

## CNPC Capital Company Limited's 2019-1 Corporate Bonds

**Credit rating for this bond:** AAA

**Credit rating of the issuer:** AAA

**Rating outlook:** Stable

**Scale of this issuance:** No more than CNY 4.5 billion (inclusive)

**Maturity term of this issue:** There are two products in this issue. Product 1: 3 years. Product 2: 5 years.

**Debt servicing method:** Annual interest payment, bullet repayment of principal at maturity, with the interest for the final year at maturity paid together with the principal.

**Rating assigned date:** July 12, 2019

### Key financial data

Item	2016	2017	2018	Mar. 2019
Total assets (CNY 100mn)	7,752.96	8,656.97	8,914.06	9,021.10
Owners' equity (CNY 100mn)	1,205.77	1,316.18	1,422.99	1,468.21
Long-term liabilities (CNY 100mn)	298.98	289.22	226.40	227.21
Total liabilities (CNY 100mn)	6,235.33	7,087.77	7,217.77	7,222.58
Debt-to-asset ratio (%)	84.45	84.80	84.04	83.72
Total revenue (CNY 100mn)	288.30	293.05	338.86	79.79
Net profit (CNY 100mn)	122.01	135.12	142.50	39.54
EBITDA (CNY 100mn)	150.35	167.23	178.59	--
Net cash flow from operating activities (CNY 100mn)	-247.21	511.42	-271.31	-42.17
Operating profit margin (%)	49.58	55.12	50.35	59.01
ROE (%)	11.04	10.72	10.40	2.74
Total debt capitalization ratio (%)	83.80	84.34	83.53	83.11
Current ratio (x)	0.74	0.84	0.83	0.77
EBITDA-to-interest cover (x)	562.93	439.65	451.44	--
Debt to EBITDA ratio (x)	0.02	0.02	0.02	--
EBITDA / scale of this bond (x)	3.34	3.72	3.97	--

Note: 1. The difference between the sum of sub-totals and grand totals in this report is due to rounding-off; unless otherwise stated, the currency used here refers to the Chinese yuan (CNY). 2. The financial data of the first quarter 2019 are unaudited.

### Rationale

The ratings assigned to CNPC Capital Company Limited (hereinafter referred to as "the Company" or "CNPC Capital") conducted by United Credit Ratings Co., Ltd (hereinafter referred to as "United Ratings") reflect the fact that, as a specialized company responsible for the financial business management of China National Petroleum Corporation (hereinafter referred to as "CNPC"), the Company acts as a platform for CNPC in financial business integration, financial equity investment, financial asset supervision, and financial risk management. With its business scope covering those of finance companies, banks, financial leasing, trust, insurance, insurance brokerage, securities business, credit enhancement, and many other financial businesses, it is an all-round comprehensive state-owned financial business firm with the relatively complete financial licenses, larger scale and strong competitiveness. At the same time, the sharing of customer resources between various business segments of the Company has enabled the Company to form an integrated competitive advantage by having financial licenses of different domains, and in possession of a powerful business strength.

In recent years, as the Company's business develops rapidly, its business scale and asset scale have continued to expand with a steady income growth. In the meantime, its profitability has been kept at a sound level. The Company's major shareholder, CNPC, is a state-owned and large-scale enterprise managed by the central government. With its large scale of business and strong comprehensive strength, CNPC is able to provide substantial support for the Company in terms of business development, financial support, and expertise.

Meanwhile, United Ratings is also mindful of the fact that the Company's business is mainly concentrated in the financial industry, prone to market fluctuations and regulatory policies; its

finance company business and leasing business are exposed to certain concentration risks, meaning that certain adverse effects may be exerted upon the Company's businesses, at the time when there is a cyclical change in the industry.

With the financial market growing continuously, and various business lines developing steadily, the Company's business operations are expected to increase in scale in the future, and its profitability and overall competitiveness will improve further. United Ratings assigns the "stable" rating outlook to the Company.

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

### Strengths

1. The Company is a comprehensive state-owned financial company in possession of a relatively complete set of financial operating licenses, with large scale and strong competitiveness. The Company's largest shareholder, CNPC, is a gigantic state-owned enterprise managed by the central government. With the advantage of strong background, the major shareholder is able to provide support for the Company.

2. With many years of development, the Company's business scope now includes those of finance companies, banks, financial leasing, trust, insurance, insurance brokerage, securities business, credit enhancement, and many other financial businesses. At the same time, the sharing of customer resources between various business segments of the Company has enabled the Company to form an integrated competitive advantage by having financial licenses of different domains, and in possession of a powerful business strength.

3. In recent years, as the Company's business

develops rapidly, its business scale and asset scale have continued to expand with a steady income growth. In the meantime, its profitability has been kept at a sound level.

4. The Company's assets mainly include monetary funds, credit assets and investment assets, with a relatively high quality; its financial subsidiaries feature good capital adequacy.

### Concerns

1. Since the Company's business mainly focuses on the financial industry, adverse effects may be exerted upon the Company's businesses if the financial market fluctuates or regulatory policies tend to be tight.

2. The operating income of the company's finance company, prone to the business operation of CNPC's member firms, mainly derives from the member firms of CNPC; meanwhile, the Company's leasing business are exposed to certain concentration risks, meaning that certain adverse effects may be exerted upon the Company's businesses, at the time when there is a cyclical change in the industry.

### Analysts

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