

## **Lianhe Global has assigned ‘BB-’ to Redsun Properties Group Limited’s Proposed USD Notes**

HONG KONG, 25 June 2019 – 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 notes (“the USD notes”) to be issued by Redsun Properties Group Limited (“Redsun”; ‘BB-’/Stable).

Redsun intends to use the net proceeds from the USD notes primarily for refinancing its existing indebtedness and for general corporate purposes.

### **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 unsubordinated 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 operating track record and continuous expansion into tier 2 and 3 cities, especially in the Yangtze River Delta. However, Redsun’s rating is constrained by its small operating scale, weak competitiveness in land acquisition, moderately high financial leverage and lower-than-peer interest coverage.

The Stable Outlook reflects our expectation that Redsun would replenish its land bank portfolio and expand its operating scale in tier 2 and 3 cities while managing its debt growth cautiously commensurate with ‘BB-’ credit profiles.

### **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 aggressively replenish its land bank which results in an increase of its financial leverage as measured by an EBITDA interest coverage ratio to decrease to 1.0x or a debt over land bank ratio to increase to above 70% or a gross margin to fall below 25%.

We would consider upgrading Redsun’s rating if it were to expand its operating scale while decreasing its financial leverage as measured by a debt/capitalization ratio at below 60% and improving its debt over land bank ratio at below 50% and increasing its EBITDA interest coverage ratio at above 3x 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](http://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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