Rating Announcement 31 July 2018

Jingrui Holdings Limited

Hong Kong

Category:	Corporate rating
Rating type:	Unsolicited rating
Industry:	Property Development
Long-term Credit Rating:	BBB_g-
Rating Outlook:	Stable

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China Chengxin (Asia Pacific) Credit Ratings affirms the BBB_g- rating of Jingrui Holdings Limited, with stable outlook

Hong Kong, 31 July 2018 -- China Chengxin (Asia Pacific) Credit Ratings ("CCXAP") announces that the BBB_g- rating of Jingrui Holdings Limited ("Jingrui" or the "Company") is unaffected by its 2017FY results. The stable outlook remains unchanged. Jingrui's rating reflects its fair business performance with mild growth in contracted sales and moderate financial profile. The rating also reflects the Company improving but remained low profitability comparing with its peers.

Rating Rationale

The BBB_g- rating is underpinned by the Company's (1) good track record in Yangtze River Delta with increasing focus on first and second-tier cities and (2) moderate financial metrics. However, the rating is also constrained by (1) China's property market slowdown and tightening funding environment; (2) relatively weak profitability; and (3) small land bank portfolio with geographical concentration.

Jingrui demonstrated a mild growth in contracted sales in property business. In 2017, the Company recorded contracted sales of RMB 18.4 billion and contracted GFA of 1.0 million sqm, with a YoY increase of 9.5% and a YoY decrease of 25.3%, respectively. In 2017, the Company continued development in its core markets including Shanghai, Zhejiang and Jiangsu, which aggregately accounted for 90.6% of total contracted sales in the year. In particular, the contracted sales in Zhejiang were RMB 7.4 billion with a notable YoY increase of 46.3%. The contracted sales mainly contributed by the projects in first and second-tier cities, accounting for 73% of the total contracted sales in 2017, as compared with 70% in 2016. The average sell price (ASP) of the contracted sales increased from RMB 12,402 per sqm in 2016 to RMB 18,177 per sqm in 2017, resulting from its growing focus on high-end projects and accelerating destocking progress in low-tier cities in past few years. The Company also registered a strong cash collection ratio from its sales projects reported as 93.4%. In the first six months of 2018, the Company registered contracted sales of RMB 9.5 billion, representing a YoY growth of 49.8%.

In 2017, the Company continuously speeded up its land replenishments, with increase proportion in cooperation projects. In 2017, the Company acquired 23 projects in 8 cities including Shanghai, Beijing, Hangzhou, Suzhou, Ningbo, Nanjing, Tianjin and Wuhan with total GFA of 2.67 million sqm, at a total cost of approximately RMB 19,021 million. The Company had firstly entered into Wuhan in compliance with its strategy focusing on second-tier cities. To cope with the high land cost, the Company has increased the proportion in cooperation projects with other parties. In 2017, the Company's average percentage of attributable equity interest in newly acquired projects was 60% as compared with that of 81% in 2016.

The Company has sufficient quality land reservations to meet its development need in the next two to three years. As of 31 December 2017, the Company had total land bank of 4.4 million sqm, of which 2.5 million sqm was attributable to its equity interest. As for geographic breakdown, the land bank area in Yangtze River Delta, Central Western Region as well as Beijing & Tianjin, accounted for 72.6%, 13.2% and 14.2% of the total land bank, respectively.

The profitability of Jingrui remained weak comparing with its peers but showed an improvement. In 2017, the total revenue and net profit was RMB 15.7 billion and RMB 0.9 billion, representing a YoY increase of 4.1% and 453.1% respectively. The recognized gross profit margin was 16.4% in 2017 in comparison with 4.7% in 2016, driven by its completion of destocking progress in low-tier cities in recent years. We expect that the gross margin of the company will gradually improve on the back of increasing revenue recognition from higher gross margin projects in first and second-tier cities.

The Company remained moderate financial metrics as supported by its strengthened business profile. The EBITDA interest coverage ratio was 1.9x in 2017 in comparison with 0.7x in 2016. The ratio of total debts to EBITDA was 6.6x in 2017 while it was 15.6x in 2016. The level of debt and the degree of leverage remained manageable. The Company's total debts slightly increased to RMB 14.3 billion in 2017, increasing by RMB 0.3 billion. The adjusted debt-to-capital ratio decreased to 70.0% at end-2017 from 77.6% at end-2016, and the adjusted net debt-to-equity ratio decreased to 77.8% at end-2017 from 80.3% at end-2016. Moreover, the liquidity position of the Company remained adequate. The Company had a strong cash reservation of RMB 9.5 billion with restricted cash of RMB 1.2 billion, which could cover its short-term debts of RMB 5.0 billion in 2017. The Company also had unutilized banking facilities of approximately RMB 9.9 billion as of 31 December 2017. However, the Company's liquidity was largely dependent on its cash proceeds from presale and its ability to obtain credit lines from banks.

In 2017, the Company's average finance cost dropped 148 bps to 6.98% as a result of its refinancing activities by early redemptions of high interest-bearing debts with new debt issuance at more reasonable cost. In April 2017, the Company issued a USD 400 million senior notes due 2020 with a coupon rate of 7.75%, and early redeemed senior notes with an aggregated principal amount of approximately USD 93.7 million in August 2017, which is carrying an average interest rate of 13.625%. In April 2018, the Company issued a USD 350 million senior notes due 2021 with a coupon rate of 9.45%. At end-2017, the proportion of USD denominated indebtedness increased to 26.6% while it was 14.5% at end-2016. The Company did not have a foreign currency hedging policy, so we believed the Company may face certain foreign currency risk with increasing exposure to fluctuations on exchange rates. Moreover, the tightening financing environment in onshore capital market may give certain pressure on the Company's refinancing activities in the near term.

Rating Outlook

The stable outlook on Jingrui's rating reflects its good operational performance in its core markets, especially in Yangtze River Delta. We believe that the Company will maintain its competitive strength and continuously execute its business strategy by focusing development in first and second-tier cities.

Corporate Profile

Established in 1993, the Company was a Shanghai-based property developer with a focus on residential and commercial projects in Yangtze River Delta region, and gradually expanded to other first and second-tier cities including Tianjin, Beijing, Wuhan and Chongqing. The Company was listed on the main broad of Hong Kong Stock Exchange (Stock Code: 1862.HK) in October 2013. As of 31 December 2017, the Company was jointly owned by Mr. Yan Hao and Mr. Chen Xin Ge, who indirectly held 39.18% and 33.08% of the Company's shares respectively.

Appendix. CCXAP's Credit Rating Symbols and their Meaning

China Chengxin (Asia Pacific) Credit Ratings Company Limited uses simple, consistent, and comparable rating symbols expressed in letters to represent the credit worthiness of rated entities and rated debt issues.

A. Long-Term Credit Ratings

A long-term credit rating refers to a rating for a period of more than 12 months.

Rating Symbol	Definition
AAAg	Capacity to meet commitments on short-term and long-term debts is extremely strong. Business is operated in a virtuous circle. The foreseeable uncertainty on business operations is minimal.
AAg+ **AAg** **AAg-**	Capacity to meet short-term and long-term financial commitments is very strong. Business is operated in a virtuous circle. Foreseeable uncertainty in business operations is relatively low.
Ag+ **Ag** **Ag-**	Capacity to meet short-term and long-term commitments is strong. Business is operated in a virtuous circle. Business operation and development may be affected by internal uncertain factors, which may create fluctuations in profitability and solvency of the issuer.
BBBg+ **BBBg** **BBBg-**	Capacity to meet financial commitment is considered adequate and capacity to meet short-term and long-term commitments is satisfactory. Business is operated in a virtuous circle. Business is affected by internal and external uncertainties. Profitability and solvency may experience significant fluctuation. Principal and interest may not be sufficiently protected by the terms of agreement.
BBg+ **BBg** **BBg-**	Capacity to meet short-term and long-term financial commitment is relatively weak. Financial commitment towards short-term and long-term debts is below average. Status of business operations and development is not good. Solvency is unstable and subject to sustainable risk.
Bg+ **Bg** **Bg-**	Financial commitment towards short-term and long-term debts is bad. Business is affected by internal and external uncertain factors. There are difficulties in business operations. Solvency is uncertain and subject to high credit risk.
CCCg	Financial commitment towards short-term and long-term debts is very bad. Business is affected by internal and external uncertain factors. There are difficulties in business operations. Poor solvency with very high credit risk.
CCg	Financial commitment towards short-term and long-term debts is extremely bad. Business operations are poor. There are very limited positive internal and external factors to support business operation and development. Extremely high credit risk is found.
Cg	Financial commitment towards short-term and long-term debts is insolvent. Business falls into a vicious circle. Very limited positive internal and external factors are found to support business operations and development in positive cycle. Extremely high credit risk is seen and is near default.
Dg	Unable to meet financial commitments. Default is confirmed.

B. Long-term Credit Rating Outlook

A rating outlook is the medium- and long-term trend of the credit rating of a rated entity. In formulating a rating outlook, CCXAP considers the potential change in economic and commercial factors from a medium- and long-term perspective for a period of 12 to 18 months.

Positive	Indicates a rating with an ascending trend
Negative	Indicates a rating with a descending trend
Stable	Indicates the rating is likely to be stable

Disclaimer

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