中誠信亞太
CCXAP

CCXAP affirms Red Star Macalline Group Corporation Ltd.'s long-term credit rating at BBB_g, with stable outlook

Hong Kong, 26 June 2020 -- China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") has affirmed the long-term credit rating of Red Star Macalline Group Corporation Ltd. ("RSM" or the "Company") at BBB_g. The rating outlook is stable.

Rating Rationale

The BBB_g rating of Red Star Macalline Group Corporation Ltd. ("RSM" or the "Company") is underpinned by the Company's (1) leading market position in China's home improvement and furnishings shopping mall sector with strong brand name; (2) established business scale which generates a high level of recurring rental income and management fees; and (3) diversified geographic coverage.

However, the rating is also constrained by (1) the outbreak of COVID-19 that adversely affected its near-term business operation and rental income; (2) the Company's large capital expenditure pressure due to its growth appetite; and (3) its weakened liquidity profile with sizable restricted assets.

Rating Outlook

The stable outlook on RSM's rating reflects our expectation that the Company will maintain its leading position in home improvement and furnishings shopping mall sector in the next 12 to 18 months, given its strong brand name. We also expect that the Company will continue to generate recurring rental income and management fee from its mall business.

What could upgrade the rating?

The rating could be upgraded if the Company's (1) market position strengthens and asset quality improves, such as larger recurring rental income from its mall business or higher average rent and occupancy rates of malls; (2) development risk diminishes with a more matured mall portfolio; and (3) EBITDA/revenue ratio increases above 50%, capitalization ratio drops to below 30% or net debt/EBITDA below 4.0x on a sustainable basis.

What could downgrade the rating?

The rating could be downgraded if the Company's (1) leading market position is materially threatened by other players in the industry; (2) aggressive expansion strategy that increases its debt leverage such as capitalization ratio rises above 50% or net debt/EBITDA rises above 6.0x; or (3) liquidity buffer and financing capacity weakens.

Rating Methodology

The methodology used in this rating is the Rating Methodology for REITs and REOCs (December 2019).

Contacts of Credit Ratings

The first name below is the lead rating analyst for this rating and the last name below is the person primarily responsible for approving this rating.

Vincent Tong
Credit Analyst -- Credit Ratings
vincent_tong@ccxap.com

Guo Zhang
Director -- Credit Ratings
guo_zhang@ccxap.com

Tel: +852-2860 7111

Disclaimer

Credit ratings assigned by China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP") are based on CCXAP's rating principles of independence, fairness and objectivity. A credit rating reveals and ranks specific risks, but it does not cover all risks embedded in the rated entity or the rated debt issue.

Credit ratings are not recommendations for investors to buy, sell or hold debt securities, nor measurements of market value of the rated entities or the rated debt issues. While CCXAP has obtained information from sources it believes to be reliable, CCXAP does not perform an audit and undertakes no duty of due diligence or independent verification of information it receives from the rated entity.

CCXAP's public ratings are available at www.ccxap.com (Rating Results) and may be distributed through media and other means.

All information published in this document belongs to CCXAP and is subject to change without prior notice by CCXAP. CCXAP considers the information contained in this document reliable. However, all information is provided on an "as is" and "as available" basis and CCXAP does not guarantee the accuracy, adequacy, completeness or timeliness of any information included in this document. None of the information may be used, including without limitation reproducing, amending, sending, distributing, transferring, lending, translating, or adapting the information, for subsequent use without CCXAP's prior written permission.

CCXAP is not liable for any in whole or part caused by, resulting from or relating to any error (neglect or otherwise) or other circumstance or contingency within or outside the control of CCXAP's or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, interpretation, analysis, editing, transcription, publication, communication or delivery of any such information, or any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation lost profits), even if CCXAP, or representatives thereof, are advised of the possibility of such damage, losses or expenses.

China Chengxin (Asia Pacific) Credit Ratings Company Limited

Address: Suites 805-808, Jardine House, 1 Connaught Place, Hong Kong

Website: www.ccxap.com

Email: info@ccxap.com

Tel: +852-2860 7111

Fax: +852-2868 0656