

CCXAP assigns BBB_g+ to Sanming City Construction and Development Group Co., Ltd.'s proposed CNY bonds

Hong Kong, 31 January 2024 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned a senior unsecured debt rating of BBB_g+ to the proposed CNY bonds to be issued by Sanming City Construction and Development Group Co., Ltd. (“SCCD” or the “Company”) (BBB_g+/stable).

The bonds constitute direct, unconditional, unsubordinated, and unsecured obligations of SCCD, which shall at all times rank pari passu with all the Company’s other present and future unsecured and unsubordinated obligations. The Company intends to use the proceeds for project construction and working capital replenishment.

Corporate Profile

Established in 2019, SCCD is an important local infrastructure investment and financing company (“LIIFC”) in Sanming City, mainly responsible for municipal infrastructure construction and affordable housing construction. The Company is also engaged in property development, commodity sales, as well as hotel and catering businesses. As of 30 June 2023, State-owned Assets Supervision and Administration Commission of the Sanming Municipal Government (“Sanming SASAC”) held 100% equity interests of SCCD, and was its ultimate controlling shareholder.

Rating Rationale

The senior unsecured debt rating of the bonds is equal to SCCD’s long-term credit rating as first-time assigned by CCXAP on 8 December 2023. We believe that the government support will flow through the Company given the Company’s essential role in infrastructure construction in Sanming City, thereby mitigating any differences in expected loss that could result from structural subordination.

The BBB_g+ long-term credit rating of SCCD reflects Sanming Municipal Government’s (1) very strong capacity to provide support, and (2) very high willingness to provide support, based on our assessment of the Company’s characteristics. Our assessment of Sanming Municipal Government’s capacity to provide support is reflected by its comprehensive industrial system, with ongoing economic growth and moderate fiscal stability.

The rating also reflects the local government’s willingness to provide support, which is based on the Company’s (1) strong position in municipal infrastructure construction of Sanming City; (2) high business sustainability; and (3) good track record of receiving government support. However, SCCD’s rating is constrained by its (1) medium exposure to commercial activities; (2) moderate debt growth and relatively high debt leverage; and (3) moderate access to funding, with high proportion of non-standard financing.

Rating Outlook

The stable outlook on SCCD's rating reflects our expectation that Sanming City Government's capacity to provide support will remain stable, and the Company will maintain its important public role in infrastructure construction in Sanming City over the next 12 to 18 months.

What could upgrade the rating?

The rating could be upgraded if (1) Sanming City Government's capacity to support strengthens; and (2) the Company's characteristics change in a way that strengthens the local government's willingness to support, such as material decrease in external guarantees, or improved debt management.

What could downgrade the rating?

The rating could be downgraded if (1) Sanming City Government's capacity to support weakens; or (2) the Company's characteristics change in a way that weakens the local government's willingness to support, such as decrease in importance of its policy role, material decrease in government payments, or deteriorated debt management.

Rating Methodology

The methodology used in this rating is the Rating Methodology for [China's Local Infrastructure Investment and Financing Companies \(July 2022\)](#).

Regulatory Disclosures

CCXAP's Rating Symbols and Definitions are available on its website at:

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