CCXAP affirms Sino-Ocean Group Holding Limited's long-term credit rating at BBB_g+, with stable outlook

Hong Kong, 19 April 2021 – China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") affirms Sino-Ocean Group Holding Limited's ("Sino-Ocean" or the "Company") long-term credit rating at BBB_g+, with stable outlook.

Corporate Profile

Sino-Ocean was established in 1993 and has been listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock Code: 3377.HK). Sino-Ocean is one of the leading property developers in Mainland China with a land bank distribution across 6 core regions, namely Beijing Region, Bohai Rim Region, Eastern Region, Southern Region, Central Region, and Western Region, as well as Indonesia and Singapore. The Company had a presence in 51 cities and owned more than 210 projects at end-2020. Sino-Ocean is also well-known for developing and operating high-quality investment properties, including high-end offices, commercial complexes, and retail properties. As of 31 December 2020, it held more than 18 operating investment properties, mainly located in first-tier cities and core second-tier cities, such as Beijing, Shanghai, and Tianjin.

As of 31 December 2020, China Life Insurance (Group) Company Limited ("China Life") and Dajia Insurance Group Co., Ltd ("Dajia Insurance", formerly known as Anbang Insurance Group Co., Ltd.) are the two major shareholders, holding 29.59% and 29.58% of the Company's shares, respectively.

Rating Rationale

The BBB_g+ long-term credit rating of Sino-Ocean is underpinned by the Company's (1) leading market position in Beijing and Bohai Rim regions; (2) sufficient land bank with disciplined land acquisitions; (3) prudent financial policy with improving credit metrics; (4) adequate liquidity position; and (5) strong shareholder support from China Life.

However, the rating is also constrained by the Company's (1) slowdown in contracted sales growth; and (2) weak profitability.

Rating Outlook

The stable outlook on Sino-Ocean's rating reflects our expectation that the Company will retain a disciplined land acquisition strategy with stable debt leverage. We also expect that China Life will provide support for the Company's business development and liquidity buffers.

What could upgrade the rating?

The rating could be upgraded if the Company's (1) contracted sales demonstrate significant increases with improving cash collection rate; and (2) financial profile improves with significant progress in deleveraging, such that net gearing ratio reduces, and EBIT interest coverage improves on a sustained basis.

What could downgrade the rating?

The rating could be downgraded if (1) the Company's contracted sales slump with significant drop in market shares; (2) the Company becomes aggressive in land acquisitions and business expansion, which result in a deterioration of the financial and liquidity profile; or (3) there is a weakening of support from China Life, or China Life is no longer the major shareholder of the Company.

Rating Methodology

The methodology used in this rating is the Rating Methodology for Real Estate Development Industry (December 2019).

Regulatory Disclosures

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The first name below is the lead rating analyst for this rating and the last name below is the person primarily responsible for approving this rating.

Jacky Lau
Credit Analyst
+852-2860 7124
jacky_lau@ccxap.com

Elle Hu
Director of Credit Ratings
+852-2860 7120
elle_hu@ccxap.com

Client Services: +852-2860 7111

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China Chengxin (Asia Pacific) Credit Ratings Company Limited

Address:	Suites 1904-1909, 19/F, Jardine House,
	1 Connaught Place, Central, Hong Kong
Website:	www.ccxap.com
Email:	info@ccxap.com
Tel:	+852-2860 7111
Fax:	+852-2868 0656