



## **CCXAP affirms Hanjiang Guotou Group Co., Ltd.'s long-term rating at A<sub>g</sub>-, with stable outlook**

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Hong Kong, 14 November 2019 -- China Chengxin (Asia Pacific) Credit Ratings (“CCXAP”) has affirmed the long-term credit rating of A<sub>g</sub>- to Hanjiang Guotou Group Co., Ltd. (“HJGT” or the “Company”). The rating outlook is stable.

### **Rating Rationale**

The A<sub>g</sub>- rating of HJGT is underpinned by (1) high likelihood of support from its ultimate shareholder, Xiangyang Municipal Government; (2) regional monopoly in land consolidation, infrastructure construction and affordable housing development sectors; and (3) adequate liquidity profile and manageable refinancing risk. However, the rating is also constrained by the Company’s (1) capital expenditure pressure given a large scale of projects in the pipeline; and (2) weakened financial profile.

### **Rating Outlook**

The stable outlook on HJGT’s rating reflects its strategic importance to Xiangyang City as it is the largest state-owned enterprise under Xiangyang Municipal Government’s control. We expect the Company will demonstrate a good access to project resources alongside the development of Xiangyang City, which will help strengthen its business profile.

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

The rating could be upgraded if (1) the economic and fiscal strengths of Xiangyang City improve noticeably; or (2) the Company receives stronger support from upper level government or the central government of China.

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

The rating could be downgraded if (1) Xiangyang City’s credit quality deteriorates; (2) likelihood of support from Xiangyang City declines; (3) the importance of HJGT to Xiangyang City weakens; or (4) the Company’s standalone credit profile weakens significantly.

## Rating Methodology

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

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