

Renewable Corporate Bonds Issued by BOE Technology Group Co., Ltd in 2019

Credit rating of the bond: AAA

Credit rating of the issuer: AAA

Rating outlook: Stable

Size of this issue: No more than CNY 30 billion (inclusive)

Maturity of the debt: The base period is not more than 10 years (inclusive), at the end of which and at the end of each period, the Company is entitled to exercise the renewal.

Debt servicing method: Annual interest payment. In case of deferral, the interest on each deferred interest accrues according to the current coupon rate during the deferred period.

Rating assigned date: September 4, 2019

Key financial data

| Item | 2016 | 2017 | 2018 | 2019 June |
|---|----------|----------|----------|-----------|
| Total assets (CNY 100mn) | 2,051.35 | 2,561.09 | 3,040.28 | 3,170.62 |
| Owners' equity (CNY 100mn) | 920.16 | 1,042.84 | 1,203.57 | 1,244.91 |
| Long-term liabilities (CNY 100mn) | 682.63 | 977.31 | 1,143.61 | 1,173.64 |
| Total liabilities (CNY 100mn) | 775.05 | 1,106.34 | 1,259.99 | 1,334.28 |
| Revenue (CNY 100mn) | 688.96 | 938.00 | 971.09 | 550.39 |
| Net profit (CNY 100mn) | 20.45 | 78.60 | 28.80 | 11.28 |
| EBITDA (CNY 100mn) | 149.09 | 241.65 | 213.05 | -- |
| Net cash flow from operating activities (CNY 100mn) | 100.73 | 267.27 | 256.84 | 115.95 |
| Operating profit margin (%) | 17.20 | 24.32 | 19.59 | 15.99 |
| ROE (%) | 2.40 | 8.01 | 2.56 | 0.92 |
| Debt-to-asset ratio (%) | 55.14 | 59.28 | 60.41 | 60.74 |
| Total debt-to-capitalization ratio (%) | 45.72 | 51.48 | 51.15 | 51.73 |
| Current ratio (x) | 2.20 | 2.01 | 1.60 | 1.41 |
| EBITDA-to-total liabilities ratio (x) | 0.19 | 0.22 | 0.17 | -- |
| EBITDA-to-interest coverage ratio (x) | 6.35 | 7.69 | 4.67 | -- |
| EBITDA /scale of this Bond (x) | 0.50 | 0.81 | 0.71 | -- |

Note: 1. Figures may not sum due to rounding; unless otherwise stated, the currency herein refers to the Chinese yuan (CNY); 2. Unless otherwise stated, all financial data herein are consolidated; 3. The interest-bearing portion of other non-current liabilities and long-term payables has been included in long-term liabilities. Financial data for January-June 2019 is unaudited and relevant indicators are non-annualized.

Rationale

The rating assigned to BOE Technology Group Co., Ltd (hereinafter referred to as the "Company" or "BOE") by United Credit Ratings Co. (hereinafter referred to as "United Ratings") reflects the fact that, as a leading enterprise in global semiconductor display industry, BOE boasts substantial competitive advantages in terms of market status, capacity, technology and R&D strength as well as government support. Its market share stays at the top in the industry. With the gradual release of its production capacity in recent years, the Company's operating income increased year by year, thus maintains a high ranking in terms of gross profit margin in the sector. In the meanwhile, the cash flow from operating activities continues to be positive. The Company's debts are mainly long-term in nature, indicating a sound debt structure. At the same time, United Ratings also pays close attention to possible adverse effects they might have on the Company's credit standing, brought up by the factors such as the increasingly fierce competition in the industry, downward squeeze on gross profit incurred by price cut, the Company's dependence on certain raw materials and equipment suppliers, and the massive financing demand due to immense investment in the ongoing projects.

In the future, as the Company's newly built production lines are put into operation, its production capacity will increase further with optimized product structure. Besides, the Company is expected to maintain a good operating condition. The Outlook assigned by United Ratings to the Company is Stable.

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. As a fundamental sector, information

technology industry has always been a pioneering “pillar” 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. As a leading enterprise in the global semiconductor display industry, BOE boasts substantial competitive advantages in terms of capacity, operating efficiency, technology and R&D strength, etc. Its market share stays at the top in the industry.

3. With the gradual release of production capacity in recent years, the Company’s operating income has increased year by year, and the cash flow from operating activities continues to be a positive figure in large volume; the Company’s debts are mainly long-term in nature, indicating a sound debt structure.

Concerns

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

2. The Company has a large amount of restricted assets with massive investment being put into the building of production lines. As the

construction period lasts quite long, it is somewhat under pressure from capital expenditure.

Analysts

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