

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

HONG KONG, 4 December 2018 – 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 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 LSID.

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

Key Rating Rationales

The USD bonds are rated at the same level as LSID’s global scale Long-term Issuer Credit Rating of ‘BBB-’ as LSID has unconditionally and irrevocably guaranteed the USD bonds. LSID’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.

LSID’s rating reflects a high probability that Sichuan’s Liangshan Yi Autonomous Prefecture (“Liangshan”) would provide strong support to LSID if needed, in light of the Liangshan government’s majority ownership in LSID, the high strategic importance of LSID to Liangshan and the strong linkage between the Liangshan government and LSID, including management supervision and strategic alignment. LSID is wholly owned by governments of Liangshan and counties within Liangshan, among which Liangshan government itself owns 57.1% 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 LSID encounter any operational or financial difficulties.

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

Rating Sensitivities

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

We would consider downgrading LSID’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 LSID'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 LSID'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.

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