to carry out various key infrastructure construction projects, such as roads, tunnels, schools, and housing, which are crucial to local economic and industrial development. We believe that the Company will not be easily replaced by other local state-owned enterprises in the foreseeable future.

Entrusted by the government, the Company mainly focuses on the development of major infrastructure construction projects in Zhengdong New District with government funds. The Company constructs infrastructure projects assigned by the Management Committee of Zhengdong New District, who is responsible for the funding of projects and pays the management fees to the Company based on the construction progress, typically 3%-6% of the total investment amount of the project. As of 31 March 2025, the Company had completed 18 construction projects, including roads and bridges, with a total investment of RMB2.3 billion. ZZNDCl had received RMB2.4 billion of government paybacks for these projects. At the same time, the Company had 18 infrastructure construction projects under construction, with a total investment of RMB2.0 billion and an outstanding amount of RMB1.6 billion.

Additionally, the Company is responsible for the development of affordable housing in Zhengdong New District. The Company constructed affordable housing projects under government purchase model and agency construction model. Under government purchase model, the projects are constructed with government fund and self-raised fund, and the local government would settle the payment in instalments in accordance with the agreement and repurchase the projects after completion and examination. Under agency construction model, the Company signs entrusted construction contracts with the local government, and received some government funding and special-purpose bonds for the construction of the projects. The local government will pay the construction cost plus a certain markup base on the projects' construction progress. As of 31 March 2025, the Company had 6 completed affordable housing projects, with total investment of RMB1.5 billion. These projects had received government paybacks of around RMB11.7 billion. At the same time, the Company had no resettlement housing project under planning. Apart from affordable housing projects, the Company had one completed public rental housing project with total investment of RMB1.1 billion as of the same date.

Furthermore, the Company provides municipal and environmental services in Zhengdong New District, including municipal maintenance and greening, river maintenance, urban sanitation, lighting as well as resettlement housing management. The Company signed service agreements with the local government to undertake these services, providing supplementary income to the Company. For instance, the Company is responsible for comprehensive sanitation services assigned by the local government, including the collection, transportation and disposal of domestic wastes, road cleaning and sanitation. In 2024, the Company's municipal and environmental services achieved revenue of more than RMB400.0 million.

High exposure to commercial activities

In addition to public activities, ZZNDCl also engages in commercial businesses such as real estate development, industrial park construction and operation as well as property leasing. We consider the Company's exposure to

commercial activities to be high as the commercial assets accounted for more than 30% of the total assets as of end-2024. Moreover, the large investment needs in self-operated projects may increase the Company's capital expenditure pressure in the near term.

Apart from the affordable housing construction, ZZNDCl also participated in real estate development business for the construction of commercial housing, providing supplementary income to the Company. As of 31 March 2025, ZZNDCl had one residential housing project under construction, with a total investment of RMB2.6 billion and unsettled amount of RMB343.0 million. The project achieved a sales realization rate of over 85% and paybacks of around RMB2.3 billion as of the same date. Meanwhile, the Company also participates in project development of commercial real estate by co-financing with large state-owned enterprises. As of 31 March 2025, the Company 2 key commercial real estate projects under construction, with total investment of RMB11.8 billion, and outstanding amount of RMB2.6 billion. However, the profits and sales progress of these commercial property projects are highly subject to the changes in the current property market, especially during the downturn of Chinese real estate market, which would exert higher business and financial risks to the Company.

ZZNDCl is also responsible for the investment and construction of self-operated projects in Zhengdong New District, such as industrial parks, to promote local investment attraction and industrial development. The Company would achieve funding balance through leasing and managing of its industrial parks. Most of the Company's leasable industrial parks have an occupancy rate above 85%, and the primary lessees are local state-owned enterprises, and private-owned enterprises related to local pillar industries. Moreover, the Company also had some public service centers and office building for rent, and the tenants mainly conduct service businesses such as restaurants and hotels. The Company has realized RMB753.1 million of revenue from industrial parks operation in 2024, decreasing from RMB1.1 billion in 2023. The decline in rental income was primarily due to the decrease in sales of industrial park properties.

As of 31 March 2025, the Company had 21 self-operated projects completed, corresponding with total investment of RMB14.0 billion. Meanwhile, the Company had 5 self-operated projects under construction, mainly consisted of industrial parks and financial smart valley project, with total investment of RMB14.6 billion, and unsettled amount of RMB4.3 billion. As the source of funding mainly come from external financing, the relatively large amount of unsettled investment will exert certain capital expenditure pressure to the Company. Moreover, the funding recovery cycle for industrial parks is typically long as the property leasing is highly subject to the economic conditions in Zhengzhou City and the progress of investment promotion. Therefore, ZZND is exposed to certain business risks in these projects.

Good track record of receiving government support

ZZNDCl has received ongoing support from the local government including capital injection, equity and asset transfers, project payments, and financial subsidies. For instance, the local government transferred 94.62% shares of Zhengzhou National Trunk Road Logistics Port Construction and Development Investment Co., Ltd. to the Company in 2022, enhancing its capital strength. ZZNDCl also continuously received asset injections from the local government, such as roads, bridges, rivers, and water and heating pipelines. Besides, the Company received operating subsidies from the local government with a total amount of RMB6.8 million in 2024, supporting its operations. Given the Company's strategic position in the regional development of Zhengdong New District, we expect ZZNDCl will continue to receive support from the local government in the future.

Fast debt growth and moderate asset liquidity

ZZNDCI's total debt continued to increase in the past few years due to its ongoing investment needs in real estate development and industrial parks construction. As of 31 March, 2025, the Company's total debt increased to RMB32.0 billion from RMB26.2 billion as of end-2023, while its capitalization ratio increased to 66.9% from 62.0% over the same period, indicating a relatively high level of debt leverage. Meanwhile, the Company has certain short-term debt pressure, with its short-term debt accounted for 32.5% of its total debt and the cash to short-term debt ratio was relatively low at 0.2x. Considering the future investment for industrial park construction projects, we expect the Company's debt burden will continue to increase in the foreseeable future.

In addition, the Company's asset liquidity is moderate, which may undermine its financing flexibility. As of 31 March 2025, the Company's total asset mainly consists of inventories and investment properties, totally accounting for 67.6% of total assets. Inventories are mainly investment costs for construction projects, while investment properties are rental properties such as office buildings, public service centers and carparks, all of which are considered to have low liquidity. Besides, the Company had pledged some assets for loans, accounting for around 24.0% of total assets as of 31 December 2024. Most of the assets pledged are investment properties, which may reduce the company's future financial flexibility.

Diversified funding channels

As an important developer in Zhengdong New District, ZZNDCI has access to different sources of fundings including bank loans, onshore and offshore bond issuances, and non-standard financing products, which may partially alleviate its pressure on capital expenditure and improve its liquidity profile. ZZNDCI has built long-term borrowing relationships with various domestic banks in China such as Postal Savings Bank of China and the Bank of Zhengzhou. As of 31 March 2025, it has obtained total credit facilities of RMB26.9 billion, with an available amount of RMB9.8 billion. In addition, ZZNDCI has a track record of fund-raising activities in the debt capital market. From January 2025 to June 2025, the Company raised RMB2.0 billion of private placement note through the domestic bond market. Meanwhile, the Company also issued a tranche of offshore bonds in September 2024, raising approximately RMB1.5 billion.

However, the Company has certain exposure to non-standard financing, such as financial leasing and trust, accounting for around 10% of the total debt. These non-standard financing products are generally higher in cost, driving up the Company's consolidated cost of debt and increasing its refinancing pressure.

ESG Considerations

ZZNDCI faces environmental risks through its infrastructure construction and industrial park construction projects within Zhengdong New District. The Company is obligated to comply with national environmental rules and regulations in relation to air pollution, noise emissions, water and waste discharge, and other environmental issues. Such risks could be moderated by conducting environmental studies and planning prior to the start of the projects, and close monitoring during the construction phase.

ZZNDCI bears social risks as it implements public policy initiatives by undertaking infrastructure construction and affordable housing projects in Zhengdong New District. Demographic changes, public awareness and social priorities shape the Company's development targets and ultimately affect the local government's propensity to support the Company. Such risks could be moderated by active communication with different stakeholders throughout the project lifecycle.

In terms of corporate governance, ZZNDCl'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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