

Lianhe Global downgrades Redco Properties Group Limited’s global scale Long-term Issuer and Issuance Credit Rating to ‘B’ from ‘BB-’; On Rating Watch Negative

HONG KONG, 25 February 2022 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has downgraded the global scale Long-term Issuer Credit Rating of Redco Properties Group Limited (1622.HK) (“Redco” or “the company”) to ‘B’ from ‘BB-’.

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

All ratings have been put on Rating Watch Negative (RWN).

Key Rating Rationales

The Issuer Rating downgrade to ‘B’ from ‘BB-’ reflects Redco’s significantly heightened refinancing pressure on its maturing financial obligations. We believe Redco’s cash position has weakened given the weak contracted sales and cash collections in 2022 year-to-date, which is worse than our previous expectation and put pressure on its liquidity. Additionally, the significant drop in Redco’s bond prices undermined its refinancing capability and financial flexibility. Therefore, there is uncertainty on Redco’s current financing situation to meet its financial obligations in the near and medium terms.

The RWN reflects the increasing refinancing risk of Redco’s maturing USD notes, which could lead to further downgrade of the company’s ratings.

Rating Sensitivities

We would consider downgrading Redco’s rating if (1) it were to fail to meet its near and medium term financial obligations when they become due, or (2) its operating performance and working capital management were to deteriorate such that its revenue experiences a material decline or operating cash flow shows sign of worsening.

An upgrade is unlikely given the RWN on Redco. We will resolve the RWN as soon as practicable.

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

Full List of Issuance Ratings

-USD285 million 8.0% senior unsecured notes due 2022 downgraded from ‘BB-’ to ‘B’

-CNH600 million 10.5% senior unsecured sustainable notes due 2023 downgraded from 'BB-' to 'B'

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 Chinese Property Developer Rating Criteria published on 31 December 2021 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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