

## **CCXAP assigns BB<sub>g</sub>+ to Jinke Property Group Co., Ltd.'s proposed US dollar-denominated notes**

Hong Kong, 20 May 2021 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) assigns BB<sub>g</sub>+ to the proposed US dollar-denominated senior notes to be issued by Jinke Property Group Co., Ltd. (“Jinke Property” or the “Company”).

The notes are senior obligations of the Company. The notes are at least pari passu in right of payment with all other present and future unsecured and unsubordinated obligations of the Company. The Company intends to use the net proceeds to refinance existing medium to long-term indebtedness due within one year.

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

### **Corporate Profile**

Founded in 1998, Jinke Property was listed on Shenzhen Stock Exchange (Stock Code: 000656.SZ) in 2011. The Company is one of the leading property developers in Chongqing with national market coverage. As of 31 December 2020, the Company reported total land bank of 71.1 million sqm located in 118 cities in Mainland China. In 2020, Sunac China Holdings Limited transferred 11% of Jinke Property's shares to Red Star Furniture Group Co. Ltd.'s subsidiary in April and disposed an additional 13% shares in May. As of 31 December 2020, Mr. Huang Hongyun and persons acting in concert were the ultimate controller of the Company, owning 29.99% of the Company's stakes.

### **Rating Rationale**

Jinke Property's BB<sub>g</sub>+ senior unsecured debt rating is equal to its long-term credit rating. Despite that the majority of Jinke Property's claims are at the operating subsidiary level, 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<sub>g</sub>+ long-term credit rating of Jinke Property is underpinned by the Company's (1) established track record in Chongqing and resilient contracted sales growth; (2) sufficient and diversified land bank; and (3) solid revenue growth and improving net profit margin.

However, the rating is also constrained by the Company's (1) large exposure to lower-tier cities; and (2) moderate but improving credit metrics.

### **Rating Outlook**

The stable outlook on Jinke Property's rating reflects our expectation that the Company will sustain moderate contracted sales growth with adoption of more disciplined land acquisition strategy. We also expect the Company will continue to deleverage as supported by the controlled debt hike and solid revenue growth.

**What could upgrade the rating?**

The rating could be upgraded if the Company (1) demonstrates sustained growth in contracted sales with strong cash collection; (2) continues deleveraging process such that its net gearing ratio dropped to 50% or below; and (3) improves credit metrics such that its EBIT interest coverage ratio increases 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 slumped; (2) business expansion becomes aggressive with large capital expenditure pressure and heightened debt leverage, such as net gearing ratio rise to 100% or above; or (3) liquidity position undermines.

**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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