

Liangshan Development (Holdings) Group Co., Ltd.

Lianhe Ratings Global Limited (“Lianhe Global”) has affirmed ‘BBB’ global scale Long-term Issuer Credit Rating of Liangshan Development (Holdings) Group Co., Ltd. (“LDHG” or “the company”); Issuer Rating Outlook is Stable

Summary

The Issuer Credit Rating reflects a high possibility that the Sichuan Province’s Liangshan Yi Autonomous Prefecture Government (“Liangshan government”) would provide strong support to LDHG if needed, in light of the Liangshan government’s majority ownership in LDHG, LDHG’s strategic importance as the sole prefecture-level local investment and development company (“LIDC”) responsible for state-owned asset operation, investment and financing in Liangshan Yi Autonomous Prefecture (“Liangshan”), and the linkage between the Liangshan government and LDHG, including supervision of the senior management, strategic alignment and ongoing operational and financial support. In addition, the Liangshan government may face significant negative impact on its reputation, business and financing activities should LDHG encounter any operational or financial difficulties.

Liangshan is an autonomous prefecture located in the southwestern part of Sichuan Province, and it is the major living area of the Yi ethnic group. Its GDP grew steadily by 6.0% to RMB247.5 billion in 2024, while its budgetary revenue increased by 11.6% to RMB22.0 billion during the same period.

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

Rating Rationale

Government’s Ownership and Supervision: The Liangshan government has a majority ownership of LDHG via the Liangshan Yi Autonomous Prefecture State-owned Assets Supervision and Administration Commission (“SASAC of Liangshan”). The ownership structure of LDHG remained unchanged at end-June 2025, of which the SASAC of Liangshan held 70.99% stake and the Liangshan government is still the ultimate controller of LDHG. The SASAC of Liangshan has strong management supervision over LDHG, including approvals of board members and senior managers and major operating and financing plans.

Strategic Importance and Strategic Alignment: LDHG is still the largest and most important LIDC in Liangshan. The Liangshan government is committed to developing LDHG as the sole prefecture-level LIDC that is responsible for urban construction and supporting the economic development in the region. Ongoing consolidations of industrial and capital resources through asset/capital injections and project acquisitions have expanded LDHG’s business scope and asset size. We believe that the Liangshan government is willing to extend support to LDHG in view of its strategic important role as the flagship LIDC in Liangshan. LDHG’s strategic planning and development have been aligned with the prefectural government’s economic and social development policies.

Ongoing Government Support: LDHG continued to receive financial subsidies and asset/capital injections from the Liangshan government to support its business operations. Between 2022 and 2024, LDHG received total financial subsidies of about RMB840.6 million from the Liangshan government. Meanwhile, the company received asset and capital

Summary

Issuer Rating	BBB
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	17 November 2025

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Applicable Criteria

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

injections in the form of cash, equity transfer, contraction projects, properties, land and other assets injections from the Liangshan government totaling around RMB22.6 billion during the same period. We expect LDHG to receive ongoing support from the Liangshan government in future considering its strategic importance in Liangshan.

LDHG's Financial and Liquidity Position: LDHG's total assets increased to RMB134.5 billion at end-June 2025 from RMB124.4 billion at end-2023, as the company continuously participated in project construction within the region. LDHG's asset liquidity was weak, primarily due to the large proportion of construction-in-progress and other non-current assets, representing 40.7% of total assets at end-June 2025. The company's financial leverage, as measured by debt to capitalization ratio, increased to 39.8% at end-June 2025 from 36.6% at end-2023.

LDHG's liquidity was moderately weak. At end-June 2025, LDHG had unrestricted cash balance of RMB5.9 billion, compared with its debt to be due within one year of RMB13.2 billion. Nevertheless, LDHG has access to various channels of financing, including bank loans, onshore and offshore bonds issuance and non-traditional financing channels, to support its debt repayments and business operations. At end-June 2025, the company had unused credit facilities of RMB15.9 billion.

Rating Sensitivities

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

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

Operating Environment

Economic Condition of Liangshan

Liangshan's GDP increased steadily to RMB247.5 billion in 2024, representing a year-on-year growth rate of 6.0%. Its economic structure improved slightly, with the contribution from tertiary industry increasing to 45.6% in 2024. GDP per capita of Liangshan increased to RMB50,400 in 2024, but still lower than that of Sichuan Province (RMB77,300) and China (RMB95,700).

Liangshan's Economic Condition			
(RMB billion)	2022	2023	2024
GDP	208.1	233.8	247.5
-Primary industry (%)	22.8	20.8	19.8
-Secondary industry (%)	34.5	34.4	34.6
-Tertiary industry (%)	42.7	44.8	45.6
GDP growth rate (%)	6.0	7.0	6.0
Fixed asset investment growth rate (%)	11.5	-15.4	-4.1
Population (million)	4.9	4.9	4.9
<i>Source: Financial Bureau of Liangshan, Statistical Bureau of Liangshan and Lianhe Global's calculations</i>			

Fiscal Condition of Liangshan

Liangshan has persistently obtained strong support from the central and provincial governments mainly in the form of transfer payments to support the development of rural impoverished areas and ethnic minorities. The budgetary revenue of Liangshan government maintained double-digit growth in the past three years and reached RMB22.0 billion in 2024, representing a year-on-year increase of 11.6%. The contribution of tax revenue to budgetary revenue remained stable but low at 60.6% in 2024. The fiscal self-sufficiency rate of the Liangshan government was weak, with its budget deficit widening further to 285.2% in 2024 from 263.5% in 2023. Moreover, the government fund income further declined to RMB5.6 billion in 2024 from RMB6.1 billion in 2023, owing to weak property market. Nevertheless, the transfer payment increased to RMB62.5 billion in 2024 from RMB54.0 billion in 2023.

The outstanding debt of the Liangshan government continued to grow. At end-2024, the Liangshan government's outstanding debt increased to RMB57.1 billion, including RMB34.3 billion of general obligations and RMB22.7 billion of special purpose debts. However, its government debt ratio, as measured by the total government debt to aggregate revenue ratio, remained stable at 62.3% at end-2024 (end-2023: 61.8%).

Liangshan's Fiscal Condition			
(RMB billion)	2022	2023	2024
Budgetary revenue	18.4	20.5	22.0
Budgetary revenue growth rate (%)	14.8	11.2	11.6
Tax revenue	10.4	12.5	13.3
Tax revenue (% of budgetary revenue)	56.7	61.1	60.6
Government fund income	8.7	6.1	5.6
Transfer payment	52.1	54.0	62.5
Aggregate revenue	79.2	80.5	91.6
Budgetary expenditure	64.6	74.4	84.9
Budget balance ¹ (%)	-250.5	-263.5	-285.2
Government debt ratio (%)	57.3	61.8	62.3
¹ Budget balance = (1-budgetary expenditure / budgetary revenue) * 100%			
Source: Financial Bureau of Liangshan, Statistical Bureau of Liangshan and Lianhe Global's calculations			

Company Profile

LDHG was established in December 2008. After an array of equity transfer and capital injection, the registered capital and paid-in capital of the company were both RMB16.4 billion at end-June 2025. The SASAC of Liangshan was the largest shareholder of LDHG, holding 70.99% of the company's equity, followed by the Sichuan Provincial Finance Department of 9.79% stake and the remaining shareholders were the SASACs or Finance Bureau of subordinate counties in Liangshan.

LDHG focuses on the infrastructure construction, state-owned asset operation, investment and financing in Liangshan to implement the related instructions of Liangshan governments. It also carries out project construction, agent construction, real estate development and other businesses such as sales of mineral products, construction materials, electricity, etc. The company recognized a revenue of RMB3.9 billion in the first half of 2025 with a gross margin of 28.0%.

Key Financial Data				
(RMB million)	2022	2023	2024	2025.6
Total Assets	118,072	124,385	130,094	134,505
Equity	57,736	59,631	60,287	60,324
Debt	31,233	34,415	36,384	39,866



Debt / (Debt + Equity) (%)	35.1	36.6	37.6	39.8
Unrestricted cash/ST Debts (x)	0.4	0.4	0.2	0.4
Debt/EBITDA (x)	12.7	13.9	15.2	-
Revenue	6,238	6,553	7,469	3,880
Operation Profit	578	597	613	230
Gross Margin (%)	33.6	29.6	29.0	28.0
Cash from sales or services/ Revenue (%)	72.3	94.4	87.7	109.6
Source: LDHG and Lianhe Global's calculations				

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