Credit Flash 22 May 2017

Jingrui Holdings Limited

Hong Kong

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

Analysts:

Sandy Luo sandy_luo@ccxap.com

David Zhu david_zhu@ccxap.com

Director of Credit Ratings:

Guo Zhang guo_zhang@ccxap.com

Tel.: +852-2860 0711

Rating Rationale

The rating of Jingrui Holdings Limited ("Jingrui" or "the Company") is underpinned by the Company's (1) strong contracted sales growth; (2) strategic focus on tier-one and tier-two cities; and (3) improving debt structure. The rating also takes into consideration of (1) high geographic concentration; (2) small land bank; and (3) relatively low profitability.

Strengths

- **Strong contracted sales growth.** In 2016, Jingrui recorded contracted sales and contracted GFA of RMB 16.8 billion and 1.35 million sqm, increasing by 93% and 67% YoY, respectively. The contracted sales were mainly contributed from 26 projects in 12 cities in Mainland China, mainly in the region of Shanghai, Zhejiang and Jiangsu. The Company also focused on project destocking in lower-tier cities. Furthermore, the Company cash collections from property sales accounted for approximately 96.1% of contracted sales in 2016.
- **Development strategy focusing on tier-one and tier-two cities.** Jingrui's strategy further penetrates into tier-one and tier-two cities and consolidates its market position by ways of mergers and acquisitions. In 2016, the projects in tier-one and tier-two cities accounted for 80% of the saleable property value of the Company, as compared to 55% in 2015. This will facilitate the Company's development and performance in its core markets.
- **Improving debt structure.** In 2016, Jingrui's improved its debt structure, mainly because of the Company's decision of focusing on higher-tier cities and destocking process in lower-tier cities. In order to improve the debt structure, the Company swapped its domestic high-yield debts and redeemed its offshore USD bonds in advance. The proportion of short-term debt to total debt decreased from 56.2% in 2015 to 30.0% in 2016, the weighted average borrowing cost reduced from 9.68% at end-2015 to 8.46% at end-2016.

Challenges

- **Risk of regional concentration.** The projects under construction and planned projects were mainly concentrated in Zhejiang and Jiangsu. The Company's future sales performance may be affected by regional economic and regulatory conditions, which demonstrates concentration risk.
- **Small land bank.** At end-2016, the Company had a land bank of approximately 3.02 million sqm. In 2016, Jingrui acquired 10 land sites of approximately 0.99 million sqm in Shanghai, Hangzhou, Suzhou, Ningbo, Nanjing and Tianjin with average land cost of RMB 7,480 per sqm. Compared to its sales volume and construction projects, the Company's land bank scale was relatively small for future development.
- **Relatively low profitability.** The Company's adjusted profit margin reduced from 7.4% in 2015 to 4.7% in 2016. Affected by increasing project destocking in lower-tier cities, the Company's profitability became weak. Jingrui has experienced operating losses in 2015, even though its profit margin is expected to improve, which is relatively low comparing to other property peers.

Corporate Profile

Headquartered in Shanghai, Jingrui was established in 1993, and listed on the Main Board of the Stock Exchange of Hong Kong Limited (Stock Code: 1862.HK) in 2013. As of 31 December 2016, the controlling shareholders were Mr. Min Hao and Mr. Chen Xin Ge, indirectly holding 39.18% and 33.08% of the Company's shares through Beyond Wisdom Limited and Decent King Limited, respectively.

Since 2005, the Company has penetrated into the Yangtze River Delta region and expanded into the cities of Tianjin, Chongqing and Beijing and the region of Pan Bohai Rim and the Southwest China. As of 31 December 2016, the Company had a land bank of approximately 3.02 million sqm, mainly covering a total of 16 tier-one and tier-two cities in Yangtze River Delta. In 2016, the newly acquired land bank was approximately 0.99 million sqm at a total consideration of RMB 7.4 billion. The newly acquired land bank in 2016 concentrated on tier-one and tier-two cites in Yangtze River Delta, such as Ningbo, Suzhou and Hangzhou.

Key Indicators

Jingrui Holdings Limited	2016	2015	2014
Contracted Sales (RMB billion)	16.8	8.7	9.1
Contracted Sales (USD billion)	*2.4*	*1.3*	*1.5*
Contracted Sales Area (million sqm)	1.4	0.8	1.0
Average Selling Price (RMB per sqm)	12,402	10,724	9,210
Total Assets (RMB billion)	38.0	29.4	26.4
Total Assets (USD billion)	*5.5*	*4.5*	*4.3*
Net Assets (RMB billion)	4.6	4.8	4.8
Net Assets (USD billion)	*0.7*	*0.7*	*0.8*
Total Revenue (billion)	15.1	5.8	5.3
Total Revenue (USD billion)	*2.2*	*0.9*	*0.9*
Net Profits (RMB billion)	0.2	-0.3	0.3
Net Profits (USD billion)	*0.0*	*0.0*	*0.0*
Total Capitalization Ratio (%)	77.4	71.5	70.7
Net Gearing Ratio (%)	75.6	166.0	137.6
Gross Margin (%)	4.7	7.4	20.2
Return on Equity (%)	3.5	-6.0	6.9
Total Debt/EBITDA (x)	15.4	-	17.2
EBITDA Interest Coverage (x)	0.7	-0.1	0.6

Source: Company data, CCXAP research

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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China Chengxin (Asia Pacific) Credit Ratings Company Limited

Address: Suites 805-808, Jardine House, 1 Connaught Place, Central, Hong Kong

Website: www.ccxap.com

Email: info@ccxap.com

Tel: +852-2860 7111

Fax: +852-2868 0656