



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

Hong Kong, 16 June 2020 -- China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") has affirmed the long-term credit rating of Sino-Ocean Group Holding Limited ("Sino-Ocean" or the "Company") at BBB_g+. The rating outlook is stable.

Rating Rationale

The BBB_g+ rating of Sino-Ocean reflects the Company's (1) leading market position in Beijing-Tianjin-Hebei region; (2) sufficient and high-quality land bank in city clusters with sustainable economic growth and population inflow; (3) good access to capital and ample liquidity position; and (4) strong shareholder support from China Life Insurance Company Limited ("China Life").

However, the rating is also constrained by the Company's (1) slowdown in contracted sales growth given decelerated property market; and (2) weakened profitability and interest coverage.

Rating Outlook

The stable outlook on Sino-Ocean's rating reflects our expectation that the Company will retain a prudent land acquisition strategy with a stable debt leverage. We also expect that China Life will continue to provide strong support to the Company.

What could upgrade the rating?

The rating could be upgraded if the Company's (1) contracted sales demonstrate a significant growth with improving profitability; and (2) financial profile improves with a 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) its land acquisitions and business expansion become aggressive, which significantly deteriorates the financial and liquidity profile; or (3) there is a weakening of support from China Life, or China Life is no longer a major shareholder of the Company.

Rating Methodology

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

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