



CCXAP assigns BB_g+ to Ronshine China Holdings Limited's proposed US dollar-denominated notes

Hong Kong, 9 June 2020 -- China Chengxin (Asia Pacific) Credit Ratings ("CCXAP") has assigned BB_g+ to the proposed US dollar-denominated senior notes to be issued by Ronshine China Holdings Limited ("Ronshine China" or the "Company").

The notes are senior obligations of the Company, guaranteed by certain of its existing subsidiaries. The notes are at least pari passu in right of payment with the existing pari passu secured indebtedness and all other unsecured, unsubordinated indebtedness of the Company. The Company intends to use the proceeds for refinancing certain of its existing indebtedness.

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

Corporate Profile

Ronshine China was incorporated in the Cayman Islands in 2014 and listed on the Hong Kong Stock Exchange (Stock Code: 3301.HK) in January 2016. Headquartered in Shanghai, its history can be tracked back to 2003 when the Company started its property development in Fujian Province. Since 2013, the Company has gradually expanded into the Yangtze River Delta. The Company had a geographic coverage of 44 cities in China by the end of 2019. As of 31 December 2019, Mr. Ou Zonghong held 65.5% of the Company's shares indirectly via Dingxin Company Limited and was the Company's ultimate controller.

Rating Rationale

The rating of the proposed notes is equal to the Company's long-term credit rating as first-time assigned by CCXAP on 21 May 2020. Despite Ronshine China's status as a holding company with no material operations, the Company's diversified business profile (with revenue and cash flow generation across its large number of operating subsidiaries) can help mitigate structural subordination risks.

The BB_g+ long-term credit rating of Ronshine China is underpinned by the Company's (1) competitive advantage in the Yangtze River Delta and West Coast of the Straits; (2) strong growth in contracted sales; (3) good quality land bank in high-tier cities; and (4) track record of deleveraging process. However, the rating is also constrained by (1) uncertainties in contracted sales amid the outbreak of COVID-19; and (2) the Company's profitability which was yet to be improved.

Rating Outlook

The stable outlook on Ronshine China's rating reflects our expectation that the Company will maintain a leading market position supported by well-positioned land bank in the Yangtze River Delta and Fujian Province. We also expect that the Company can stabilize its leverage.

What could upgrade the rating?

The rating could be upgraded if the Company (1) demonstrates a significant growth in contracted sales; (2) improves its net profit margin at 20% or above; and (3) lifts EBIT interest coverage to 3.0x or above on a sustained basis.

What could downgrade the rating?

The rating could be downgraded if the Company's (1) contracted sales weakens; (2) debt-driven land acquisitions accelerates; or (3) cash/short-term debt falls below 1.0x on a sustained basis.

Rating Methodology

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

Contacts of Credit Ratings

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