Credit Opinion

21 September 2026

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 an important industrial investment platform in the Urumqi Economic and Technological Development Zone ("Urumqi ETDZ"), with strong regional competitiveness; (2) diversified business mix, which has been enhanced by the acquisition of Tianjin Motor Dies Co., Ltd. ("TQM"); and (3) diversified financing channels with sufficient standby liquidity.

However, the rating is also constrained by (1) relatively weak profitability; (2) high debt leverage with certain short-term repayment pressure; and (3) weak debt servicing capability.

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 by the Urumqi ETDZ State-owned Assets Supervision and Administration Commission ("Urumqi ETDZ SASAC"); (2) important position as an industrial investment platform in Urumqi ETDZ; and (3) good track record of receiving government support in the form of asset injections, subsidies, and special bond funds.

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
- Diversified business mix, which has been enhanced by the acquisition of TQM
- Relatively weak profitability
- High debt leverage with certain short-term repayment pressure
- Weak debt servicing capability
- Diversified financing channels with sufficient standby liquidity
- 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

	2023FY	2024FY	2025FY	2026Q1
Total Assets (RMB billion)	35.3	40.6	51.3	58.5
Total Equity (RMB billion)	11.7	12.4	15.5	17.6
Total Revenue (RMB billion)	2.7	2.5	2.8	1.2
Net Profits (RMB billion)	0.3	0.3	0.18	0.02
EBIT Margin (%)	18.0	22.0	18.0	--
Return on Assets (%)	1.4	1.5	1.1	--
Total Debt/Total Capital (%)	63.6	65.9	66.2	65.3
Total Debt/EBITDA (x)	39.1	40.2	56.2	--
EBITDA/Interest (x)	0.5	0.7	0.5	--
FFO/Total debt (%)	-1.8	-1.7	-2.6	--

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, urban services, shantytown redevelopment, property development, and trading. In December 2025, the Company acquired and consolidated Tianjin Motor Dies Co., Ltd. ("TQM", stock code: 002510.SZ), the world's largest automotive body panel die supplier, expanding into professional equipment manufacturing. As of 31 March 2026, the Company was wholly owned and directly controlled by the Urumqi ETDZ SASAC.

Exhibit 1. Revenue structure in 2026

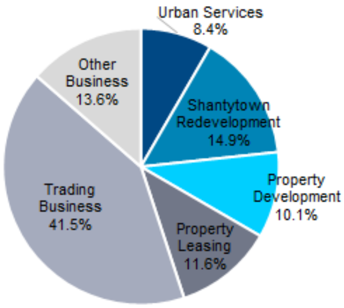
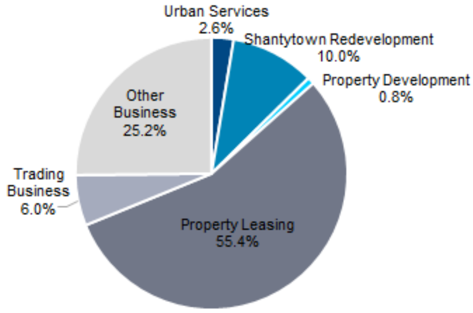


Exhibit 2. Gross profit structure in 2026



Source: Company information, CCXAP research

Rating Considerations

Business Profile

Important industrial investment platform in Urumqi ETDZ, with strong regional competitiveness

UCDI occupies a strategic position as an important state-owned industrial investment platform in the Urumqi ETDZ, which is the first state-level development zone in Xinjiang and a core area of the Silk Road Economic Belt. The Company's mandate encompasses the cultivation and investment in advanced manufacturing, textiles and clothing, and software and information technology services, positioning it as a key vehicle for the zone's industrial upgrading. Its urban services business enjoys exclusive or franchise advantages within the ETDZ, while its industrial park development and property leasing operations benefit from scale advantages and long-standing relationships with tenants and local authorities.

UCDI has strong regional competitiveness in conducting urban services in Urumqi ETDZ. The Company undertakes landscape maintenance and environmental sanitation services within the Urumqi ETDZ. In 2025, urban services revenue reached RMB230.8 million, comprising RMB83.9 million from landscape maintenance and RMB146.9 million from environmental sanitation, up sharply from RMB87.9 million in 2024. However, payment collection remains weak: outstanding receivables for landscape maintenance alone totaled RMB903.0 million at end-2025, tying up significant working capital and exposing the Company to settlement delays from the local government.

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 2026, the Company had completed five industrial park projects with a total investment of RMB3.9 billion. In the meantime, the Company mainly had 12 industrial park projects under construction, with a total planned investment of RMB16.4 billion, of which RMB10.4 billion had been invested, including approximately RMB1.9 billion in special bonds. These projects could generate stable leasing income over the long term, but the large-scale investment projects result in substantial capital expenditure pressure and uncertainty regarding investment returns and tenant absorption. The largest project under construction is the Urumqi International Freight Railway Port project, with a total planned investment of RMB7.0 billion, accounting for approximately 43% of the aggregate planned investment of the 12 projects under construction. As of 31 March 2026, RMB3.7 billion had been invested, mainly comprising land costs and construction payments. The project was initially proposed under a PPP model in 2018, under which the related land was to be leased to Urumqi International Land Port Construction and

Development Co., Ltd.; in 2021, the government re-authorized the Company to undertake its investment, financing and construction, and future government support is expected to be provided through special bonds or supporting funds. The project is expected to balance its capital outlay mainly through market-based means such as leasing, sales and property management, and the uncertainty surrounding its capital balance warrants close attention.

UCDI plays an important role in the property leasing in Urumqi ETDZ. The Company's leasable area grew to 1.5 million square meters, with an occupancy rate of above 70%. Property leasing revenue was RMB319.6 million in 2025, a slight decline from 2024 despite higher leased area and occupancy rate, primarily due to rent reductions granted to certain tenants. The segment maintained a high gross profit margin of 86.7%, reflecting the low carrying cost of investment properties. However, the rent reduction trend and potential downward pressure on industrial property rents in the region could constrain future income growth.

Diversified business mix, which has been enhanced by the acquisition of TQM

The Company also diversifies into trading, property development, and cultural tourism businesses. The acquisition of TQM in December 2025 has further broadened the Company's business scope into professional equipment manufacturing, enhancing overall diversification. However, the expansion into a capital-intensive and cyclical manufacturing sector introduces integration risks and may strain the Company's already elevated leverage.

In December 2025, through its subsidiary, UCDI acquired 15.94% stake in TQM, becoming its controlling shareholder. TQM is the world's largest automotive body panel die supplier, holding 179 software copyrights and 189 patents at end-2025. Its three operating segments include dies, stamping, and aviation. However, the dies and stamping businesses saw a decline in both revenue and gross profit due to competition from downstream OEMs. Although the aviation business has slightly improved, its revenue remains small. As a result, in 2025, TQM reported revenue of RMB2.4 billion, down by 13.2% year-on-year ("YoY"), and net profit of RMB60.8 million, down by 27.1% YoY. TQM has become a Tier 1 supplier of Commercial Aircraft Corporation of China, providing some growth potentials in the aviation die segment. TQM also holds a 25% stake in Dongshi Automotive Technology Group Co., Ltd. ("Dongshi Co.") and plans to acquire an additional 60% shares for a total consideration of RMB1.8 billion. However, the transaction is pending regulatory and shareholder approvals, and the ultimate outcome remains uncertain. Furthermore, TQM had RMB1.1 billion in accounts receivable at end-2025, with RMB288.0 million in bad debt provisions, including exposures to distressed new energy vehicle makers such as WM Motor and Evergrande Auto, which pose collection risks. Dongshi Co., a Tier 1 supplier to OEMs, principally engaged in the research, development, production and sale of body systems, chassis systems and powertrain components for commercial vehicles and passenger vehicles. As of 31 December 2025, Dongshi Co. reported total assets of RMB6.1 billion, total liabilities of RMB3.4 billion and total equity of RMB2.8 billion. In 2025 Dongshi Co. generated total revenue of RMB4.5 billion and net profit RMB353.5 million.

The trading segment generated revenue of RMB1.1 billion in 2025, accounting for 41.5% of total revenue, but with a low gross profit margin of only 2.6%. Products traded mainly include cotton products (RMB521.0 million) and equipment (RMB512.0 million). Concentration risk is elevated, with the top five suppliers accounting for 66.9% of purchases and the top five customers for 78.9% of sales. Collateral and buyback arrangements provide some mitigation against counterparty default risk, but the thin margin and high concentration mean that even a single counterparty default could materially affect segment profitability.

UCDI conducts property development in the Urumqi ETDZ mainly under target sales model and market-oriented model. As of 31 March 2026, the Company had completed 11 property development projects, with total investment of RMB6.6 billion, a selling rate of approximately 83%, and accumulated sales collection of RMB5.8 billion. In the meantime, the Company had 1 project under construction with a total planned investment of RMB202.0 million and uninvested amount of RMB50.0 million. However, the Chinese real estate market remains in a deep adjustment phase, which may continue to pressure sales pace and pricing, though the Company's limited exposure and project concentration in Urumqi ETDZ provide certain insulation.

The Company has undertaken 4 cultural tourism projects in Tacheng and Tekes, with total invested amount of RMB2.3 billion. These projects have generated limited operating revenue to date, and their contribution to profitability remains uncertain. The capital already deployed represents a drag on the Company's overall return on assets.

Moreover, UCDI has three completed shantytown redevelopment projects, with total actual investment of RMB2.2 billion and accumulated project payments of RMB2.7 billion. Revenue from this segment has been declining yearly per the government purchase agreement. With no new shantytown redevelopment projects in the pipeline, the sustainability of this revenue stream is weak, and it is expected to gradually phase out.

Financial Profile

Relatively weak profitability

The Company's total revenue increased from RMB2.5 billion in 2024 to RMB2.8 billion in 2025, driven primarily by strong growth in urban services. In 2026Q1, its revenue reached RMB1.2 billion, up by 43.6% YoY, with TQM contributing RMB519.0 million following its consolidation. However, the gross margin declined from 20.6% in 2024 to 18.2% in 2025, largely due to the decline in the gross margin of shantytown redevelopment and property development segments. In addition, the period expense ratio rose to 13.1% in 2025, and government subsidies dropped significantly from that in 2024. As a result, its EBIT margin declined from 22.0% in 2024 to 18.0% in 2025, while return on assets remained low at 1.1%. Overall, the Company's profitability remains relatively weak and insufficient to cover its interest expenses from operating earnings alone.

High debt leverage with certain short-term repayment pressure

The Company's adjusted total debt grew from RMB23.0 billion at end-2024 to RMB29.1 billion at end-2025 and further to RMB32.0 billion at end-2026Q1, driven by the consolidation of TQM and ongoing capital expenditure on industrial park projects. The total capitalization ratio remained at a high level of 65.3% at end-2026Q1. The Company also has certain short-term repayment pressure, with short-term debt ratio of 26.3% and cash to short-term debt ratio of 0.4x at end-2026Q1. Given the large pipeline of ongoing industrial park projects, we expect debt leverage to remain high over the medium term.

The Company had external guarantees of RMB2.4 billion at end-2025, equivalent to 15.3% of total equity, including RMB2.3 billion extended to private-owned enterprises. All guarantees to private-owned enterprises are supported by counter-guarantees, providing some mitigation of contingent liabilities risks. The Company has not experienced any defaults over the past three years. The guaranteed private-owned enterprises are all investees in which the Company or its subsidiaries hold equity interests, and counter-guarantees have been put in place for all such guarantee exposures. In the first quarter of 2026, Xinjiang Dadao Special Equipment Co., Ltd. ("Dadao Special Equipment"), one of the guaranteed enterprises, was newly included in the Company's consolidation scope; this was reflected in the increase in the Company's other receivables from RMB2.3 billion at end-2025 to RMB7.1 billion at end-March 2026, which was mainly attributable to the receivables consolidated from Dadao Special Equipment. Upon consolidation, the Company's guarantees to Dadao Special Equipment (RMB1.5 billion at end-2025, accounting for around 64% of its guarantees to private-owned enterprises) have become intra-group matters at the consolidated level and are expected to be eliminated, with a corresponding reduction in the Company's external guarantee exposure. The external guarantee balance as of 31 March 2026 will be updated based on the data to be provided by the Company.

Weak debt servicing capability

Due to the Company's high debt burden and relatively weak profitability, UCDI has modest stand-alone credit profile. Most notably, total debt-to-EBITDA surged to 56.2x in 2025 from 40.2x in 2024, as TQM consolidation substantially increased debt without a proportional increase in EBITDA. Its EBITDA interest coverage was 0.5x in 2025, down from 0.7x in 2024, indicating that operating earnings are insufficient to cover interest expenses. FFO to total debt ratio was -2.6% in 2025 (2024: -1.7%), reflecting negative internal cash generation after interest and tax. These metrics underscore the Company's reliance on external financing to service its debt burden.

Diversified financing channels with sufficient standby liquidity

However, the Company maintains diversified financing channels. At end-2025, the Company's debt structure mainly comprised bank loans, bonds, and non-standard loans, which accounted for 49.3%, 38.1%, and 2.5% of total debts at end-2025, respectively. The relatively high proportion of bank and bond financing indicates good access to mainstream funding channels. As of 31 March 2026, its total credit facilities amounted to RMB28.9 billion, of which RMB11.8 billion remained unutilized. The Company also had an available bond quota of RMB2.6 billion and is active in both onshore and offshore bond markets.

At end-2025, the Company's restricted assets totaled RMB8.1 billion, equivalent to 15.78% of its total assets, mainly comprising investment properties of RMB7.0 billion, inventories of RMB476 million, fixed assets of RMB199.0 million, restricted monetary funds of RMB343.0 million (frozen funds, bank acceptance bill deposits and pledged certificates of deposit), intangible assets of RMB49 million, accounts receivable of RMB12 million and pledged notes of RMB2 million, all of which were pledged as collateral for borrowings. Notwithstanding the relatively high proportion of restricted assets, the Company still retains certain capacity for collateralized financing. At end-March 2026, its monetary funds amounted to RMB3.5 billion, of which RMB116 million was restricted. Overall, the Company's asset liquidity remains relatively weak.

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 by Urumqi ETDZ SASAC; (2) important position as an industrial investment platform in Urumqi ETDZ; and (3) good track record of receiving government support in the form of asset injections, subsidies, and special bond funds.

The Urumqi ETDZ was approved as the first state-level development zone in Xinjiang in 1994 and merged with Toutunhe District in 2011. It occupies a strategic position as a core area of the Silk Road Economic Belt. In 2025, the ETDZ reported gross regional product of RMB66.8 billion, up by 5.2% YoY. General budgetary revenue was RMB5.3 billion, down by 25% YoY on a reported basis due to fiscal reform adjustments, but up by approximately 8% on a comparable basis. The tax ratio was 65.8% and fiscal self-sufficiency was 95.0%, indicating a relatively healthy revenue structure. The government debt balance stood at RMB33.0 billion. The government debt balance has increased from RMB23.2 billion at end-2023 and RMB28.7 billion at end-2024 to RMB33.0 billion at end-2025. The ETDZ's broad-calibre debt ratio remains at a relatively high level;

nevertheless, the regional refinancing environment remains sound, and no bond-issuing entity in the region has recorded any default.

The Urumqi ETDZ SASAC maintains a high degree of control over UCDI, which is wholly state-owned and directly supervised. The Company has a strong track record of receiving government support. From 2025 to 2026Q1, its capital reserves increased by about RMB1.6 billion due to injections of special bonds and shareholder funds, and it received government subsidies of RMB13.6 million. We consider the likelihood of future extraordinary government support to be high, given the Company's role as a key industrial investment platform and the systemic importance of its projects to the ETDZ's economic development. However, any material change in the ETDZ's fiscal position or a reduction in the Company's strategic importance could alter this assessment.

ESG Considerations

UCDI bears environmental risks through its industrial park and property development projects. Such risks could be moderated by conducting environmental studies and detailed planning before the commencement of projects and close supervision during the construction.

UCDI is also exposed to social risks as key provider of major services in Urumqi ETDZ. Demographic changes, public awareness and social priorities shape government's target for UCDI, or affect the government's propensity to support the Company.

UCDI's governance considerations are also material as the Company is subject to oversight and reporting requirements to the local government, reflecting its public-policy role and status as a government-owned entity.

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 (May 2026).

A credit rating is the analytical result of current credit worthiness and forward-looking opinion on the credit risk of a rated entity or a debt issue. Credit ratings issued by CCXAP are opinions on the current and relative future credit risk of the rated entities or debt issues, but do not address any other risks, including but not limited to liquidity risk, market price risk, and interest rate risk.

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