

## **CCXAP affirms China SCE Group Holdings Limited's long-term credit rating at BB<sub>g</sub>, with stable outlook**

Hong Kong, 17 June 2021 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) affirms China SCE Group Holdings Limited’s (“China SCE” or the “Company”) long-term credit rating at BB<sub>g</sub>, with stable outlook.

### **Corporate Profile**

Established in 1996, China SCE is one of the fastest-growing property developers in Mainland China. It started its business in Fujian Province, and since 2013 has gradually expanded into other economic zones, with a presence in 62 cities by the end of 2020. In February 2010, China SCE completed the listing on the main board of the Hong Kong Stock Exchange (Stock Code: 1966.HK). As of 31 December 2020, Mr. Wong Chiu Yeung held 50.05% of the Company's shares indirectly via Newup Holdings Limited, East Waves Investments Limited, and Keen Century Investments Limited.

### **Rating Rationale**

The BB<sub>g</sub> long-term credit rating of China SCE is underpinned by the Company's (1) growing contracted sales with improved market position; (2) integrated land acquisitions and sufficient land bank; and (3) adequate liquidity buffer.

However, the rating is also constrained by the Company's (1) increased exposure to lower-tier cities; (2) large exposure to joint-venture partnership; and (3) weakened profitability.

### **Rating Outlook**

The stable outlook on China SCE's rating reflects our expectation the Company will continue to improve its market position backed by sufficient land bank. We also expect that the Company will maintain a moderate debt leverage with an adequate liquidity cushion.

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

The rating could be upgraded if the Company (1) establishes a track record of sustainable contracted sales growth with improved cash collection ratio; (2) generates stable cash flow from the expansion of its property investment and property management businesses with a disciplined financial policy; and (3) deleverages net gearing ratio to 50% or below and 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) credit metrics undermines such as net gearing ratio hits above 100% or EBIT interest coverage falls below 1.5x; or (3) liquidity buffer deteriorates, such as cash to short-term debt ratio falls below 1.0x or funding channels being seriously restricted.



## Rating Methodology

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

## Regulatory Disclosures

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