



## **CCXAP affirms Zhuhai Huafa Industrial Co., Ltd.'s long-term credit rating at BB<sub>g</sub>+, with stable outlook**

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Hong Kong, 30 December 2020 -- China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") has affirmed the long-term credit rating of Zhuhai Huafa Industrial Co., Ltd. ("Huafa Industrial" or the "Company") at BB<sub>g</sub>+. The rating outlook is stable.

### **Rating Rationale**

The BB<sub>g</sub>+ long-term credit rating of Huafa Industrial reflects the Company's (1) robust contracted sales growth with wider geographical distribution; (2) sufficient and more diversified land bank; (3) fast-growing revenue; and (4) strong parental support.

However, the rating is also constrained by the Company's (1) weakened profitability; (2) high debt leverage; and (3) relatively weak liquidity profile.

### **Rating Outlook**

The stable outlook on Huafa Industrial's rating reflects our expectation that the Company will maintain a steady contracted sales growth over the next 12 to 18 months. We also expect that the Company will receive ongoing support from its parent company.

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

The rating could be upgraded if the Company (1) receives stronger support from its shareholder; (2) demonstrates a sustainable and strong contracted sales growth; and (3) improves its credit metrics, such as debt leverage below 150% or interest coverage above 1.5x.

### **What could downgrade the rating?**

The rating could be downgraded if the Company (1) receives weaker support from its shareholder; (2) generates weak contracted sales; or (3) takes aggressive land acquisition strategies, leading to significant increase in debt leverage.

### **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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