Rating Announcement 29th November 2017

Sino-Ocean Group Holding Limited

Hong Kong

Category:	Corporate rating
Rating type:	Solicited rating
Industry:	Property Development
Long-term Credit Rating:	AA_g-
Rating Outlook:	Stable

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China Chengxin (Asia Pacific) Credit Ratings affirms the AA_g- rating of Sino-Ocean Group Holding Limited, with stable outlook

Hong Kong, 29th November 2017 -- China Chengxin (Asia Pacific) Credit Ratings announces that the AA_g- rating of Sino-Ocean Group Holding Limited ("Sino-Ocean" or the "Company") is unaffected by its 2017H1 results, outlook stable. Sino-Ocean's rating reflects its sound business performance with sustainable growth of property sales and rental income.

Founded in 1993, Sino-Ocean (Stock Code: 3377.HK) is one of the leading property developer in Beijing-Tianjin-Heibei Region. As of 30 June 2017, China Life Insurance Company Limited ("China Life") and Anbang Insurance Group Co. directly held approximately 29.98% and 29.97% of the Company's shares, respectively.

Sino-Ocean registered strong growth in contracted sales. The Company recorded contracted sales of RMB 30.5 billion in 2017H1, increasing by 47.7 % YoY. The improvement of sales was driven by the increase in contracted GFA and average selling price as a result of its strategy focusing on higher-tier cities and fast-turnover products. The contracted GFA increased to 1.6 million sqm in 2017H1 from 1.3 million sqm in 2016H1. The average price on contracted sales increased to RMB 20,100 per sqm in 2017H1 from RMB 16,300 per sqm in 2016H1. Thanks to the accelerating growth in property sales, the Company raised its whole year sales target from RMB 60.0 billion to RMB 70.0 billion, of which 43.6% had been achieved in the first half year. The expected saleable resources amounted to RMB 80.7 billion in 2017H2, which is sufficient for the Company to achieve its whole year sales target.

As of 30 June 2017, the Company had a total land bank of 30.0 million sqm in 25 cities with an attributable GFA of 17.0 million sqm. In 2017H1, the Company acquired 29 new projects across China with a total GFA of 10.2 million sqm and attributable GFA of 4.2 million sqm at an average cost of RMB 6,100 per sqm. The Company also acquired 7 matured projects with a total GFA of 0.2 million sqm and attributable GFA of 0.1 million sqm. Over 85% of the newly acquired land located in the five major cities cluster, namely Beijing-Tianjin-Hebei, Yangtze River Delta, Pearl River Delta, Yangtze Mid-stream and Chengdu-Chongqing.

Sino-Ocean retained stable profitability in terms of gross margin. In mid-2017, the total revenue and net profit reported RMB 17.3 billion and RMB 3.0 billion, increased by 85.0% and 95.4% YoY, respectively. The recognized gross profit margin was 22.0% in 2017H1 in comparison with 22.1% in 2016. We believe that the Company's whole year gross margin will rise slightly in connection with higher margin projects on delivery to customers in 2017H2.

High quality investment properties also provided recurring rental income to the Company. As of 30 June 2017, the Company held 18 operating investment properties with a total leasable area of 1.1 million sqm. In 2017H1, the Company generated rental income of RMB 473.5 million, growing by 5.8% YoY. Moreover, the Company has accelerated the development of senior living business segment with targeted 20,000 beds by 2020.

Sino-Ocean's credit metrics remains resilient. As of 30 June 2017, the Company's total debt amounted to RMB 55.8 billion, increased by RMB 11.9 billion as compared with that of end-2016. The adjusted debt-to-capital ratio rose from 47.0% at end-2016 to 51.8% at mid-2017, and the adjusted net debt-to-capital ratio rose from 43.5% at end-2016 to 62.5% at mid-2017. In the meanwhile, the adjusted EBITDA interest coverage increased from 3.3x in 2016 to 4.1x in LTM 2017H1.

The Company's average finance cost dropped 31 bps to 5.07% as a result of its diversified funding channels. In 2017H1, the Company issued two medium term notes ("MTN") with an aggregate amount of RMB 4 billion, and there were remaining RMB 6 billion of onshore MTN program limit. On 22 September 2017, the Company issued USD 600 million perpetual subordinated bonds.

Looking ahead, the Company's liquidity may be benefited from its stable growth of revenue and cash generation. The cash to short-term debt ratio was 293.5% at mid-2017.

As the sole real estate investment platform of China Life, Sino-Ocean's business development and its overall credit profile will continue to be benefited from the support of the major shareholder.

Appendix. CCXAP's Credit Rating Symbols and their Meaning

China Chengxin (Asia Pacific) Credit Ratings Company Limited uses simple, consistent, and comparable rating symbols expressed in letters to represent the credit worthiness of rated entities and rated debt issues.

A. Long-Term Credit Ratings

A long-term credit rating refers to a rating for a period of more than 12 months.

Rating Symbol	Definition
AAAg	Capacity to meet commitments on short-term and long-term debts is extremely strong. Business is operated in a virtuous circle. The foreseeable uncertainty on business operations is minimal.
AAg+ **AAg** **AAg-**	Capacity to meet short-term and long-term financial commitments is very strong. Business is operated in a virtuous circle. Foreseeable uncertainty in business operations is relatively low.
Ag+ **Ag** **Ag-**	Capacity to meet short-term and long-term commitments is strong. Business is operated in a virtuous circle. Business operation and development may be affected by internal uncertain factors, which may create fluctuations in profitability and solvency of the issuer.
BBBg+ **BBBg** **BBBg-**	Capacity to meet financial commitment is considered adequate and capacity to meet short-term and long-term commitments is satisfactory. Business is operated in a virtuous circle. Business is affected by internal and external uncertainties. Profitability and solvency may experience significant fluctuation. Principal and interest may not be sufficiently protected by the terms of agreement.
BBg+ **BBg** **BBg-**	Capacity to meet short-term and long-term financial commitment is relatively weak. Financial commitment towards short-term and long-term debts is below average. Status of business operations and development is not good. Solvency is unstable and subject to sustainable risk.
Bg+ **Bg** **Bg-**	Financial commitment towards short-term and long-term debts is bad. Business is affected by internal and external uncertain factors. There are difficulties in business operations. Solvency is uncertain and subject to high credit risk.
CCCg	Financial commitment towards short-term and long-term debts is very bad. Business is affected by internal and external uncertain factors. There are difficulties in business operations. Poor solvency with very high credit risk.
CCg	Financial commitment towards short-term and long-term debts is extremely bad. Business operations are poor. There are very limited positive internal and external factors to support business operation and development. Extremely high credit risk is found.
Cg	Financial commitment towards short-term and long-term debts is insolvent. Business falls into a vicious circle. Very limited positive internal and external factors are found to support business operations and development in positive cycle. Extremely high credit risk is seen and is near default.
Dg	Unable to meet financial commitments. Default is confirmed.

B. Long-term Credit Rating Outlook

A rating outlook is the medium- and long-term trend of the credit rating of a rated entity. In formulating a rating outlook, CCXAP considers the potential change in economic and commercial factors from a medium- and long-term perspective for a period of 12 to 18 months.

Positive	Indicates a rating with an ascending trend
Negative	Indicates a rating with a descending trend
Stable	Indicates the rating is likely to be stable

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