

CCXAP assigns BBB_g+ to Sino-Ocean Group Holding Limited's proposed US dollar-denominated green notes

Hong Kong, 20 April 2021 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) assigns BBB_g+ to the proposed US dollar-denominated senior green notes to be issued by Sino-Ocean Land Treasure IV Limited (the “Issuer”), a wholly-owned subsidiary of Sino-Ocean Group Holding Limited (“Sino-Ocean” or the “Company”), and unconditionally and irrevocably guaranteed by Sino-Ocean.

The notes are senior obligations of the Issuer and Sino-Ocean. The notes are at least pari passu in right of payment with all other present and future unsecured and unsubordinated obligations of the Issuer and Sino-Ocean. The Company intends to use the net proceeds to repay existing medium and long-term external indebtedness due within one year and in accordance with the Company's Green Finance Framework.

The ultimate rating on the proposed notes is contingent upon the receipt of final documents conforming to information already received.

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

Sino-Ocean's BBB_g+ senior unsecured debt rating is equal to its long-term credit rating. Despite that the majority of Sino-Ocean's claims are at operating subsidiary level, we expect the Company's diversified business profile (with revenue and cash flow generation across its large number of operating subsidiaries) and support from China Life (which will directly flow through the holding company) can help mitigate the structural subordination risks.

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

CCXAP's Rating Symbols and Definitions are available on its website at:

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