

Lianhe Global has upgraded the global scale Long-term Issuer and Issuance Credit Rating of Redsun Properties Group Limited to 'BB' from 'BB-'; Issuer Rating Outlook Stable

HONG KONG, 29 April 2021 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has upgraded the global scale Long-term Issuer Credit Rating of Redsun Properties Group Limited (01996.HK) (“Redsun” or “the company”) to ‘BB’ from ‘BB-’. The Outlook is Stable.

Lianhe Global has also upgraded the global scale Long-term Issuance Credit Rating of the senior unsecured USD notes issued by Redsun to ‘BB’ from ‘BB-’ at the same time. A full list of issuance ratings is included in this press release.

Key Rating Rationales

The Issuer Rating upgrade to ‘BB’ reflects Redsun’s improved market position and financial leverage, especially its interest coverage ratio. It also considers the company’s operating track record and continuous expansion, especially in the Jiangsu Province and the Yangtze River Delta Region. However, Redsun’s rating is constrained by its moderate operating scale, less competitiveness on land acquisitions, moderate financial leverage and lower interest coverage commensurate with the ‘BB’ category.

The Stable Outlook reflects our expectation that Redsun will continue expanding its operating scale in the tier 2 & 3 cities and replenish its land bank portfolio while managing its debt growth in tandem with its contracted sales growth cautiously. At the same time, we expect Redsun to improve its interest coverage ratio.

Rating Sensitivities

We would consider downgrading Redsun’s rating if it were to (1) aggressively replenish its land bank which results in an increase of its financial leverage as measured by debt/capitalization to over 65% or a decrease in its EBITDA interest coverage to below 1.5x 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 Redsun’s rating if it were to (1) consistently expand its operating scale, and/or (2) maintain its financial leverage as measured by debt/capitalization at below 60% and EBITDA interest coverage at above 3.5x consistently.

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

Full List of Issuance Ratings

- USD450 million 9.95% senior unsecured notes due 2022 upgraded to 'BB' from 'BB-'
- USD250 million 10.5% senior unsecured notes due 2022 upgraded to 'BB' from 'BB-'
- USD455 million 9.7% senior unsecured notes due 2023 upgraded to 'BB' from 'BB-'
- USD350 million 7.3% senior unsecured notes due 2025 upgraded to 'BB' from 'BB-'

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 Redsun'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.

Contact Information

Primary Analyst
Alex Kung
Senior Director
(852) 3462 9577
alex.kung@lhratingsglobal.com

Committee Chairperson
Ben Yau
Director
(852) 3462 9586
ben.yau@lhratingsglobal.com

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

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