Overseas Chinese Town Enterprises Co.'s Public Offering of 2019-1 Corporate Bond

Credit rating for this bond: AAA
Credit rating of the issuer: AAA
Rating outlook: Stable
Scale of this issue: Initially planned to be CNY 1.5 billion, with an over-allotment of no more than CNY 1 billion (inclusive)
Maturity term of this issue: 5 years for Product 1, with the option for the Company to adjust the coupon rate and a put option for investors to sell the bond back to the Company in the third year; 5 years for Product 2
Debt servicing method: Annual interest payment, repayment of principal at maturity.
Date of rating: March 14, 2019

Key financial data

Item	2015	2016	2017	Sep. 18
Total assets (CNY 100mn)	1,369.57	1,740.72	3,223.82	4,120.72
Owners' equity (CNY 100mn)	506.91	557.79	1,056.82	1,206.86
Long-term liabilities (CNY 100mn)	204.69	309.43	641.79	1,173.24
Total liabilities (CNY 100mn)	371.01	508.02	1021.31	1,691.89
Operating income (CNY 100mn)	506.93	542.56	801.08	598.89
Net profit (CNY 100mn)	63.34	74.29	133.23	77.36
EBITDA (CNY 100mn)	118.53	127.95	250.02	94.31
Net cash flow from operating activities (CNY 100mn)	-5.67	9.73	-152.44	-213.53
Operating profit margin (%)	26.37	26.43	22.44	21.52
ROE (%)	13.84	13.96	16.50	--
Debt-to-asset ratio (%)	62.99	67.96	67.22	70.71
Total debt to capitalization ratio (%)	42.26	47.67	49.15	58.37
Current ratio (x)	1.46	1.44	1.53	1.72
Total liabilities / EBITDA (x)	0.32	0.25	0.24	--
EBITDA-to-interest coverage ratio (x)	8.98	11.95	6.42	--
EBITDA / issue size (x)	4.74	5.12	10.00	--

Notes: 1. Due to rounding off, differences exist between certain totals and the sums of subtotals in this report; 2. Unless otherwise stated, the currency used in this table refers to RMB; 3. Interest-bearing debts of other current liabilities are adjusted to short-term liabilities, while long-term payables and other non-current liabilities are adjusted to long-term liabilities.

Rationale

United Credit Ratings Co., Ltd.'s (hereinafter referred to as "United Ratings") rating on Overseas Chinese Town Enterprises Co. (hereinafter referred to as the "Company" or "OCT Group") reflects that as a large state-owned enterprise under the management of the State-owned Assets Supervision and Administration Commission of the State Council, the Company has significant advantages including the policy support it enjoys, leading position in the industry, diversified business structure, real estate development model as well as the land reserve in possession; the Company found new sources of income from the supply chain management business in 2017, which provided good supplement to its revenue; the scale of the Company's assets and owner's equity continues nudging up. At the same time, United Ratings has also noted the adverse impact of factors on the Company's credit rating, for example, fierce competition in the tourism sector, pressure on its electronic business, expected large investment in the future and relatively high volatility of net cash flow in operating activities.

As the Company will continue to increase investment in tourism projects in the future, its overall competitiveness is expected to be further improved, the revenue is likely to continue to grow with a good overall credit standing. United Ratings' rating outlook for 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 current bond issuance, United Ratings concludes that the risk of default on the bond repayment is extremely low.

Strengths

1. The Company is a large state-owned enterprise under the management of the State-

owned Assets Supervision and Administration Commission of the State Council. The building of "Happy Valley" theme parks in many large- and medium-sized cities across the country has earned the Company's brand a good image.

2. The Company adopts a comprehensive business development model of "culture + tourism + urbanization" on top of "tourism + Internet + finance", creating a synergy and cluster advantage in terms of business layout, product function, cash flow and profit.

3. With low development costs, the Company's real estate business enjoys a large profit margin, while at the same time it has sufficient land reserves, which has laid the foundation for its future development.

4. In 2017, the Company found new sources of income from its supply chain management business, a good supplement to its revenue; the scale of the Company's assets and owner's equity continues to grow, with a low ratio of restricted assets while maintaining a good overall asset quality.

Concerns

1． Competition in the tourism market is fierce. As more and more companies enter into this sector, the Company's comprehensive tourism business will be put under operational pressure.

2． The Company's electronic business has poor profitability. The sluggish home appliances market and fierce competition in this sector have reduced its margin of profitability. The earning of its home appliances business continues to decline, with a constantly slipping gross profit margin, therefore the electronic business line will be facing great pressure in the future.

3．The Company's net cash flow from operating activities fluctuated greatly; the return of investment and non-operating income have a greater impact on its profits.

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