



CCXAP affirms Sino-Ocean Group Holding Limited long-term credit rating at AA_g-, with stable outlook

Hong Kong, 8 August 2019 -- China Chengxin (Asia Pacific) Credit Ratings (“CCXAP”) has affirmed the long-term credit rating of Sino-Ocean Group Holding Limited (“Sino-Ocean”) at AA_g-. The rating outlook is stable.

Rating Rationale

The AA_g- long-term credit rating of Sino-Ocean Group Holding Limited (“Sino-Ocean” or the “Company”) is underpinned by the Company’s (1) acceleration of growth in contracted sales; (2) high-quality and diversified land bank to support business expansion; (3) development in investment properties which increased recurring income; (4) good liquidity buffer supported by its sufficient cash reserve and diversified funding channels; and (5) track record of support from China Life Insurance Company Limited (“China Life”). However, the rating is constrained by (1) decelerating growth of property market with tight market regulations; (2) large land bank which held up the Company’s capital; (3) drop in revenue as well as profitability; and (4) rising debt burden and weaker financial profile.

Rating Outlook

The stable outlook on Sino-Ocean’s rating reflects its accelerated growth in contracted sales with a strong market position in the real estate market. We expect Sino-Ocean will benefit from its expansion of investment property portfolio that will help increase recurring income and improve its cash generations.

What could upgrade the rating?

The ratings could be upgraded if the Company’s (1) contracted sales grow rapidly under prudent financial policies; (2) profitability and cash generation capability both improve; or (3) debt leverage reduces and credit metrics improves.

What could downgrade the rating?

The ratings could be downgraded if the Company’s (1) cash collection significantly weakens and contracted sales drop; (2) aggressive land bank acquisition strategy causes challenges to its working capital management; (3) debt burden significantly increases, worsening the credit metrics; or (4) liquidity profile weakens.

Rating Methodology

CCXAP's public ratings are available at www.ccxap.com (Rating Results) and may be distributed through media and other means. Methodology used in this rating is the Global Rating Methodology for Real Estate Development Industry dated April 2019, available at www.ccxap.com (Rating Methodologies).

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CCXAP has distributed and disclosed this solicited credit rating report to the rated entity prior to the publication date.

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