



CCXAP assigns B_g+ to Guangzhou Fineland Real Estate Development Co., Ltd.'s proposed US dollar-denominated notes

Hong Kong, 18 January 2021 -- China Chengxin (Asia Pacific) Credit Ratings (“CCXAP”) has assigned B_g+ to the proposed US dollar-denominated senior notes to be issued by Guangzhou Fineland Real Estate Development Co., Ltd. (“Fineland” or the “Company”).

The notes are senior obligations of Fineland. The notes are at least pari passu in right of payment with all other unsecured, unsubordinated indebtedness of the Company. Net proceeds will be used for refinancing certain of the Company’s existing indebtedness.

The ultimate rating on the proposed notes is contingent upon the receipt of final documents conforming to information already received.

Corporate Profile

Fineland, formerly known as Guangzhou Rongxing Real Estate Development Co., Ltd., was established in October 1995 and headquartered in Guangzhou. The Company evolves in real estate investment, development and operation in Mainland China, with a particular focus on the development of mid- and high-end residential properties and high-end commercial properties. As of 30 September 2020, Mr. Fang Ming, the Company’s founder and the ultimate controller, indirectly held 100% of the Company’s shares.

Rating Rationale

The rating on the proposed notes is equal to the Fineland’s long-term credit rating because the notes will constitute the Company’s direct and senior unsecured obligations.

The B_g+ long-term credit rating of Fineland reflects the Company’s (1) good operating track record in the property development in Guangzhou; and (2) low-cost land bank acquired through urban renewal projects. However, the rating is also constrained by the Company’s (1) small operating scale with high geographic concentration; and (2) high debt burden and weakened liquidity position.

Rating Outlook

The stable outlook on Finland's rating reflects our expectation that the Company will maintain a strong market position in its core market in Guangdong Province. We also expect that its credit metrics will be within a manageable range in the next 12-18 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) EBIT interest coverage lifts to 3.0x or above, 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) profitability deteriorates significantly.

Rating Methodology

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

Regulatory Disclosures

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

http://www.ccxap.com/en/rating_services/category/6/

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The rating has been disclosed to the rated entity or its related party prior to publication, and issued with no amendment resulting from that disclosure.

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