

Lianhe Global has assigned ‘BB’ to Yango Group Co., Ltd’s proposed USD notes

HONG KONG, 08 July 2020 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has assigned ‘BB’ global scale Long-term Issuance Credit Rating to the proposed senior unsecured USD notes (“the USD notes”) to be issued by Yango Justice International Limited, a wholly-owned subsidiary of Yango Group Co., Ltd (“Yango”; ‘BB’/Stable), and guaranteed by Yango.

Yango intends to use the net proceeds from this offering for refinancing its existing indebtedness.

Key Rating Rationales

The USD notes are rated at the same level as Yango’s global scale Long-term Issuer Credit Rating of ‘BB’ as they constitute Yango’s senior and unsecured obligations. Yango’s obligations for the USD notes shall at all times rank pari passu with all its other present and future unsubordinated and unsecured obligations.

Yango’s rating reflects the company’s overall improvement in both financial and operating profiles on top of its good track record of strategy execution. The rating also considers the management’s disciplined use of leverage, steady project delivery, and our assessment on Yango’s position in the credit polarization of the Chinese property development industry exacerbated by the recent COVID-19 outbreak.

The Stable Outlook reflects our expectation that Yango will maintain its business scale and stable margins in the next 12 to 24 months as and when it converts its sizeable landbank into sales and revenues as planned while acquiring new lands in a prudent manner and maintaining a decent control on leverage.

Rating Sensitivities

Any rating action on Yango’s rating would result in a similar rating action on the USD notes.

We would consider downgrading Yango’s rating if it were to (1) aggressively replenish its land bank which results in an increase in its financial leverage as measured by debt/capitalization to over 80% or a decrease in its EBITDA interest coverage to below 2.0x consistently, and/or (2) its operating performance were to deteriorate such that its contracted sales and/or revenue experience a material decline or liquidity profile is worsened.

We would consider upgrading Yango’s rating if it were to (1) considerably increase its operating scale, and (2) maintain its financial leverage as measured by debt/capitalization at below 60% or EBITDA interest coverage at above 4.0x consistently.

About Lianhe Global

Lianhe Global is an international credit rating company that provides credit ratings to corporations, banks, non-bank financial institutions, local government financing vehicles, and other asset classes around the globe. Lianhe Global also provides credit risk research and other services related to credit ratings.

Rating Methodology

The principal methodology used in this Yango's rating is Lianhe Global's General Corporate Rating Criteria published on 16 July 2018, which can be found at the website www.lhratingsglobal.com.

Note: The above Issuer/Issuance Credit Ratings are solicited at the request of the rated entity or a related third party.

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