

## Surveillance Credit Rating Report:

# Beijing State-owned Capital Operation and Management Company Limited

Issuer Credit Rating \*: AAA<sub>spc</sub>; Outlook: Stable

June 29, 2022

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\*This rating is an Issuer Credit Rating (ICR). An ICR typically reflects our view of the senior unsecured credit rating of an issuer and is not specific to an individual issuance that it may issue.

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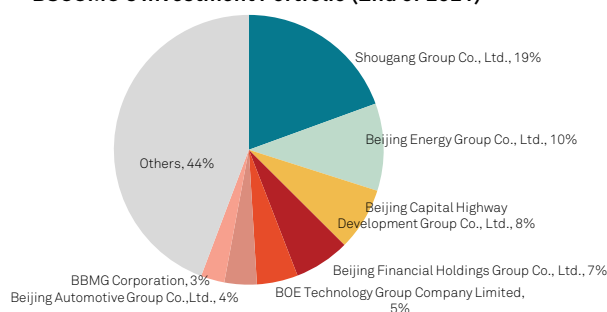
The rating presented in this report is effective from the rating date, until and unless we make any further updates.

## Tear Sheet

Company Name	Rating Type	Current Rating	Rating Date	Outlook/CreditWatch
Beijing State-owned Capital Operation and Management Company Limited	Issuer Credit Rating	AAA <sub>spc</sub>	June 29, 2022	Stable

**Industry Classification:** Investment Holding Company.

**Company Profile:** Beijing State-owned Capital Operation and Management Company Limited ("BSCOMC" or "company") was established in 2008. In July 2021, it was restructured from an "industrial enterprise wholly-owned by the people" to a "wholly state-owned company". BSCOMC is wholly owned by the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality ("Beijing SASAC"). BSCOMC's main business is investment in and management of state-owned capital. It 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's Investment Portfolio (End of 2021)**

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:** In our view, Beijing, as the capital city, has strong economic and fiscal positions with a low debt level. Its indicative support capacity is extremely strong. Beijing's SOEs under SASAC have relatively strong scale advantages and profitability. As COVID prevention measures enter a new phase, Beijing's SOEs have entered a steady recovery, with revenue and profitability for the city's SOEs under SASAC exceeding pre-COVID levels. We expect state-owned capital management companies to increase investments in areas supportive of China's economic priorities, including semiconductors, new energy, pharmaceuticals and environmental sectors. As state-owned capital management companies continue playing important roles in their respective regions, they should remain active players in debt financing, potentially leading to increased debt and leverage levels. As these companies continue to play a role in optimizing allocation of state-owned assets and supporting strategic industries, we expect potential government support to remain stable.

**Credit Highlights:**

**Business Risk Profile:** We view BSCOMC's business risk profile as "strong". BSCOMC's investment portfolio has 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. In our view, BSCOMC has a strict, disciplined approach to investment and risk control, in terms of its market-oriented equity and fund investments. We expect most of BSCOMC's investee companies to remain unlisted. Asset liquidity is average and asset concentration is relatively high. That being said, the structure of its asset portfolio is largely consistent with how Beijing municipal government allocates its assets. We don't expect asset liquidity or concentration to have any significant impact on the company's business risk profile.

**Financial Risk Profile:** We view BSCOMC's financial risk profile as "modest". BSCOMC should maintain its low LTV ratio, and we expect cash flow adequacy ratio to remain healthy. Its debt financing structure should stay stable as it retains wide access to refinancing. While its LTV ratio may rise in step with further fund and equity investments, it retains a prudent financial policy and has a stable approach to investment. Additional debts taken on through new investments would be controllable considering the overall size of its current asset portfolio. We believe the company's financial indicators are accommodative enough for it to maintain its "modest" financial risk profile over the next 1-2 years.

**Stand-alone Credit Profile:** In our view, the SACP of aa<sub>spc</sub>- reflects BSCOMC's "strong" business risk profile and "modest" financial risk profile.

**Key Metrics:**

	2020A	2021A	2022E	2023F
Loan-to-value (%)	12.8	15.3	15.0-18.0	15.0-18.0
Cash flow adequacy (x)	1.3	1.3	1.0-2.0	1.0-2.0

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

**Rating Snapshot:**

**Issuer Credit Rating:** AAA<sub>spc</sub>/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)

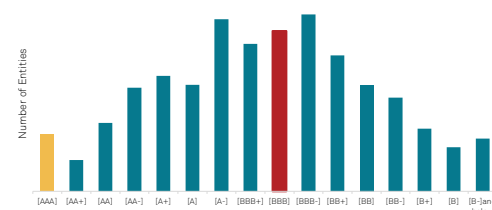
Management & Governance: Neutral (no impact)

Holistic adjustment: Neutral (no impact)

**Stand-alone Credit Profile:** aa<sub>spc</sub>-

**External influence:** +3

**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, senior management is selected by Beijing municipal government. The company's operations undergo continuous supervision and assessment by Beijing SASAC, and the Beijing municipal government oversees all major investment and financing decisions. BSCOMC is an important state-owned capital operation platform in Beijing, and holds equity stakes in high-quality, competitive Beijing SOEs. By the end of 2021, the company's assets under management exceeded 3.3 trillion RMB, representing more than half of assets under Beijing SASAC. Following the company's restructure, we expect its management and governance structure to become increasingly market-oriented. However, its core equity structure, strategic role and decision-making mechanism would not see substantial changes. In our opinion, adjustments to its governance structure should not affect the close relationship between BSCOMC and the Beijing municipal government.

**Position of BSCOMC's Credit Quality Among Indicative Credit Quality of 1,700 Chinese Companies**

Note: The red bar represents the median indicative credit quality of top 1700 entities, and the yellow bar represents the position of BSCOMC. Copyright © 2022 by S&P Ratings (China) Co., Ltd. All rights reserved.

**Peer comparison: (as of end of 2021)**

	BSCOMC	Hengjian	SIHC	Guohui
Portfolio Value (RMB 100 million)	3,800-4,200	1,500-2,000	2,000-2,500	700-1,200
Weight of listed assets (%)	10-15	5-15	55-65	0-5
Three largest assets (% of portfolio)	35-45	65-75	40-50	40-50
Loan-to-value ratio (%)	15-20	20-30	15-25	15-25

Note: Above data adjusted by S&P Global (China) Ratings. Hengjian -- Guangdong Hengjian Investment Holding Co., Ltd., SIHC -- Shenzhen Investment Holding Co., Ltd., Guohui -- Shandong Guohui Investment Co., Ltd. Source: Company annual report, adjusted by S&P Global (China) Ratings.

## Assumptions and Forecasts

### Assumptions

- For 2022, BSCOMC carries out investments of around RMB 15 billion to RMB 18 billion. For 2023, its investment scale remains largely stable.
- For 2022 and 2023, BSCOMC's annual cash inflow from asset divestments, dividends and government capital injection is around RMB 8 billion to RMB 11 billion per year.
- For 2022 and 2023, BSCOMC receives around RMB 4 billion to RMB 5 billion in adjusted dividend and interest income per year and pays around RMB 3 billion to RMB 4 billion in interest and operating expenses.

### Outlook

We maintain our stable outlook on BSCOMC. This reflects our view that BSCOMC remains critical to the Beijing municipal government, and that the indicative support capacity of Beijing municipal government continues to be 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 and structure 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 increased investment activity may lead to a small increase in its LTV ratio, we believe its "modest" financial risk profile can accommodate such an increase without impact.

### 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 senior management and limiting its control over the company's 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

## Appendix

### Appendix 1: Rated Entity's Main Investment Portfolio Assets (as of end of 2021)

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.	30.00%	No
China Resources Pharmaceutical Group Co., Ltd.	17.42%	Yes
BAIC Motor Co., Ltd.	3.42%	Yes
BAIC Foton Motor Co., Ltd.	4.51%	Yes
Beijing Jingneng Clean Energy Power Co., Ltd.	2.72%	Yes
Hainan Jingliang Holding Co., Ltd.	6.67%	Yes
BOE Technology Group Co., Ltd.	10.57%	Yes
Beijing Financial Holdings Group Co., Ltd.	100.00%	No
Beijing Jing Guorui SOE Reform And Development Fund (limited partnership)	77.59%	No
Beijing Rural Commercial Bank Co., Ltd.	7.75%	No
Beijing Foreign Enterprise Human Resources Service Co., Ltd.	86.00%	No

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)

	2019	2020	2021	2022.1-3
Cash and cash equivalent	366,235	422,753	452,573	473,129
Long term equity investments	195,371	224,679	243,846	253,662
Fixed assets	719,058	863,437	883,676	868,947
Total assets	2,951,877	3,234,056	3,337,305	3,379,784
Short term borrowings	227,434	245,637	198,355	196,911
Notes payable and accounts payable	227,635	244,773	261,331	261,617
Non-current liabilities due within one year	167,663	195,418	208,834	168,940
Long term borrowings	447,944	500,280	508,901	554,368
Bonds payable	269,939	277,261	269,333	281,629
Shareholders' equity	969,476	1,074,509	1,181,499	1,225,933
Revenue	1,070,031	1,158,607	1,406,808	315,615
COGS	862,859	958,504	1,150,540	262,389
Selling expenses	43,546	39,112	40,742	9,464
Administrative expenses	53,000	51,419	56,415	12,832
Financial expenses	33,345	33,516	34,103	7,660
Investment income	23,587	22,505	36,589	4,163
Total profit	65,542	66,032	95,438	15,306
Net profit	43,859	42,315	65,368	9,723
Cash inflow from operating activities	1,300,635	1,358,214	1,639,906	432,227
Cash outflow from operating activities	1,211,770	1,235,922	1,451,060	412,593
Net cash flow from operating activities	88,865	122,292	188,845	19,634
Cash inflow from investment activities	157,574	139,729	130,621	26,912
Cash outflow from investment activities	305,692	277,425	249,567	59,298
Net cash flow from investing activities	-148,119	-137,697	-118,946	-32,386
Cash inflow from financing activities	753,622	847,983	787,332	214,190
Cash outflow from financing activities	704,503	786,823	831,664	201,635
Net cash flow from financing activities	49,119	61,160	-44,332	12,554

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

	2019	2020	2021	2022.1-3
Cash and cash equivalent	7,957	21,492	16,681	26,379
Available for sale financial assets	84,522	-	-	-
Held to maturity investments	1,000	-	-	-
Debt investment	-	3,000	3,867	3,300
Investment in other equity instruments	-	82,666	93,214	95,214
Other non-current financial assets	-	3,508	4,161	4,133
Long term equity investments	270,198	286,280	293,977	293,816
Fixed assets	395	388	497	494
Total assets	372,382	401,023	416,028	428,769
Short term borrowings	1,000	-	-	-
Notes payable and accounts payable	-	2	2	2
Non-current liabilities due within one year	3,476	12,854	6,973	7,113
Long term borrowings	1,150	7,650	7,550	14,550
Bonds payable	43,767	38,787	48,765	50,758
Shareholders' equity	306,761	322,814	330,538	333,501

Revenue	392	353	331	69
COGS	67	67	66	16
Selling expenses	-	-	-	-
Administrative expenses	112	124	131	41
Financial expenses	2,181	1,858	2,041	516
Investment income	13,702	8,120	8,491	1,469
Total profit	11,189	6,453	6,448	963
Net profit	11,054	6,055	6,086	963
Cash inflow from operating activities	5,601	2,158	3,127	608
Cash outflow from operating activities	4,080	1,777	2,613	376
Net cash flow from operating activities	1,521	381	514	232
Cash inflow from investment activities	40,507	21,721	16,390	1,099
Cash outflow from investment activities	25,091	19,505	15,390	2,600
Net cash flow from investing activities	15,416	2,215	1,000	-1,500
Cash inflow from financing activities	19,767	32,628	47,374	12,500
Cash outflow from financing activities	44,626	26,449	50,486	1,593
Net cash flow from financing activities	-24,858	6,179	-3,111	10,907

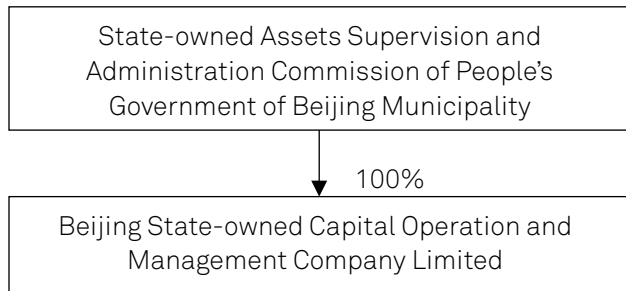
### Adjusted financial data and indicators (RMB, in millions)

	2019	2020	2021	2022.1-3
Long-term equity investments	270,198	261,067	293,977	293,816
Available-for-sale financial assets	84,522	103,288	-	-
Debt investments	-	-	3,867	3,300
Investment in other equity investments	-	-	93,214	95,214
Other non-current financial assets	-	-	4,161	4,133
Held-to-maturity investments	1,000	3,000	-	-
Held for trading financial assets	-	-	1,138	1,138
Other financial assets	4,888	4,812	476	--
Portfolio value - book value	360,608	372,167	404,433	--
Portfolio value - market value	426,412	386,755	414,686	--
Adjusted debt	45,434	49,570	63,396	--
Adjusted dividend income	4,162	2,979	3,164	--
Operating income	392	353	331	69
Interest income	499	548	655	129
Operating expenses	179	191	199	58
Taxes	195	465	423	2
Interest expense	2,601	2,322	2,627	627

Note: 1. The financial data in the above table are based on the standard unqualified opinions of audit reports by Grant Thornton (2019-2021), and the unaudited 2022 Q1 interim financial statements, restated numbers are used for 2019-2020; 2. Adjusted financial data are based on the report of the parent company; 3. Other financial assets mainly include wealth management products and entrusted loan investments within 1 year; 4. Some data are unavailable, represented by "--".

Source: Company audit report.

### Appendix 3: Ownership Structure of the Rated Entity as of the end of 2021



### Appendix 4: Organizational Structure of the Rated Entity as of the end of 2021

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 = Long-term equity investments + investments in other equity instruments + debt investments + other non-current financial assets + other

Short-term debt = Short-term loan + financial liabilities held for trading + accounts 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

Note: For portfolio value, unlisted assets are measured at book value and listed assets at their market value.

### Appendix 6: Ratings Definitions

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

CC <sub>spc</sub>	Lower protection in situation of bankruptcy or reorganization and the repayment of debt may not be generally guaranteed.
C <sub>spc</sub>	Unable to repay the debt.

\*Ratings from 'AA<sub>spc</sub>' to 'CCC<sub>spc</sub>' 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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