

# Beijing Electronics Holding Co., Ltd.

## Public Offering of Corporate Bonds to Qualified Investors in 2019

**Credit rating for this bond: AAA**

**Credit rating of the issuer: AAA**

**Rating outlook: Stable**

**Scale of this issue: No more than CNY 620 mn (inclusive)**

**Maturity: 3 years**

**Debt servicing method: Annual interest payment, repayment of principal at maturity.**

**Repayment guarantee: A “Statement of Support” has been issued by the controlling shareholder**

**Date of rating: Monday, June 3, 2019**

### Key financial data

#### Issuer

Item	2016	2017	2018
Total assets (CNY 100mn)	2,359.12	2,929.09	3,502.44
Owners' equity (CNY 100mn)	1,063.71	1,197.78	1,417.65
Long-term liabilities (CNY 100mn)	630.93	950.04	1,127.19
Total liabilities (CNY 100mn)	739.74	1,100.14	1,271.96
Operating income (CNY 100mn)	782.17	1,044.04	1,094.81
Net profit (CNY 100mn)	27.97	87.61	40.66
EBITDA (CNY 100mn)	166.54	260.73	240.44
Net cash flow from operating activities (CNY 100mn)	101.25	276.32	217.10
Operating profit margin (%)	19.15	24.98	21.24
ROE (%)	2.86	7.75	3.11
Debt-to-asset ratio (%)	54.91	59.11	59.52
Total debt to capitalization ratio (%)	41.02	47.88	47.29
Current ratio (x)	2.17	2.02	1.71
Total liabilities / EBITDA (x)	0.23	0.24	0.19
EBITDA-to-interest cover (x)	6.77	7.89	4.89
EBITDA / issue size (x)	26.86	42.05	38.78

#### Supporting party

Item	2017	2018
Total assets (CNY 100mn)	25,301.51	27,726.65
Owners' equity (CNY 100mn)	8,471.29	9,090.70
Operating income (CNY 100mn)	9,607.83	9,944.61
Net profit (CNY 100mn)	430.11	429.36
Debt-to-asset ratio (%)	66.52	67.21

Note: 1. Due to rounding-off, difference exists between the sum of sub-totals and grand totals in this report; unless otherwise stated, the currency used here refers to the Chinese yuan (CNY); 2. The data in this report refer to consolidated data unless indicated otherwise; 3. Interest-bearing debts of other current liabilities and long-term payables are recognized as short-term liabilities and long-term liabilities, respectively.

#### Rationale

The ratings assigned by United Credit Ratings Co., Ltd. (hereinafter referred to as “United Ratings”) to Beijing Electronics Holding Co., Ltd. (hereinafter referred to as the “Company” or “Beijing Electronics Holding”) reflects the fact that the Company, as a super-large high-tech enterprise group authorized by the Beijing Municipal State-Owned Assets Supervision and Administration Commission, owns three public companies specializing in four core businesses - semiconductor displays, integrated circuits, electronic information services and new energy, and has gained clear advantages in market position, asset scale, business synergy, technology research and development and government support. On the other hand, United Ratings also finds certain factors which have an adverse effect on its credit ratings. For example, the Company is exposed to increasingly intense market competition; product prices are on a downward trajectory, on-going projects entail heavy investments, development projects in industrial parks are under considerable sales pressure; minority shareholdings make up a high proportion of the total equity; and government subsidies account for a significant percentage of the total profit.

The Company is expected to maintain its leading position in the domestic market in terms of business scale and market share in the market segment, amid continuous production line adjustments and product structure optimization in the semiconductor display industry. Furthermore, given the smooth progress in the sales of industrial park and technology service projects as well the steady development of cultural and creative businesses, the Company is expected to deliver solid business performance. United Ratings assigns the “stable” rating outlook to the Company.

The State-owned Capital Operation and Management Center of Beijing (hereinafter referred to as the “BJ SCOMC”) has issued a Statement of Support for the bond tranche, pledging that if the Company encounters difficulty in debt repayment during future business operations, the BJ SCOMC will, in

compliance with the laws, regulations and pertinent regulatory rules, assist it in solving the debt repayment issues after the Company has completed relevant approval and filing formalities. As a state-owned asset management entity and a state-owned capital operator under the sole control of Beijing Municipal State-Owned Assets Supervision and Administration Commission, the BJ SCOMC holds high-quality equity in a large number of existing enterprises affiliated with the Beijing government, and has a prominent position in the state-owned assets administration system of Beijing. Issuance of the Statement attests to the BJ SCOMC's confidence in the Company and its commitment to providing support, therefore it has a positive impact on the credit rating of the bond tranche.

Based on a comprehensive assessment of the bond issuer's long-term credit profile and its ability to repay debts associated with the bond tranche, United Ratings concludes that the risk of default on the bond repayment is extremely low.

### Strengths

1. Electronic information has been regarded as China's fundamental and leading "pillar industry" of strategic importance. Given the growing demand on large panels and small- and medium-sized mobile devices, the Company's semiconductor display products have enormous room and potential for future development.

2. The Company boasts various competitive advantages, such as the large amount of assets and earnings, highly synergistic businesses, a fully developed production-supply-sales model, balanced distribution of production bases, a rigorous management system and strong profitability.

3. The Company has been continuously building on its innovative capacity, and currently has more than 10,000 usable patents. In particular, it has distinct technological advantages in areas such as display semiconductor, polysilicon and thin-film solar equipment, complete production processes, digital radio and television transmitting technology, ultra-small encapsulating and RMB recognition technologies, which have come up to international advanced level.

4. As a super-large high-tech enterprise group authorized by the Beijing Municipal State-Owned Assets Supervision and Administration Commission, the Company has received strong funding support from the government and other authorities.

### Concerns

1. Although global demand for semiconductor displays has increased consistently in recent years, prices of the Company's key products are under downside pressure due to fierce competition as well as product and technology upgrades.

2. The Company's main product, liquid crystal display (LCD) devices, is a capital- and technology-intensive business, which is characterized by heavy production line investment, a lengthy construction period and substantial financial inputs in R&D operation at later stages.

3. The slowdown of economic growth has made it more difficult for industrial parks to attract businesses and investors, a phenomenon which has exerted an adverse effect on the sales operations of the Company's industrial park development projects.

4. The owner's equity attributable to the parent company only makes up a small portion of the Company's total equity; and government subsidies account for a significant percentage of the total profit.

### Analysts

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