

CCXAP downgrades Colour Life Services Group Co., Limited to B_g-; and places the rating on watch negative

Hong Kong, 6 October 2021 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has downgraded the long-term credit rating of Colour Life Services Group Co., Limited (“Colour Life”, or the “Company”) to B_g- from BB_g-. At the same time, CCXAP has placed the rating on watch negative.

The rating action of Colour Life follows the downgrade of Fantasia Holding Group Co., Limited (“Fantasia”), the Company’s largest shareholder, after Fantasia’s default on its offshore senior notes. The rating action also reflects the Company’s material disposal of its core assets.

Corporate Profile

Colour Life (Stock Code: 1778.HK) is the key subsidiary of Fantasia (Stock code: 1777.HK) in management service business, with approximately 66.96% of shares held by Fantasia as of 30 June 2021. It was founded in 2002 and has been listed on HKEX since 2014. The Company is one of the leading Chinese property management and community service providers, with business presences covering 279 cities in China.

Rating Rationale

The B_g- long-term rating reflects Colour Life’s heightened repayment risk and tightened liquidity profile given the default of Fantasia, its controlling shareholder. On 4 October 2021, Fantasia announced that it has missed the payment of its senior notes with outstanding principal amount of approximately USD205.7 million. The default of Fantasia may accelerate the repayment of Colour Life’s outstanding debts because most of Colour Life’s debts are guaranteed by Fantasia. As of 30 June 2021, Fantasia provided guarantees to Colour Life’s debt of approximately USD280 million, according to the Company’s information.

In addition, the rating also reflects Colour Life’s (1) material disposal of its core assets to Country Garden Services Holdings Company Limited (“Country Garden Services”) on 28 September 2021; and (2) failure to repay its HKD loan equivalent to RMB700 million provided by Country Garden Services due on 4 October 2021. Colour Life’s asset disposal will significantly weaken its market position in China’s management service sector and its cash flow from operations. The targeted assets for disposal represented about 57% of Colour Life’s net profit in 2020. Colour Life is discussing with Country Garden Services to treat the missed loan amount as part of the consideration for asset transfer.

Rating Outlook

CCXAP places Colour Life’s rating on watch negative, which reflects that the Company’s debt repayments and refinancing prospects are subject to uncertainty. The review will focus on Colour Life’s business operations after asset disposal, as well as the progress of its refinancing.

What could upgrade the rating?

Rating upgrade is unlikely given the rating is placed on watch 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 liquidity further weakens or it defaults.

Regulatory Methodology

The methodology used in this rating is the Rating Methodology for [Business and Customer Service Companies \(December 2019\)](#).

Regulatory Disclosures

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