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

Hong Kong, 28 September, 2026 – China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") has affirmed Henan Zhengzhou New District Construction Investment Co., Ltd.'s ("ZZNDCI" or the "Company") long-term credit rating at BBB$_g$+, with stable outlook.

The BBB$_g$+ long-term credit rating of ZZNDCI reflects (1) important role in industrial park development and operation of Zhengdong New District; (2) diversified funding channels; and (3) diversified business mix which provides supplementary sources of revenue. However, the rating is constrained by the Company's (1) high capital expenditure pressure arising from ongoing investment; (2) relatively weak profitability constrained by low asset efficiency; and (3) fast debt growth and moderate asset liquidity.

The rating also reflects a high likelihood of government support from the Zhengdong New District Government in times of need. This expectation incorporates our considerations of the Company's (1) ultimate control by the Zhengdong New District Government; (2) important role in industrial park development and operation of Zhengdong New District; and (3) good track record of receiving government support.

Corporate Profile

Established in 2002, ZZNDCI is an important industrial park development and operation entity in Zhengdong New District with the largest assets scale, focusing on industrial park development and operation, labor services, as well as engineering and resettlement housing management within Zhengdong New District. In 2024, the Management Committee of Zhengdong New District transferred all its shareholding in ZZNDCI to Zhengzhou Zhengdong New District Chengfa Investment Group Co., Ltd. ("Chengfa Group"). As of 31 March 2026, the Management Committee of Zhengdong New District owned 90.62% of ZZNDCI'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.

Rating Rationale

Credit Strengths

Important role in industrial park development and operation of Zhengdong New District. As an important developer and operator of industrial parks in Zhengdong New District, ZZNDCI undertakes the construction and operation of key industrial parks at the provincial and municipal levels. With the completion of self-operated projects, the Company's revenue from industrial park development and operation saw a significant increase in 2025 to RMB1.0 billion with a gross profit margin of 57.2%, serving as the largest contributor to the Company's revenue.

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. In addition, ZZNDCI has a track record of fund-raising activities in the debt capital market. In 2025, the Company issued two tranches of private placement notes through the domestic bond market. Prior to that, ZZNDCI also issued a tranche of offshore bonds in September 2024.

Diversified business mix which provides supplementary sources of revenue. ZZNDCI also engages in various businesses such as real estate development and labour services. ZZNDCI participated in real estate development business for the construction of commercial housing, providing supplementary income to the Company. In 2025, revenue from real estate development business stood at RMB595.4 million, accounting for 27.6% of the total revenue. Meanwhile, its labour services business mainly comprises municipal maintenance and greening, river management, urban sanitation, and public lighting, strengthening its operational diversity.

High likelihood of support from the Zhengdong New District Government. ZZNDCI has received ongoing support from the local government including capital injection, equity and asset transfers, project payments, and financial subsidies. For instance, the Company received operating subsidies from the local government with a total amount of RMB11.8 million in 2025, supporting its operations. Given the Company's strategic position in the regional development of Zhengdong New District, we expect ZZNDCI will continue to receive support from the local government in the future.

Credit Challenges

High capital expenditure pressure arising from ongoing investment. While ZZNDCI continues to invest in various projects, its ongoing projects still require substantial capital expenditure. As of 31 March 2026, ZZNDCI had 16 key projects under construction, including the residential housing, commercial real estate, self-operated and engineering projects, with a total investment of RMB18.6 billion and an uninvested amount of RMB4.9 billion. Due to the large amount of investment in the projects under construction, ZZNDCI may face some pressure on capital expenditure in the future.

Relatively weak profitability constrained by low asset efficiency. ZZNDCI's profitability remains relatively weak, as primary reflected by its low return on total assets of 0.8% in 2025. Although the Company maintained a relatively strong EBIT margin of 20.8%, its overall asset efficiency and profitability remain limited relative to its substantial asset base, indicating ongoing pressure on its operational profit returns.

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 2026, the Company's total debt increased to RMB36.2 billion from RMB31.4 billion as of end-2024, while its capitalization ratio increased to 70.1% from 66.4% over the same period, indicating a relatively high level of debt leverage. In addition, the Company's asset liquidity is moderate, which may undermine its financing flexibility. As of 31 March 2026, the Company's total asset mainly consists of inventories and investment properties, totally accounting for 69.6% of total assets. Considering the future investment for industrial park construction projects, we expect the Company's debt burden will continue to increase in the foreseeable future.

Rating Outlook

The stable outlook on ZZNDCI'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.

What could upgrade the rating?

The rating could be upgraded if (1) the Company's business strength improves; and (2) the Company's stand-alone credit profile improves significantly, such as improvement in profitability and liquidity.

What could downgrade the rating?

The rating could be downgraded if (1) the likelihood of government support for the Company decreases; or (2) the Company's stand-alone credit profile weakens significantly, such as deterioration in debt leverage or profitability.

Rating Methodology

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

Regulatory Disclosures

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