

Lianhe Global has assigned ‘BB’ to Redsun Properties Group Limited’s proposed USD green notes

HONG KONG, 17 May 2021 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has assigned ‘BB’ global scale Long-term Issuance Credit Rating to the proposed senior unsecured USD green notes (“the USD notes”) to be issued by Redsun Properties Group Limited (“Redsun”; ‘BB’/Stable).

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

Key Rating Rationales

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

The Issuer Rating reflects Redsun’s improved market position and financial leverage. It also considers the company’s operating track record and continuous expansion, especially in the Jiangsu Province and the Yangtze River Delta (“YRD”) 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 replenishing 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

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

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.

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 Redsun's ratings are 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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