

CCXAP assigns first-time long-term credit rating of BBB_g- to Sunac China Holdings Limited, with stable outlook

Hong Kong, 30 June 2021 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a first-time long-term credit rating of BBB_g- to Sunac China Holdings Limited (“Sunac China” or the “Company”), with stable outlook.

Corporate Profile

Established in 2003, Sunac China (Stock Code: 1918.HK) is a leading Chinese integrated property developer, with a nationwide project layout covering major economic regions such as Beijing, north China, Shanghai, southwestern China, southeastern China, central China, and south China. As of 31 December 2020, the Company had a total land bank of gross floor area (“GFA”) of approximately 258 million square meters (“sqm”) and attributable land bank of GFA of approximately 161 million sqm. The Company develops a diverse range of property products from mid to high-end residences, villas to commercial buildings and offices.

Sunac China was listed on the main board of the Hong Kong Stock Exchange on 7 October 2010. Mr. Sun Hongbin, founder and Chairman of Sunac China, is the controlling shareholder of the Company, holding approximately 45.12% of total shares as of 31 December 2020.

Rating Rationale

The BBB_g- long-term credit rating of Sunac China is underpinned by the Company’s (1) leading market position and large operating scale in China’s property market; (2) good quality of land bank in high-tier cities of China; and (3) good access to different funding channels as well as improved liquidity profile.

However, the rating is constrained by the Company’s (1) exposure to joint venture projects; and (2) moderate credit metrics such as high debt leverage and moderate interest coverage, which, however, is expected to improve with the Company’s efforts on debt-growth control and financial management.

Rating Outlook

The stable outlook on Sunac China’s rating reflects our expectation that the Company will maintain its strong market position in China’s property market. We also expect that the Company will continue to manage its use of leverage over the next 12 to 18 months.

What could upgrade the rating?

The rating could be upgraded if the Company (1) establishes a track record of a sustainable growth in contracted sales; (2) improves its credit metrics such as contracted sales to total debt to above 2.0x on a sustained basis; and (3) improves its liquidity profile and financing capacity.

What could downgrade the rating?



The rating could be downgraded if the Company's (1) contracted sales slumps and profitability diminishes; (2) credit metrics deteriorate such as net gearing ratio rises above 100% or EBIT to interest ratio drops below 1.5x; (3) liquidity buffer deteriorates or financing capacity weakens.

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:
http://www.ccxap.com/en/rating_services/category/6/

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CCXAP's public ratings are available at www.ccxap.com (Rating Results) and may be distributed through media and other means.

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.

Vincent Tong
Senior Analyst
+852-2860 7125
vincent_tong@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