



CCXAP assigns first-time BB_g+ to Zhuhai Huafa Industrial Co., Ltd., with stable outlook

Hong Kong, 31 December 2019 -- China Chengxin (Asia Pacific) Credit Ratings (“CCXAP”) has assigned a first-time long-term credit rating of BB_g+ to Zhuhai Huafa Industrial Co., Ltd. (“Huafa”). The rating outlook is stable.

Rating Rationale

The BB_g+ rating of Zhuhai Huafa Industrial Co., Ltd. (“Huafa” or the “Company”) is underpinned by the Company’s (1) growing property sales and sufficient land bank; (2) good access to funding and business growth opportunities; and (3) strong parental support. However, the rating is constrained by (1) the tightening regulatory environment and slowdown in property market; and (2) increased debt leverage and relatively weak liquidity profile of the Company.

Rating Outlook

The stable outlook on Huafa rating reflects its growth in contracted sales and revenue with ability to continuously financing at a relatively low cost. We also expect that the Company’s gross profit margin will improve in the next 12 to 18 months.

What could upgrade the rating?

The rating could be upgraded if the Company (1) demonstrates a sustainable track record of strong contracted sales; (2) improves its credit metrics, such as debt leverage and interest coverage.

What could downgrade the rating?

The rating could be downgraded if (1) there is weakening support from its shareholder; (2) it generates weak contracted sales; or (3) aggressive land acquisition strategies lead to significant increase in debt.

Rating Methodology

CCXAP’s public ratings are available at www.ccxap.com (Rating Results) and may be distributed through media and other means. The methodology used in this rating is Rating Methodology for Real Estate Development Industry dated December 2019, available at www.ccxap.com (Rating Process -> Rating Methodology).

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