## CCXAP affirms Guangzhou Fineland Real Estate Development Co Ltd's $B_g$+ long-term credit rating, with stable outlook

Hong Kong, 28 June 2021 -- China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") has affirmed $B_g$+ long-term credit rating of Guangzhou Fineland Real Estate Development Co Ltd ("Fineland" or the "Company"), with stable outlook. At the same time, CCXAP has affirmed Fineland's $B_g$+ debt rating on USD340 million 13.6% senior notes due 2023.

### Corporate Profile

Established in October 1995 and headquartered in Guangzhou, Fineland, formerly known as Guangzhou Rongxing Real Estate Development Co., Ltd., focuses on the development of mid- and high-end residential properties and high-end commercial properties mainly in Guangdong Province. As of 31 December 2020, Fineland's land bank included 57 property projects, with GFA of approximately 4.5 million sqm and expected saleable value of RMB58.4 billion.

As of 31 December 2020, Mr. Fong Ming, the Company's founder and ultimate controller, held 100% of the Company's shares indirectly via Fineland International Investment Group Co., Ltd..

### Rating Rationale

The $B_g$+ rating of Fineland is underpinned by (1) operating track record in Guangdong Province with established brand name; (2) good gross margins driven by its low-cost urban renewal projects; and (3) adequate liquidity position. However, the rating is constrained by its (1) small operating scale; (2) high geographic concentration with exposure to lower-tier cities, which may increase its sales volatility; and (3) moderate debt leverage.

### Rating Outlook

The stable outlook on Fineland's rating reflects our expectation that the Company will maintain a strong presence in Guangdong Province. We also expect the Company to sustain stable credit metrics and adequate liquidity over the next 12 to 18 months.

**What could upgrade the rating?**

The rating could be upgraded if the Company (1) demonstrates a substantial growth in contracted sales; (2) improves its geographical diversification; and (3) demonstrates improved credit metrics such that EBIT interest coverage lifts to 3.0x above and net gearing ratio falls below 50%, on a sustained basis.

**What could downgrade the rating?**

The rating could be downgraded if the Company (1) records a slump in contracted sales; (2) accelerates debt-driven land acquisitions such that its leverage rises sharply; or (3) has deteriorated credit metrics such that EBIT interest coverage falls below 1.5x or contracted sales to total debt falls below 1.0x.

## 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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