

CMBI Credit Commentary

Chinese Properties: Recommendation Changes

We revisit our decoupling and short-term picks of the Chinese property sector ([Evergrande: How far can the spill-overreach?](#)). In view of the continued weak market sentiment and the surprised default of Fantasia's USD bonds due Oct'21, we turned more cautious on the prospects of USD bonds refinancing and timely completion of asset sales/monetization. As such, we take KAISAGs and RISSUN'22 out from our OW list and replace with CENCHI'21. We also remove GRNLGR 7.25 Mar'22 from OW, in view of its sizable USD bond maturity (>USD2bn) in the coming 12-14 months while keeping GRNLGR 6.25'22(21P) at 81/84 in our short-term picks. Greenland management has consistently communicated the repayment of this puttable bond with cash inflow from overseas projects delivery. Additionally, we replace MOLAND'22s with MOLAND'21 as our short-term pick. Although there will be some degree of execution risk in the consent solicitation on MOLAND'21 given the high approval threshold (no less than 90% of the principal amount), we see a more limited downside for MOLAND'21 after the sharp correction and higher visibility of near-term refinancing plan given the shareholders' willingness to provide interest-free shareholders' loan of RMB800mn with no finite maturity for the full redemption of MOLAND'21. Recalled that First Service, the HK-listed property management company, is on trading halt. First Service is 57.46%-owned by Zhang Lei, the chairman of Modern Land, and Zhang Peng, the president of the company. We believe that they are exploring options to "monetize" their First Service stakes which is worth cUSD100mn and uses the proceeds for provide financial support to Modern Land.

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