



CCXAP assigns BB_g to Yango Group Co., Ltd.'s proposed 364-day US dollar-denominated notes

Hong Kong, 5 January 2021 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned BB_g to the proposed 364-day US dollar-denominated senior notes to be issued by Yango Justice International Limited (the “Issuer”), a wholly-owned subsidiary of Yango Group Co., Ltd. (“Yango” or the “Company”), and unconditionally and irrevocably guaranteed by Yango.

The notes are senior obligations of the Issuer and Yango. The notes are at least pari passu in right of payment with all other unsecured, unsubordinated obligations of the Issuer and Yango. The Company intends to use the net proceeds for refinancing its existing offshore indebtedness.

The ultimate rating on the proposed notes is contingent upon the receipt of final documents conforming to information already received.

Corporate Profile

Established in 1991, Yango is a Chinese property developer whose business covers property development, business management, hotel development and construction. The Company mainly develops residential properties in Greater Fujian region, Yangtze River Delta region, and other strategic cities. The Company has been listed on the Shenzhen Stock Exchange since 1996 (Stock Code: 000671.SZ).

On 9 September 2020, Yango announced that Taikang Insurance Group Inc. (“Taikang Insurance”), will acquire a total of 554 million of the Company’s shares from Shanghai Jiawen Investment Co., Ltd. via its subsidiaries Taikang Life Insurance Co., Ltd. and Taikang Pension & Insurance Co., Ltd. Upon completion of the share transfer on 26 October 2020, Fujian Yango Group Co., Ltd., and persons acting in concert (“Fujian Yango”) were the major shareholders, while Taikang Insurance became the second-largest shareholder, holding 43.73% and 13.46% of the Company’s shares, respectively.

Rating Rationale

The proposed notes are rated at the same level as the Company’s long-term credit rating¹. Despite that the majority of Yango’s claims are at the operating subsidiary level, the Company’s diversified

¹ A long-term credit rating can also be used to rate an issue with short maturity.

business profile (with revenue and cash flow generation across its large number of operating subsidiaries) can help mitigate structural subordination risks.

The BB_g rating of Yango reflects the Company's (1) large contracted sales with strong market position and sales execution; (2) disciplined land acquisitions with diversified land bank; and (3) good liquidity position and funding capability, which is further strengthened by the support of its second-largest shareholder, Taikang Insurance.

However, the rating is also constrained by the Company's (1) large exposure to joint-venture partnership; (2) weak profitability and EBIT interest coverage; and (3) high debt leverage.

Rating Outlook

The stable outlook on Yango's rating reflects our expectation that the Company will continue to benefit from its strong market position, and its debt leverage will be improved by proactive debt management. We also expect that Taikang Insurance's investment will enhance Yango's funding capability and provide additional liquidity buffer.

What could upgrade the rating?

The rating could be upgraded if the Company (1) demonstrates a significant contracted sales growth with satisfactory cash collection; (2) increases its profitability, such as net profit margin above 10% on a sustained basis; and (3) improves its credit metrics, such as net gearing ratio below 100% and EBIT interest coverage above 1.5x.

What could downgrade the rating?

The rating could be downgraded if the Company's (1) operating scale shrinks with weakened cash collection; (2) debt leverage boosts alongside the resumption of aggressive land acquisitions; or (3) liquidity profile deteriorates and funding capability weakens.

Rating Methodology

The methodology used in this rating is the Rating Methodology for [Real Estate Development Industry \(December 2019\)](#).

Regulatory Disclosures

CCXAP's Rating Symbols and Definitions are available on its website at:

http://www.ccxap.com/en/rating_services/category/6/

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