

Lianhe Global has assigned ‘BBB-’ Rating to Liang Shan International Development Limited’s proposed USD bonds

HONG KONG, 20 June 2019 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has assigned ‘BBB-’ global scale Long-term Issuance Credit Rating to the proposed senior unsecured USD bonds (“USD bonds”) to be issued by Liangshan Development (Holdings) Group Co., Ltd. (“LDHG”), (formerly known as Liangshan State-Owned Investment & Development Co., Ltd. (“LSID”); ‘BBB-/Stable’)s wholly-owned subsidiary Liang Shan International Development Limited, which is unconditionally and irrevocably guaranteed by LDHG.

The net proceeds from the USD bonds will be used to refinance LDHG’s existing debt and for general corporate purposes.

Key Rating Rationales

The USD bonds are rated at the same level as LDHG’s global scale Long-term Issuer Credit Rating of ‘BBB-’ as LDHG has unconditionally and irrevocably guaranteed the USD bonds. LDHG’s obligations for the USD bonds shall at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

LDHG’s rating reflects a high probability that Sichuan’s Liangshan Yi Autonomous Prefecture (“Liangshan”) would provide strong support to LDHG if needed, in light of the Liangshan government’s majority ownership in LDHG, the high strategic importance of LDHG to Liangshan and the strong linkage between the Liangshan government and LDHG, including management supervision and strategic alignment. LDHG is wholly owned by governments of Liangshan and counties within Liangshan, among which Liangshan government itself owns 65.11% and the counties own the remaining shares.

In addition, the Liangshan government may face significant adverse impact on its reputation, and business and financing activities should LDHG encounter any operational or financial difficulties.

The Stable Outlook on LDHG’s rating reflects our expectation that LDHG’s strategic importance would remain intact while the Liangshan government will continue to ensure LDHG’s stable operation. The Liangshan government has provided ongoing strong support to LDHG, including asset and capital injections, financial subsidies, preferential tax policies, etc.

Rating Sensitivities

Any rating action on LDHG’s rating would result in a similar rating action on the USD bonds.

We would consider downgrading LDHG's rating if (1) there is perceived weakening in support from Liangshan, particularly due to its reduced strategic importance if it is no longer the largest and most important investment and financing platform in Liangshan, (2) the state-owned enterprises and assets consolidation according to the plan announced by Liangshan Committee of the Communist Party of China and the Liangshan prefectural government in June 2018 is not successfully implemented, or (3) there is a downgrade in our internal credit assessment on Liangshan.

We would consider upgrading LDHG's rating if there is an upgrade in our internal credit assessment on Liangshan.

About Lianhe Global

Lianhe Global is an international credit rating company that provides credit ratings to corporations, banks, non-bank financial institutions, local government financing vehicles, and other asset classes around the globe. Lianhe Global also provides credit risk research and other services related to credit ratings.

Rating Methodology

The principal methodology used in this LDHG's rating is Lianhe Global's China Local Government Financing Vehicle Criteria published on 16 July 2018, which can be found at the website www.lhratingsglobal.com.

Note: The above Issuer/Issuance Credit Ratings are solicited at the request of the rated entity or a related third party. The press release supersedes the press release "Lianhe Global has assigned 'BBB-' Rating to Liang Shan International Development Limited's proposed USD bonds" issued on 4 December 2018.

Contact Information

Primary Analyst
Joyce Huang
Senior Director
(852) 3462 9578
joyce.huang@lhratingsglobal.com

Secondary Analyst
Zhao Lin
Associate
(852) 3462 9582
lin.zhao@lhratingsglobal.com

Committee Chairperson
Alex Kung
Senior Director
(852) 3462 9577
alex.kung@lhratingsglobal.com

Business Development Contact
Joyce Chi
Managing Director
(852) 3462 9569
joyce.chi@lhratingsglobal.com

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