

CCXAP downgrades Yango Group Co., Ltd. to B_g+; changes outlook to negative

Hong Kong, 2 November 2021 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has downgraded the long-term credit rating of Yango Group Co., Ltd. (“Yango”, or the “Company”) to B_g+ from BB_g. At the same time, CCXAP has downgraded Yango's senior unsecured debt rating on the bonds issued by Yango Justice International Limited to B_g+ from BB_g. The outlook has been changed to negative from stable.

The rating downgrade of Yango reflects the Company's weakened liquidity buffer, heightened refinancing risk, and deteriorated operational performance. The negative outlook reflects the uncertainty of the Company's liquidity and funding access amid weak market conditions over the next 6-12 months.

Corporate Profile

Established in 1991, Yango (Stock Code: 000671.SZ) is a Chinese property developer with business coverage of 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 in central and western region.

As of 30 September 2021, Fujian Yango Group Co., Ltd., and persons acting in the concert were the major shareholders, while Taikang Insurance Group Inc. (“Taikang Insurance”) became the second-largest shareholder, holding 45.92% and 13.4% of the Company's shares, respectively.

Rating Rationale

The B_g+ long-term rating reflects Yango's weakened liquidity buffer and heightened refinancing risk, which may weaken its financial flexibility. As of 30 September 2021, the Company's cash on hand decreased to RMB 27.2 billion and its short-term debts amounted to RMB38.8 billion, while its cash holdings are insufficient to cover short-term debts. Moreover, the Company has large upcoming debt maturities. In November 2021, Yango has approximately RMB2.4 billion onshore capital-market debts, including ABS, ABN and private bonds, and USD247 million offshore bonds at maturity or becoming puttable. As Yango's funding access to onshore and offshore capital markets has weakened significantly given the weaker investor sentiment for Chinese property developers, we expect that the Company will need to use its internal resources to repay short-term debt maturities. However, not all pre-sales proceeds could be used for debt repayments due to the strict control on their usage.

In addition, the rating also reflects Yango's deteriorated operational performance in 2021Q3. For the third quarter of 2021, the Company's contracted sales recorded RMB21.0 billion, increasing by 11.4%; however, we expect its contracted sales under pressure given the weaker homebuyer confidence in China's property market. The Company recorded a quarterly revenue of RMB11.4 billion in 2021Q3, decreasing by 18.2% year-on-year (“YoY”); while its net profit fell by 24.0% YoY to RMB1.0 billion, which mainly came from investment income. As a result,

the Company's net profit margin stayed weak at 6.6% for the last twelve months ended 30 September 2021.

On 1 November 2021, in order to improve liquidity and avoid imminent payment defaults, Yango announced the Exchange Offers of its three offshore bonds puttable or due from November 2021 to March 2022, with New Notes due on 15 September 2022. The minimum acceptance amount will be 85% of their outstanding principal amount, and the expiration deadline will be 10 November 2021. If the Exchange Offers are not successfully completed, the Company may not be able to repay the debts upon maturity, given its insufficient existing internal resources.

Rating Outlook

CCXAP changes Yango's outlook to negative from stable, which reflects that the Company's liquidity and funding access are subject to uncertainty amid tightening operating and funding environment over the next 6-12 months.

What could upgrade the rating?

Rating upgrade is unlikely given the outlook is negative. However, positive rating action could be taken if the Company demonstrates a material recovery on its repayment ability such as substantially improved liquidity and access to funding.

What could downgrade the rating?

The rating could be downgraded if the Company's (1) liquidity further weakens; (2) funding access significantly deteriorated; or (3) contracted sales slumps.

Regulatory 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/

This rating is solicited. Please refer to CCXAP's Policy for designating and assigning Solicited and Unsolicited Credit Ratings available on its website at:

http://www.ccxap.com/en/rating_services/category/9/

The rating has been disclosed to the rated entity or its related party prior to publication, and issued with no amendment resulting from that disclosure.

CCXAP considers a rated entity or its related party to be participating when it maintains an overall relationship with CCXAP. Unless specifically noted in the Regulatory Disclosures as a non-participating entity, the rated entity or its related party is participating and the rated entity



or its related party generally provides CCXAP with information for the purposes of its rating process.

Regulatory disclosures contained here apply to press release, rating report, and if applicable, the related rating outlook or rating review.

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

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.

Peter Chong

Credit Analyst

+852-2860 7126

peter_chong@ccxap.com

Elle Hu

Director of Credit Ratings

+852-2860 7120

elle_hu@ccxap.com

Client Services: +852-2860 7111



Copyright © 2021 China Chengxin (Asia Pacific) Credit Ratings Company Limited ("CCXAP"). All rights reserved.

No part of this publication may be reproduced, resold or redistributed in any form or by any means, without prior written permission of CCXAP.

A credit rating is the analytical result of current credit worthiness and forward-looking opinion on the credit risk of a rated entity or a debt issue. Credit ratings issued by CCXAP are opinions on the current and relative future credit risk of the rated entities or debt issues, but do not address any other risks, including but not limited to liquidity risk, market price risk, and interest rate risk.

Credit ratings, non-credit assessments, and other opinions included in CCXAP's publications are not recommendations for investors to buy, sell, or hold particular securities, nor measurements of market value of the rated entities or debt issues. While obtaining information from sources it believes to be reliable, CCXAP does not perform audit and undertakes no duty of independent verification or validation of the information it receives from the rated entities or third-party sources.

All information contained herein belongs to CCXAP and is subject to change without prior notice by CCXAP. CCXAP considers the information contained herein to be accurate and reliable. However, all information is provided on an "as is" and "as available" basis and CCXAP does not guarantee accuracy, adequacy, completeness, or timeliness of the information included in CCXAP's publications.

To the extent where legally permissible, CCXAP and its directors, officers, employees, agents and representatives disclaim liability to any person or entity (i) for any direct or compensatory losses or damages, including but not limited to by any negligence on the part of, and any contingency within or beyond the control of CCXAP or any of its directors, officers, employees, agents or representatives, arising from or in connection with the information contained herein or the use of or inability to use any such information; and (ii) for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if CCXAP or any of its directors, officers, employees, agents or representatives is advised in advance of the possibility of such losses or damages.

China Chengxin (Asia Pacific) Credit Ratings Company Limited

Address: Suites 1904-1909, 19/F, Jardine House,
1 Connaught Place, Central, Hong Kong

Website: www.ccxap.com

Email: info@ccxap.com

Tel: +852-2860 7111

Fax: +852-2868 0656