

China Property Sector

Mildly positive if the government relaxes pre-sales funds regulation

Comparing to PBOC's confidence boost, we think this rumored relaxation on pre-sales funds regulation is more positive to the industry as it may offer some liquidity to those who need. If the rumor were true, the official document could be rolling out before CNY to help on the salary payment to migrant workers in the near end. Quantitatively speaking, the actual impact could be mild as 1) the relaxation of required ratio could be only 3-5% (in recent Yantai's case) which means it could release 10% of funds held in escrow accounts. A massive relaxation is unlikely due to housing delivery task. 2) The relaxation will be based on credit rating which means distressed names may still benefit less while SOEs and high-quality names could benefit more. **Therefore key beneficiaries would be those in between: Country Garden, Sunac, CIFI, Agile, Times, Shimao.**

- **What's new:** According to Reuters, MOHURD is drafting nationwide rules to make it easier for property developers to access pre-sale funds held in escrow accounts. The new rules could help developers meet debt obligations, pay suppliers, and finance operations.
- **How quick this new rule could be out if it were true?** As this rule could be an advisory document, rather than a law, it can be rolled out pretty quickly. We think **before CNY would be a good timing** as it is the peak of salary payments to migrant workers.
- **How much the rules could be relaxed?** Based on Yantai Government's case, it has mildly adjusted down the ratio of pre-sales that need to be held in escrow accounts by 3-5% based on developers' credit categories. As originally the required ratio is about 30-50% of pre-sales, so the relaxation could release 10% of funds from escrow accounts if a similar case is rolled out nationally. A massively relaxation is unlikely as it will put the house deliveries in danger.
- **Are local governments willing to cooperate massively?** As local MOHURD is part of the government, it will lead to internal agreement across the board. We think most of the local governments have the incentives to execute it as 1) it could help solve the problem of migrants' salaries which is important to the social stability. 2) It also could provide some liquidity to developers which may indirectly support the land markets. 3) Lastly, it could benefit its own liquidity issue of city development entity.
- **Who will benefit?** As the rules are likely to benefit more on developers with high credibility in Yantai's case, therefore SOEs and high-quality names like Longfor would certainly be the beneficiaries. Distressed names like Aoyuan, Kaisa, Evergrande, Sinic are unlikely to benefit much as they are facing house deliveries issue. Those in between like Country Garden, Sunac, CIFI Agile, Times, Shimao are the real ones that could get some needed liquidities from this.

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China Property Sector

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Figure 1: Accounts payable as % of total liabilities

| Company % | AP / Total Liabilities | | | | | | | | |
|----------------|------------------------|--------|--------|--------|--------|--------|--------|--------|--|
| | F2013A | F2014A | F2015A | F2016A | F2017A | F2018A | F2019A | F2020A | |
| Evergrande | 42% | 39% | 35% | 29% | 30% | 42% | 46% | 50% | |
| Times China | 59% | 56% | 54% | 27% | 25% | 29% | 38% | 40% | |
| Country Garden | 24% | 24% | 30% | 33% | 38% | 36% | 38% | 40% | |
| Shimao | 31% | 34% | 36% | 39% | 38% | 39% | 40% | 40% | |
| Agile | 39% | 36% | 36% | 36% | 31% | 34% | 34% | 39% | |
| CIFI | 25% | 38% | 32% | 35% | 35% | 34% | 37% | 38% | |
| Vanke | 38% | 36% | 38% | 39% | 38% | 40% | 41% | 36% | |
| Longfor | 19% | 26% | 26% | 28% | 31% | 34% | 34% | 35% | |
| Sunac | 38% | 42% | 37% | 38% | 30% | 28% | 29% | 34% | |
| China Aoyuan | 21% | 20% | 24% | 19% | 19% | 23% | 27% | 30% | |
| CR Land | 22% | 24% | 24% | 27% | 28% | 28% | 27% | 29% | |
| COLI | 57% | 61% | 23% | 22% | 26% | 29% | 29% | 28% | |
| Dexin | | | 13% | 18% | 23% | 22% | 23% | 27% | |
| China SCE | 20% | 17% | 18% | 18% | 22% | 28% | 32% | 26% | |
| KWG | 37% | 39% | 44% | 44% | 41% | 17% | 21% | 25% | |
| Dafa | | | 10% | 11% | 14% | 19% | 25% | 23% | |
| Shinsun | | | | | 16% | 13% | 14% | 20% | |
| Radiance | | | | | 16% | 15% | 15% | 16% | |
| Redsun | | | 22% | 20% | 18% | 12% | 15% | 16% | |

Source: CMBIS

Figure 2: Debt maturity in 1Q22

| Debt Maturing in Jan 2022 (USD Mn) | | | | | | |
|------------------------------------|----------|--------|--|----------------|-----------------|--|
| Company | Date | Amount | Bond Details | Px as of 01/12 | Comments | |
| Aoyuan | 01/20/22 | 188 | USD 188mn Bond CAPG 4.20 01/20/22 | 18.00 | Unable to Pay | |
| Poly | 01/21/22 | 236 | RMB 1500mn Bond POLYRE 3.60 01/21/22 | 100.03 | | |
| CIFI | 01/22/22 | 49 | HKD 385mn Term Loan | - | Funds Deposited | |
| Aoyuan | 01/23/22 | 500 | USD 500mn Bond CAPG 8.50 01/23/22 | 17.00 | Unable to Pay | |
| Yuzhou | 01/23/22 | 242 | USD Bond YUZHOU 8.625 01/23/22 with US\$242mn outstanding | 27.00 | Exchange Offer | |
| Shinsun | 01/23/22 | 300 | USD 300mn Bond SHXREG 12.50 01/23/22 | 45.00 | Exchange Offer | |
| Sinic | 01/24/22 | 242 | USD Bond SINHLD 8.50 01/24/22 with US\$242mn outstanding | 5.00 | | |
| Yuzhou | 01/25/22 | 347 | USD Bond YUZHOU 6.00 01/25/22 with US\$347mn outstanding | 27.00 | Exchange Offer | |
| Powerlong | 01/26/22 | 128 | HKD 1000mn Bond PWRLNG 6.00 01/26/22 | - | | |
| Country Garden | 01/27/22 | 425 | USD 245mn Bond COGARD 7.125 01/27/22 | 99.75 | | |
| Zhongliang | 01/31/22 | 203 | USD Bond ZHLGHD 7.50 01/31/22 with US\$203mn outstanding | 96.50 | | |
| Ronshine | 02/01/22 | 198 | USD Bond RONXIN 5.50 02/01/22 with US\$197.5mn outstanding | 75.00 | | |
| China South City | 02/12/22 | 348 | USD Bond CSCHCN 11.50 02/12/22 with US\$348mn outstanding | 79.00 | | |
| Yango | 02/20/22 | 110 | USD 110mn Bond YANGOG 12.50 02/20/22 | 13.00 | | |
| Modern Land | 02/26/22 | 200 | USD 200mn Bond MOLAND 11.80 02/26/22 | 19.00 | | |
| Ronshine | 03/01/22 | 456 | USD Bond RONXIN 10.50 03/01/22 with US\$456.49mn outstanding | 61.00 | | |
| Jinmao | 03/03/22 | 500 | USD 500mn Bond CHJMAO 3.60 03/03/22 | 100.25 | | |
| Agile | 03/07/22 | 500 | USD 500mn Bond AGILE 6.70 03/07/22 | 57.00 | | |
| SCE | 03/10/22 | 500 | USD 500mn Bond CHINSC 5.875 03/10/22 | 94.00 | | |
| Jiayuan | 03/11/22 | 133 | USD Bond JIAYUA 13.75 03/11/22 with US\$132.63mn outstanding | 84.90 | | |
| Greenland | 03/12/22 | 350 | USD 350mn Bond GRNLGR 7.25 03/12/22 | 90.00 | | |
| Yango | 03/18/22 | 23 | USD Bond SUNSHI 10.25 03/18/22 with US\$22.758mn outstanding | 24.00 | | |
| Seazen | 03/20/22 | 200 | USD 200mn Bond FTLNHD 7.50 03/20/22 | 95.00 | | |
| Evergrande | 03/23/22 | 2,025 | USD 2,025mn Bond EVERRE 8.25 03/23/22 | 13.50 | | |

Source: CMBIS

Figure 3: Property Sector Comps

| Company | Ticker | Last price (LC) | Mkt Cap (LC mn) | Rating | TP (LC) | P/E | | | PB | Dividend Yield | |
|----------------|-----------|--------------------|--------------------|-------------|------------|------------|------------|------------|------------|----------------|--------------|
| | | | | | | 20A | 21E | 22E | 20A | 20A | 21E |
| Vanke - H | 2202 HK | 19.80 | 284,338 | BUY | 33.92 | 4.2 | 3.7 | 3.5 | 0.9 | 8% | 8% |
| COLI | 688 HK | 22.10 | 241,880 | BUY | 30.49 | 4.6 | 4.4 | 3.8 | 0.5 | 5% | 6% |
| Country Garden | 2007 HK | 6.39 | 147,918 | BUY | 13.36 | 3.3 | 2.5 | 2.2 | 0.7 | 9% | 8% |
| CR Land | 1109 HK | 35.65 | 254,218 | BUY | 44.79 | 7.1 | 6.6 | 6.1 | 1.1 | 3% | 4% |
| Longfor | 960 HK | 40.70 | 247,224 | HOLD | 34.27 | 9.9 | 6.7 | 6.5 | 1.9 | 4% | 5% |
| Shimao | 813 HK | 4.98 | 18,913 | BUY | 44.94 | 1.1 | 1.0 | 0.8 | 0.2 | 32% | 32% |
| Agile | 3383 HK | 3.66 | 14,336 | BUY | 13.89 | 1.2 | 1.2 | 1.1 | 0.2 | 30% | 26% |
| KWG | 1813 HK | 4.50 | 14,324 | BUY | 17.87 | 1.8 | 1.5 | 1.2 | 0.3 | 25% | 28% |
| Times China | 1233 HK | 3.58 | 7,103 | BUY | 16.20 | 1.2 | 0.8 | 0.7 | 0.3 | 26% | 28% |
| China SCE | 1966 HK | 1.70 | 7,178 | BUY | 5.60 | 1.6 | 1.4 | 1.1 | 0.3 | 21% | 21% |
| Redsun | 1996 HK | 2.53 | 8,447 | BUY | 3.52 | 4.2 | 3.3 | 2.9 | 0.6 | 7% | 7% |
| Vanke - A | 000002 CH | 20.70 | 232,006 | BUY | 31.36 | 5.3 | 4.7 | 4.5 | 1.1 | 6% | 7% |
| Radiance | 9993 HK | 4.28 | 17,314 | BUY | 5.55 | 4.0 | 3.5 | 2.9 | 0.8 | 7% | 8% |
| Dafa | 6111 HK | 4.37 | 3,618 | BUY | 8.32 | 8.8 | 4.8 | 4.2 | 0.9 | 2% | 4% |
| Dexin | 2019 HK | 2.91 | 7,861 | BUY | 3.56 | 6.5 | 5.8 | 5.0 | 1.3 | 6% | 7% |
| Average | | | | | | 4.3 | 3.5 | 3.1 | 0.7 | 12.7% | 13.2% |

Source: BBG, CMBIS

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