

Beijing Tourism Group Co., Ltd.

2019-1 Medium-term Notes

Ratings:
Long-term credit rating of the issuer: AAA
Rating outlook: Stable
Credit rating of the medium-term notes (MTN): AAA
MTN issue size: CNY 2 billion
Maturity of this issue: 5 years
Debt servicing method: Annual interest payment, repayment of principal at maturity, interest will be paid together with principal in the final installment

Purpose of this offering: Repayment of interest-bearing debts

Date of rating: January 4, 2019

Financial data

Item	2015	2016	2017	2018 Sept.
Cash assets (CNY 100mn)	68.89	73.73	93.81	127.16
Total assets (CNY 100mn)	526.81	729.62	798.08	924.55
Owners' equity (CNY 100mn)	183.45	276.72	344.04	381.17
Short-term liabilities (CNY 100mn)	160.88	143.96	92.07	74.24
Long-term liabilities (CNY 100mn)	59.85	126.33	189.48	265.39
Total liabilities (CNY 100mn)	220.73	270.29	281.55	339.62
Revenue (CNY 100mn)	385.17	436.61	491.69	365.37
Total profit (CNY 100mn)	6.28	11.96	12.05	13.58
EBITDA (CNY 100mn)	32.04	48.88	56.81	--
Net cash flow from operating activities (CNY 100mn)	26.46	44.24	42.68	27.36
Operating profit margin (%)	24.77	33.84	35.14	36.35
ROE (%)	0.45	2.42	0.98	--
Debt-to-asset ratio (%)	65.18	62.07	56.89	58.77
Total debt capitalization ratio (%)	54.61	49.41	45.01	47.12
Current ratio (%)	65.03	62.54	98.73	140.49
Operating cash flow-to-current liabilities ratio (%)	9.67	14.84	18.31	--
Total liabilities/EBITDA (x)	6.89	5.53	5.00	--
EBITDA-to-interest cover (x)	2.98	4.08	3.73	--

Notes: 1. Financial data for Q1-Q3 2018 have not been audited; 2. Short-term liabilities already include short-term financing bonds recognized as other current liabilities; 3. Monetary funds with restricted use have already been removed from 2015-2017 cash assets; 4. The CNY 2 billion perpetual medium-term notes issued in 2015, the CNY 3 billion perpetual corporate bonds and CNY 1 billion perpetual medium-term notes offered in 2017, as well as the CNY 2 billion 2018 perpetual medium-term notes are not included in total liabilities but included in equity.

Analysts

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Rationale

As a major Beijing-based enterprise that provides comprehensive tourism services, Beijing Tourism Group Co., Ltd. (hereinafter referred to as the "Company") has clear advantages in terms of competitiveness in the regional market, business scale, industry structure, brand awareness and government support, with its businesses covering all the key aspects of tourism -- catering, accommodation, transportation, sight-seeing, shopping and entertainment. The Company's affiliate, BTG Hotels Group Co., Ltd. (hereinafter referred to as "BTG Hotels"), completed acquisition of Home Inns Group and successfully raised acquisition funds in 2016, resulting in significantly improved operating capacity in the Company's hotel business segment, consistent increases in the sizes of assets, equity, earnings and profits, and ample cash assets. China Lianhe Credit Rating Co., Ltd. ("Lianhe Ratings") is also aware of the sharp increase of the Company's debt level, its relatively instable shareholdings and the large sum of future investments, which may adversely affect the Company's credit ratings.

As the national per capita income rises and the consumption structure continues upgrading in the future, the Company, as the only comprehensive tourism service provider in Beijing, is expected to continuously scale up its business operations. In January 2018, the State-owned Assets Supervision and Administration Commission of the People's Government of the Beijing Municipality (hereinafter referred to the "Beijing SASAC") decided to transfer state-owned assets formerly belonging to Beijing Wangfujing Dong'an Group (hereinafter referred to as "Wangfujing Dong'an") to the Company for free, by means of the merger and reorganization of the two. The modification of the business registration was completed on November 23, 2018. After the merger, the Company's business scale and competitiveness further improved, thereby positively contributing to its credit fundamentals. Lianhe Ratings assigns the "stable" outlook to the

Company ratings.

The Company's net operating cash flow and EBITDA offer relatively high coverage against the MTN. Based on a comprehensive assessment of the issuer's long-term credit history and its ability to repay debts associated with the MTN, Lianhe Ratings concludes that the risk of a default on repayment of the medium-term notes is extremely low, and the security of the MTN is extremely high.

Strengths

1. Continuous growth of China's economy and per capita income of the Chinese people creates a favorable external environment for the long-term healthy development of the tourism industry.
2. As a comprehensive tourism service conglomerate affiliated to the Beijing government, the Company has received strong support from the municipal government in projects acquisition, asset transfer and capital injections, taking it to the leading position in the regional market.
3. Boasting a relatively large business scale and high-quality assets, the Company has developed a complete tourism service value-chain with supporting capabilities, and enjoys significant competitive advantages over its peers.
4. In 2016, its controlled subsidiary, BTG Hotels, completed acquisition of Home Inns Group and successfully raised the acquisition funds. The deal boosted the Company's operating capacity and effectively increased its influence in the hotel sector of the country.
5. In January 2018, Beijing SASAC decided to transfer state-owned assets formerly belonging to Wangfujing Dong'an to the Company for free, via a merger and reorganization of the two. The modification of the business registration was completed on November 23, 2018. Consolidation of the two firms' financial statements led to improvements in the Company's overall financial capacity and scale of its business operations.
6. The Company's net operating cash flow and EBITDA offer relatively high coverage against

the MTN.

Concerns

1. The Company's global theme park project is expected to entail heavy investment in the future, and therefore may have substantial funding needs. The Company's interest-bearing debts have grown rapidly in recent years.
2. Equities of the Company are relatively instable, due to the issuance of perpetual corporate bonds and a spike in minority shareholdings.
3. Since 2015, the Company has made great efforts to develop its auto services business through rapid business expansion. However, the car-hailing business is still at its infant stage and to date, being a loss maker. As of the end of 2017, the Company's accounts receivable from Shou Yue Technology (Beijing) Co., Ltd. came in at CNY 491 million, with other receivables totaling CNY 1.181 billion, indicating a certain level of exposure to bad debt risk.

