

Emeishan Tianxiu Environment Group Co., Ltd.

Summary

Issuer Rating	BBB-
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	15 October 2025

Lianhe Ratings Global Limited (“Lianhe Global”) has assigned ‘BBB-’ global scale Long-term Issuer Credit Rating with Stable Outlook to Emeishan Tianxiu Environment Group Co., Ltd. (“ETEG” or “the company”)

Summary

The Issuer Credit Rating reflects a high possibility that the People’s Government of Emeishan (“the Emeishan government”) would provide strong support to ETEG if needed. This mainly considers the Emeishan government’s indirect fully ownership of ETEG, ETEG’s strategic position as an important local investment and development company (“LIDC”) responsible for project development and city operation in Emeishan City (“Emeishan”). The linkage between the local government and ETEG is strong, including management supervision, strategic alignment, and ongoing operational and financial support. In addition, the local government may face significant negative impact on its reputation and financing activities should ETEG encounter any operational or financial difficulties.

Emeishan is a county-level city with rich tourism resources located in the southwest of Sichuan Province and managed by Leshan City. In 2024, Emeishan’s GDP grew steadily by 6.3% to RMB42.0 billion, while its budgetary revenue increased by 3.7% to RMB2.4 billion.

The Stable Outlook reflects our expectation that ETEG’s strategic importance would remain intact while the Emeishan government will continue to ensure ETEG’s stable operation.

Rating Rationale

Government’s Ownership and Supervision: The Emeishan State-owned Asset Supervision and Administration Bureau (“the Emeishan SASAB”) indirectly holds the full ownership of ETEG. The Emeishan government has strong control and supervision over the company through its shareholder, including management appointment, decision on its strategic development and investment plan and supervision of its major funding decisions. In addition, the Emeishan government has assessment mechanism over the company and it appoints auditors to supervise the operating performance and financial position on a periodic basis.

Strategic Alignment and Importance: ETEG is primarily responsible for project construction and city operation in Emeishan, with a strong regional advantage. The company mainly undertakes water supply and related project construction within the region. It also plans to expand its role in rural revitalization and industrial operations. ETEG plays an important role in promoting the economic and social development of the region. Its business operation and development have been aligned with the government’s development plans.

Ongoing Government Support: ETEG received ongoing operational and financial support from the Emeishan government and its shareholder. Emeishan Development (Holdings) Co., Ltd (“EMD”), the shareholder of ETEG, injected RMB45.1 million in capital, while the Emeishan government contributed RMB500.3 million in forest assets into ETEG to expand its asset size in 2024. ETEG also received total subsidies of RMB5.0 million from 2022 to 2024. Given that ETEG is the key entity for project development, water supply and rural revitalization in Emeishan, we believe ETEG is likely to receive timely government support.

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Applicable Criteria

China Local Investment and Development Companies Criteria (31 July 2025)

ETEG's Financial and Liquidity Position: ETEG's total asset increased to RMB13.3 billion at end-2024 from RMB10.6 billion at end-2022 as it actively participated in Emeishan's project development. The company relied on both government support and borrowings to fund its asset expansion. Driven by a 22% jump in shareholders' equity due to the government's capital injections, which outpaced the 10% increase in total debt, ETEG's financial leverage, measured by debt-to-capitalization, decreased to 37.9% at end-2024 from 40.0% at end-2023.

ETEG's short-term debt servicing pressure is very high. At end-2024, the company held unrestricted cash of RMB105.7 million, compared to RMB2.1 billion in short-term debt. As of end-2024, the company had total bank facilities of RMB1.5 billion, of which RMB0.4 billion was unutilized. Nevertheless, ETEG maintains access to diverse funding sources, including bank loans, bond issuances, and other non-traditional channels to support ongoing operations. In addition, we expect the company to roll-over its short-term bank borrowings (end-2024: RMB0.9 billion) and receive timely government support if needed.

Rating Sensitivities

We would consider downgrading ETEG's rating if (1) there is perceived weakening in support from the Emeishan government, particularly due to its reduced strategic importance, or (2) there is a significant reduction of the Emeishan government's ownership of ETEG, or (3) there is a downgrade in our internal credit assessment on the Emeishan government.

We would consider upgrading ETEG's rating if (1) there is strengthened support from the Emeishan government, or (2) there is an upgrade in our internal credit assessment on the Emeishan government.

Operating Environment

Economic Condition of Emeishan

Emeishan's Economy Condition			
(RMB billion)	2022	2023	2024
GDP	37.4	40.3	42.0
-Primary industry (%)	9.4	9.0	7.4
-Secondary industry (%)	29.7	26.6	31.5
-Tertiary industry (%)	60.9	64.3	61.0
GDP growth rate (%)	-3.9	6.9	6.3
Fixed asset investment growth rate (%)	11.6	9.8	3.3
Population (million)	0.4	0.4	0.4
<i>Source: Public information and Lianhe Global's calculations</i>			

Emeishan is a county-level city of Leshan City, Sichuan Province. It recorded GDP of RMB42.0 billion in 2024 with a high contribution from tertiary industries, thanks to its abundant tourism resources. Emeishan's GDP growth rebounded to 6.9% in 2023 from -3.9% in 2022 after Covid then moderated to 6.3% in 2024.

Fiscal Condition of Emeishan

Emeishan's Fiscal Condition			
(RMB billion)	2022	2023	2024
Budgetary revenue	2.2	2.3	2.4
Budgetary revenue growth rate (%)	5.1	5.0	3.7
Tax revenue	1.0	1.2	1.1

Tax revenue (% of budgetary revenue)	43.4	52.6	44.3
Government fund income	3.6	2.3	2.5
Transfer payment	1.4	1.7	1.3
Aggregate revenue	7.3	6.5	6.7
Budgetary expenditure	3.2	4.0	3.3
Budget balance ¹ (%)	-45.9	-71.2	-37.8
Government debt ratio (%)	111.4	125.7	143.1

¹ Budget balance = (1-budgetary expenditure / budgetary revenue) * 100%

Source: Public information and Lianhe Global's calculations

The Emeishan government's budgetary revenue rose to RMB2.4 billion in 2024 from RMB2.3 billion in 2023. Its fiscal balance was improved, with the budget deficit narrowing from 71.2% to 37.8%. Over the same period, the Emeishan government's government-fund income expanded to RMB2.5 billion from RMB2.3 billion. However, transfer payments declined from RMB1.7 billion to RMB1.3 billion.

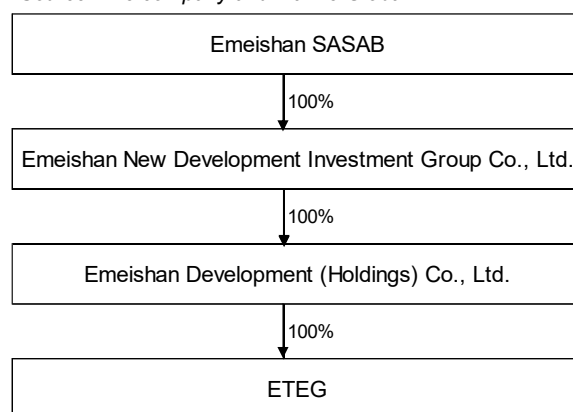
The outstanding debt of the Emeishan government kept growing in past few years. At end-2024, the Emeishan government's outstanding debt increased to RMB9.6 billion from RMB8.2 billion at end-2023, mainly due to the issuance of special debts to support local public projects. Its government debt ratio, as measured by the total government debt/aggregate revenue, was up to 143.1% at end-2024 from 125.7% at end-2023.

Company Profile

Ownership Structure

ETEG was established in November 2019 with an initial registered capital of RMB5 billion, funded by EMD, the most important and the largest LIDC in Emeishan, which is responsible for infrastructure construction and project development. The Emeishan SASAB ultimately hold the full ownership of ETEG through EMD, and is the company's actual controller.

Source: The company and Lianhe Global



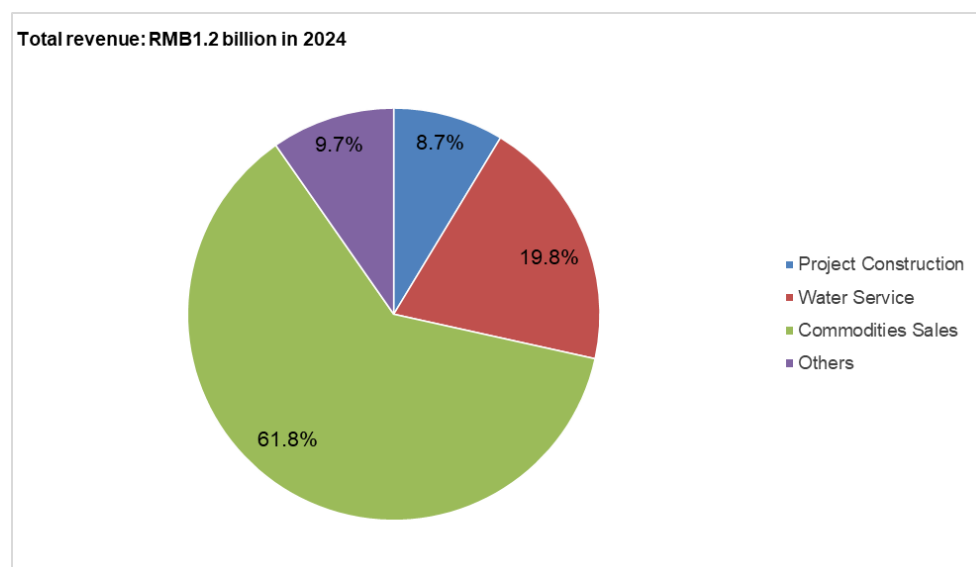
Revenue Breakdown

ETEG, as an important LIDC in Emeishan, is mainly responsible for project development and city operation in Emeishan, with a strong regional franchise advantage. The primary source of operating revenue for the company is project development, water supply and commodities sales. The company realized total revenue of RMB1.4 billion, 1.5 billion, and RMB1.2 billion in 2022, 2023, 2024, respectively. Although ETEG's revenue showed a downward trend, its overall gross profit margin rose from 18.9 % in 2023 to 24.8 % in 2024.

ETEG develops water supply and drainage facilities as well as the upgrading of pipeline networks and the company acquires projects through public tender or directly entrusted by customers. The company is also responsible for the supply of water for production and domestic use in Emeishan, excluding the Emeishan Scenic Area, and enjoys strong regional franchise advantage. In recent years, water service revenue has continued to grow, benefiting from government price subsidies. This business has a high gross profit margin and contributes significantly to the company's profits.

As a major source of revenue for the company, commodities sales mainly involve the sales of ethylene glycol, aluminum ingots, cathode copper, etc. The company makes a profit from the spread between buying and selling prices. However, its sales business operates at razor-thin gross margins, and its profitability is highly sensitive to market volatility and other external factors. Moreover, the substantial prepayments tied to commodity sales tie up a sizable amount of working capital, exposing the company to heightened liquidity pressure.

Other incomes of ETEG mainly come from interest income from inter-company lending, with the primary borrowers being other LIDCs in Emeishan.



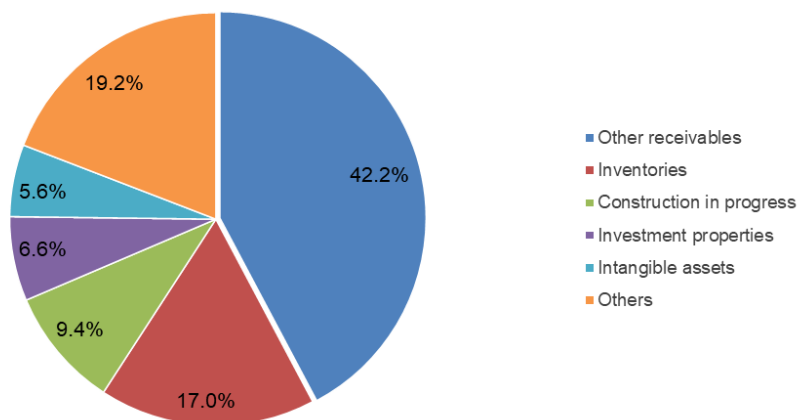
Source: The company's financial reports and Lianhe Global's calculations

Assets Breakdown

ETEG's asset liquidity was relatively weak, as had a large amount of account receivables and other account receivables, which added up to RMB5.6 billion, accounting for 42.2% of total asset at end-2024. They were primarily due from local government agencies and their repayment schedules are highly subject to the fiscal conditions of the local government. In addition, the company the company had accumulated sizable inventories of RMB2.3 billion (mainly land use rights and construction costs) from its project development activities, representing 17.0% of total asset at end-2024. These assets usually take a long time to monetize due to the protracted construction and payment collection period.



Total assets: RMB13.3 billion at end-2024



Source: The company's financial reports and Lianhe Global's calculations

Key Financial Data

(RMB million)	2022	2023	2024
Total Assets	10,601	10,664	13,328
Equity	5,386	5,812	7,075
Debt	2,984	3,874	4,315
Debt / (Debt + Equity) (%)	35.7	40.0	37.9
Unrestricted cash/ST Debts (x)	0.3	0.2	0.1
Debt/EBITDA (x)	10.5	10.4	13.4
Revenue	1,367	1,499	1,217
Operation Profit	152	158	202
Gross Margin (%)	18.3	18.9	24.8
Cash from sales or services/ revenue (%)	52.3	82.4	85.3

Source: The company and Lianhe Global's calculations

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