



## **CCXAP affirms Sino-Ocean Group Holding Limited long-term credit rating at AA<sub>g</sub>-, with stable outlook**

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Hong Kong, 15 June 2018 -- China Chengxin (Asia Pacific) Credit Ratings (“CCXAP”) has affirmed the long-term credit rating of Sino-Ocean Group Holding Limited (“Sino-Ocean”) at AA<sub>g</sub>-. The rating outlook is stable.

### **Rating Rationale**

The AA<sub>g</sub>- long-term credit rating of Sino-Ocean Group Holding Limited (“Sino-Ocean” or the “Company”) is underpinned by the Company’s (1) fair growth in contracted sales supported by effective operating strategy; (2) expansion in investment properties, senior living and long-term rental apartments which provided recurring income; (3) increasing revenue and profitability; and (4) strong shareholder support from China Life. However, the rating is also constrained by (1) tightening regulatory environment with uncertainties in China’s property market; (2) the Company’s capital expenditure pressure given expanding operating scale and diversifying business structure; and (3) heightened debt burden.

### **Rating Outlook**

The stable outlook on Sino-Ocean’s rating reflects its strong track record of contracted sales in the real estate market. We believe that Sino-Ocean will maintain a stable growth of contracted sales supported by its quality land bank and increase recurring revenue with expansion of operating scale.

### **What could upgrade the rating?**

The rating could be upgraded if the Company (1) strong growth in contracted sales and revenue with sustains steady profitability; (2) improves its credit metrics, such as debt leverage and interest coverage; and (3) maintains disciplined financial policy and adequate liquidity profile.

### **What could downgrade the rating?**

The rating could be downgraded if (1) the Company’s credit metrics are worse than anticipated; (2) the Company becomes more aggressive in its land bank acquisition which leads to significantly increasing debt level; and (3) the Company’s liquidity profile weakens.

## Rating Methodology

CCXAP's public ratings are available at [www.ccxap.com](http://www.ccxap.com) (Rating Results>Ratings Surveillance) and may be distributed through media and other means. The methodology used in this rating is Global Rating Methodology for Real Estate Development Industry dated May 2017, available at [www.ccxap.com](http://www.ccxap.com) (Rating Process -> Rating Methodology).

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