

Lianhe Global has assigned ‘BB-’ Rating to Fujian Yango Group Co., Ltd.’s Proposed USD Notes

HONG KONG, 19 September 2019 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has assigned ‘BB-’ global scale Long-term Issuance Credit Rating to the senior unsecured USD Notes (“USD Notes”) to be issued by Fujian Yango Group Co., Ltd.’s (“Fujian Yango”; ‘BB-’/Stable) indirect wholly-owned subsidiary Yango (Cayman) Investment Limited, which is unconditionally and irrevocably guaranteed by Fujian Yango.

Fujian Yango intends to use the net proceeds from this offering for refinancing its existing indebtedness and for general corporate purposes.

Key Rating Rationales

The proposed senior unsecured USD Notes are rated at the same level as Fujian Yango’s global scale Long-term Issuer Credit Rating of ‘BB-’ as Fujian Yango has unconditionally and irrevocably guaranteed the USD Notes. Fujian Yango’s obligations for the USD Notes shall at all times at least rank pari passu with all its other unsubordinated and unsecured existing and future obligations.

Fujian Yango’s 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 moderate liquidity with significant indebtedness.

The Stable Outlook on Fujian Yango’s rating reflects our expectation that Fujian Yango would continue maintaining a controlling stake in Yango, which would acquire new land in a measured manner, and would be prudent in non-property acquisitions. This will help moderately improve its financial leverage and EBITDA interest coverage in the following 12 to 24 months.

Rating Sensitivities

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

We would consider downgrading Fujian Yango’s rating if it were to pursue aggressive business expansions (such as aggressive replenishment of Yango’s land bank) which results in an increase in its financial leverage as measured by its EBITDA interest coverage consistently below 0.8x or a gross debt to capitalisation ratio at above 80%, or its operating performance were to deteriorate such that either its property contracted sales or cash flow from operating activities experience a material decline.

We would consider upgrading Fujian Yango's rating if it were to lower its financial leverage as measured by a debt to capitalisation ratio at below 60% and improve profitability as measured by gross margin at over 25% 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.

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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