



CCXAP assigns first-time AAg- to Red Star Macalline Group Corporation Ltd., outlook stable

Hong Kong, 29th December 2017 -- China Chengxin (Asia Pacific) Credit Ratings (“CCXAP”) has assigned a first-time long-term credit rating of AAg- to Red Star Macalline Group Corporation Ltd. The rating outlook is stable.

Rating Rationale

The AAg- rating of Red Star Macalline Group Corporation Ltd. (“RSM” or the “Company”) is underpinned by the Company’s (1) solid market position in Mainland China with reputable brand name; (2) improvement of geographic and service diversification; (3) growing operating scale supported by two-pronged business model; and (4) adequate liquidity buffer. However, the rating is also constrained by (1) the volatile business nature of China’s property market which may affect the retail market of chain home improvement; (2) the Company’s sizable restricted assets; (3) large investment scale in self-constructed shopping mall projects; and (4) rapid expansion of managed shopping malls which exerts pressure on management capability.

Rating Outlook

The stable outlook reflects our expectation that RSM will continue to be the market leader in chain home-improvement retail mall sector, benefitting from strong home refurbishment demand and rising number of home buyers. The Company is expected to generate steady earnings and cash flows from its mall business.

What could upgrade the rating?

The rating could be upgraded if the Company (1) improves its market share in home improvement retail mall sector in Mainland China; (2) achieves a track record of enhancing profitability; and (3) 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 deteriorates obviously; (2) credit metrics worsen than anticipated; or (3) liquidity weakens significantly.

Rating Methodology

CCXAP's public ratings are available at 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 March 2016, available at www.ccxap.com (Rating Process -> Rating Methodology).

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