



## **CCXAP affirms Red Star Macalline Group Corporation Ltd. long-term credit rating at AA<sub>g</sub>-, with stable outlook**

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Hong Kong, 22 January 2019 -- China Chengxin (Asia Pacific) Credit Ratings (“CCXAP”) has affirmed the long-term credit rating of Red Star Macalline Group Corporation Ltd. (“RSM”) at AA<sub>g</sub>-. The rating outlook is stable.

### **Rating Rationale**

The AA<sub>g</sub>- rating of Red Star Macalline Group Corporation Ltd. (“RSM” or the “Company”) is underpinned by the Company’s (1) leading market position in domestic home improvement and furniture shopping mall operation; (2) diversified geographic operation coverage with reputable brand name; (3) relatively strong profitability; and (4) adequate liquidity buffer. However, the rating is also constrained by the Company’s (1) fast-growing expansion with increasing growth appetite; (2) sizable restricted assets; and (3) greater pressure on capital expenditure and management capability.

### **Rating Outlook**

The stable outlook reflects our expectation that RSM will continue to maintain its leading market position in chain home-improvement retail mall sector as supported by its mounting business expansion and reputable brand name. The Company is expected to sustain a large and stable recurring income from its portfolio mall business.

### **What could upgrade the rating?**

The rating could be upgraded if the Company (1) improves its market share in home improvement and furnishings mall operation sector in Mainland China; (2) increases its diversification in geographic coverage; (3) demonstrates enhancing profitability; and (4) improves its credit metrics, such as decrease in debt level and debt leverage.

### **What could downgrade the rating?**

The rating could be downgraded if the Company’s (1) profitability notably deteriorates; (2) credit metrics worsens than anticipated; (3) scale of restricted assets remarkably increases; or (4) liquidity significantly weakens.

## Rating Methodology

CCXAP's public ratings are available at [www.ccxap.com](http://www.ccxap.com) (Rating Results->Corporate Ratings) and may be distributed through media and other means. The methodology used in this rating is Rating Methodology for REITs and REOCs dated July 2018, available at [www.ccxap.com](http://www.ccxap.com) (Rating Process -> Rating Methodology).

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