

Lianhe Global has assigned ‘BB-’ to Redco Properties Group Ltd.’s proposed 364-day USD green notes

HONG KONG, 7 April 2021 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has assigned ‘BB-’ Issuance Credit Rating to the proposed 364-day senior unsecured USD green notes (“the USD notes”) to be issued by Redco Properties Group Ltd. (1622.HK) (“Redco”, ‘BB-’/Stable).

Redco intends to use the net proceeds from this offering for refinancing its existing indebtedness and in accordance with its sustainable finance framework.

Key Rating Rationales

The USD notes are rated at the same level as Redco’s global scale Long-term Issuer Credit Rating of ‘BB-’ as they constitute Redco’s senior and unsecured obligations. Redco’s obligations for the USD notes shall rank pari passu with all its other present and future unsecured and unsubordinated obligations.

The Issuer Rating reflects Redco’s established track record of scale expansion and healthy margins. However, Redco’s rating is constrained by its relatively small operating scale.

The Stable Outlook reflects our expectation that Redco would continue its scale expansion and geographical diversification in a prudent manner, while maintaining its healthy margins and containing its growth in financial leverage.

Rating Sensitivities

Any rating action on Redco’s rating would result in a similar rating action on the USD notes.

We would consider downgrading Redco’s rating if it were to (1) aggressively expand and replenish its land bank which results in an increase in its financial leverage as measured by debt/capitalization to over 70% or a decrease in its EBITDA interest coverage to below 1.0x consistently, and/or (2) its operating performance were to deteriorate such that its contracted sales and/or revenue experience a material decline or liquidity profile is worsened.

We would consider upgrading Redco’s rating if it were to (1) considerably increase its operating scale while maintaining competitive position in its core markets, and (2) maintain its financial leverage as measured by debt/capitalization at below 60% or EBITDA interest coverage at above 3.0x consistently.

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 Redco's rating is Lianhe Global's General Corporate Rating 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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