

Credit Opinion

6 August 2025

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

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UETD Construction & Development State-owned Capital Investment Operation (Group) Co., Ltd.

Surveillance credit rating report

CCXAP affirms UETD Construction & Development State-owned Capital Investment Operation (Group) Co., Ltd.'s long-term credit rating at BBB_g+, with stable outlook.

Summary

The BBB_g long-term credit rating of UETD Construction & Development State-owned Capital Investment Operation (Group) Co., Ltd. ("UCDI" or the "Company") is underpinned by the Company's (1) status as the important industrial investment platform in Urumqi Economic and Technological Development Zone ("Urumqi ETDZ"), with strong regional competitiveness in industrial park development, property leasing, and urban services businesses; (2) diversified sources of revenue; and (3) diversified financing channels.

However, the rating is also constrained by the Company's (1) relatively weak profitability, with limited revenue scale from industrial park projects.; and (2) high debt leverage with capital expenditure pressure.

The rating also reflects a high likelihood of government support from Urumqi ETDZ Government when needed, which is based on the Company's (1) direct ownership and control by the State-owned Assets Supervision and Administration Commission of Urumqi Economic and Technological Development Zone (Toutunhe District) ("Urumqi ETDZ SASAC"); (2) importance as industrial investment platform and urban services provider in Urumqi ETDZ; and (3) good track record of receiving government support.

The stable outlook on UCDI's rating reflects our expectation that the Company will maintain its strategic role as the important industrial development platform in Urumqi ETDZ. We also expect that as a local state-owned enterprise, the Company will continue to receive ongoing government support over the next 12 to 18 months.

Rating Drivers

- Important industrial investment platform in Urumqi ETDZ, with strong regional competitiveness in industrial park development, property leasing, and urban services businesses
- Diversified sources of revenue but relatively weak profitability
- High debt leverage with large capital expenditure pressure
- Weak debt servicing capability mitigated by diversified financing channels
- High likelihood of support from Urumqi ETDZ Government

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) the likelihood of support from Urumqi ETDZ Government increases; and (2) the Company's stand-alone credit profile improves significantly, such as improvement in profitability and leverage.

What could downgrade the rating?

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

Key Indicators

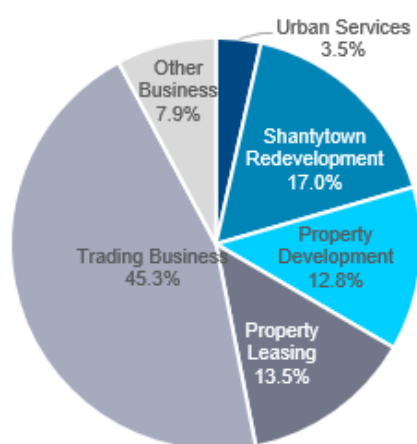
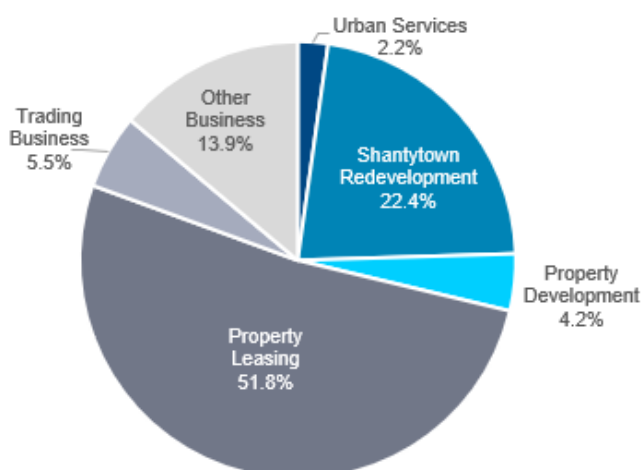
	2022FY	2023FY	2024FY	2025Q1
Total Assets (RMB billion)	35.1	35.3	40.6	41.2
Total Equity (RMB billion)	13.2	11.7	12.4	12.8
Total Revenue (RMB billion)	1.5	2.7	2.5	0.8
Net Profits (RMB billion)	0.3	0.3	0.3	0.02
EBIT Margin (%)	40.6	18.8	22.2	-
Return on Assets (%)	1.8	1.5	1.5	-
Total Debt/Total Capital (%)	59.6	63.6	65.9	66.7
Total Debt/EBITDA (x)	29.2	37.4	39.8	-
EBITDA/Interest (x)	0.7	0.5	0.7	-
FFO/Total debt (%)	-2.0	-2.0	-2.0	-

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

Source: Company data, CCXAP research

Corporate Profile

Founded in 1992, UCDI is an important state-owned industrial investment platform in Urumqi ETDZ (Toutunhe District), mainly engaging in industrial park development, property leasing, and urban services in the region. The Company has also diversified into property development and trading businesses. As of 31 March 2025, the Company was wholly owned and directly controlled by the Urumqi ETDZ SASAC.

Exhibit 1. Revenue structure in 2024**Exhibit 2. Gross profit structure in 2024**

Source: Company information, CCXAP research

Rating Considerations

Business Profile

Important industrial investment platform in Urumqi ETDZ, with strong regional competitiveness in industrial park development, property leasing, and urban services businesses

As an important state-owned industrial investment platform in Urumqi ETDZ, UCDI has focused on the investment and operation of advanced manufacturing, textiles and clothing, software and information technology services. The Company's urban service business enjoys exclusive advantages, while its industrial park development and property leasing benefit from scale advantages within Urumqi ETDZ, which are essential to the economic and industrial development of the region. We believe that the Company possesses strong business fundamentals and plays a critical role to the growth and development of Urumqi EDTZ.

Benefited by its strong shareholder background, UCDI has strong regional competitiveness in conducting urban services in Urumqi ETDZ. The Company is responsible for the landscape maintenance work of the green areas and municipal roads within the Urumqi ETDZ, with franchising rights in the area. In 2024, UCDI expanded the operations to include municipal sanitation services. Benefiting from this new business, urban services revenue for 2024 reached RMB89.0 million, representing a YoY increase of 305.8%. Besides, as several projects have not yet been repurchased by the government, the repayment situation remains in need of improvement. As of 31 December 2024, outstanding government payments for landscape maintenance totaled RMB956.0 million.

As an important state-owned industrial investment platform in Urumqi ETDZ, UCDI also has strong regional competitiveness in industrial park development in Urumqi ETDZ. The Company participates in industrial park development through special bond funds and self-raised funds. The completed industrial park projects mainly generate income through leasing and property management. As of 31 March 2025, the Company had completed 4 industrial park development projects, with industrial park operation income of RMB20.0 million in 2024. It also had 11 industrial park projects under construction with a planned total investment of RMB 14.8 billion, of which RMB6.3 billion had yet to be invested. Although these projects generate stable income streams, the large-scale investment results in high capital expenditure and may introduces uncertainty to future operations and funding balance.

UCDI plays an important role in the property leasing in Urumqi ETDZ, owning a wide range of high-quality leasable assets, including office buildings, industrial parks, community workspaces and medical office space. Property leasing business has been generating stable cash flow and profits, since most of the properties are leased to state-owned enterprises and government departments, with lease term of one to ten years. As of 31 March 2025, the Company's leasable properties had a gross floor area of 1.4 million square meters with an overall occupancy rate of around 70%, reflecting healthy leasing performance with room for further improvement. Benefiting from the expanded leasable area, the Company's property leasing revenue increase by 17.7% YoY in 2024 to RMB341.0 million, with a high gross profit of 78.9%.

Moreover, UCDI conducted shantytown redevelopment projects under government purchase model. As of 31 March 2025, the Company had completed three shantytown redevelopment projects with a total investment of RMB2.2 billion and collected accumulated repayments of RMB2.3 billion. However, this public policy business is subject to uncertainty as there are no related projects under construction or planning. The Company also undertakes the construction of some infrastructure and municipal roads projects in Urumqi ETDZ, and achieves fiscal balances by transferring the projects to other state-owned enterprises and maintenance income.

Diversified business mix

UCDI has also participated in other business activities, such as property development, trading, and other businesses in Urumqi ETDZ, forming a relatively diversified business portfolio. We believe the Company can diversify business risks and enhance revenue streams through its multiple business segments, which has a positive impact on its credit profile.

UCDI conducts property development in the Urumqi ETDZ mainly under target sales model. As of 31 March 2025, UCDI had finished 10 property development projects, with overall selling rate of 85%. Despite this progress, the projects in the pipeline have still caused certain financing pressure to the Company. As of 31 March 2025, the Company had 2 commercial property projects under construction, with total estimated investment of RMB1.3 billion and uninvested amount of RMB302.0 million. In 2024, the revenue from property development increased by 35.0% YoY to RMB324.0 million. UCDI has also ventured into the cultural tourism industry. As of March 31 2025, the Company had 3 cultural tourism projects under construction, with a total planned investment of RMB1.8 billion and outstanding investment of RMB323.0 million.

UCDI is engaged in trading business, with diversified trading products such as cotton-based products, food, construction materials. The trading business remains the Company's largest revenue contributor, generating RMB 1.1 billion in 2024, accounting for 45.3% of total revenue, but with a low gross margin of 2.5%, contributing only 5.5% to total gross profit. The Company usually requires customers to provide collateral for the purchase of goods and enters into buyback arrangement with upstream suppliers, thereby reducing default risks. In addition, as of end-2024, the procurement from the top five suppliers accounted for 47.4% of total procurement and the sales to the top five customers accounted for 57.6% of total sales, indicating relatively high concentration risk.

UCDI's other businesses include property and catering management services, human resources services, and parking lot operations. However, these segments are relatively small in terms of both asset scale and revenue contribution, and have limited impact on the Company's overall income.

Financial Profile

Diversified sources of revenue but relatively weak profitability

UCDI's total revenue declined slightly from RMB2.7 billion in 2023 to RMB2.5 billion in 2024 due to the one-off land return income recognized in 2023. In 2025Q1, the Company's total revenue amounted to RMB837.0 million. The trading business is the main revenue contributor, accounting for 45.3% of total revenue in 2024, followed by shantytown redevelopment (17.0%), property leasing (13.5%), property development (12.8%), urban services (3.5%), and others (7.9%).

The Company's profitability remains relatively weak. Property leasing remains the main profit contributor, with a high gross profit margin of 78.9%. Benefiting from the addition of municipal sanitation business in the urban service sector, the gross profit margin of the urban service business returned to positive of 13.0% in 2024 (2023: -29.3%), improving the overall profitability of the Company. Its EBIT margin slightly increased from 18.8% in 2023 to 22.2% in 2024, while the return on assets remained low at around 1.5% in 2024.

Overall, UCDI's diversified business portfolio could partially support its income over the next 12 to 18 months. Given the large amount of industrial park projects under construction, we expect the Company's total revenue and profit will increase after the completion of these industrial park projects.

High debt leverage with large capital expenditure pressure

Affected by the continuous financing demand and slow payment collection from construction projects, UCDI's debt leverage continues to increase. As of 31 March 2025, the Company's adjusted total debt amounted to RMB24.6 billion from RMB20.0 billion at end-2023, with high total capitalization ratio of 66.7%. The Company has slightly improved its debt structure. As of 31 March 2025, its short-term debt accounted for 26.9% of total debt (2023: 34.2%). Given the large investment scale and long payback period of ongoing industrial park development projects, the Company will continue to rely on external financing to meet its future capital needs. As a result, we expect that its debt leverage will remain high in the next 12 to 18 months.

Weak debt servicing capability mitigated by diversified financing channels

Due to the Company's high debt burden and relatively weak profitability, UCDI has modest stand-alone credit profile. Its total debt/EBITDA ratio increased from 37.4x in 2023 to 39.8x in 2024, while its EBITDA interest coverage ratio increased from 0.5x to 0.7x over the same period, indicating weak debt servicing capability. In the meantime, its FFO/total debt ratio was about -2.0%, indicating that the Company primarily relies on external financing rather than operating cash flow for debt servicing.

UCDI's weak debt servicing capability can partly be mitigated by good access to multiple financing channels, as reflected by its sufficient credit facilities and access to capital markets. The Company's debt continues to be primarily financed through bank loans and bond issuance, alongside a relatively low scale of non-standard financing. The Company has good relationship with multiple domestic commercial banks and policy banks, such as Agricultural Development Bank of China and China Development Bank. As of 31 March 2025, the total credit facilities were RMB19.3 billion, of which the unutilized portion was RMB7.5 billion, indicating sufficient standby liquidity. UCDI also has good access to onshore and offshore capital markets. From January 2024 to June 2025, the Company had raised RMB6.6 billion and USD174.5 million through corporate bonds, PPNs, MTNs and offshore bonds. UCDI has a relatively low exposure to non-standard financing, which accounted for 9.8% of its total debts as of 31 March 2025.

External Support

High likelihood of support from Urumqi ETDZ Government

We expect UCDI has a high likelihood of government support from Urumqi ETDZ Government when needed, which is based on the Company's (1) direct ownership and control by the Urumqi ETDZ SASAC; (2) importance as industrial investment platform and urban services provider in Urumqi ETDZ; and (3) good track record of receiving government support.

Urumqi ETDZ is the first state-level development zone in Xinjiang approved by the State Council in August 1994. In January 2011, it was merged with Toutunhe District, an administrative district under the jurisdiction of Urumqi, implementing the "integration of district and administration" policy and becoming a national-level development zone. Urumqi ETDZ carries construction of the core area of the Silk Road Economic Belt and plays important role in connecting Inner China and Eurasia economy. In recent years, Urumqi ETDZ has formed some pillar industries like wind power industry, metallurgical industry, and beverage industry cluster

Urumqi ETDZ SASAC maintains a high degree of control over UCDI's operations, including the formulation of business strategies and the appointment of the board of directors and key management personnel, with a shareholding structure and business operations closely linked to local government. Furthermore, UCDI has a high linkage with the local government. The Company's industrial park development projects are aligned with the local government development direction. The Company also demonstrates strong business fundamentals and playing a vital role in the growth and development of Urumqi EDTZ.

UCDI has also a good track record of receiving support from local government in terms of project transfer, financial subsidies, and government specific bond funds. Under the Government Purchase Agreement, the Company has regularly received repayments for shantytown redevelopment projects from the local government, totaling RMB2.3 billion as of 31 March 2025. Besides, in 2024, the local government also injected special bond funds, equity transfer and project subsidies to UCDI, with total amount of RMB937.0 million, enhancing the Company's capital strength. Furthermore, UCDI received financial subsidies of RMB150 million from the local government in 2024. Considering its status as an important industrial investment entity in Urumqi ETDZ, we expect that the Company will continue to receive strong support from the local government in the next two to three years.

Structural Consideration

UCDI's senior unsecured debt rating is equivalent to its long-term credit rating. We believe that government support will flow through the Company given its important role in industrial investment in Urumqi ETDZ, thereby mitigating any differences in an expected loss that could result from structural subordination.

Rating Methodology

The methodology used in this rating is the [Rating Methodology for General Corporate \(April 2019\)](#).

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