

CCXAP assigns BB_g to Yango Group Co., Ltd.'s proposed USD green notes

Hong Kong, 27 May 2021 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned BB_g to the proposed 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 notes are issued as “Green Bonds” under the Company’s Green Finance Framework. The Company intends to use the net proceeds for refinancing its existing offshore indebtedness in accordance with its Green Finance Framework.

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 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. The Company has been listed on the Shenzhen Stock Exchange since 1996 (Stock Code: 000671.SZ).

As of 15 April 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 43.53% and 13.41% of the Company’s shares, respectively.

Rating Rationale

The BB_g long-term rating of Yango is underpinned by the Company’s (1) resilient contracted sales with good sales execution; (2) diversified land bank with disciplined land acquisitions; and (3) good liquidity position and funding capability.

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 but improving debt leverage.

Yango’s BB_g senior unsecured debt rating is equal to its long-term credit rating. Despite that the majority of Yango’s claims are at the operating subsidiary level, the Company’s diversified business profile (with revenue and cash flow generation across its large number of operating subsidiaries) can help mitigate structural subordination risks.

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's (1) contracted sales surges with satisfactory cash collection; (2) profitability increases such as net profit margin above 10% on a sustained basis; or (3) credit metrics improve, such as net gearing ratio below 100% and EBIT interest coverage above 1.5x, on a sustained basis.

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:

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