

Issue Rating Notice:

Beijing State-owned Capital Operation and Management Company Limited 2021 Corporate Bond for Professional Investors (Series 3) Rated “AAA_{spc}”

August 16, 2021

Bond Name:	Beijing State-owned Capital Operation and Management Company Limited 2021 Corporate Bond for Professional Investors (Series 3)
Issuer Credit Rating:	AAA _{spc} /Stable
Issue Credit Rating:	AAA _{spc}

S&P Global (China) Ratings has assigned its ‘AAA_{spc}’ rating to the 2021 Corporate Bond for Professional Investors (Series 3) issued by Beijing State-owned Capital Operation and Management Company Limited (“BSCOMC”; AAA_{spc}/Stable).

The proposed 2 billion RMB bond has a term of 10 years. BSCOMC plans to use the proceeds from the proposed unsecured bond to repay its interest-bearing debts and replenish its working capital, with interest payments made on an annual basis and principal repaid at maturity. BSCOMC’s outstanding debt obligations at the parent-level are all unsecured, and the corporate bond to be issued would rank equal to other outstanding unsecured debt of the parent company in terms of priority. For this reason, we have equalized the rating on this bond with our issuer credit rating on BSCOMC.

Related Issuer Credit Rating Report

[Surveillance Credit Rating Report: Beijing State-Owned Capital Operation and Management Center, June 29, 2021](#)

Related Methodology

[S&P Global \(China\) Ratings-Corporate Methodology, July 28, 2020](#)

[S&P Global \(China\) Ratings General Considerations on Rating Modifiers and Relative Ranking, May 21, 2019](#)

Related Research

[Bulletin: Beijing State-owned Capital Operation and Management Company Limited: Restructure, Name Change Have No Impact on Credit Quality, August 5, 2021](#)

[Commentary: Understanding S&P Global \(China\) Ratings Corporate Methodology, July 28, 2020](#)

[Commentary: Understanding S&P Global \(China\) Ratings General Considerations On Rating Modifiers and Relative Ranking Methodology, June 29, 2020](#)

[Commentary: Analyzing Investment Holding Companies’ Credit Quality With S&P Global \(China\) Ratings’ Corporate Methodology, March 1, 2021](#)

Model Applied

None.

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This document is prepared in both English and Chinese. The English translation is for reference only, and the Chinese version will prevail in the event of any inconsistency between the English version and the Chinese version.

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This credit rating report is used to support related decision making, and does not constitute a conclusion or recommendation that any particular decision(s) should be made.

Surveillance Plan

Beijing State-owned Capital Operation and Management Company Limited 2021 Corporate Bond for Professional Investors (Series 3)

Surveillance Plan

All ratings referred to in this report are valid and effective from the date of publication up to the date of maturity of related securities. S&P Ratings (China) Co., Ltd. shall monitor the credit quality of the rated issuer and issue on a periodic and an ongoing basis. If any material credit events are likely to change the credit quality of the issuer and issue, we will conduct ad-hoc surveillance, and determine whether the outstanding ratings need to be adjusted.

Historical Credit Rating Information

Rating Type	Issuer Credit Ratings	Outlook	Rating Date	Analysts
Initial Rating	AAA _{spc}	Stable	2021-3-1	Huang Wang, Renyuan Zhang, Yingxue Ren, Kexin Wang
Surveillance	AAA _{spc}	Stable	2021-6-29	Huang Wang, Renyuan Zhang, Yingxue Ren

Bond Name	Issue Credit Ratings	Rating Date	Analysts
Beijing State-Owned Capital Operation and Management Center 2021 Medium-Term Note Series 1	AAA _{spc}	2021-3-5	Huang Wang, Renyuan Zhang, Yingxue Ren, Kexin Wang
Beijing State-Owned Capital Operation and Management Center 2021 Corporate Bond for Professional Investors (Series 1)	AAA _{spc}	2021-4-22	Xiaoliang Liu, Xiqian Chen
Beijing State-Owned Capital Operation and Management Center 2021 Corporate Bond for Professional Investors (Series 2)	AAA _{spc}	2021-7-20	Xiaoliang Liu, Xiqian Chen

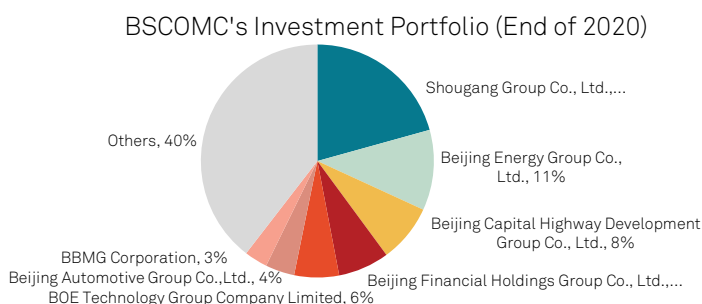
Editor's Note: On August 3, 2021, BSCOMC carried out a restructure and changed its name. On August 5, 2021, we published a [bulletin](#) in which we clarified that we do not expect the restructure or name change to affect its credit quality. The below issuer credit rating report was published on June 29, 2021, prior to the company's name change.

Tear Sheet

Company Name	Rating Type	Current Rating	Rating Date	Outlook/CreditWatch
Beijing State-Owned Capital Operation and Management Center	Issuer Credit Rating	AAA _{spc}	June 29, 2021	Stable

Industry Classification: Investment Holding Company

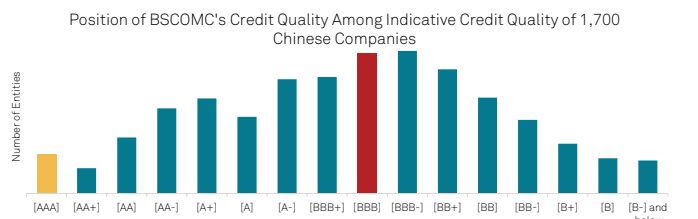
Company Profile: Beijing State-Owned Capital Operation and Management Center ("BSCOMC" or "center") was established in 2008 and is wholly owned by the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality ("Beijing SASAC"). BSCOMC's executive management committee ("Management Committee") is made up of high-level officials from Beijing SASAC. BSCOMC plays a strategic role on behalf of the Beijing municipal government, in which it aims to promote the orderly allocation of state-owned capital and achieve capital appreciation of state-owned assets. BSCOMC has equity stakes in high-quality, competitive Beijing state-owned enterprises ("SOEs"). By the end of 2020, BSCOMC had assets under management of more than RMB 3.1 trillion, accounting for more than half of the assets under Beijing SASAC.



Note: "Others" mainly includes equity value of other companies and government-guided funds.
Source: Company data, S&P Global (China) Ratings.
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Economy and Industry Trends: China is recovering from the slowdown in economic growth caused by COVID-19, and we expect full-year economic growth of 8% for 2021. In our view, Beijing, as the capital city, has strong economic and fiscal positions with a low debt level and strong potential support capacity.

Credit Highlights: We view BSCOMC as critical to Beijing municipal government. BSCOMC has extremely close ties to the Beijing municipal government in terms of its equity structure and decision-making process. As an important state-owned capital operation platform in Beijing, BSCOMC is expected to continue playing a very important role in areas such as integrating state-owned capital and promoting SOE reform. We expect the indicative support capability of Beijing municipal government to remain extremely strong. BSCOMC's investment portfolio is expected to remain stable and asset credit quality is set to remain at a good level with investments spread across a wide range of industries. BSCOMC, in our view, will maintain its prudent financial policy while maintaining a low loan-to-value (LTV) ratio. With its strong credit quality, we expect BSCOMC to be highly regarded in the banking and bond markets, with strong support from bank or bond investors.



Note: The red bar represents the median indicative credit quality of top 1700 entities, and the yellow bar represents the position of BSCOMC.
Source: "Turning a Corner: China Corporate Outlook 2021", January 11, 2021.
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Key Metrics:

	2019A	2020A	2021F
Loan-to-value (%)	10.7	12.8	11.0-15.0
Cash flow adequacy (x)	1.7	1.3	1.0-2.0

Note: Data adjusted by S&P Global (China) Ratings. A- actual, F-forecast

Rating Snapshot:

Issuer Credit Rating: AAA_{spc} / Stable

Business Risk Profile: 2 / Strong

Industry Risk: 3 / Intermediate

Investment Position: 2 / Strong

Financial Risk Profile: 2 / Modest

Anchor: aa-

Adjustments

Liquidity: Adequate (no impact)

Management & Governance: Neutral (no impact)

Holistic adjustment: Neutral (no impact)

Stand-alone Credit Profile: aa_{spc}-

External influence: +3

Business Risk Profile:

We view BSCOMC's business risk profile as strong. BSCOMC has a substantial investment portfolio with good asset credit quality and good diversification across various industries and regions. We also hold a positive view on BSCOMC's strict approach to investment, as well as its robust risk management framework. However, most of BSCOMC's investee companies are currently unlisted, and asset liquidity is average.

Financial Risk Profile:

We view BSCOMC's financial risk profile as modest. BSCOMC has a low LTV ratio, strong cash flow adequacy ratio and a good capital structure. Thanks to its good standing in the capital market, we expect BSCOMC to maintain good access to refinancing, due to strong support from banks and bond markets, as reflected in its low interest cost.

Stand-alone Credit Profile:

Based on our ratings methodology, we view the SACP of aa_{spc}- as reflective of BSCOMC's strong business risk profile and modest financial risk. Among entities we have researched nationwide, BSCOMC is in the top tier in terms of its SACP.

External Influence:

We view the indicative support capacity of Beijing municipal government as extremely strong, and regard BSCOMC as critical to its government. BSCOMC has very close ties with Beijing municipal government in terms of its equity structure and decision-making process, and we believe it plays a very important role on the government's behalf. Wholly owned by Beijing SASAC, its Management Committee is made up of high-level officials from Beijing SASAC. Major investment decisions require the Beijing municipal government's approval. BSCOMC is an important state-owned capital operation platform in Beijing, and it manages more than 50% of assets under Beijing SASAC, holding equity stakes in high-quality, competitive Beijing SOEs. Since its establishment, BSCOMC has received ongoing support from Beijing municipal government via equity transfers, capital injections and other aspects. We do not anticipate any changes to the strategic role BSCOMC plays on behalf of the Beijing municipal government, in which it aims to promote the orderly allocation of state-owned capital and achieve capital appreciation of state-owned assets.

Peer comparison: (as of 30 September 2020)

	BSCOMC	Hengjian	SIHC	Guohui	GIXG
Portfolio Value (RMB 100 million)	4,500-5,000	1,500-2,000	2,000-2,500	500-1,000	500-1,000
Weight of listed assets (%)	20-30	5-10	60-70	0-5	20-30
Three largest assets (% of portfolio)	45-55	65-75	45-55	35-45	25-35
Loan-to-value ratio (%)	9-15	15-30	10-20	15-30	>80

Note: Above data adjusted by S&P Global (China) Ratings; Source: Company annual report, adjusted by S&P Global (China) Ratings.

Declaration

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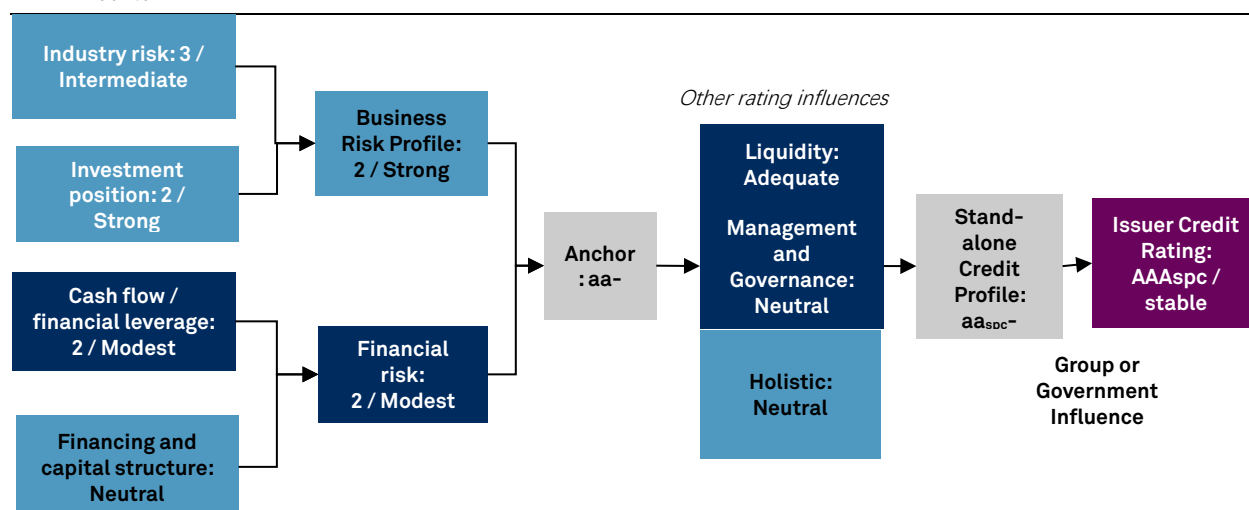
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Rating Summary

Company Name	Rating Type	Current Rating	Rating Date	Outlook/CreditWatch
Beijing State-Owned Capital Operation and Management Center	Issuer Credit Rating	AAA _{spc}	June 29, 2021	Stable



Credit Highlights

Strengths	Weaknesses
As an important state-owned capital operation platform in Beijing, BSCOMC is critical to the Beijing municipal government.	Listed companies represent a relatively low proportion of BSCOMC's investment portfolio, resulting in average liquidity.
BSCOMC has low LTV ratio, strong cash flow adequacy ratio and good access to refinancing.	
Its investment portfolio has good asset credit quality and diversifies across various industries and regions.	

Outlook

The stable outlook on BSCOMC reflects our view that BSCOMC is critical to the Beijing municipal government, and that the indicative support capacity of Beijing municipal government remains extremely strong. As Beijing's primary state-owned capital operation platform, we do not expect the strategic role BSCOMC plays on behalf of Beijing municipal government to change, wherein it promotes the orderly allocation of state-owned capital and achieves capital appreciation of state-owned assets. The scale of BSCOMC's investment portfolio is expected to remain stable and asset credit quality is set to maintain a good level, with BSCOMC's investments widely distributed across various industries. We expect BSCOMC to continue adhering to its prudent financial policy while maintaining a low LTV ratio.

Downside scenario:

In our opinion, the likelihood of BSCOMC's issuer credit rating being downgraded is very low. However, we might consider lowering the rating of BSCOMC in the following circumstances:

- 1) BSCOMC's role and status change significantly, weakening its importance to the Beijing municipal government. This scenario could occur if i) the ownership structure changes, and Beijing SASAC no longer has direct control over BSCOMC; ii) the management and decision-making process changes significantly, weakening the control of Beijing government over the appointment of BSCOMC's Management Committee and limiting their control over its

investment decisions; iii) a significant proportion of BSCOMC's assets are transferred out of its portfolio, significantly impacting its role in managing state-owned assets.

2) Beijing's indicative support capacity weakens significantly.

Upside scenario: not applicable

Assumptions and Forecasts

Assumptions

- China continues to recover from the slowdown in economic growth caused by COVID-19, with full-year economic growth of 8% for 2021.
- Over the next 1-2 years, BSCOMC invests around RMB 20 billion of its own funds per year.
- Over the next 1-2 years, BSCOMC's annual cash inflow from asset divestments, dividends and government capital injection is around RMB 11 billion to RMB 13 billion per year.
- BSCOMC's adjusted debt level rises slightly.
- BSCOMC receives around RMB 3 billion to RMB 4 billion in adjusted dividend and interest income per year and pays around RMB 2.5 billion to RMB 3.5 billion in interest and operating expenses.

Forecasts

BSCOMC – Key Metrics

	2019A	2020A	2021F
Loan-to-value ratio (%)	10.7	12.8	11.0-15.0
Cash flow adequacy (x)	1.7	1.3	1.0-2.0

Note: A—actual. F—Forecast.

Adjusted Financials and Ratios

Adjusted Key Financial Data (RMB, millions)

	2018A	2019A	2020A	2021.1-3
Long-term equity investments	274,006	270,198	261,067	288,222
Available-for-sale financial assets	75,565	84,522	103,288	-
Debt investments	-	-	-	3,667
Investment in other equity investments	-	-	-	89,179
Other non-current financial assets	-	-	-	3,545
Held-to-maturity investments	1,000	1,000	3,000	-
Other financial assets	11,489	4,888	4,812	--
Portfolio value - book value	362,059	360,608	372,167	384,613
Portfolio value - market value	373,271	426,412	386,755	--
Adjusted debt	50,570	45,434	49,570	51,551

Adjusted dividend income	1,943	4,162	2,979	--
Revenue	319	392	353	80
Interest income	287	499	548	127
Operating expenses	169	179	191	60
Taxes	59	195	465	24
Interest expense	2,688	2,601	2,322	613

Note: 1. Adjusted financial data is based on the report of the parent company; 2. A represents Actual; 3. Other financial assets mainly include wealth management products; 4. For 2021 Q1, certain data were unavailable, and marked with "--".

Related Methodologies and Research

Related methodologies:

- S&P Global (China) Ratings-Corporate Methodology, July 28, 2020
- S&P Global (China) Ratings General Considerations on Rating Modifiers and Relative Ranking, May 21, 2019

Related research:

- Commentary: Understanding S&P Global (China) Ratings Corporate Methodology, July 28, 2020
- Commentary: Understanding S&P Global (China) Ratings General Considerations On Rating Modifiers and Relative Ranking Methodology, June 29, 2020
- Commentary: Analyzing Investment Holding Companies' Credit Quality With S&P Global (China) Ratings' Corporate Methodology, March 1, 2021

Economic and Industry Trends

China is recovering from the slowdown in economic growth caused by COVID-19. As consumption growth continues to pick up, there is no sign yet that investment and net exports are flaming out. However, the overall nature of the recovery has been unbalanced. Large parts of the manufacturing sector are operating at or above capacity while other industries such as personal services and tourism are still facing weak demand. Despite potential tailwinds such as a slower-than-expected vaccine rollout and a tightening policy environment, we expect full-year economic growth of 8% for 2021 as the economy continues to gradually rotate towards private consumption, a necessary step if growth is to maintain momentum.

As China's capital, we view that Beijing has a strong economy, a sound fiscal position, a low debt level, leading to extremely strong indicative support capacity. Beijing's GDP is among the highest in China. 2020 saw Beijing's economy quickly move on from the impact of COVID, as production and demand recovered steadily. In 2020 total GDP reached RMB 3.61 trillion, ranking second among the country's cities. In 2019, per capita GDP was RMB 164,000, ranking first among provincial-level regions.

In terms of fiscal revenue, Beijing is highly self-sufficient with stable fiscal revenue sources. In our view, Beijing's response to the pandemic showed the city's good fiscal flexibility. While fiscal revenue growth continues to decline, the pace of expenditure and the city's general public budget balance ratio have been kept to within a certain level.

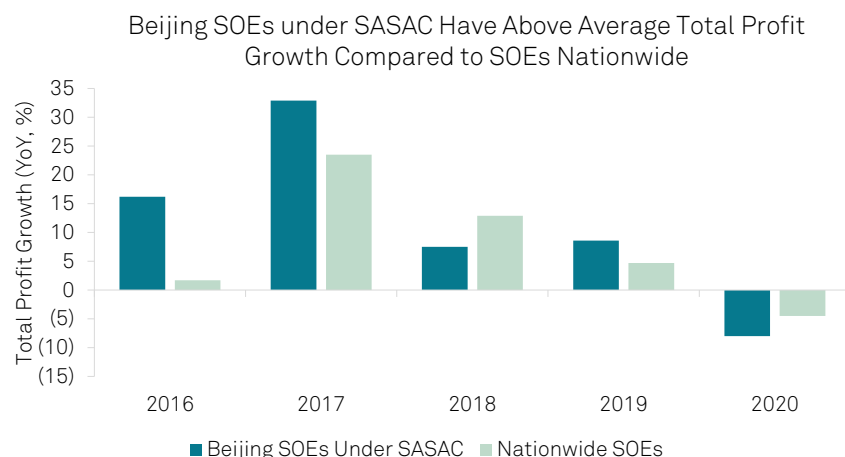
With COVID largely under control in 2021, we expect Beijing's overall fiscal position to remain stable and trend positive. The issuance of local government bonds, driven in particular by issuance of special bonds, is expected to see the Beijing municipal government's debt ratio increase. That being said, debt remains at a good level on national terms.

In our view, Beijing's SOEs under SASAC have relatively strong scale advantages and profitability, with any COVID-related impact on their operations controllable. By the end of 2020, total SOE assets under SASAC in Beijing reached RMB 6.16 trillion, representing 9.5% year-on-year growth. For 2020, Beijing's SOEs under SASAC achieved total revenue of RMB 1.72 trillion and total profits of RMB 95.82 billion. In a pool of regional-level SOEs across 36 provinces and regions (including autonomous regions, municipalities directly under the Central Government, cities specifically designated in state planning), Beijing's regional SOEs under SASAC contribute 6% of revenue and 8% of total profits. As shown in the chart below, Beijing SOEs under SASAC have enjoyed higher growth rate in total profits in recent years than the average level of SOEs nationwide. The COVID-19 outbreak saw income and profit growth slow down for Beijing SOEs. With the pandemic largely under control in China, we expect SOE business activity to gradually resume, with annual income and profits set to see a steady recovery.

We view that Beijing has a strong economy, a sound fiscal position, a low debt level and extremely strong indicative support capacity.

In our view, Beijing's SOEs under SASAC overall have strong scale advantages and profitability.

Chart 1



Source: CentralSASAC, BeijingSASAC, S&P Global (China) Ratings.
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We expect state-owned capital operation and investment platforms to continue playing important roles in the allocation of SOE resources and deepening SOE reform. As platforms for market-oriented management of state-owned capital, these companies are mandated with improving the allocation of state-owned capital and efficiently managing operations of state-owned assets while generating capital appreciation.

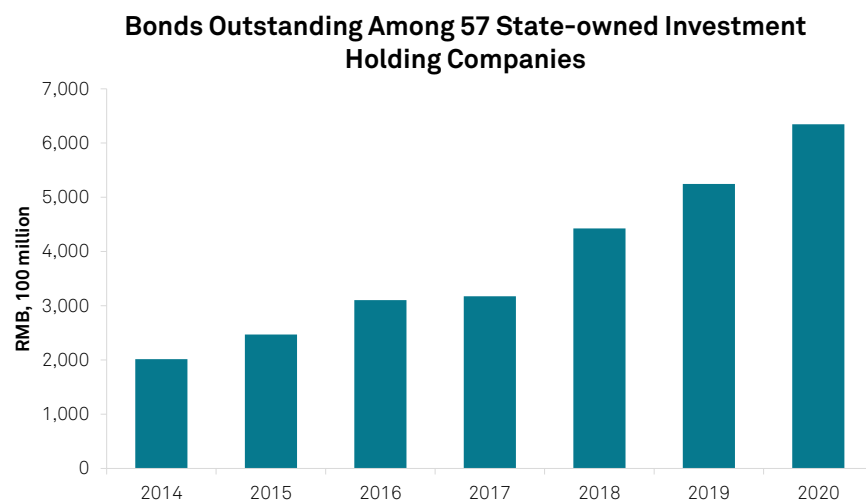
The three-year action plan for SOE reform launched in 2020 includes calls for the optimization of the structure and layout of SOEs, with further emphasis on mixed-ownership reforms and accelerated formation of a state-owned assets supervision system focusing on capital management.

We expect state-owned capital operation and investment platforms to continue implementing these key tasks on behalf of local governments and SASACs. Such platforms are positioned to support and manage market-oriented operations of state-owned capital. The business of such platforms covers a wide scope, and includes preparing high-quality local SOEs to be listed, encouraging private capital investments to promote mixed-ownership reforms, conducting mergers and reorganizations of SOEs and carrying out equity investments in strategic industries.

As the business of such platforms continues to develop, we expect debt financing to increase among such companies along with an uptick in bond financing.

We expect state-owned capital investment and operation companies to continue playing an important role in the reorganization of SOE resources and promoting SOE reform.

Chart 2



Source: Wind, S&P Global (China) Ratings.

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Anchor

Company Description

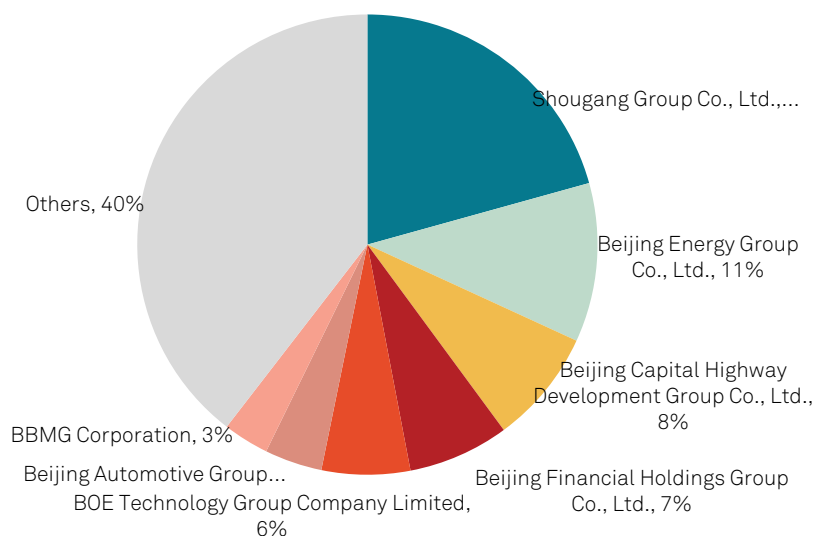
Beijing State-Owned Capital Operation and Management Center ("BSCOMC" or "center") was established in 2008. It is wholly owned by State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality ("Beijing SASAC"), and its executive management committee ("Management Committee") is made up of high-level officials from Beijing SASAC. BSCOMC is primarily engaged in the investment and operation of state-owned assets. The center plays a strategic role for the Beijing municipal government by promoting the orderly allocation of state-owned capital while achieving capital appreciation of state-owned assets.

BSCOMC holds equity stakes in high-quality, competitive Beijing SOEs, and is an important state-owned capital operation platform under Beijing SASAC. By the end of 2020, BSCOMC had assets under management of over RMB 3.1 trillion, accounting for more than half of the assets under Beijing SASAC. For 2020, BSCOMC's consolidated total revenue and profits accounted for more than 60% of that of all companies under the direct management of Beijing SASAC. BSCOMC carries out its capital operations mainly through equity investments and fund investments. See Appendix 1 for details of the assets managed by BSCOMC.

In 2020, BSCOMC's revenue (not from investments) was mainly from property leasing, accounting for about 91% of total revenue. Around 9% came from consulting and management fees.

Chart 3

BSCOMC's Investment Portfolio (End of 2020)



Note: "Others" mainly includes equity value of other companies and government-guided funds.

Source: Company data, S&P Global (China) Ratings.

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Business Risk Profile

We view BSCOMC's business risk profile as strong. BSCOMC has a substantial investment portfolio with good asset credit quality and good diversification across various industries and regions. We also hold a positive view on BSCOMC's strict approach to investment, as well as its robust risk management framework. However, most of BSCOMC's investee companies are currently unlisted, and asset liquidity is relatively average.

In our opinion, BSCOMC's investment portfolio has good indicative asset credit quality. The center has equity stakes in several high-quality SOEs in Beijing which are competitive players in their respective industries. We believe that the indicative credit quality of the main investee companies in the portfolio is relatively good and overall better than the national average.

For example, one of the investee companies, Beijing Capital Road Development Group Co., Ltd., is among the top highway companies in the country in terms of traffic volume and toll revenue and plays an important role in local economic development and facilitating transportation. We view its indicative credit quality as extremely strong.

Shougang Group Co., Ltd. is, in our view, among the top crude steel producers in China, and its indicative credit quality is very strong. In our opinion, the higher the indicative asset credit quality of the investment portfolio, the more secure the investment. This has a positive impact on BSCOMC's business risk profile.

In our view, the main assets of BSCOMC's investment portfolio have stronger credit quality than the national average.

BSCOMC's portfolio is, in our view, well diversified. Its investee companies are spread across a wide range of industries and geographic regions. The portfolio covers more than 10 industries dispersed across upstream and downstream sectors.

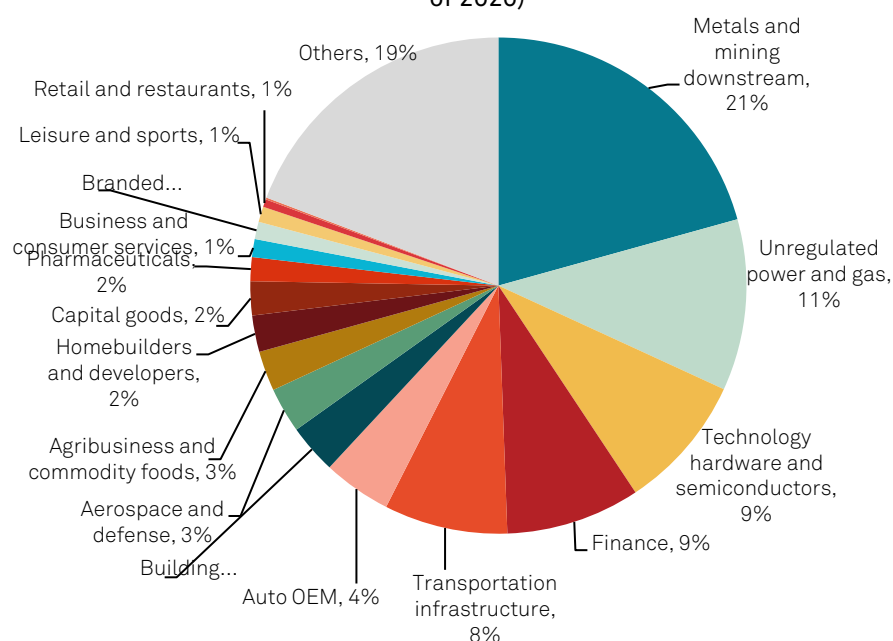
Major industries in the portfolio include: metals and mining downstream, unregulated power and gas, transportation infrastructure, Auto OEM, building materials, agribusiness and commodity foods, real estate developer, technology hardware and semiconductors, etc. A considerable portion of companies in the investment portfolio transitioned from regional Beijing-based SOEs to large-scale players with operations across the country, developing good reputations nationwide.

For example, Shougang Group and BBMG Corporation are top players in crude steel production and cement production respectively, with product sales covering multiple regional markets. BAIC Group is one of China's biggest selling automakers, and its Beijing Benz joint venture is among the top three brands in the country's luxury auto sector. BOE Technology Group is one of the world's leading LCD and AMOLED panel manufacturers, with production bases all over the country. It has become an important force in promoting the development of the domestic screen and panel industry.

In our opinion, BSCOMC's portfolio has good diversification across a wide range of industries and regions.

Chart 4

Industry Distribution of BSCOMC's investment portfolio (end of 2020)



Source: Company data, S&P Global (China) Ratings.
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In our opinion, BSCOMC's market-oriented approach to its equity and industrial fund investments underlines its good strategic investment ability. BSCOMC has a strict, disciplined approach to investment and risk prevention and control. Major investments require final approval from the Beijing municipal government. Investments are made with the aim of supporting areas such as industrial integration, SOE reform and development of key industries.

BSCOMC has a strict, disciplined approach to investment and risk control, in terms of its market-oriented equity and fund investments.

BSCOMC has strict selection criteria for industrial fund managers. Its current funds are managed in cooperation with professional private equity fund managers, including Carlyle, JPMorgan Chase, Goldman Sachs, CITIC Group, IDG Capital, etc. In our view, BSCOMC's strict criteria for fund manager selection have put in place the foundations for BSCOMC to obtain investment returns and effectively manage risk. BSCOMC's equity and fund investments still account for a relatively small proportion of its investment portfolio, the value of which is dominated by Beijing SOEs.

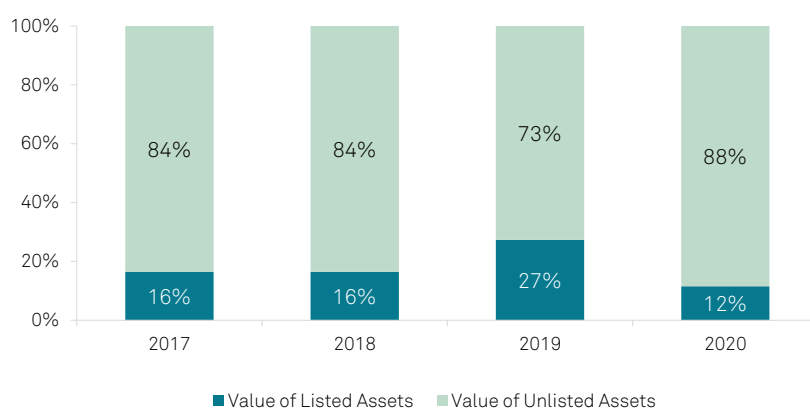
In our view, with the majority of its investment portfolio made up of unlisted companies, BSCOMC's asset liquidity is average. State-owned capital operation platforms are, in our opinion, tasked with achieving capital appreciation of state-owned assets and optimizing the structure of state-owned capital. To some degree, their equity positions reflect the will of the local government rather than a market-oriented choice made by the platform. Most of these platforms have investment portfolios dominated by unlisted companies. For this reason, we believe BSCOMC's asset structure is basically in line with other players in this sector.

After the 2020 equity transfer of CSC Financial Co., Ltd. (CSC Financial) to its wholly owned subsidiary Beijing Financial Holding Group Co., Ltd., the proportion of listed assets in BSCOMC's portfolio fell below 15%. BSCOMC's top three assets - Shougang Group, Beijing Energy Group and Beijing Capital Highway Development Group account for about 40% of the portfolio value, representing relatively high asset concentration.

In our opinion, BSCOMC's asset liquidity and asset concentration are similar to other comparable state-owned platforms under regional SASACs. In future, we expect BSCOMC to continue its long-term goal of assisting in the securitization of its investee companies, while continuing to support further listings of its investee companies to gradually improve asset liquidity.

Chart 5

The Majority of BSCOMC's Assets are Unlisted



Source: Company data, S&P Global (China) Ratings.
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Financial Risk Profile

We view BSCOMC's financial risk as modest, reflecting its low LTV ratio, relatively strong cash flow adequacy ratio and good capital structure. We expect BSCOMC's to maintain good access to refinancing in the future.

Unlike corporates, investment holding companies (IHCs) themselves generally do not carry out production and operation activities. IHCs are largely reliant on dividends received from their investee companies to service their own interest obligations. Investee companies' debts need to be covered by their own respective operating cash flow, and not from the IHC. Therefore, when analyzing the financial risks of an IHC, we focus on the parent company and related financing vehicles. Gross debt generally includes all parent company and related financing vehicles' debt. Portfolio value includes the value of all investee companies from the parent company and related financing vehicles.

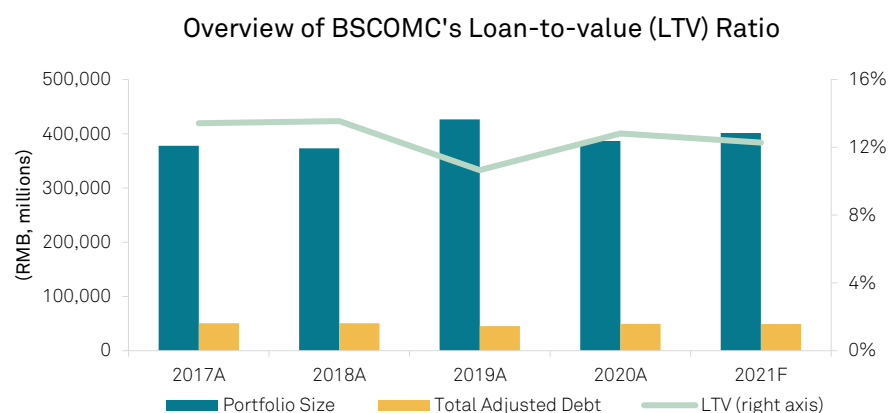
In our view, BSCOMC's large investment portfolio and relatively light parent-level debt can help it maintain its LTV ratio at a relatively low level. In the next year, we expect BSCOMC's investment scale to be around RMB 20 billion, with the focus largely on equity and industrial fund investments in line with government policy, SOE reforms and the development of key industries. We expect some of BSCOMC's investments to be debt-funded, while its abundant cash reserves can also cover other investment demand. Overall debt is expected to rise slightly.

The transfer of CSC Financial has had some impact on the value of BSCOMC's portfolio, but we believe its impact on the LTV ratio has been minimal due to the huge size of the portfolio. In our view, BSCOMC will maintain its prudent financial policy and keep its LTV ratio at a low level in the coming year.

As BSCOMC continues with its planned equity and fund investments, we expect the size of its portfolio to increase steadily, with no significant asset transfers in or out expected in the next 1-2 years. We expect BSCOMC's LTV ratio to remain within 11.0% - 15.0%.

We expect that new foreign investment will lead to a small increase in net debt. BSCOMC will maintain a prudent financial policy and keep LTV ratio low.

Chart 6



Note: A—actual. F—Forecast.

Source: Company data, S&P Global (China) Ratings.

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In our opinion, BSCOMC's adjusted cash dividends and interest income can cover its interest and daily operating expenses, with cash flow adequacy ratio at a sufficient level. In the next 1-2 years, we expect BSCOMC to receive about RMB 3 billion to RMB 4 billion in adjusted dividends and interest income, with interest and operating expenses of around RMB 2.5 billion to RMB 3.5 billion.

We hold a positive view of BSCOMC's funding and capital structure as well as its debt maturity profile and diverse access to refinancing. The tenor of BSCOMC's debt maturity profile is in line with the nature of its investments. Most of its debt is long term with a weighted average tenor of more than 3 years. With a good reputation in the financial market, we expect BSCOMC to maintain good access to refinancing due to strong support from banking and bond markets.

Table 1

BSCOMC – Key Metrics			
	2019A	2020A	2021F
Loan-to-value ratio (%)	10.7	12.8	11.0-15.0
Cash flow adequacy (x)	1.7	1.3	1.0-2.0

Note: A—Actual. F—Forecast.

Table 2

Adjusted Key Financial Data (RMB, millions)				
	2018A	2019A	2020A	2021.1-3
Long-term equity investments	274,006	270,198	261,067	288,222
Available-for-sale financial assets	75,565	84,522	103,288	-
Debt investments	-	-	-	3,667
Investment in other equity investments	-	-	-	89,179
Other non-current financial assets	-	-	-	3,545
Held-to-maturity investments	1,000	1,000	3,000	-
Other financial assets	11,489	4,888	4,812	--
Portfolio value - book value	362,059	360,608	372,167	384,613
Portfolio value - market value	373,271	426,412	386,755	--
Adjusted debt	50,570	45,434	49,570	51,551
Adjusted dividend income	1,943	4,162	2,979	--
Revenue	319	392	353	80
Interest income	287	499	548	127
Operating expenses	169	179	191	60
Taxes	59	195	465	24
Interest expense	2,688	2,601	2,322	613

Note: 1. Adjusted financial data is based on the report of the parent company; 2. A represents Actual; 3. Other financial assets mainly include wealth management products; 4. For 2021 Q1, certain data were unavailable, and marked with "--".

Peer Comparison

We have selected Guangdong Hengjian Investment Holding Co., Ltd. ("Hengjian"), Shenzhen Investment Holding Co., Ltd. ("SIHC"), Shandong Guohui Investment Co., Ltd. ("Guohui") and Guangxi Investment Group Co., Ltd. ("GXIG") as BSCOMC's closest peers. They are comparable to BSCOMC in terms of business and finance, and all perform relatively similar functions and are wholly owned by provincial or city level SASACs.

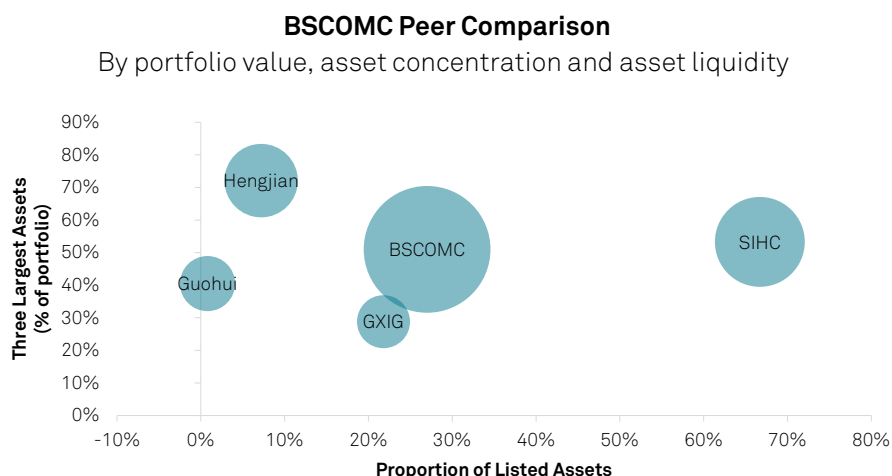
BSCOMC's overall asset credit quality is comparable to that of Hengjian and SIHC, all of which are at a stronger level in the industry. These companies invest in high quality SOEs in their respective regions, with good business risk profiles and strong competitiveness. Beijing, Guangdong and Shenzhen have strong economic and fiscal positions, underpinning their strong indicative support capacity to their regional SOEs.

Investment portfolios with stronger credit quality can, in our view, maintain their value and have a positive impact on the company's business and financial risk profiles. At the same time, portfolios with regional high-quality investee companies reflect, to some extent, the importance of that company to its local government.

Compared to its peers, we view BSCOMC's investment portfolio has a higher value and greater diversification. In our view, the wider the industry and geographic distribution, the greater the company's ability to mitigate risk. As of September 30, 2020, BSCOMC's portfolio had an asset value in excess of RMB 450 billion, putting it ahead of its peers. While BSCOMC and its peers all have investee companies in at least 3 industries, they vary to some degree in terms of geographic distribution. BSCOMC, Hengjian and SIHC all have portfolios with strong investee companies operating in a wide range of regions. With greater distribution nationwide, risks can be better dispersed, improving business stability.

In our opinion, BSCOMC and its peers are largely similar in terms of asset concentration and asset liquidity. Most state-owned capital operation platforms generally do not make market-oriented investment decisions. Asset concentration and liquidity are typically related to the direction and guidance of local governments, and the way in which state-owned assets are managed in that region. In our opinion, most of the peers have relatively high asset concentration and weaker asset liquidity. SIHC however has relatively strong asset liquidity. Listed companies make up more than 60% of the asset value of SIHC's portfolio, compared to less than 30% among the other peers.

Chart 7



Note: Bubble size represents portfolio value by end of Sep. 2020.

Source: Company data, S&P Global (China) Ratings.

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We view BSCOMC's financial risk as relatively low. Its LTV ratio is the lowest among its peers, which underlines BSCOMC's prudent investment policy as well as its strong capacity for refinancing. Unlike corporates, we view that the main cash flow source for debt obligations among IHCs comes from refinancing. The lower the LTV ratio, the stronger we regard the company's refinancing capacity and the lower its financial risk.

Table 3

Peer comparison (as of September 30, 2020)					
	BSCOMC	Hengjian	SIHC	Guohui	GXIG
Major roles	Promoting efficient allocation of state-owned capital, appreciation of state-owned assets	Guangdong-based platform, supports industry-finance integration	Shenzhen-based financial holding platform, supports technology and innovation	Shandong-based platform focused on industrial upgrade projects	Guangxi Zhuang Autonomous Region-based investment and financing platform
Portfolio covers >3 industries	Yes	Yes	Yes	Yes	Yes
Major industries	Metals and mining downstream, finance, power generation, transportation infrastructure	Power generation, metals and mining downstream, transportation cyclical, transportation infrastructure	Finance, transportation infrastructure, homebuilders and developers	Metals and mining upstream, transportation infrastructure, finance	Metals and mining downstream, finance, pharmaceuticals
Major assets	Shougang Group, Jingneng Group, Beijing	China Southern Power Grid,	Ping An, Guoxin Securities,	Shandong Energy Group, Shandong	Guangtong Energy, Yin Hai Aluminum,

	Highway, BAIC Group	Guangdong Energy Group, China Southern Airlines Group	Guotai Junan, Shenzhen International	High-speed group, Shandong Gold Group	Guohai Securities
Asset credit quality	Good	Good	Good	Average	Average
Portfolio value (RMB, 100 million)	4,500-5,000	1,500-2,000	2,000-2,500	500-1,000	500-1,000
Weight of listed assets (%)	20-30	5-10	60-70	0-5	20-30
Three largest assets (%) of portfolio	45-55	65-75	45-55	35-45	25-35
Loan-to-value (%)	9-15	15-30	10-20	15-30	>80

Note: Adjusted by S&P Global (China) Ratings. BSCOMC data includes listed company CSC Financial, which was transferred to Beijing Financial Holding Group in November 2020.

Source: Company annual report, S&P Global (China) Ratings.

Stand-alone Credit Profile

Based on our ratings methodology, we view the SACP of aa_{spc}- as reflective of BSCOMC's strong business risk profile and modest financial risk. Among entities we have researched nationwide, BSCOMC is in the top tier in terms of its SACP.

Liquidity

We view BSCOMC's liquidity as adequate and expect liquidity sources to cover liquidity demand by more than 1.2 times in the next year.

We expect BSCOMC's main liquidity sources to be refinancing, adjusted cash dividends and interest income. We expect adjusted cash dividends and interest income to be about RMB 3 billion to RMB 4 billion in the next 12 months. BSCOMC's operating and interest expense is set to be about RMB 2.5 billion to RMB 3.5 billion.

For refinancing, BSCOMC maintains good long-term relationships with banks and other financial institutions, and has good access to credit lines from its partner banks. As of the end of 2020, BSCOMC had overall credit lines of RMB 301.6 billion from its partner banks, RMB 25.5 billion of which had been used and the remaining RMB 276.1 billion undrawn. Based on data as of the end of 2020, BSCOMC's maturing debt in the next 12 months is expected to be around RMB 15 billion to RMB 16 billion.

Table 4

Source of liquidity	Liquidity use
Cash and cash equivalents of RMB 16.7 billion;	Maturing debt of RMB 15 billion to RMB 16 billion;
Adjusted cash dividends and interest income of RMB 3 billion to RMB 4 billion;	Interest and operating expenses of RMB 2.5 to RMB 3.5 billion.
Undrawn credit facilities of RMB 276.1 billion.	

Note: Data is based on financial report of parent company, as of the end of 2020.

Source: Data provided by BSCOMC, S&P Global (China) Ratings.

Debt Maturity Overview - Parent	
Year	Amount (RMB, 100 million)
2021	156
2022	60
2023	167
2024	88
2025 and beyond	150
Total	621

Note: Data as of the end of 2020.

Source: Data provided by BSCOMC, S&P Global (China) Ratings.

Past Debt Performance

According to BSCOMC's "Corporate Credit Report" and other relevant information, by the end of December 2020 all of BSCOMC's debt obligations had been repaid on time, with no delay in payment of principal and interest. According to public information, as of the date of this report BSCOMC has no record of credit default in the open market.

Issuer Credit Rating

In our opinion, the Beijing municipal government is strong economically with a good fiscal position, relatively light debt and extremely strong indicative support capacity.

We view BSCOMC as critical to the Beijing municipal government. This is mainly reflected by the following aspects:

- BSCOMC is wholly owned by Beijing SASAC. BSCOMC has close ties with the Beijing municipal government in terms of its equity structure and management mechanism. BSCOMC's Management Committee is made up of officials from Beijing SASAC, and major investment decisions must be approved by Beijing municipal government.
- In our opinion, BSCOMC plays a critically important role on behalf of the Beijing municipal government. BSCOMC is a state-owned capital operation platform primarily focused on managing the capital operations of state-owned assets. BSCOMC plays a strategic role on behalf of Beijing municipal

We view BSCOMC as critical to the Beijing municipal government. BSCOMC has close ties with the Beijing municipal government and plays a critically important role on behalf of the government.

government, promoting the orderly allocation of state-owned capital while achieving capital appreciation of state-owned assets.

- We view the likelihood of Beijing municipal government selling or divesting BSCOMC as extremely low. As an important state-owned capital operation platform in Beijing, BSCOMC holds equity stakes in high-quality, competitive Beijing SOEs. Its assets under management account for more than half of total SOE assets directly under Beijing SASAC. BSCOMC has continuously received asset transfers or capital injections from the government since its establishment, reflecting a stable government support for BSCOMC.
- We do not expect the planned corporate reform to affect BSCOMC's importance to the Beijing municipal government.

Rating Score Snapshot

Issuer Credit Rating: AAA_{spc}/Stable

Business Risk Profile: 2/Strong

Industry Risk: 3/Intermediate

Investment Position: 2/Strong

Financial Risk Profile: 2/Modest

Anchor: aa-

Adjustments

Liquidity: Adequate (no impact)

Management and Governance: Neutral (no impact)

Holistic adjustment: Neutral (no impact)

Stand-alone Credit Profile: aa_{spc}-

External influence: +3

Appendix

Appendix 1: Rated Entity's Main Investment Portfolio Assets (as of December 2020)

Assets	Shareholding ratio	Listed or not
Shougang Group Co., Ltd.	100.00%	No
Beijing Electronics Holding Co., Ltd	100.00%	No
Beijing Jingcheng Electromechanical Holding Co., Ltd.	100.00%	No
Beijing Energy Group Co., Ltd	100.00%	No
Beijing Capital Road Development Group Co., Ltd.	100.00%	No
Beijing Yiqing Holding Co., Ltd.	100.00%	No
Beijing Capital Development Holding (Group) Co., Ltd.	100.00%	No
BAIC Group Co., Ltd.	100.00%	No
China Beijing Tongrentang (Group) Co., Ltd.	100.00%	No
Beijing Suburban Tourism Industrial Development Company	100.00%	No
Beijing Urban and Rural Commerce (Group) Co., Ltd.	34.23%	Yes
Beijing Xianglong Asset Management Co., Ltd.	100.00%	No
Beijing Beichen Industrial Group Co., Ltd.	100.00%	No
Beijing Jinyu Asset Management Co., Ltd.	100.00%	No
BBMG Corporation	44.93%	Yes
Beijing Shounong Food Group Co., Ltd.	100.00%	No
China Aero Engine Group Co., Ltd.	20.00%	No
Beijing Shouhuan Cultural Tourism Investment Co., Ltd	25.00%	No
Beijing Equity Investment Development Center (limited partnership)	99.99%	No
China Resources Pharmaceutical Group Co., Ltd.	17.42%	Yes
China Bond Insurance Co., Ltd.	16.50%	No
AVIC Beijing Co., Ltd.	18.18%	No
Beijing Innovation Industry Investment Co., Ltd	40.00%	No
Beijing International Technical Cooperation Center Co., Ltd.	100.00%	No
BAIC Motor Co., Ltd.	3.42%	Yes
Beijing Equity Investment Development Management Center	99.95%	No
BAIC Foton Motor Co., Ltd.	4.51%	Yes
Beijing Beiyi Machine Tool Co., Ltd	11.79%	No
ZhongGuanCun Equity Trading Service Company	67.31%	No
Beijing Jingneng Clean Energy Power Co., Ltd.	2.72%	Yes
Hainan Jingliang Holding Co., Ltd.	6.67%	Yes
BOE Technology Group Co., Ltd.,	11.68%	Yes

Note: BSCOMC holds a 17.42% equity stake in listed company "China Resources Pharmaceutical Group Co., Ltd." through BSCOMC's wholly-owned subsidiary "Beijing State-owned Capital Operation and Management Center Investment Holding Co., Ltd."

Appendix 2: Key Financial Data

BSCOMC: Key Financial Data (Consolidated statement, RMB, in millions)

	2018	2019	2020	2021.1-3
Cash and cash equivalent	366,787	366,235	417,400	438,608
Available for sale financial assets	102,335	134,385	191,206	-
Held to maturity investments	-	13	1,013	-
Long term equity investments	191,158	195,371	195,269	257,608
Fixed assets	729,189	719,058	866,154	876,168
Total assets	2,788,114	2,951,877	3,197,786	3,317,691
Short term borrowings	233,523	227,434	244,994	255,104
Notes payable and accounts payable	231,044	227,635	242,504	245,681
Non-current liabilities due within one year	163,005	167,663	189,935	195,734
Long term borrowings	408,123	447,944	500,345	518,605
Bonds payable	230,745	269,939	277,224	284,807
Shareholders' equity	910,905	969,476	1,059,721	1,142,658
Revenue	997,060	1,070,031	1,140,672	320,597
COGS	802,870	862,859	940,302	262,483
Selling expenses	41,232	43,546	39,605	9,993
Administrative expenses	53,000	53,000	52,331	13,202
Financial expenses	33,568	33,345	33,568	8,334
Investment income	23,431	23,587	22,258	5,360
Total profit	62,151	65,542	65,203	22,183
Net profit	42,684	43,859	41,672	15,824
Cash inflow from operating activities	1,245,081	1,300,635	1,391,558	374,647
Cash outflow from operating activities	1,167,717	1,211,770	1,276,490	349,013
Net cash flow from operating activities	77,364	88,865	115,068	25,634
Cash inflow from investment activities	180,041	157,574	129,650	27,579
Cash outflow from investment activities	337,027	305,692	270,231	61,091
Net cash flow from investing activities	-156,986	-148,119	-140,581	-33,512
Cash inflow from financing activities	722,057	753,622	840,481	228,084
Cash outflow from financing activities	615,072	704,503	768,547	199,669
Net cash flow from financing activities	106,985	49,119	71,934	28,415

BSCOMC: Key Financial Data (parent company, RMB, in millions)

	2018	2019	2020	2021.1-3
Cash and cash equivalent	15,878	7,957	16,732	18,517
Available for sale financial assets	75,565	84,522	103,288	-
Held to maturity investments	1,000	1,000	3,000	-
Long term equity investments	274,006	270,198	261,067	288,222
Fixed assets	403	395	388	385
Total assets	382,416	372,382	392,925	408,738
Short term borrowings	0	1,000	-	-
Notes payable and accounts payable	0	-	2	2
Non-current liabilities due within one year	24,994	3,476	12,033	11,994
Long term borrowings	2,530	1,150	7,650	7,650
Bonds payable	33,956	43,767	38,787	41,785
Shareholders' equity	305,776	306,761	317,878	327,463
Revenue	319	392	353	80

COGS	67	67	67	17
Selling expenses	0	-	-	-
Administrative expenses	103	112	124	44
Financial expenses	2,479	2,181	1,858	508
Investment income	7,043	13,702	8,120	3,229
Total profit	4,655	11,189	6,453	2,739
Net profit	4,655	11,054	6,055	2,717
Cash inflow from operating activities	413	5,601	2,158	992
Cash outflow from operating activities	218	4,080	1,777	1,020
Net cash flow from operating activities	194	1,521	381	-29
Cash inflow from investment activities	40,764	40,507	21,721	6,329
Cash outflow from investment activities	42,427	25,091	19,505	5,638
Net cash flow from investing activities	-1,663	15,416	2,215	691
Cash inflow from financing activities	26,911	19,767	32,628	10,246
Cash outflow from financing activities	9,890	44,626	26,449	9,713
Net cash flow from financing activities	17,020	-24,858	6,179	533

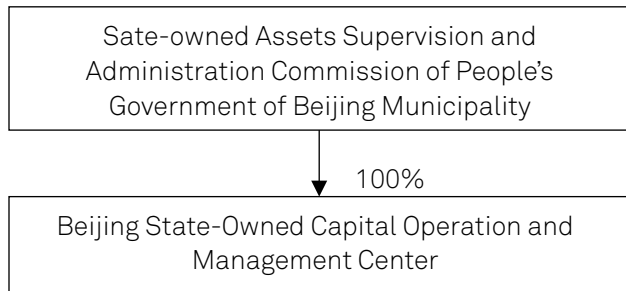
Adjusted financial data and indicators (RMB, in millions)

	2018	2019	2020	2021.1-3
Long-term equity investments	274,006	270,198	261,067	288,222
Available-for-sale financial assets	75,565	84,522	103,288	-
Debt investments	-	-	-	3,667
Investment in other equity investments	-	-	-	89,179
Other non-current financial assets	-	-	-	3,545
Held-to-maturity investments	1,000	1,000	3,000	-
Other financial assets	11,489	4,888	4,812	--
Portfolio value - book value	362,059	360,608	372,167	384,613
Portfolio value - market value	373,271	426,412	386,755	--
Adjusted debt	50,570	45,434	49,570	51,551
Adjusted dividend income	1,943	4,162	2,979	--
Operating income	319	392	353	80
Interest income	287	499	548	127
Operating expenses	169	179	191	60
Taxes	59	195	465	24
Interest expense	2,688	2,601	2,322	613

Note: 1. The financial data in the above table are based on the standard unqualified opinions of audit reports by Grant Thornton (2018-2020), and the unaudited 2021 first quarter financial statements, restated numbers are used for 2018-2019; 2. Adjusted financial data are based on the report of the parent company; 3. Other financial assets mainly include wealth management products; 4. Some data are unavailable, represented by "--".

Source: Company audit report.

Appendix 3: Ownership Structure of the Rated Entity as of end of 2020



Appendix 4: Organizational Structure of the Rated Entity as of the end of 2020

For organizational chart, please refer to the Chinese report.

Appendix 5: Key Terms

Key Terms

Loan-to-value (LTV/RATIO) = debt / portfolio value

Portfolio value = book value of non-listed company + market value of listed company + book value of available for sale financial assets + book value of held to maturity investments + others

Short-term debt = Short-term loan + Financial liabilities held for trading + Account payable + Current portion of non-current liabilities (interest-bearing part) + Interest payable + Other interest-bearing short-term debt

Long-term debt = Long-term loan + Bond + Financial lease payable + Provisions-guarantees & litigations + Other interest-bearing long-term debt

Adjusted total debt = Short-term debt + Long-term debt + Operating lease debt - Surplus Cash + Asset retirement obligation debt adjustment + Hybrid securities + External Guarantees & Litigations + Other adjustments (letter of credit, letter of guarantee, etc.)

Cash flow adequacy = Recurring cash inflows / Nondiscretionary cash outflows

Recurring cash inflows = cash dividends received + management fee income + cash interest income + other

Nondiscretionary cash outflows = cash operating expenditure + tax + interest expenditure + other

Appendix 6: Ratings Definitions

Category	Definition
AAA _{spc}	The repayment ability is extremely strong, generally not impacted by any adverse economic environment, and the default risk is extremely low.
AA _{spc}	The repayment ability is very strong, not considerably impacted by any adverse economic environment, and the default risk is very low.
A _{spc}	The repayment ability is comparatively strong, comparatively vulnerable to the impact of adverse economic environment, and the default risk is comparatively low.
BBB _{spc}	The repayment ability is average, comparatively impacted by adverse economic environment, and the default risk is average.
BB _{spc}	The repayment ability is comparatively weak, materially impacted by adverse economic environment, and the default risk is comparatively high.
B _{spc}	The repayment ability relies comparatively on fair economic environment and the default risk is very high.
CCC _{spc}	The repayment ability relies extremely on fair economic environment and the default risk is extremely high.

CC _{spc}	Lower protection in situation of bankruptcy or reorganization and the repayment of debt may not be generally guaranteed.
C _{spc}	Unable to repay the debt.

*Ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories.

Appendix 7: Surveillance Plan

S&P Ratings (China) Co., Ltd. shall monitor the credit quality of the rated issuer and issues on a periodic and an ongoing basis. If any material credit events are likely to change the credit quality of the issuer and issues, we will conduct ad-hoc surveillance, and determine whether the outstanding ratings need to be adjusted.

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