

CreditRiskMonitor’s assessment of Tahoe Group Co. Ltd.’s (“Tahoe Group”) “high risk” status has been determined by a combination of factors:

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MONTHLY AVERAGE FRISK® SCORE

CreditRiskMonitor's proprietary FRISK® score signals that Tahoe Group (SHE: 000732) **has a 10 to 50 times greater risk of bankruptcy¹** than the average public company.

Moody's downgrades Tahoe to Caa1; outlook negative over weakening economic conditions that would elevate refinancing risk.

Q1 2020 filing reported an operating loss of ¥650.1 million swinging from an operating profit in the same period last year.

A share private placement application was terminated due to potential regulation violations by the company's accounting agency.

Business Name	2020										2021		
	M	A	M	J	J	A	S	O	N	D	J	F	M
Tahoe Group Co. Ltd.	1	1	1	1	1	1	1	1	1	1	1	1	1

Shanghai Clearing House stated that it did not receive an interest payment from Tahoe's medium term notes.

Adding onto substantial refinancing pressures, management guided to a Q4 net loss of ¥2.88 billion at mid-point.

The FRISK® score is 96% accurate² in predicting the risk of corporate failure/bankruptcy over a 12-month horizon. All FRISK® scores are recalculated every night for each subsequent 12-month period.

FRISK® SCORE: PROBABILITY OF BANKRUPTCY WITHIN 12 MONTHS

	FRISK®	FROM	TO
BEST	10	0.00%	0.12%
	9	0.12%	0.27%
	8	0.27%	0.34%
	7	0.34%	0.55%
	6	0.55%	0.87%
WORST	5	0.87%	1.40%
	4	1.40%	2.10%
	3	2.10%	4.00%
	2	4.00%	9.99%
	1	9.99%	50.00%

While the risk of bankruptcy varies at each FRISK® score, 96% of public companies that eventually go bankrupt enter the FRISK® "red zone" prior to filing. **A FRISK® score of 5 or less is an important warning sign.**

1 "Bankruptcy" throughout this high risk report refers to a proceeding in China called "Reorganization," which has several similarities to the U.S. Bankruptcy code.

2 FRISK® score accuracy of 96% is based on backtesting of U.S. public companies; results may vary by country.

THE FRISK® SCORE COMPONENTS

At the core of the CreditRiskMonitor® process is our 96% accurate FRISK® score, which indicates a company's level of financial stress on a scale of 1 to 10, based on the probability of bankruptcy over a 12-month horizon. When available, the FRISK® score incorporates a number of powerful risk indicators including:

A “Merton” type model using stock market capitalization and volatility

Financial ratios, including those used in the Altman Z”-Score Model

Bond agency ratings from Moody’s, Fitch, & DBRS Morningstar

Crowdsourced CreditRiskMonitor® Usage Data

[Crowdsourcing](#) has enhanced the accuracy and timeliness of the FRISK® score. We collect and analyze data patterns from thousands of CreditRiskMonitor® subscribers, including professionals from more than 35% of the Fortune 1000 and other large corporations worldwide.

The crowdsourcing advantage is even more powerful in our FRISK® score since many of the professionals who use our service are credit managers:

- Credit managers control one of the largest sources of working capital going into a company
- They are not held to the same “Fair Disclosure” restrictions that prevent non-disclosed information sharing on public companies
- Credit managers use a variety of non-public information sources such as their own company’s management and sales representatives to be alerted to concerns in a public company’s performance
- It is commonly known credit managers confidentially share information with other credit managers, thus collectively, their behavior helps to provide advanced insight to financial problems in public companies

[Read more in Credit Research Foundation’s quarterly journal article, “Assessing Public Company Financial Risk by Crowdsourcing the Research of Credit Professionals”](#)

COMPANY REPORT DETAIL

Tahoe Group Co Ltd

20-31F, Taihe Center, Taihe Plaza,
East Second Ring, No. 9, Hengyu Road,
FUZHOU, FUJ 350011 China

Ticker: 000732

Latest Financial Statements as of 9/30/2020

Business Summary

Tahoe Group Co Ltd is a China-based company principally engaged in the development and distribution of real estate. The Company's real estate products include commercial residential housings and commercial properties. The Company is also involved in one-card payment business, hotel and travel business, as well as the services business. The Company operates its business mainly in Fujian Province, Beijing and East China.

(Source: ARS)

Employees: 8,899 (as of 12/31/2019)

Incorporated: 12/29/1992

Credit Score History

Score/ Index	2020												2021		
	M	A	M	J	J	A	S	O	N	D	J	F	M	J	F
FRISK® Score*	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Z''-Score	1.18	0.78	0.54	0.4									Z''	Z''	Z''

*FRISK® Scores are month-end

FRISK® Score Analysis

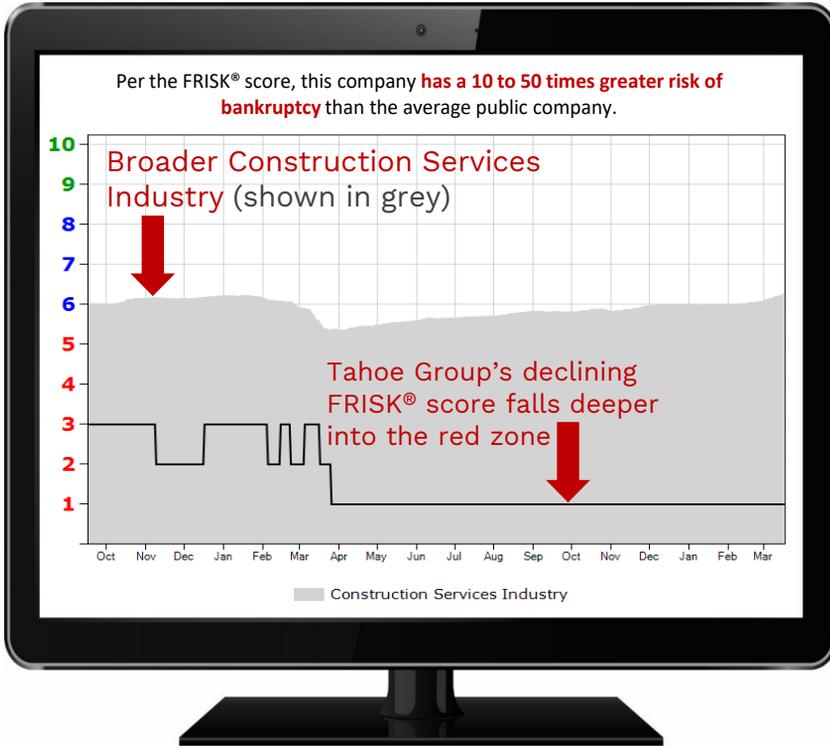
- Probability of bankruptcy within 12 months is 10% to 50%.
- Bonds are rated as non-investment grade ("junk") by 2 different rating agencies.
- Market Capitalization has declined by 38% over the last 12 months.
- Total Liabilities to Market Capitalization ratio is 1.5x.
- Financial leverage is 1.5x.

Agency Credit Ratings

Rating Agency	Long Term Rating	Outlook	Short Term Rating	Wa
Moody's	Caa3	Negative		C
Fitch	RD		NR	

The FRISK® score is a 96% accurate method by which to monitor public company bankruptcy risk. Tahoe's FRISK® score was trending deep in the high-risk red zone before the Altman Z''-Score picked up on its financial stress. The FRISK® score also provided a warning signal more than 12 months in advance of its medium term note interest payment default.

FRISK® DEEP DIVE



The FRISK® score relative to the broader Construction Services industry raises an additional red flag signaling heightened risk relative to peers, as well...

MAKING IMMEDIATE ATTENTION REQUIRED.

ADJUSTED MARKET CAP VOLATILITY



One of the inputs of the FRISK® score is a company's market cap volatility, adjusted for dividends, over the course of a year. Incorporating this information allows us to capture the "wisdom of markets" on a daily basis. This ensures our subscribers are getting the most up to date view of the risks they face since stocks tend to be more liquid and faster moving than bond prices and ratings.

FRISK® STRESS INDEX

#	Business Name	Country	Current FRISK® score
1	Tahoe Group Co Ltd	China	1
2	Urbi Desarrollos Urbanos SAB de CV	Mexico	1
3	Acset Indonusa Tbk PT	Indonesia	1
4	Modernland Realty Tbk PT	Indonesia	1
5	Xinming China Holdings Ltd	China	2
6	Hovnanian Enterprises, Inc.	United States	2
7	Fullsun Int Holdings Group Co Ltd	Hong Kong	2
8	Sansheng Holdings Group Co Ltd	Hong Kong	2
9	Omaxe Ltd	India	2
10	Pacific Star Development Ltd	Singapore	2

Primary industry codes only Primary and secondary industry codes

Businesses From: CLEAR

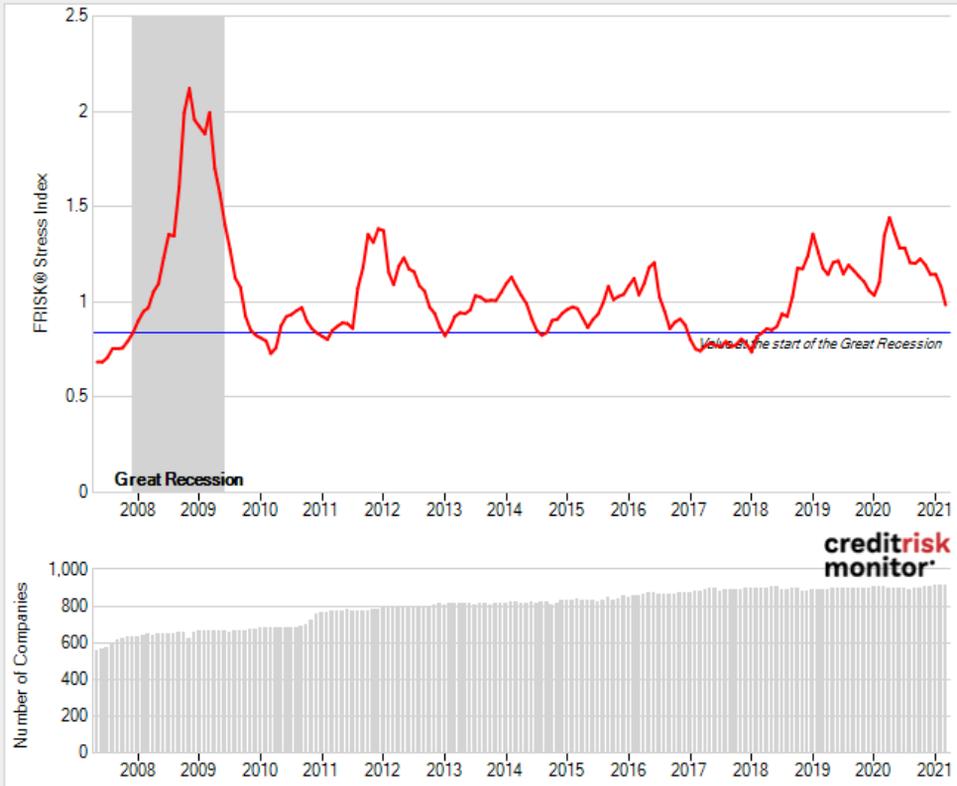
In Industry:

Country:

UPDATE RESULTS

Scale:

Total Companies in all months **1,146**



The FRISK® Stress Index shows the collective probability of failure in a group of companies (such as an industry, country or portfolio) over the next 12 months. It is designed to show trends in risk level across groups of companies and is shown on a zero to 50 scale, with 50 being the most risky.

The probability of failure for SIC code 1531 (Operative Builders) is similar to the average of most other industries. However, Tahoe Group is among the weakest names in the industry as evidenced by its FRISK® score of 1.

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PEER ANALYSIS ON ALTERNATE SUPPLIERS AND CUSTOMERS

The Peer Analysis expands to provide a ranking of a company's competitors, which can help provide options for alternate suppliers or new customers

Group: 4029	Ranking Within Peer Group	Number Of Peers Ranked	Company Value	Peer Group Range		
				Low	Median	High
Credit Ratings						
Z-Score	1477	1692	0.40	-384.68	3.10	3,305.61
Performance ratios:						
Net Sales (Thousands of U.S. Dollars)		60		0	129,494	6,400,300
Gross Margin % Of Sales	865	1658	21.50	-4,943.86	22.60	1,152.20
Gross Margin % Of Sales -- TTM	1675	1713	-26.44	-9,987.62	22.97	228.67
SGA % Of Sales	1491	1631	70.08	0.19	12.23	14,829.82
SGA % Of Sales -- TTM	1350	1696	29.93	0.06	12.41	14,579.70
Operating Margin % Of Sales	1617	1724	-118.66	-27,243.96	6.45	7,853.89
Operating Margin % Of Sales -- TTM	1665	1778	-85.77	-56,754.07	5.82	1,194.77
EBITDA Margin Of Sales		850		-13,226.32	10.97	1,678.96
EBITDA Margin Of Sales -- TTM		924				
Net Profit Margin % Of Sales	1592	1724				
Net Profit Margin % Of Sales -- TTM	1622	1777				
Pre-tax Income % Of Sales	1603	1724				
Effective Tax Rate	640	1724				
Depreciation % Of Prop/Plant/Equipment		1457				
Capital Expense % Of Prop/Plant/Equipment	285	1128				
Interest Coverage		771				
Interest Coverage -- TTM		879		-691.22	2.74	14,390.91
Liquidity ratios:						
Cash Ratio	1623	1744	0.02	0.00	0.27	532.27
Quick Ratio	1627	1660	0.03	-0.63	0.61	92.47
Current Ratio	1419	1744	1.05	0.01	1.60	729.27
Efficiency ratios:						
Accounts Receivable Turnover	1430	1708				
Days Sales Outstanding	1530	1724				
% of Inventory Financed by Vendors	1213	1380				
% of Inventory Financed by Vendors -- TTM	1217	1398				
Inventory Turnover	1528	1665				
Inventory Turnover -- TTM	1554	1674				
Days Sales in Inventory	1537	1541				
Inventory to Working Capital	1372	1628				
Accounts Payable Turnover	1321	1480	0.20	-10.33	4.24	53,886.12
Accounts Payable Turnover -- TTM	1279	1502	1.11	-13.20	4.46	30,197.04
Leverage & debt coverage:						
Total Debt to Equity Ratio	1588	1684	2.93	0.00	0.64	124.34
Debt to Tangible Equity Ratio	1554	1658	3.10	0.00	0.66	1,530.42
Total Debt to Assets Ratio	1264	1731	0.40	0.00	0.27	1.73
Short-Term Debt % of Total Debt	1215	1640	76.44	0.00	48.40	100.60
Short-Term Debt % of Working Capital	1330	1645	758.52	-45,590.25	26.69	92,818.83
Liabilities to Net Worth Ratio	1628	1728	6.63	0.00	1.24	2,934.82
Total Liabilities to Equity Ratio	1665	1754	6.26	0.00	1.21	179.00
TTM EBITDA to Total Debt		892		-54.46	0.12	2,778.00
Net Debt to TTM EBITDA		702		-884.52	3.27	1,127.51
Green - Ranked in Upper Quartile of Peer Group White - Ranked in the Middle Two Quartiles of Peer Group Red - Ranked in Lower Quartile of Peer Group Orange - Confidential Grey - Data is Not Available						
TTM = trailing 12 months N/A = Not Available						

Huangshan Tourism Development Co., Ltd

Shunfa Hengye Corp

Shanghai Wanye Enterprises Co Ltd

Changchunjing kai (Group) Co., Ltd.

Huangshan Tourism Development Co., Ltd

Shunfa Hengye Corp

Shanghai Wanye Enterprises Co Ltd

Changchunjing kai (Group) Co., Ltd.

Tahoe Group demonstrates bottom quartile ranking in key financial ratios (shown in red) versus its industry peers.

QUARTERLY PERFORMANCE RATIOS

Steep drop-off in property contract sales and shift to operating losses

Substantial deterioration in net profitability and free cash flow

Performance Ratios - Sequential Quarters

(Thousands of Renminbi)

Period Ended	3 mos 9/30/2020	3 mos 6/30/2020	3 mos 3/31/2020	3 mos 12/31/2019	3 mos 9/30/2019
Net Sales	344,121	1,983,412	479,504	2,428,201	6,686,240
% change	-82.65%	313.64%	-80.25%	-63.68%	-5.19%
Gross Margin	73,975	162,600	125,686	(1,746,654)	1,576,402
% change	-54.50%	29.37%	107.20%	-210.80%	-2.33%
% of sales	21.50%	8.20%	26.21%	-71.93%	23.58%
change as % of incremental sales	n/m	2.45%	n/m	n/m	n/m
SG&A	241,148	305,167	515,810	504,680	512,723
% change	-20.98%	-40.84%	2.21%	-1.57%	-16.30%
% of sales	70.08%	15.39%	107.57%	20.78%	7.67%
change as % of incremental sales	n/m	-14.01%	n/m	n/m	n/m
Operating margin	(408,327)	(551,725)	(650,116)	(2,879,998)	997,128
% change	25.99%	15.13%	77.43%	-388.83%	7.20%
% of sales	-118.66%	-27.82%	-135.58%	-118.61%	14.91%
change as % of incremental sales	n/m	6.54%	n/m	n/m	n/m
EBIT	(193,833)	(857,606)	(471,541)	(3,305,709)	1,071,795
% change	77.40%	-81.87%	85.74%	-408.43%	14.99%
% of sales	-56.33%	-43.24%	-98.34%	-136.14%	16.03%
change as % of incremental sales	n/m	-25.67%	n/m	n/m	n/m
Pre-tax income	(437,582)	(1,330,123)	(676,317)	(3,085,090)	1,004,550
% change	67.10%	-96.67%	78.08%	-407.11%	24.06%
% of sales	-127.16%	-67.06%	-141.05%	-127.05%	15.02%
change as % of incremental sales	n/m	-43.47%	n/m	n/m	n/m
Net income (loss)	(391,183)	(1,017,688)	(563,906)	(1,654,614)	560,186
% change	61.56%	-80.47%	65.92%	-395.37%	-4.81%
% of sales	-113.68%	-51.31%	-117.60%	-68.14%	8.38%
change as % of incremental sales	n/m	-30.17%	n/m	n/m	n/m
Tax expense	(33,362)	(300,461)	(137,178)	(1,516,568)	273,654
Effective tax rate	7.62%	22.59%	20.28%	49.16%	27.24%
Capital expenditures	26,860	61,033	17,009	(326,258)	146,638
% change	-55.99%	258.83%	105.21%	-322.49%	-63.00%
% of PP&E, net (annualized)	1.76%	3.74%	1.04%	-21.68%	9.90%
% of working capital (annualized)	0.99%	1.63%	0.29%	-2.78%	0.87%
Free cash flow	(649,854)	1,960,424	(2,947,535)	1,325,552	2,252,636
% change	-133.15%	166.51%	-322.36%	-41.16%	-71.42%
Source:	Interim Report 10/23/2020	Interim Report 8/14/2020	Interim Report 4/29/2020	ARS 6/12/2020	Interim Report 10/25/2019

QUARTERLY LEVERAGE RATIOS

Extremely high total outstanding debt and liabilities relative to tangible net worth

Total debt to assets ranks in the bottom decile of operative builder industry peers

Leverage Ratios - Sequential Quarters

(Thousands of Renminbi)

Period Ended	9/30/2020	6/30/2020	3/31/2020	12/31/2019	9/30/2019
Total debt	92,466,516	111,964,876	97,139,964	117,531,566	103,977,289
% change	-17.41%	15.26%	-17.35%	13.04%	-13.17%
Stockholders' equity	31,508,976	31,922,243	33,379,013	33,753,854	36,346,769
% change	-1.29%	-4.36%	-1.11%	-7.13%	-1.13%
Total debt to equity ratio	2.93	3.51	2.91	3.48	2.86
% change	-16.33%	20.52%	-16.42%	21.72%	-12.18%
Tangible net worth	29,785,426	30,193,181	31,642,109	32,020,969	34,760,128
% change	-1.35%	-4.58%	-1.18%	-7.88%	-1.16%
Total debt to tangible net worth	3.10	3.71	3.07	3.67	2.99
% change	-16.29%	20.79%	-16.36%	22.71%	-12.15%
Total assets	228,883,617	225,515,785	223,425,415	224,308,565	230,590,458
% change	1.49%	0.94%	-0.39%	-2.72%	-3.37%
Total debt to assets ratio	0.40	0.50	0.43	0.52	0.45
% change	-18.63%	14.19%	-17.02%	16.21%	-10.14%
Tangible assets	227,160,067	223,786,723	221,688,511	222,575,681	229,003,817
% change	1.51%	0.95%	-0.40%	-2.81%	-3.39%
Short-term debt	70,678,025	87,287,363	67,907,846	76,026,691	31,774,983
% change	-19.03%	28.54%	-10.68%	139.27%	-25.10%
Short-term debt % of total debt	76.44%	77.96%	69.91%	64.69%	30.56%
% change	-1.95%	11.52%	8.07%	111.67%	-13.74%
Short-term debt % of working capital	758.52%	701.35%	386.21%	255.30%	49.51%
% change	8.15%	81.60%	51.28%	415.69%	-17.49%
Total liabilities	197,374,641	193,593,542	190,046,402	190,554,711	194,243,689
% change	1.95%	1.87%	-0.27%	-1.90%	-3.78%
Total liabilities to equity ratio	6.26	6.06	5.69	5.65	5.34
% change	3.29%	6.51%	0.85%	5.64%	-2.68%
Total liabilities to tangible net worth ratio	6.63	6.41	6.01	5.95	5.59
% change	3.25%	6.75%	0.93%	6.49%	-2.65%
Source:	Interim Report	Interim Report	Interim Report	ARS	Interim Report
	4/29/2020	6/12/2020	6/12/2020	6/12/2020	10/25/2019

Large increase in short-term debt reflects material refinancing challenges

QUARTERLY LIQUIDITY RATIOS AND RATES OF RETURN

Substantial decline in working capital

Cash collapses; weak cash and quick ratios

Liquidity Ratios - Sequential Quarters

(Thousands of Renminbi)

Period Ended	9/30/2020	6/30/2020	3/31/2020	12/31/2019	9/30/2019
Current assets	181,554,956	177,986,806	175,752,955	176,210,121	183,654,586
% change	2.00%	1.27%	-0.26%	-4.05%	-4.68%
% of short-term debt	256.88%	203.91%	258.81%	231.77%	577.98%
Current liabilities	172,237,045	165,541,203	158,169,822	146,430,330	119,470,272
% change	4.04%	4.66%	8.02%	22.57%	-2.05%
Working capital	9,317,910	12,445,603	17,583,133	29,779,791	64,184,314
% change	-25.13%	-29.22%	-40.96%	-53.60%	-9.23%
% of sales (annualized)	676.94%	156.87%	916.74%	306.60%	239.99%
Cash	3,640,530	4,389,342	5,626,619	13,284,988	14,805,277
% change	-17.06%	-21.99%	-57.65%	-10.27%	-2.68%
% of short-term debt	5.15%	5.03%	8.29%	17.47%	46.59%
Cash ratio	0.02	0.03	0.04	0.09	0.12
% change	-20.38%	-25.56%	-60.75%	-26.80%	-0.64%
Quick assets	4,821,781	5,704,352	7,140,473	14,754,007	15,991,279
% change	-15.47%	-20.11%	-51.60%	-7.74%	-1.82%
% of short-term debt	6.82%	6.54%	10.51%	19.41%	50.33%
Quick ratio	0.03	0.03	0.05	0.10	0.13
% change	-18.84%	-23.50%	-55.26%	-24.72%	0.30%
Current ratio	1.05	1.08	1.11	1.20	1.54
% change	-1.96%	-3.24%	-7.66%	-21.71%	-2.70%
Source:	Interim Report 10/23/2020	Interim Report 8/14/2020	Interim Report 4/29/2020	ARS 6/12/2020	Interim Report 10/25/2019

Returns on assets and equity turn negative

Rate of Return - Sequential Quarters

(Thousands of Renminbi)

Period Ended	3 mos 9/30/2020	3 mos 6/30/2020	3 mos 3/31/2020	3 mos 12/31/2019	3 mos 9/30/2019
Return on equity	-1.23%	-3.05%	-1.67%	-4.55%	1.52%
% change	59.81%	-82.50%	63.30%	-398.73%	-1.08%
Return on net tangible equity	-1.30%	-3.22%	-1.76%	-4.76%	1.59%
% change	59.72%	-82.62%	63.00%	-398.85%	-0.93%
Return on total assets	-0.17%	-0.45%	-0.25%	-0.73%	0.24%
% change	62.02%	-79.99%	65.37%	-404.65%	-1.40%
Return on tangible assets	-0.17%	-0.46%	-0.25%	-0.73%	0.24%
% change	62.03%	-79.95%	65.35%	-404.83%	-1.39%
Source:	Interim Report 10/23/2020	Interim Report 8/14/2020	Interim Report 4/29/2020	ARS 6/12/2020	Interim Report 10/25/2019

YEAR-OVER-YEAR STATEMENT OF CASH FLOWS

Cash from operating activities turns negative

Abrupt plunge in net-ending cash balance

Tahoe Group Co Ltd

20-31F, Taihe Center, Taihe Plaza,
East Second Ring, No. 9, Hengyu Road,
FUZHOU, FUJ 350011 China

Ticker: 000732

Statement of Cash Flows - Year-over-Year - Standardized - Year to Date

(Thousands of Renminbi)

Period Ended	9 mos 9/30/2020	9 mos 9/30/2019	9 mos 9/30/2018	9 mos 9/30/2017	9 mos 9/30/2016
Cash Flows from Operating Activities:					
Cash receipts	7,900,894	40,287,630	31,392,817	20,813,976	15,801,888
Cash payments	(7,044,144)	(11,322,237)	(20,289,439)	(18,233,099)	(26,708,422)
Cash taxes paid	(373,555)	(3,032,697)	(3,232,538)	(2,633,761)	(2,382,078)
Changes in working capital	(2,015,258)	(3,317,341)	(7,708,756)	(6,350,129)	(4,014,329)
Total cash from operating activities	(1,532,062)	22,615,354	162,085	(6,403,012)	(17,302,942)
Cash Flows from Investing Activities:					
Capital expenditures	(104,903)	(569,662)	(691,022)	(1,377,697)	(78,651)
Other investing cash flow items, total	(339,434)	16,645,404	(5,157,443)	(32,127,852)	(3,668,915)
Total cash from investing activities	(444,337)	16,075,742	(5,848,465)	(33,505,549)	(3,747,566)
Cash Flows from Financing Activities:					
Financing cash flow items	(2,411,976)	4,194,203	8,154,791	2,591,500	(95,331)
Total cash dividends paid	(2,338,215)	(9,705,974)	(9,591,483)	(6,370,634)	(3,690,461)
Issuance/retirement of debt, net	(2,119,242)	(32,079,528)	8,538,753	46,948,855	28,320,895
Total cash from financing activities	(6,869,434)	(37,591,299)	7,102,061	43,169,722	24,535,102
Foreign exchange effects	(5,709)	(1,791)	310,812	37,887	1
Net change in cash	(8,851,542)	1,098,007	1,726,492	3,299,047	3,484,595
Net cash-beginning balance	11,378,398	11,557,938	13,242,508	8,600,422	4,611,598
Net cash-ending balance	2,526,856	12,655,945	14,969,000	11,899,469	8,096,193
Source:	Interim Report 10/23/2020	Interim Report 10/25/2019	Interim Report 10/26/2018	Interim Report 10/28/2017	Interim Report 10/28/2016

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