Yango Group Co., Ltd

Initial Issuer Report

Summary	
Issuer Rating	BB-
Outlook	Stable
Location	China
Industry	Homebuilder and Real Estate
Date	31 May 2019

Operating Data:
Yango Group Co., Ltd

	31 Dec 2017	31 Dec 2018
Revenue (RMB: in million)	33,163	56,470
Contracted Sales (RMB: in million)	91,530	162,856
Contracted Average Selling Price (RMB/square meter)	13,881	12,860
Contracted Sales GFA (million square meters)	6.59	12.66
Land Bank GFA (million square meters)	38.32	44.18

GFA: Gross Floor Area
Source: Yango's 2017-2018 annual reports and Lianhe Global

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Applicable Criteria
General Corporate Rating Criteria (16 July 2018)

Lianhe Ratings Global Limited ("Lianhe Global") has assigned a 'BB-' global scale Long-term Issuer Credit Rating to Yango Group Co., Ltd. The Outlook is Stable.

Summary

The Issuer Rating reflects Yango Group Co., Ltd ("Yango" or "the company")'s leading market position and brand recognition in the Chinese property market. However, Yango's rating is constrained by its high financial leverage and lower-than-peer profitability.

The Stable Outlook reflects our expectation that Yango would acquire new land in a measured manner, lower its financial leverage and continue to improve its operating efficiency gradually to ease its liquidity position in the following 12 to 24 months.

Rating Rationale

Sizable and Diversified Land Bank Supports Strong Contracted Sales Growth: Yango had a sizable and diversified land bank portfolio with a total gross floor area ("GFA") at 44.18 million square meters across 70 cities in China at end-2018. Its total land bank was sufficient to support Yango's contracted sales for the next 3.5 years. Yango expanded its land bank by almost fourfold to 44.18 million square meters in 2018 from 13.07 million square meters in 2015. Yango's sizable and diversified land bank helped to boost its contracted sales growth from 2016 to 2018 (2016: 62.35%; 2017: 87.95%; 2018: 77.93%). Yango achieved total contracted sales of RMB162.9 billion (RMB118.3 billion in attributable amount) in 2018, which placed it among the top 15 property developers in China.

Improving Operating Efficiency and Cash Collection Capacity Ease Liquidity Position: Yango applies a set of benchmarks such as net margin, IRR (internal rate of return), and cash collection rate when assessing potential land acquisition projects to ensure every project in lower-tier cities would achieve a positive cash flow in at least 12 months or 16 months for higher-tier cities. For all projects under construction, Yango has accelerated project execution pace and enhanced construction process by introducing a speciality-intersecting construction method to shorten the overall construction cycle. The shortened construction cycle has brought cash flow from contracted sales sooner than expected which partially eased its liquidity position. Yango's cash collection capacity demonstrated an improvement in 2018. Its average cash collection rate improved to 80% from 74% in 2017. Yango's cash received from sales increased to RMB79.4 billion from RMB57.4 billion in 2017 and had a net operating cash flow of RMB21.8 billion in 2018. Yango's enhanced construction and cash management processes resulted in an improvement in cash flow from operating activities which eased its liquidity position in 2018.

High Leverage Constrains Credit Profile: Yango had adopted an aggressive expansion model from 2015 to 2017. It used debt to finance land acquisition and expanded its asset base. Its financial leverage increased rapidly in tandem with its asset base as measured by a debt over capitalisation ratio to 83.4% in 2017 from 72.9% in 2015. Its reported debt of RMB112.6 billion (short-term debt: RMB48.2 billion; long-term debt: RMB64.4 billion) was twice the amount of its revenue of RMB56.5 billion at end-2018. The large debt burden has imposed pressure on Yango's liquidity position. The higher-than-peer financial leverage has constrained Yango's credit profile. However, Yango has managed to lower its financial leverage since 2018. It has decelerated its expansion pace to manage its financial leverage. Yango lowered its capital expenditure on land acquisition and enhanced its operating process to shorten the cash collection cycle to boost liquidity position. In 2018, Yango spent RMB38.5 billion and RMB17.5 billion on new land acquisition via open market and acquisition channel respectively, which were only half of the total amount in 2017. As such, its financial leverage as measured by a debt over capitalisation ratio remained at the level of 2017. We expect that Yango would replenish its land bank in a measured manner and its financial leverage would gradually decrease in the next 12 to 24 months.

Access to Various Financing Channels Partially Eases Liquidity: Yango's liquidity is under pressure given that it has to repay RMB48.2 billion debt due within one year (in 2019) while it only had RMB37.8 billion cash on hand at end-2018. However, as a listed company in China, Yango has access to various financing channels in both the onshore and offshore markets, such as bank facilities, bond issuance, trust loans, and asset-based securities issuance etc. We believe that Yango would be able to fill its liquidity gap by the cash collected from contracted sales and utilizing its approved but unused credit lines and USD bond issuance quota which totalled RMB48.2 billion.

Rating Based on Yango's Standalone Credit Profile: Fujian Yango Group Co., Ltd. ("Fujian Yango" or "the Group") holds 34.3% shares and is the largest shareholder of Yango. Yango is the Group's major subsidiary and real estate development platform. Fujian Yango's financial capability to support Yango is low in view of its weak credit profile with high leverage and tight liquidity position. As a listed company, Yango operates its business independently that it has a separate senior management team. Moreover, related company transactions must be approved by gaining the majority consensus from the board members which include other major shareholders and independent directors. Therefore, our rating on Yango is assigned solely based on the assessment of Yango's standalone credit profile and has not factored in any support from Fujian Yango.

Rating Sensitivities

We would consider downgrading Yango's rating if it were to aggressively replenish its land bank which results in an increase of its financial leverage as measured by an EBITDA interest coverage ratio to decrease to 1.2x or a debt/capitalisation ratio to increase to 86%, or its operating performance were to deteriorate such that either its contracted sales or cash flow from operating activities experience a material decline.

We would consider upgrading Yango's rating if it were to lower its financial leverage as measured by a debt/capitalisation ratio to below 70% and improve profitability as measured by a gross margin at over 30% consistently.

Company Profile

Yango Group Co., Ltd. is a Chinese property developer that focuses on mass residential property development in China. It was established in Fuzhou in 1995 and is now ultimately owned and controlled by Mr. Lin Tengjiao and Ms. Wujie. The company has been listed on the Shenzhen Stock Exchange (000671.SZ) since 2002.

Fujian Yango Group Co., Ltd., which is also ultimately owned and controlled by Mr. Lin Tengjiao and Ms. Wujie, collectively holds 34.3% shares of Yango directly or through the asset management companies.

China Minsheng Jiaye Investment Co., Ltd. ("CM Jiaye"), which is majority-owned by China Minsheng Investment Group ("CMIG"), previously held 18.04% shares of Yango through Shanghai Jiawen Investment Management Co., Ltd. ("Jiawen") and was Yango's second largest shareholder. On 24 February 2019, CM Jiaye sold its 50% stake to Fujian Jiecheng Trading Co., Ltd. (“Jiecheng”) due to a liquidity crunch. After the transaction, CMIG’s stake in Yango decreased to 9.02%. Jiawen plans to sell all of its stake of Yango in 2019 and is now seeking for potential investors (EXHIBIT 1).

Revenue from the property development segment is Yango’s major revenue source. This segment contributed over 95% revenue to Yango from 2016 to 2018. Meanwhile revenue from other segments, such as construction and hotel operations, reported a year-over-year growth of over 50% during the same period and the revenue contribution to the whole company was limited when compared with Yango’s property development business (EXHIBIT 2).

Exhibit 1: Yango’s Shareholder Structure

Shareholder	Percentage
Fujian Yango Group Co., Ltd#	34.30%
Fujian Kangtian Industry Group Co., Ltd#	10.17%
Shanghai Jiawen Investment Management Co., Ltd	18.04%
Other Minority Shareholders* and Public	37.49%
Total	**100.00%**

Note:
#Fujian Yango Group Co., Ltd and Fujian Kangtian Industry Group Co., Ltd are companies acting in a concert.
**Each minority shareholder’s holding of Yango is less than 5%.*
Source: Yango

Exhibit 2: Yango’s Revenue Breakdown by Business Segment (RMB: in million)

Revenue / % of total	FY2015		FY2016		FY2017		FY2018	
Property development	21,112	94.33%	19,370	98.84%	37,721	98.67%	55,501	98.28%
Trade Income	1,241	5.54%	56	0.28%	N/A	N/A	N/A	N/A
Hotel Operations	4	0.02%	36	0.18%	65	0.20%	132	0.23%
Construction Income	N/A	N/A	N/A	N/A	57	0.17%	221	0.39%
Others	23	0.10%	136	0.69%	320	0.97%	615	1.09%
Total	**22,380**	**100.00%**	**19,598**	**100.00%**	**33,163**	**100.00%**	**56,470**	**100.00%**

Source: Yango’s 2015-2018 annual reports

Business Profile

Market Position

After 4 years of expansion, Yango’s ranking in terms of contracted sales among Chinese property developers ascended to 14th in 2018 from 28th in 2015 (EXHIBIT 3). Its contracted sales reported a year-on-year growth rate of over 60% from 2016 to 2018.

Yango’s land bank GFA increased to 44.18 million square meters at end-2018 (EXHIBIT 4). The expanded operating scale placed Yango among one of the top-tier players in the Chinese property market. Its project coverage extended to over 50 cities in 5 major regions in China.

Exhibit 3: Yango's Rankings by Contracted Sales Among the Chinese Property Developers

Amount / Ranking	FY2015		FY2016		FY2017		FY2018		Ranking Changes (2018 vs 2015)
Contracted sales amount *	30.01	28th	48.72	26th	91.53	19th	162.84	14th	+14
Contracted sales by GFA #	2.29	31st	3.53	26th	6.59	22nd	12.39	13rd	+18

Note:
**The contracted sales amount is based on statistics from CRIC. Differences may exist between the company's reported amount as a different calculation method was applied. The amount is in RMB billion.*
 # The contracted sales GFA is based on statistics from CRIC. Differences may exist between the company's reported amount as a different calculation method was applied. The amount is in million square meters.
Source: CRIC Information Centre

Exhibit 4: Yango's Rankings by Land Bank and New Land Acquisition Among Chinese Property Developers

Amount / Ranking	FY2017		FY2018	
Attributable land bank by value	RMB516.4 bn	13rd	RMB421.9 bn	15th
Land bank by GFA	38.32m sqm	14th	44.18m sqm	13th
New acquisition land bank by value	RMB198.86 bn	14th	RMB119.26 bn	23rd
New land acquisition by GFA	11.67m sqm	19th	10.96m sqm	20th

Note:
sqm: square meters
The amount is based on statistics from CRIC. Differences may exist between company's reported amount as a different calculation method was applied.
Source: CRIC Information Centre

Sizable and Diversified Land Bank Underpins Strong Contracted Sales Growth

Yango had a sizable and diversified land bank portfolio with a total GFA at 44.18 million square meters across 70 cities in China at end-2018. Since 2015, Yango has been gradually expanding its land bank by following this strategy. It aggressively replenished its land bank by acquiring new land in Beijing, Tianjin and Hebei Region, the Yangtze River Delta, the Pearl River Delta, central and western China. Its land bank scale had almost a fourfold increase to 44.18 million square meters in 2018 from 13.07 million square meters in 2015. Yango's expansion into new regions such as central and western China and the Pearl River Delta accounted for 63% of Yango's total land bank GFA at end-2018. (EXHIBIT 5).

Exhibit 5: Yango's Land Bank Composition by Region at end-2018

Region	GFA (in million square meters)	% of Total	Major Cities
Greater Fujian	6.72	15.21%	Fuzhou, Xiamen, Zhangzhou
Yangtze River Delta	7.53	17.04%	Hangzhou, Suzhou, Shanghai
Pearl River Delta	6.57	14.87%	Guangzhou, Foshan, Dongguan
Beijing, Tianjin and Hebei Region	2.01	4.55%	Beijing, Tianjin
Central and Western China	21.35	48.33%	Xi'an, Changsha, Chongqing, Taiyuan, Nanning
Total	**44.18**	**100.00%**	

Source: Yango's 2018 annual report and Lianhe Global

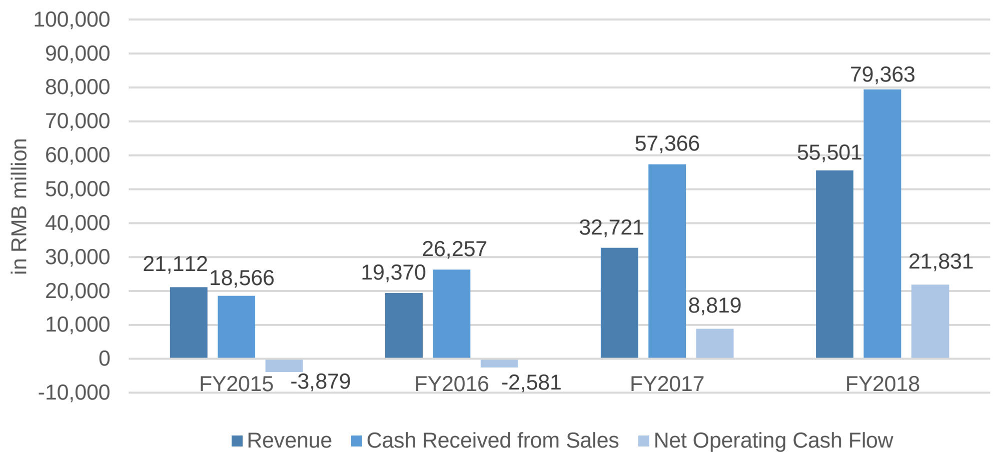
Yango's sizable land bank had boosted its contracted sales and supported strong sales growth rates from 2016 to 2018 (2016: 63.31%; 2017: 87.95%; 2018: 77.93%). Yango achieved total contracted sales of RMB162.9 billion (RMB118.3 billion in attributable amount) in 2018, which placed it among the top 15 Chinese property developers.

Yango plans its land bank layout by focusing on the major provincial capital or higher-tier cities in the above five regions in China through new land acquisition and land bank expansion. Its total land bank on hand at-end 2018 was sufficient to support Yango's contracted sales for the next 3.5 years. In view of Yango's diversified land bank portfolio, we expect that Yango would selectively and cautiously expand its current land bank portfolio by targeting metropolitan area around the strategic cities located in the five regions in the next 12 to 24 months.

Improving Operating Efficiency and Cash Collection Capacity Ease Liquidity Position

Yango's cash collection capacity improved in 2018. Its average cash collection rate improved to 80% from 74% in 2017. Yango's cash received from sales increased to RMB79.4 billion from RMB57.4 billion and had a net operating cash flow of RMB21.8 billion in 2018 (EXHIBIT 6).

Exhibit 6: Yango's Operating Cash Position Improved in 2018



Source: Yango's 2015-2018 annual reports and Lianhe Global

Yango applies a set of benchmarks such as net margin, IRR (internal rate of return), and cash collection rate when assessing potential land acquisition projects to ensure every project in lower-tier cities would achieve a positive cash flow in at least 12 months or 16 months for higher-tier cities. For all projects under construction, Yango has accelerated project execution pace and enhanced construction process by introducing a speciality-intersecting construction method to shorten the overall construction cycle. After the adoption of the enhanced construction method, Yango's overall construction periods for villas and high-rise flats have been shortened. The shortened construction cycle has brought cash flow from contracted sales sooner than expected which partially eased its liquidity position. Yango's cash collection capacity demonstrated an improvement in 2018. Its average cash collection rate improved to 80% from 74% in 2017. Yango's cash received from sales increased to RMB79.4 billion from RMB57.4 billion in 2017 and had a net operating cash flow of RMB21.8 billion in 2018. Yango's enhanced construction and cash management processes resulted in an improvement in cash flow from operating activities which eased its liquidity position in 2018.

Rating Based on Yango's Standalone Credit Profile

Fujian Yango Group Co., Ltd. ("Fujian Yango" or "the Group") holds 34.3% shares and is the largest shareholder of Yango. Fujian Yango is a group company with businesses in real estate development, non-ferrous metal trading, environmental equipment manufacturing and educational services. Yango is the Group's major subsidiary and its real estate development platform. Yango contributed over 50% and 80% revenue and net profit to Fujian Yango respectively and constituted over 80% of Fujian Yango's total assets (EXHIBIT 7).

Exhibit 7: Yango Contributed Over 50% Revenue to Fujian Yango (in RMB million)

	Yango				Fujian Yango			
Amount (% of Fujian Yango)	**2015**	**2016**	**2017**	**2018**	**2015**	**2016**	**2017**	**2018**
Revenue	22,380 /73.24%	19,598 /69.13%	33,163 /56.65%	56,470 /65.37%	30,556	28,350	58,543	86,386
Net Profit	1,733 /119.93%	1,431 /94.88%	2,228 /70.41%	3,906 /85.27%	1,445	1,509	3,165	4,581
Total Asset	37,244 /87.76%	68,073 /90.44%	213,250 /86.20%	263,397 /85.30%	79,958	79,958	247,384	308,802
Reported Debt	37,244 /85.28%	68,073 /91.78%	113,489 /89.44%	112,613 /84.57%	43,674	43,674	126,892	133,167
Total Equity	13,742 /91.18%	18,924 /79.41%	30,570 /77.39%	41,030 /80.90%	15,071	15,071	39,499	50,716

Source: Fujian Yango, Yango and Lianhe Global

Fujian Yango's financial capability to support Yango is low in view of its weak credit profile with high leverage and tight liquidity position. In addition, as a listed company, Yango operates its business independently that it has a separate senior management team.

Fujian Yango's financial capability to support Yango is unlikely in view of its weak credit profile with high leverage and tight liquidity position. As a listed company, Yango has a separate board of directors and senior management, and it operates independently.

On the other hand, it is also unlikely that Fujian Yango would receive financial support from Yango. Fujian Yango has been receiving dividend payments from Yango every year but both the absolute dollar and percentage are insignificant when compared to its net profit (EXHIBIT 8). Moreover, Fujian Yango has 3 seats (out of a total of 11 seats) on Yango's Board of Directors ("BOD") in addition to Mr. Lin Tengjiao, who is the ultimate owner of both Fujian Yango and Yango. All related-party transactions must be approved by the BOD.

Exhibit 8: Yango's Dividend Received from Yango				
in RMB million	**2015**	**2016**	**2017**	**2018**
Yango's Dividend Paid to Common Shareholders	215	203	203	227
Fujian Yango's Stake in Yango	31.51%	31.24%	33.23%	33.23%
Estimated Dividend Received from Yango	68	63	67	75

Source: Fujian Yango, Yango and Lianhe Global

Therefore, our rating on Yango is assigned solely based on the assessment of Yango's standalone credit profile and has not factored in any support from Fujian Yango.

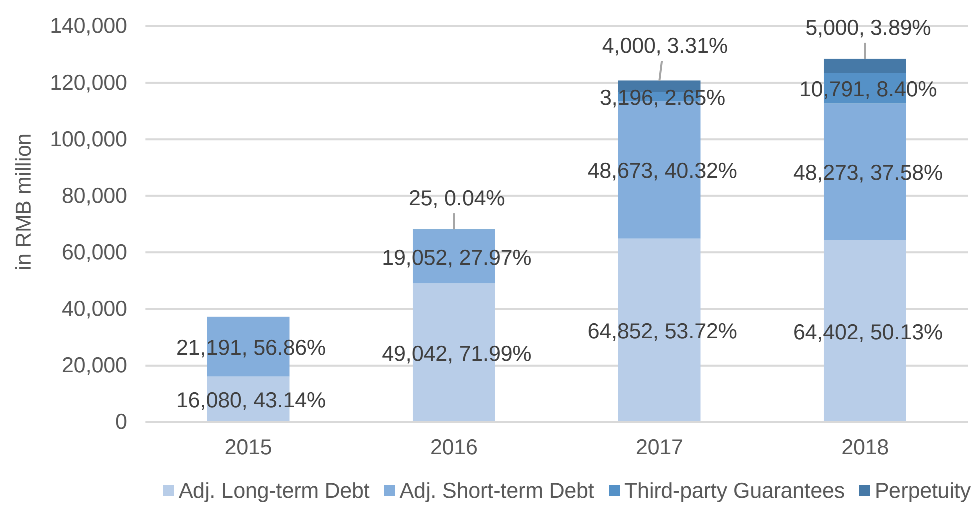
Financial Profile

High Leverage Constrains Credit Profile

Yango had adopted a debt-funded expansion model from 2015 to 2017. It massively acquired new land in the market to expand its asset base by relying on external financing. Its leverage experienced a rapid increase in tandem with its asset base expansion as measured by a debt/capitalisation ratio jumped to 83.4% in 2017 from 72.9% in 2015. Its reported debt was high at RMB112.6 billion at end-2018 (short-term debt: RMB48.2 billion; long-term debt: RMB64.4 billion), which was twice the amount of its annual revenue at RMB56.5 billion (EXHIBIT 9). The large debt burden has imposed pressure on Yango's operating efficiency as it has to handle its tight liquidity needs to ensure a smooth business operation. The much higher-than-peer financial leverage is also likely to cause operation risk to Yango and has constrained its financial profile similar to those peers rated in the B category apart from its sizable and diversified operating scale.

Yango has decelerated its expansion pace in 2018 to rein its growing leverage. It has reduced the total expenditure on land acquisition and enhanced its operating process to shorten its cash collection cycle. It spent RMB38.5 billion and RMB17.5 billion on new land acquisition via open market and acquisition channel respectively, which were half of the amount in 2017. The funding for new land acquisition was mainly supported by Yango's cash collected from contracted sales in 2018. As such, its total reported debt level remained at RMB112.6 billion (2017: RMB113.5 billion).

Exhibit 9: Yango's Adjusted Debt in 2015-2018



Source: Yango's 2015-2018 annual reports and Lianhe Global's adjustments

Yango has set a higher priority of financial leverage reduction over scale expansion since 2018. It has internally set a target to decrease its net gearing ratio (net debt/total equity) to 150% in 2019 (2018: 182%) from 260% in 2016. We expect that Yango would replenish its land bank in a measured manner and its financial leverage would gradually decrease in the next 12 to 24 months.

Access to Various Financing Channels Partially Eases Liquidity

Yango's liquidity is under pressure given that it has to repay RMB48.2 billion debt due within one year (in 2019) while it only had RMB37.8 cash on hand at end-2018. However, as a listed company in China, Yango has wide access to various financing channels in both the onshore and offshore markets, such as bank facilities, bond issuance, trust loans, and asset-based securities issuance etc. We believe that Yango would be able to fill its liquidity gap primarily by utilizing its approved but unused credit lines and USD bond issuance quota which totalled RMB48.2 billion. Moreover, Yango is also planning to seek other financing channels such as a secondary public offering to ease its tight liquidity position.

Key Assumptions

- Attributable contracted sales amount: RMB126-207 billion for 2019-2021
- Cash collection rate: 80% for 2019-2021
- Land acquisition expenditures: 55% of cash collected from annual contracted sales for 2019-2021
- Cash dividend payout ratio: 10% for 2019-2021

Key Financial Metrics

2017A-2021F	Debt/Land Bank	EBITDA/Interest	Debt/Capitalisation	Quick Ratio
Weighted Average	65.7%	1.90x	80.32%	0.15x

Source: Yango's 2017-2018 annual reports and Lianhe Global's adjustments and forecasts

Liquidity

Yango's liquidity is under pressure given it had RMB37.8 billion cash on hand at end-2018 which was not sufficient to cover its RMB46.9 billion debt due in one year. However, Yango has access to various financing channels in both the onshore and offshore markets. In addition, it had RMB42.3 approved but unutilized bank credit limit and USD880 million bond issuance quota approved by NDRC at end-2018.

Peer Comparisons

We select Greentown China Holdings Limited ("Greentown") and Ronshine China Holdings Limited ("Ronshine") as Yango's peers for comparison. Greentown's operating scale is comparable to Yango and Ronshine is relatively smaller than Yango. The three companies applied a similar operating model such that they expanded aggressively to acquire new land to enlarge their asset bases in the previous years. Therefore, their financial leverage increased sharply owing to debt-funded expansion. In order to address the high financial leverage concerns, Greentown introduced China Communications Construction Group ("CCCG") as its largest shareholder while Ronshine has internally set up deleverage plans to cut its land acquisition expenses. Benefited from the association with CCCG, which is one of the largest state-owned enterprise group in China, Greentown's liquidity position was eased and its profitability improved.

All three companies adopted a debt-funded expansion model which resulted in high financial leverage. However, Yango's financial leverage is the highest among the three companies as measured by a debt/capitalisation ratio. Like Ronshine, Yango has also taken steps to reduce its financial leverage since 2018 by reducing capital expenditure on land acquisition, improving operating efficiency by accelerating project delivery pace and enhancing cash collection process. All these measures have proven to be effective which resulted in levelling of Yango's debt on par with that of 2017 and improvement in cash flow from operating activities. The improvement in cash collection capacity brought RMB13.1 billion cash flow from operations and partially eased Yango's liquidity position while the other two peers reported negative cash flow from operations. (EXHIBIT 10 & 11).

Exhibit 10: Key Financial Metrics

RMB: in million	Yango		Greentown China Holdings Limited		Ronshine China Holdings Limited	
Listing code	**000671.SZ**		**3900.HK**		**3301.HK**	
Period	**FY 2017**	**FY 2018**	**FY 2017**	**FY 2018**	**FY 2017**	**FY 2018**
Revenue	30,572	52,506	41,953	60,303	30,341	34,367
Gross Margin (%)	18.73	20.48	19.25	22.81	16.56	23.47
Operating Margin (%)	12.23	13.32	8.85	13.68	14.78	17.60
Total Debt/EBITDA (x)	29.71	15.82	14.23	N/A	15.24	N/A
EBIT/Interest (x)	0.53	0.79	1.00	1.52	1.12	1.16
Total Debt/Total Capital (%)	78.79	73.35	56.22	57.54	69.30	64.10
Quick Ratio (x)	0.29	0.22	0.22	0.30	0.21	0.20
Inventory Days	1,478	1,174	1,173	1,104	1,006	1,567
Cash from Operations	2,256	13,131	-17,861	N/A	-14,306	N/A
Cash and Cash Equivalents	32,795	32,447	30,070	43,347	18,473	24,996

Source: Bloomberg

Exhibit 11: Key Operating Metrics

in million square meters	Yango		Greentown China Holdings Limited		Ronshine China Holdings Limited	
Listing code	**000671.SZ**		**3900.HK**		**3301.HK**	
Period	**FY 2017**	**FY 2018**	**FY 2017**	**FY 2018**	**FY 2017**	**FY 2018**
Contracted sales (RMB million)	91,530	162,856	146,300	156,400	70,311	121,884
Contracted sales GFA	6.59	12.66	8.27	8.12	4.49	5.62
Total land bank GFA	38.32	44.18	30.32	32.47	23.10	25.40
Attributable land bank GFA	N/A	27.08*	19.02	20.32	12.67	12.92

*Note: *Provided by Yango*
Source: Company's 2017-2018 annual reports and Lianhe Global

Appendix I: Yango's Rating Factors

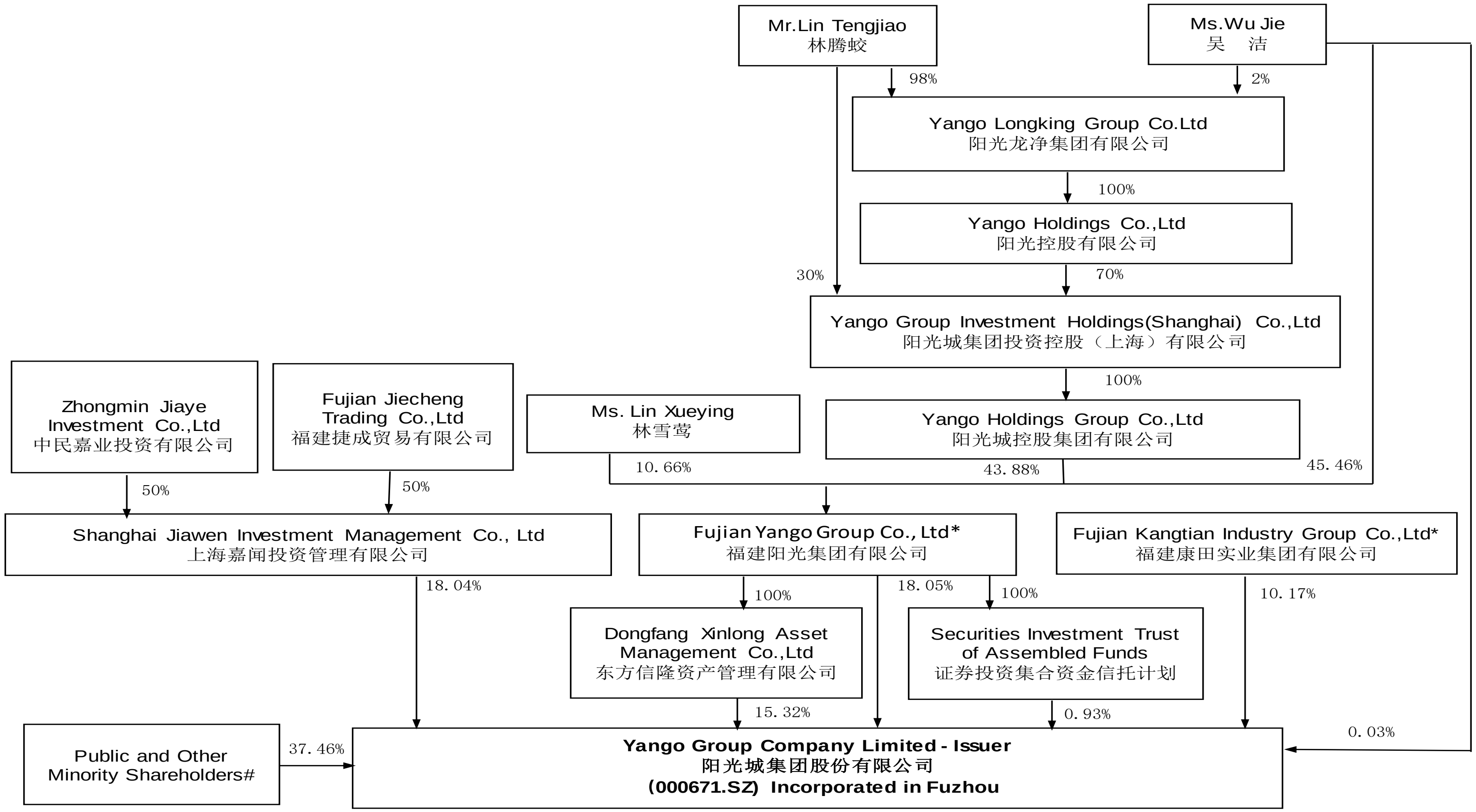
Rating Factors	Weight	Initial Rating
I. Market Demand Analysis	**15.0%**	**a-**
II. Business Analysis[1]	**45.0%**	**bbb-**
III. Financial Analysis[2]	**40.0%**	**ccc+**
IV. Base Score	**100.0%**	**bb-**
V. Industry Risk		**bbb**
VI. Qualifiers		
Liquidity		Neutral
Corporate Governance		Neutral
Debt Structure and Financial Policy		Neutral
Idiosyncratic Analysis		Neutral
Stand-Alone Creditworthiness (SAC)		**bb-**
VII. External Support		
Corporate Entity Support		Nil
Issuer Credit Rating		**BB-**

Source: Lianhe Global

[1] Business Analysis contains sub-factors of market position, diversification, competitive position, operating efficiency and profitability.

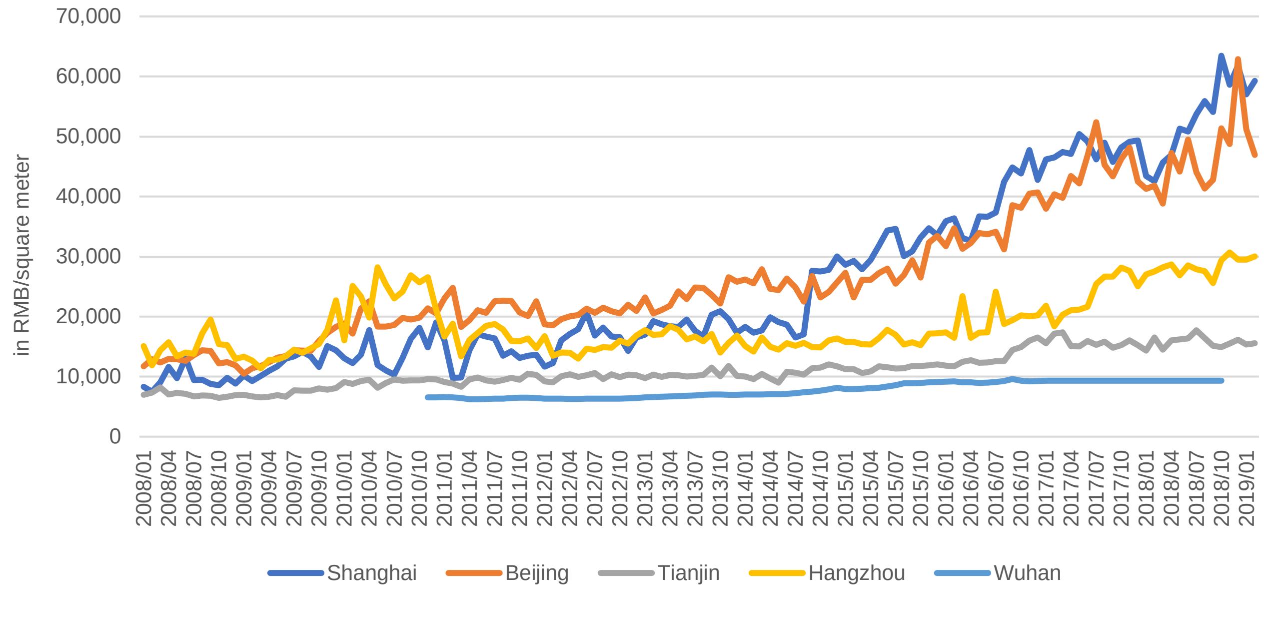
[2] Financial Analysis contains sub-factors of debt/land bank, EBITDA interest coverage, debt/capitalisation and quick ratio.

Appendix II: Yango's Organization Chart



Note:
*Fujian Yango Group Co., Ltd and Fujian Kangtian Enterprise Co.,Ltd are companies acting in concert.
#Other Minority Shareholders each shares holding not exceeding 5%.
Source: Yango and Lianhe Global

Appendix III: Major Chinese Cities' Monthly Contracted Average Selling Price



Source: WIND and Lianhe Global's Adjustments

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