

Lianhe Global has affirmed ‘BB-’ global scale Long-term Issuer and Issuance Credit Rating of Fujian Yango Group Co., Ltd.; Issuer Rating Outlook Stable

HONG KONG, 22 June 2021 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has affirmed ‘BB-’ global scale Long-term Issuer Credit Rating of Fujian Yango Group Co., Ltd. (“Fujian Yango” or “the company”). The Outlook is Stable.

Lianhe Global has also affirmed ‘BB-’ global scale Long-term Issuance Credit Rating to the senior unsecured USD notes issued by Fujian Yango’s indirect wholly-owned subsidiary Yango (Cayman) Investment Limited at the same time. A full list of affirmed issuance ratings is included in this press release.

Key Rating Rationales

The Issuer Rating reflects Fujian Yango’s leading market position and brand recognition in the Chinese property market operated by its main subsidiary Yango Group Company Limited (“Yango”, ‘BB’/Stable), high financial leverage and moderately weak profitability. The rating also considers Fujian Yango’s standalone soft liquidity profile and significant indebtedness.

The Stable Outlook reflects our expectation that Fujian Yango would remain prudent in non-property acquisitions and continue maintaining a controlling stake in Yango, which would acquire new land in a disciplined manner. This will help moderately improve its financial leverage and EBITDA interest coverage in the following 12 to 18 months.

Rating Sensitivities

We would consider downgrading Fujian Yango’s rating if it were to pursue overly ambitious business expansions (such as aggressive debt-funded investments and/or excessive replenishment of Yango’s land bank) which results in an increase in its financial leverage as measured by its EBITDA interest coverage below 0.8x or a gross debt to capitalisation ratio at above 70% consistently, or 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 Fujian Yango’s rating if it were to lower its financial leverage as measured by its EBITDA interest coverage above 2.0x, and a gross debt to capitalisation ratio at below 60% consistently.

In addition, we would consider reassessing Fujian Yango’s credit profile should Fujian Yango significantly reduce its shareholdings in Yango or have material expansion into the other businesses.

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

Full List of Issuance Ratings

- USD310 million 12.5% senior unsecured notes due 2021 affirmed at 'BB-'
- USD200 million 11.75% senior unsecured notes due 2022 affirmed at 'BB-'
- USD300 million 11.875% senior unsecured notes due 2023 affirmed at 'BB-'

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 Fujian 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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