



## **CCXAP assigns first-time BB<sub>g</sub> to China SCE Group Holdings Limited, with stable outlook**

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Hong Kong, 8 May 2020 -- China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") has assigned a first-time long-term credit rating of BB<sub>g</sub> to China SCE Group Holdings Limited ("China SCE" or the "Company"). The rating outlook is stable.

### **Rating Rationale**

The BB<sub>g</sub> rating of China SCE Group Holdings Limited ("China SCE" or the "Company") reflects the Company's (1) good track record of contracted sales growth with a strong market position in Fujian; (2) sufficient and geographically diversified land bank; and (3) moderate debt leverage and adequate liquidity buffer.

However, the rating is also constrained by (1) uncertainties in contracted sales amid the COVID-19 outbreak; and (2) the Company's relatively active land acquisitions, which exerts pressure on its capital expenditure.

### **Rating Outlook**

The stable outlook on China SCE's rating reflects our expectation that the Company will maintain a strong market position as supported by its land bank reserves. We also expect that the Company will maintain its disciplined financial management with an adequate liquidity cushion.

### **What could upgrade the rating?**

The rating could be upgraded if the Company (1) demonstrates a significant growth in contracted sales; (2) sustains its net profit margin at 20% or above; and (3) deleverages its net gearing ratio to 50% or below or elevates 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 slumps; (2) net profit margin further drops to 15% or below; or (3) liquidity buffer deteriorates, with the cash to short-term debt ratio falls to 1.0x or below or funding channels being seriously restricted.

## **Rating Methodology**

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

## **Contacts of Credit Ratings**

The first name below is the lead rating analyst for this rating and the last name below is the person primarily responsible for approving this rating.

Jacky Lau

Credit Analyst -- Credit Ratings

[jacky\\_lau@ccxap.com](mailto:jacky_lau@ccxap.com)

Guo Zhang

Director -- Credit Ratings

[guo\\_zhang@ccxap.com](mailto:guo_zhang@ccxap.com)

Tel: +852-2860 7111

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**China Chengxin (Asia Pacific) Credit Ratings Company Limited**

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

Website: [www.ccxap.com](http://www.ccxap.com)

Email: [info@ccxap.com](mailto:info@ccxap.com)

Tel: +852-2860 7111

Fax: +852-2868 0656