

Lianhe Global downgrades Jinke Property Group Co., Ltd.'s global scale Long-term Issuer Credit Rating and Issuance Credit Rating to 'BB' from 'BB+'; Issuer Rating Outlook Stable

HONG KONG, 19 May 2022 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has downgraded the global scale Long-term Issuer Credit Rating of Jinke Property Group Co., Ltd. (000656.SZ) (“Jinke”) to ‘BB’ from ‘BB+'. The Outlook is Stable.

Lianhe Global has also downgraded the global scale Long-term Issuance Credit Rating of the senior unsecured USD notes issued by Jinke from ‘BB+' to ‘BB'. A full list of issuance rating is included in this press release.

Key Rating Rationales

The Issuer Rating downgrade to ‘BB’ reflects Jinke’s execution risk in products and land bank diversification, and the continuous stagnant contracted sales growth, margin compressions and refinancing pressure. Jinke was able to contain its financial leverage, at the expense of reducing financial resources and liquidity buffer by utilizing internal cash for debt repayments. On the other hand, Jinke has established market position in the Chongqing market and evident of land bank diversification into eastern, southern, central and southwestern China.

The Stable Outlook reflects our expectation that Jinke would maintain its established market position, diversify its product offerings and land bank and continue to focus on managing financial leverage, capital structure and refinancing needs, while striving to gradually recover from declining contracted sales and margins performance.

Rating Sensitivities

We would consider downgrading Jinke’s rating if it were to (1) aggressively expand which results in an increase in its financial leverage as measured by debt/capitalization to over 70% or a decrease in its EBITDA interest coverage to below 1.5x consistently, and/or (2) its operating performance were to deteriorate such that its contracted sales and/or revenue continue to experience a material decline or liquidity profile is worsened.

We would consider upgrading Jinke’s rating if it were to (1) considerably improve its operating performance such as sales scale and margins while maintaining competitive position in its core markets, and (2) maintain its financial leverage as measured by debt/capitalization at below 50% or EBITDA interest coverage at above 3.0x consistently.

Any rating action on Jinke’s rating would result in a similar rating action on its USD notes.

Full List of Issuance Rating

- USD325 million 6.85% senior unsecured notes due 2024 downgraded to 'BB' from 'BB+'

About Lianhe Global

Lianhe Global is an international credit rating company that provides credit ratings to corporations, banks, non-bank financial institutions, local government financing vehicles, and other asset classes around the globe. Lianhe Global also provides credit risk research and other services related to credit ratings.

Rating Methodology

The principal methodology used in this Jinke's rating is Lianhe Global's Chinese Property Developer Rating Criteria published on 31 December 2021 which can be found at the website www.lhratingsglobal.com.

Note: The above Issuer/Issuance Credit Ratings are solicited at the request of the rated entity or a related third party.

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