

## Zhuhai Financial Investment Holding Group Ltd.'s Public Offering of 2019-1 Special Bond to Qualified Investors

**Credit rating for this bond:** AAA

**Credit rating for this issuer:** AA+

**Rating outlook:** Stable

**Scale of this issue:** No more than CNY 2 billion (inclusive)

**Maturity term of this issue:** There are two products in this issue.

Product 1: 5 years.

Product 2: 5 years. At the end of the third year, the Company has the option to adjust the coupon rate and has a call option, while the investors have a put option to sell the bond back to the Company.

**Debt servicing method:** Annual interest payment, repayment of principal at maturity

**Guarantor:** Zhuhai Huafa Group Co., Ltd.

**Guarantee method:** Irrevocable joint liability guarantee

**Date of rating:** March 4, 2019

### Key financial data

Item	2015	2016	2017	September 2018
Total assets (CNY 100mn)	216.62	270.17	331.99	339.05
Owners' equity (CNY 100mn)	54.56	108.07	160.92	188.04
Long-term liabilities (CNY 100mn)	53.87	26.74	43.50	37.84
Total liabilities (CNY 100mn)	138.52	90.05	139.45	124.90
Revenue (CNY 100mn)	4.64	5.16	4.54	4.71
Net profit (CNY 100mn)	2.79	5.42	6.37	4.09
EBITDA (CNY 100mn)	9.95	11.96	8.85	--
Net cash flow from operating activities (CNY 100mn)	1.74	-26.16	-52.00	38.17
ROE (%)	4.95	6.66	4.73	2.35
Equity ratio (%)	73.62	58.63	50.67	43.49
Total debt to capitalization ratio (%)	71.74	45.45	46.43	39.91
Debt to EBITDA ratio (x)	0.07	0.13	0.06	--
EBITDA-to-interest cover (x)	1.51	2.03	3.39	--
EBITDA/scale of this issue (x)	0.50	0.60	0.44	--

### Guarantor: Zhuhai Huafa Group Co., Ltd.

Item	2015	2016	2017	September 2018
Total assets (CNY 100mn)	1,575.05	1,891.63	2,284.79	2,813.79
Total liabilities (CNY 100mn)	1,198.23	1,427.58	1,660.87	2,021.54
Owners' equity (CNY 100mn)	376.82	464.05	623.92	792.25
Revenue (CNY 100mn)	211.03	321.37	441.55	308.76
Net profit (CNY 100mn)	8.19	20.74	34.58	22.78
Debt-to-asset ratio (%)	76.08	75.47	72.69	71.84

Note: 1. The financial data and indicators in this report are calculated on the basis of consolidated financial statements. The financial data from January to September 2018 has not been audited, and relevant indicators have not been annualized; 2. The current assets and current liabilities used in calculating the current ratio and quick ratio have been excluded from the part that the Company does not own; 3. Due to rounding, there may be a slight difference between the sum of sub-totals and the total in this report.

### Rationale

United Credit Rating Co., Ltd.'s (hereinafter referred to as "United Ratings") rating on Zhuhai Financial Investment Holding Group Ltd. (hereinafter referred to as "Zhuhai Financial Group" or the "Company") reflects that the Company as a financial and industrial investment platform under Zhuhai SASAC, has nearly obtained a full range of licenses to operate in the financial sector, with strong competitiveness in the region as well as in the sector; the Company has received strong support from its shareholders in terms of capital injections and resource acquisition. In recent years, the Company's capital strength has been enhanced continuously with a relatively good liquidity and moderate leverage; Huajin Securities Co., Ltd. (hereinafter referred to as "Huajin Securities"), a major subsidiary of the Company, is a nationwide and comprehensive securities firm with a full range of business qualifications, a good liquidity and capital adequacy.

At the same time, United Ratings also noted that the Company's main business income is highly dependent on Huajin Securities, which is vulnerable to regulatory policy changes and fluctuations in the securities market, and thus adversely affects its profitability.

With steady advancement of the Company's strategy and further enhancement of its capital strength, the Company's business scale and profitability are expected to be further improved and its overall competitiveness will get further enhanced. United Ratings' rating outlook for the Company is "stable".

Zhuhai Huafa Group Co., Ltd., (hereinafter referred to as "Huafa Group") the Guarantor of this issue, has strong capital base and its operating income has grown rapidly in recent years with strong competitiveness. The irrevocable joint liability guarantee provided by Huafa Group provides a significant enhancement on the credit level of this bond.

Based on a comprehensive assessment of the

bond issuer's long-term credit profile and its ability to repay debts associated with the bond tranche, United Ratings concludes that the risk of default on the bond repayment is extremely low.

### Strengths

1. With Zhuhai's advantageous location connecting Guangdong, Hong Kong and Macao as well as benefiting from the special policy of Hengqin Free Trade Zone, the Company has nearly obtained a full range of licenses to operate in the financial sector by way of setting up new establishments or making acquisitions, thus winning strong competitive advantages in both the region and the sector as well.

2. Huajin Securities, a major subsidiary of the Company, is a nationwide securities firm with a full range of business qualifications. After the Company increased Huajin Securities' capital in 2016, its business scale has continued expanding with a relatively good asset quality and high capital adequacy.

3. Since the establishment of the Company, it has injected capital to raise share capital for several times and its capital strength has been continuously enhanced with a relatively good asset liquidity, a moderate leverage, relatively strong fundraising ability and very strong solvency.

4. As a leading enterprise among the 16 state-owned enterprises in Zhuhai, Huafa Group, the guarantor of this bond, is a diversified enterprise group engaged in four core businesses including urban operations, real estate development, financial services and industrial investment, as well as various other industries such as business and commercial services, culture, sports, education and modern services; Huafa Group has strong capital strength and its operating income has grown rapidly in the recent years, with relatively strong profitability and very strong competitiveness. The guarantee provided by the group has a significant positive impact on the credit standing of this bond.

### Concerns

1. The Company's main business income is highly dependent on Huajin Securities, which is

vulnerable to regulatory policy changes and fluctuations in the securities market.

2. Affected by market environment, both operating income and investment income of the Company have declined, and thus have adversely affected its profitability.

3. Huafa Group's real estate development and land development businesses of a large scale are vulnerable to macro policies and real estate market risk; its commodity trade business segment has a low profit margin; it has relatively large interest-bearing debts, which puts pressure on its short-term debt repayment capacity.

### Analysts

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