



## **CCXAP assigns first-time A<sub>g</sub>- to Hanjiang Guotou Group Co., Ltd., with stable outlook**

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Hong Kong, 16 November 2018 -- China Chengxin (Asia Pacific) Credit Ratings (“CCXAP”) has assigned a first-time long-term credit rating of A<sub>g</sub>- to Hanjiang Guotou Group Co., Ltd. (“HJGT”). The rating outlook is stable.

### **Rating Rationale**

The A<sub>g</sub>- rating of Hanjiang Guotou Group Co., Ltd. (“HJGT” or the “Company”) is underpinned by (1) track record of strong government support given its strategic importance in Xiangyang City; (2) regional monopoly in land consolidation, infrastructure construction and affordable housing development; (3) increasing revenue of land consolidation with strong demand for housings and increasing land sales; and (4) adequate liquidity position. However, the rating also is constrained by the Company’s (1) capital expenditure pressure given large scale of project pipelines in infrastructure construction and affordable housing development; (2) volatile revenue and profitability as land consolidation is closely related to the development of property market and government policy; and (3) heightened debt leverage and modest credit metrics.

### **Rating Outlook**

The stable outlook on HJGT’s rating reflects its key position of land consolidation, infrastructure development and affordable housing development with high level of support from regional and local government. We expect the Company will demonstrate a good access to project resources alongside the development of Xiangyang City, which will help strengthened its business profile.

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

The rating could be upgraded if (1) more favorable policies impose to the Company which significantly strengthened its role in Xiangyang City as well as its business profile; (2) the Company maintains a reasonable profitability with improving cash generating capability; and (3) the Company adopts more disciplinary financial policy which improves its credit profile, such as debt leverage and credit metrics.

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

The rating could be downgraded if (1) there is weakening support from regional and local government; (2) increasing capital expenditure exerts pressure on the Company’s credit profile; or (3) heightened debt leverage and severely impaired liquidity position.

## **Rating Methodology**

CCXAP's public ratings are available at [www.ccxap.com](http://www.ccxap.com) (Rating Results->Corporate Ratings) and may be distributed through media and other means. The methodology used in this rating is Rating Methodology for China's Local Government Financing Vehicles dated June 2017, available at [www.ccxap.com](http://www.ccxap.com) (Rating Process -> Rating Methodology).

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