

CMBI Credit Commentary

China Fortune Land

What's our view?

1. We still think CFLD has sufficient cash to repay CHFOTN 8 5/8 02/28/21 maturity (USD530mm)

- Assuming the onshore perpetual perps (issued in 2020 to several Trust firms) have been fully drawn down (company guidance), we estimated the current cash level of company is ~RMB40bn (~10% restricted)

2. However, we believe more financial support from external parties will be needed to help company shore up liquidity

- We speculate REDD article last Thurs of Hebei regional government holding meeting for CFLD, has spooked market concern of CFLD's looming maturities
- There will be RMB20bn onshore bond due before offshore maturities in June & July (USD1.14bn in total). Potential solutions may include, 1) Ping An enlarge its shareholdings on CHFOTN by private placement; 2) Ping An issues more onshore/offshore notes to help; 3) Other parties come in as white knights (China Resources, etc.)

What leads to the dollar bonds sell-off? (Brainstorming only, hoping to provide some clarity amid sell-off)

- 1) Refinancing concerns - deteriorated fundamental, including heavy debts burden, weak cash flow generation capability, and likely large Capex on commercial properties
- 2) Delay of an expected announcement cooperation renewal agreement with Ping An, which was supposed to be announced by end-2020, according to REDD
- 3) Onshore bonds sell-off, including 16Huaxia02 (tenor 0.14yr, YTM 56.7%), 18Huaxia02 (tenor 0.38+2yr, YTM 12.7%, YTP40.8%), and 18Huaxia03 (tenor 0.4+1yr, YTM 17.4%, YTP 45.6%). Prices based on 11AM this morning

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- 4) [Least likely reason] Rumor that China Fortune Land Holdings (CHFOTN's controlling parent) may have defaulted its 19Huakong01/02 due 9 Jan 2021. The rumor has been cleared up

What's the latest actual development?

- 1) China Fortune Land Holdings has already transferred sufficient fund to clearinghouse today to cover 19Huakong01/02 put back by investors, according to DW. (CNY 1.3995bn)
- 2) CFLD has previously reassured investors they have prepared cash for the February offshore maturities (CHFOTN 8 ½ 02/28/21). AND there is ONLY 16Huaxia onshore puttable bond left, before CHFOTN 8 ½ 02/28/21 comes due
- 3) Regarding 16Huaxia onshore bond, CFLD has adjusted one of its onshore note's coupon of 16HuaxiaDebt to 6.6%, from 4.88% to encourage investors not putting the notes. YET RESELLING/PUT DETAILS REMAIN UNKNOWN

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