September 2021

CMB International Chinese Property Sector

When dust is settling

Executive Summary

The market has de-rated of Chinese property sector over the past 3 months. Since mid-May'21, the sector returned a negative 13% vs. a negative 4% of Asia HY market. We believe that the spill-over impact of Evergrande to the sector should be diminishing, and the damage from the market de-rating is more or less done. While we do not see a strong catalyst for the sector to outperform, especially cash collection slowed notably given the more lengthy mortgage approval process, we expect the sector's performance to be more "de-coupled" from that of EVERRE/TIANHL. Developers with improving credit story, more evenly distributed debt maturity profile and diversified funding channels will gradually resume access to the USD bond market, supported partly by the investors' high cash level and low net issuance YTD. **Under this backdrop, our decoupling picks are China South City, Dafa, Jiayuan, Kaisa, Redsun, Yuzhou and Zhenro. We also like short-dated ideas on credits with high certainty on near-term refinancing plan such as DEXICN'22s, FTDHGR'21s, GRNLGR'21-22s, MOLAND 22s, REDPRO 22s and RISSUN'8.95%'22.**

Decoupling picks		
China South City	CSCHCN	22s-23s at 38%-42%
Dafa Properties	DAFAPG	22s at 16%-17%
Jiayuan International	JIAYUA	22s-25s at 12%-14%
Kaisa Group	KAISAG	8.65%'22 at 13% and Perp at 19%
Redsun Properties	REDSUN	24s-25s at 11%
Yuzhou Group	YUZHOU	23s at 14%
Zhenro Properties	ZHPRHK	24s-26s at 9%
Short-dated picks		
Dexin China	DEXICN	22s at 14%-15%
Fantasia Holdings	FTHDGR	21s at 50%
Greenland Holdings	GRNLGR	21s-22s at 13%
Modern Land China	MOLAND	22s at 15%-17%
Redco Group	REDPRO	22s at 11%-13%
Risesun Real Estate	RISSUN	8.95% '22 at 60

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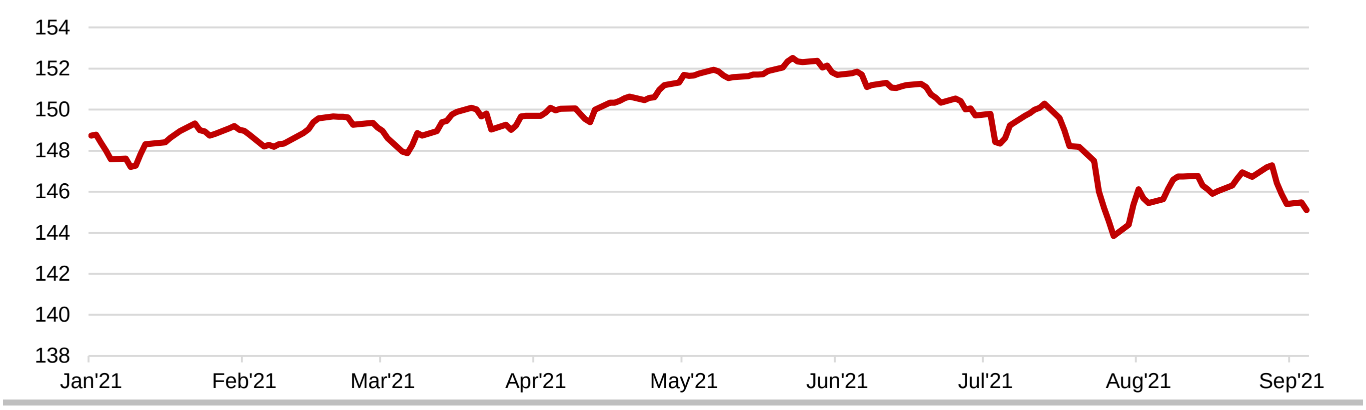
When dust is settling

Differentiation after de-rating

Figure 1: iBoxx USD Asia ex JP China Real Estate High Yield TRI



Source: Bloomberg, CMBI

After the debacles of China Fortune Land, Sichuan Languang and Evergrande, the market has de-rated of Chinese property sector. Over the past 3 months, the sector considerably underperformed Asia HY market. The sector returned a negative 13% (proxied by iBoxx USD Asia ex JP China Real Estate HY TRI) vs a negative 4% of Asia HY market (proxied by iBoxx ADHI) since mid-May'21.

We believe that the spill-over impact of Evergrande to the sector should be diminishing, and the damage from market de-rating is more or less done. While we do not see a strong catalyst for the sector to outperform, especially when cash collection slowed notably given more lengthy mortgage approval process, we expect the sector's performance to be more "de-coupled" from that of EVERRE/TIANHL.

With more data points after the 1H result announcements, we expect the bond performance to be more correlated with credit fundamental of individual developers. The fact that some developers are able to access the USD bond market again after 1H21 interim results reinforced our view, although the performance of new issues are mixed. Looking ahead, we believe that developers with improving credit story, more evenly distributed debt maturity profile (See Table 1) and diversified funding channels will gradually resume access to the USD bond market, supported partly by the high investors' cash level and low net issuance YTD (see Figure 2). **Under this backdrop, our decoupling picks are China South City, Dafa, Jiayuan, Kaisa, Redsun, Yuzhou and Zhenro. We also like short-dated ideas on credits with high certainty on near-term refinancing plan such as DEXICN'22s, FTDHGR'21s, GRNLGR'21-22s, MOLAND 22s, REDPRO 22s and RISSUN'8.95%'22.**

Largely if not fully, prepared, for the worst of the Evergrande saga

Evergrande's daily operations are severely affected by the tight liquidity situation and progresses on asset sales/monetization have been stalled. It does not have adequate liquidity to cover its obligations over the next 12-18 months. As such, our expectation of full repayments of short-dated EVERREs/TIANHLs is increasingly unlikely to happen. Nonetheless, EVERREs/TIANHLs have moved sharply lower. At 20-30, we believe that the market has priced in the default risk with a low recovery prospect.

There are news reports on the suspension of interest payments and repayments of trust products. There are also news reports on regulators' approval on loans extension. Our takes on these are the regulators and the company are preserving liquidity to ensure timely deliveries and settlements of construction expenses. If these news reports are true, Evergrande will likely enter into a standstill and will suspend the payments of offshore bond coupon and principal payments. Recalled that it has 2 coupon payments due before the end of Sep'21; EVERRE 8.25%'22 on 23 Sep'21 and EVERRE 9.5%'24 on 29 Sep'21.

1H21 results largely in-line; margin trending downward

The 1H21 results of developers were largely in-line with market expectation. For example, Yuzhou reported revenue and gross margin of RMB12bn and 20% in 1H21. These were in-line with the guidance provided during our Corporate Day in early Jul'21. In general, developers' margin continued to trend lower and growth has been moderating but these had been well-flagged. Most developers are confident to achieve their sales targets of FY21 despite seeing signs of slowing sales momentum starting from 2H21. On average, developers under our coverage achieved c65% of the sales target by 8M21 (See Table 2). CENCHI is a notable exception and revised its sales target down by 12.5% to RMB70bn because of delay/disruption caused by severe flooding in Henan.

On the bright side, Kaisa and Dafa offer some upside surprises in 1H21 results. To illustrate, Kaisa converted 3 URPs (all in GBA) with a total salable resources of RMB73bn into its land bank. These exceeded its target of 1H21 conversion of URP saleable resources of RMB66bn, and the full year conversion of RMB64bn in FY20. The faster-than-expected conversion will support Kaisa's sales momentum as well as its profit margin going forward.

Meanwhile, Dafa achieved 87% of its sales target of RMB36bn by end of Augl'21 and is amongst the best performing developer in terms of run-rate amongst 40 developers under our radar. The strong run-rate will better position Dafa to focus on cash collection and profit margin. Additionally, the ensuing stronger operating cash flow and prudent tone on land acquisitions will provide Dafa with more financial flexibility to deal with near-term maturities.

Risesun, another beaten-down name, reported the better-than-expected interim results and improved balance sheet, thanks to its more prudent land acquisitions. As emphasized by the company, it has prioritized cash flow over operating scale.

Evergrande, on the other hand, reported weak 1H21 results, reflected the delay in construction and deliveries, as well as pressure on price cut. In 1H21, Evergrande turned to operating loss, its margin declined sharply and unrestricted cash lowered considerably. Guangzhou R&F, another recent market focus, reported weaker-than-expected interim results. While market eyes on its tight liquidity and chunky maturity in 1H22, the company owns a portfolio of high quality investment properties. The assets disposals, cash collection from pre-sales, and negotiations with Guangzhou government on the debt equity swap of Guangzhou CCIG should be the key focuses over the coming months.

More prudent land acquisitions but higher construction capex

Developers generally reported improvements in the "3 red-line" metrics (See Table 3), thanks to more prudent land acquisitions. Additionally, the trend of expansion through JVs continues given the constraint of "3 red-line" and centralized land auctions. The flip side of this is less transparent capital structure as more projects are operated at JV and associate levels. We take some comfort that developers increasingly focus on core net profit and core net profit margin instead of sales growth and operating scale. Hence, we expect developers to be more incentivized to improve their credit profiles to lower funding costs and to raise the consolidation/attributable ratios of their sales going forward.

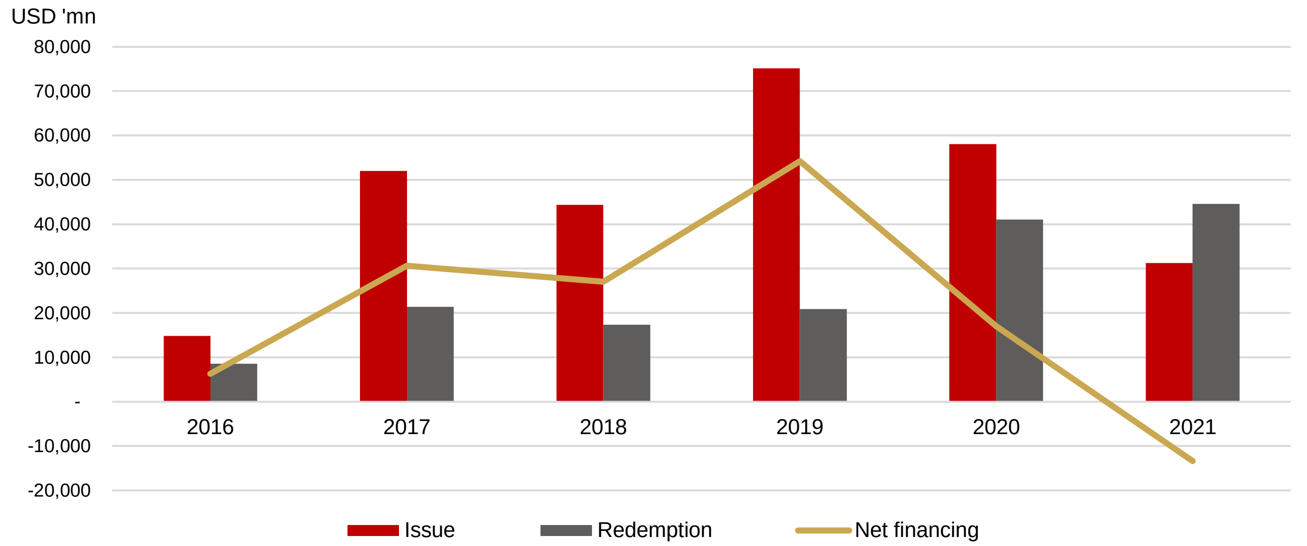
Many developers spent notably lower on land acquisitions in 1H21. Some of them revised down budgets on land acquisitions but, at the same time, revised up construction expenses. Net-net, the budgeted capex remains largely the same for FY21. This, in our view, reflects the reallocation of capex to construction to speed up deliveries and pressure to reduce the uses of commercial papers to settle construction expenses.

Net issuance set to sharply lower as issue window truncated

YTD, the net offshore issuance of Chinese HY was -USD13.1bn, compared with USD17.0bn for FY20. The new issue window was more or less truncated given the highly volatile market environment. The significant decline in net issuance and generally high cash level of investors should provide some technical support for the bond performance at the current valuations.

In the near-term, issuing USD bonds at a reasonable cost could remain challenging for some developers. To illustrate, Evergrande repaid public USD bonds of USD3.1bn in addition to redeem CB of USD2.8bn without raising USD bonds or CBs YTD. As per our discussions with issuers, some developers include China South City, Fantasia, Jingrui, Risesun, Sinic, Zhongliang, etc. have prepared funds for near-term repayments given the current market condition. Indeed, developers are under pressure to deleverage. Sunac mentioned its plan to cut debts to lower funding costs. These will be the most direct way to improve the company's profitability. A few other developers mentioned plans to reduce the reliance of offshore USD bond markets. While the issuance could pick up somewhat as the market condition normalizes, we expect the net issuance to trend downward without significant regulatory changes.

Figure 2: China High Yield Real Estate Net Issuance



Source: Blooberg, CMBI

Policies to remain stringent; watch out for mortgage approval process

We believe that the stringent policies on the property market to remain largely unchanged, especially the "3 red-line" and policies in controlling funding access. In our view, the focus on policies should be on mortgage approval process which is one of key drivers for developers' cash flow and sales momentum. As per our discussions with developers, the mortgage approval process has lengthened notably starting from May'21. More relax or stringent mortgage approval process will have a significant impact on developers' cash flow and refinancing plan. We will continue to monitor the mortgage approval process and provide updates.

Table 1: China Property Developers Offshore USD Bond Maturity Profile

Issuer (USD 'mn)	Ticker	2H'21 Maturity	1H'22 Maturity	2H'22 Maturity	Total Maturity
Agile Group	AGILE	200	500	600	4,947
China Aoyuan	CAPG	0	688	250	3,203
Central China Real Estate	CENCHI	400	0	500	2,860
China SCE Group	CHINSC	0	500	0	2,650
China Jinmao	CHJMAO	0	700	0	4,550
CIFI Group	CIFIHG	0	585	0	4,576
Country Garden	COGARD	0	425	700	11,694
China South City	CSCHCN	316	694	277	1,881
China Resources Land	CRHZCH	0	0	0	2,550
Dafa Properties	DAFAPG	0	280	360	640
Dexin China	DEXICN	0	200	350	550
China Evergrande Group	EVERRE	0	3,475	0	14,001
Tianji Holdings	TIANHL	0	0	2,645	5,235
Fantasia Holdings	FTHDGR	750	297	849	3,859
Seazen Group	FUTLAN	0	400	0	1,150
Seazen Holdings	FTLNHD	350	500	200	2,554
Greentown China	GRNCH	0	0	0	1,600
Greenland Holdings	GRNLGR	550	1,100	1,070	5,070
Guangzhou R&F	GZRFPR	200	725	660	5,285
Jiayuan International	JIAYUA	0	236	200	1,512
Jingrui Holdings	JINGRU	195	190	410	1,385
Jinke Property	JINKE	0	0	0	325
Radiance Group	JNHUIG	250	300	0	800
Kaisa Group	KAISAG	400	1,697	1,700	12,174
KWG Group	KWGPRO	0	250	900	4,053
Longfor Group	LNGFOR	0	0	450	2,750
Logan Group	LOGPH	0	250	300	3,930
Modern Land	MOLAND	250	200	300	1,348
Poly Real Estate	POLYRE	0	0	0	1,500
Powerlong Real Estate	PWRLNG	200	200	500	2,270
Redco Group	REDPRO	0	285	321	1,022
Redsun Properties	REDSUN	100	450	250	1,815
Hong Yang Group	HONGSL	0	0	275	275
Risesun Development	RISSUN	0	780	0	780
Ronshine China	RONXIN	150	688	700	3,160
Shimao Group	SHIMAO	820	0	1,000	5,492
Sinic Holdings	SINHLD	246	453	0	699
Sino-Ocean Group	SINOCE	0	500	0	4,020
Sunac China	SUNAC	0	600	600	7,762
Yango Group	SUNSHI	0	500	0	2,292
Times China	TPHL	0	425	0	3,075
China Vanke	VNKRLE	220	0	0	4,794
Yuexiu Property	YUEXIU	0	0	0	1,700
Yuzhou Group	YUZHOU	0	592	0	5,649
Zhongliang Holdings	ZHLGHD	595	550	450	1,595
Zhenro Properties	ZHPRHK	200	370	550	3,700

Source: Bloomberg, CMBI

Table 2: China Property Developers 8M2021 Pre-sales

Company	CN Name	BBG Ticker	Stock Code	2021 YTD Sales (in mn RMB) Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Trend	Aug'21 MoM Growth	Aug'21 YoY Growth	Aug'21 YTD Sales	2021 YTD Sales Growth	Target Contract Sales	Target Filled
IG Rated																		
China Jinmao	中国金茂	CHJMAO	00817.HK	20,100	20,200	22,500	24,030	23,320	20,000	17,500	14,350		-18%	-33%	162,000	11%	250,000	65%
China Overseas(HKD)	中国海外发展	CHIOLI	00688.HK	26,850	22,720	30,820	46,560	34,190	46,270	35,800	17,920		-50%	-38%	261,130	17%	-	-
China Resources Land	华润置地	CRHZCH	01109.HK	24,200	17,500	26,100	33,200	25,000	38,800	23,000	20,200		-12%	-26%	208,000	28%	315,000	66%
China Vanke	万科企业	VNKRLE	02202.HK	70,200	44,270	58,160	54,840	56,770	62,570	57,620	39,540		-31%	-33%	443,970	1%	790,000	56%
Country Garden (Attributable)	碧桂园	COGARD	02007.HK	47,050	40,880	52,940	52,390	55,720	51,780	54,920	44,390		-19%	-27%	400,070	5%	624,000	64%
Longfor	龙湖集团	LNGFOR	00960.HK	15,060	19,940	25,050	26,270	23,680	32,630	25,000	14,100		-44%	-42%	181,730	16%	310,000	59%
Poly Real Estate	保利地产	POLYRE	600048.SH	42,000	33,000	48,200	51,400	58,900	51,500	40,150	49,050		22%	12%	374,200	18%	-	-
Shimao	世茂房地产	SHIMAO	00813.HK	20,020	16,990	30,510	25,220	29,050	31,000	22,090	24,040		9%	-19%	198,920	18%	330,000	60%
Sino-Ocean	远洋集团	SINOCE	03377.HK	5,500	4,500	11,000	9,500	10,030	11,470	10,400	10,500		1%	15%	72,900	22%	150,000	49%
Yuexiu Property	越秀地产	YUEXIU	00123.HK	9,000	4,900	12,600	6,800	8,000	7,900	4,800	12,200		154%	59%	66,200	28%	112,200	59%
BB Rated																		
Agile	雅居乐	AGILE	03383.HK	11,030	15,480	13,010	11,330	10,070	14,410	8,210	8,520		4%	-29%	92,060	19%	150,000	61%
CIFI Holdings	旭辉集团	CIFIHG	00884.HK	16,220	11,800	28,680	26,460	26,900	26,090	20,880	20,020		-4%	-22%	177,050	38%	265,000	67%
Future Land	新城控股	FUTLAN/FTLNHD	01030.HK	16,550	13,950	18,800	21,010	24,190	24,540	15,530	17,140		10%	-17%	151,710	9%	260,000	58%
Gemdale	金地集团	GEMDAL	600383.SH	23,900	17,720	26,980	31,700	28,200	34,000	25,950	19,000		-27%	-12%	207,450	44%	280,000	74%
Greenland Holding	绿地控股集团	GRLNGR	600606.SH	16,100	18,000	36,400	20,000	31,680	41,900	23,000	21,500		-7%	7%	208,580	23%	-	-
Logan Property (attributable)	龙光地产	LOGPH	03380.HK	16,010	12,090	12,900	11,000	11,600	10,500	9,550	10,850		14%	-17%	94,500	34%	144,700	65%
Sunac China	融创中国	SUNAC	01918.HK	35,000	33,200	47,200	55,400	70,700	79,300	49,100	45,200		-8%	-30%	415,100	33%	640,000	65%
Times Property	时代中国控股	TPHL	01233.HK	8,280	3,610	8,380	8,010	9,170	7,930	7,890	6,760		-14%	-24%	60,030	22%	110,000	55%
Yuzhou Properties	禹洲地产	YUZHOU	01628.HK	7,790	5,750	8,560	9,220	10,380	11,010	9,660	9,010		-7%	-22%	71,380	9%	110,000	65%
B Rated															-			
Aoyuan Property	中国奥园	CAPG	03883.HK	10,110	7,920	11,990	11,050	11,500	15,010	9,610	10,360		8%	-5%	87,550	23%	150,000	58%
Central China Real Estate	建业地产	CENCHI	00832.HK	1,411	926	8,403	3,470	7,590	9,600	2,410	4,800		99%	-9%	38,610	0%	70,000	55%
China SCE	中骏集团控股	CHINSC	01966.HK	8,120	7,080	10,830	10,120	10,520	12,330	7,080	9,060		28%	-2%	75,140	32%	120,000	63%
Dafa Properties	大发地产	DAFAPG	06111.HK	3,600	3,410	3,790	5,410	4,600	5,000	3,000	2,490		-17%	2%	31,300	96%	36,000	87%
Dexin China	德信中国	DEXICN	02019.HK	4,530	4,000	10,500	6,800	7,880	9,320	4,380	5,810		33%	-14%	53,220	40%	80,000	67%
Evergrande	恒大集团	EVERRE	03333.HK	61,420	28,200	63,230	68,800	65,450	68,860	44,130	46,470		5%	-10%	446,560	-1%	750,000	60%
Fantasia	花样年控股	FTHDGR	01777.HK	2,294	3,526	4,500	5,610	5,980	6,210	5,110	4,040		-21%	-21%	37,270	36%	60,000	62%
Guangzhou R&F	富力地产	GZRFPR	02777.HK	11,110	8,900	10,500	9,740	12,130	12,280	8,660	9,280		7%	-15%	82,600	14%	150,000	55%
Jingrui Holdings	景瑞控股	JINGRU	01862.HK	2,720	1,056	4,674	4,000	2,900	3,390	2,500	1,280		-49%	-64%	22,520	71%	30,000	75%
Jinke	金科股份	JINKE	000656.SZ	13,600	15,200	19,700	17,530	18,790	17,240	16,740	12,050		-28%	-37%	130,850	7%	250,000	52%
Kaisa	佳兆业集团	KAISAG	01638.HK	8,254	9,215	13,375	11,335	11,800	9,875	10,096	7,898		-22%	-16%	81,848	49%	130,000	63%
KWG Property	合景泰富集团	KWGPRO	01813.HK	6,780	4,560	10,310	12,920	11,300	10,310	8,130	7,190		-12%	-40%	71,500	17%	124,000	58%
Modern Land	当代置业	MOLAND	01107.HK	2,440	3,200	3,610	3,630	4,150	4,530	4,210	4,210		0%	2%	29,980	34%	47,000	64%
Powerlong	宝龙地产	PWRLNG	01238.HK	6,760	8,340	9,510	8,510	9,380	10,540	9,450	8,490		-10%	18%	70,980	54%	105,000	68%
Radiance	金辉控股	JNHUIG	09993.HK	7,610	8,400	8,920	9,190	9,890	11,760	8,400	6,170		-27%	-9%	70,340	33%	100,000	70%
Redco Properties	力高集团	REDPRO	01622.HK	2,240	3,290	3,830	3,520	4,940	5,690	2,914	2,895		-1%		29,319	52%	-	-
Redsun	弘阳地产	REDSUN/HONGSL	01996.HK	6,300	5,210	8,000	7,170	12,920	9,550	6,850	6,000		-12%	-17%	62,000	29%	99,500	62%
Risesun Properties	荣盛地产	RISSUN	002146.SZ	6,700	5,800	14,220	8,450	11,900	15,010	7,540	11,240		49%	10%	80,860	22%	130,000	62%
Ronshine China	融信中国	RONXIN	03301.HK	12,300	11,900	15,540	14,440	13,940	14,850	15,850	11,020		-30%	-8%	109,840	30%	160,000	69%
Sinic Holdings	新力控股	SINHLD	02103.HK	8,140	7,840	11,340	7,600	11,850	12,020	10,030	8,220		-18%	-12%	77,040	25%	125,000	62%
Yango Group	阳光城集团	SUNSHI	000671.SH	13,900	14,800	20,000	15,400	17,200	20,000	12,500	19,110		53%	-6%	132,910	4%	220,000	60%
Zhenro Properties	正荣地产	ZHPRHK	06158.HK	12,320	14,390	17,090	12,780	13,940	14,480	14,120	13,080		-7%	6%	112,200	37%	150,000	75%
Zhongliang	中梁控股	ZHLGHD	02772.HK	13,800	16,200	18,000	14,100	13,710	19,200	12,000	12,000		0%	-29%	119,010	23%	180,000	66%

Source: China Index Academy, Company disclosure, CMBI

Table 3: China Property Developers "Three Red Lines" and Minority Interest Update

Name	Issuer	Net Gearing	Adj. Liabilities to Assets Ratio	Unrestricted Cash / ST Debts	Three-Red-Line As of 1H21	Three-Red-Line As of 2020	Three-Red-Line As of 2019	MI/Total Equity 1H21	MI/Total Equity FY20	MI/Total Equity 1H20
Agile Group	AGILE	45.3%	68.8%	1.2x	Green	Yellow	Orange	24%	16%	14%
China SCE Group	CHINSC	78.5%	69.5%	1.2x	Green	Green	Yellow	44%	46%	38%
Dafa Properties	DAFAPG	56.5%	69.0%	1.0x	Green	Green	Yellow	61%	58%	52%
Kaisa Group	KAISAG	94.1%	69.6%	1.7x	Green	Yellow	Orange	55%	59%	54%
Logan Group	LOGPH	60.7%	69.0%	1.9x	Green	Green	Yellow	36%	30%	28%
Jiayuan International	JIAYUA	40.7%	62.1%	1.3x	Green	Green	Yellow	22%	22%	17%
Jinke Property	JINKE	75.0%	69.3%	1.3x	Green	Green	Orange	49%	50%	50%
Powerlong Real Estate	PWRLNG	77.8%	70.0%	1.1x	Green	Green	Yellow	31%	29%	19%
Radiance Group	JNHUIG	75.9%	68.3%	1.1x	Green	Green	Yellow	42%	40%	NA
Redsun Properties	REDSUN	58.7%	69.4%	1.4x	Green	Green	Yellow	49%	45%	30%
Ronshine China	RONXIN	75.5%	69.7%	1.1x	Green	Green	Yellow	66%	65%	61%
Shimao Group	SHIMAO	55.5%	68.3%	1.7x	Green	Green	Yellow	41%	42%	39%
Central China Real Estate	CENCHI	99.2%	87.2%	1.3x	Yellow	Yellow	Yellow	24%	22%	27%
China Aoyuan	CAPG	82.2%	78.9%	1.2x	Yellow	Yellow	Yellow	66%	66%	64%
CIFI Group	CIFIHG	64.0%	72.1%	2.7x	Yellow	Yellow	Yellow	59%	53%	50%
Country Garden	COGARD	49.7%	78.5%	1.9x	Yellow	Yellow	Yellow	34%	32%	33%
Dexin China	DEXICN	72.5%	73.6%	1.3x	Yellow	Yellow	Yellow	70%	65%	58%
Fantasia	FTHDGR	78.0%	72.4%	1.4x	Yellow	Yellow	Yellow	46%	40%	34%
Greentown China	GRNCH	75.5%	73.5%	2.0x	Yellow	Yellow	Yellow	42%	38%	27%
Jingrui	JINGRU	82.5%	80.1%	1.3x	Yellow	Yellow	Yellow	45%	45%	44%
KWG Group	KWGPRO	53.8%	71.8%	1.8x	Yellow	Yellow	Yellow	28%	19%	15%
Modern Land	MOLAND	93.0%	83.0%	1.5x	Yellow	Yellow	Yellow	42%	39%	30%
Redco Group	REDPRO	51.1%	77.7%	1.3x	Yellow	Yellow	Yellow	50%	47%	51%
Risesun Development	RISSUN	66.5%	71.9%	1.0x	Yellow	Yellow	Orange	15%	10%	8%
Seazen Group	FUTLAN	66.0%	76.9%	1.3x	Yellow	Yellow	Yellow	59%	56%	56%
Sinic Holdings	SINHLD	50.6%	73.5%	1.0x	Yellow	Orange	Yellow	50%	48%	48%
Sunac China	SUNAC	86.6%	76.5%	1.1x	Yellow	Yellow	Red	38%	29%	27%
Yango Group	SUNSHI	94.0%	78.8%	1.3x	Yellow	Yellow	Orange	49%	48%	50%
Times China	TPHL	76.7%	76.6%	1.9x	Yellow	Yellow	Yellow	52%	48%	48%
Yuzhou Group	YUZHOU	80.4%	74.0%	1.4x	Yellow	Yellow	Yellow	35%	28%	26%
Zhongliang Holdings	ZHLGHD	56.6%	79.3%	1.2x	Yellow	Yellow	Orange	66%	64%	65%
Zhenro Properties	ZHPRHK	57.4%	72.4%	1.7x	Yellow	Yellow	Yellow	54%	44%	45%
China Evergrande Group	EVERRE	99.8%	81.0%	0.4x	Orange	Red	Red	54%	58%	59%
Greenland Holdings	GRNLGR	116.7%	82.8%	1.0x	Orange	Red	Red	45%	45%	42%
Guangzhou R&F	GZRFPR	129.0%	74.9%	0.2x	Red	Red	Red	3%	3%	3%

Source: Company disclosure, CMBI

Contents

Central China - Reported worse than expected 1H'21 result

CENCHI announced a worse than expected 1H'21 result last night. Unrestricted cash balance decreased 52% to RMB 10.8bn due to lower cash collection and higher land acquisition. Net gearing sharply deteriorated to 99.2% from 19.6% due to large drop in cash level. Unrestricted cash/ST debt also worsen to 1.26x from 1.47x. In view of the current volatile market sentiment that hinder its public market access, we are cautious on its near-term refinancing ability. (CENCHI's relies heavily on offshore bond financing (63%) compared to its bank loan (22%)) Company revised down contracted sales target to RMB70bn from RMB80bn due to severe Henan flooding in mid-July. We reiterate Neutral on CENCHI curve at current valuation (22s-25s at 16-18%). Please see our note published on 13 Jul. 21.

Company reported RMB 20.4bn revenue (+56.4% yoy), RMB 3.6bn gross profit (+17.8% yoy) and RMB 2.2bn EBITDA (+47.3% yoy). Gross profit margin further decreased to 17.9% from 23.7% in 1H'20. Compared to FY20, total debt decreased to RMB 29.1bn (-9.5%) and cash decreased to RMB 16.5bn (-43.8%). Net gearing surged to 99.2% from 19.6%. Adj. asset to liabilities ratio increased to 87.2% from 85.5%. Unrestricted cash/ST debts decreased to 1.26x from 1.47x. CENCHI remained in yellow camp but all three ratios deteriorated.

China Aoyuan Group - Vigilant investment penetrates deleverage

China Aoyuan reported better than excepted interim results, featuring intact income statement and slightly improved balance sheet. Aoyuan delivered mild deleverage in 1H21 with debts cut of 4%, thanks to its contained land acquisitions. It guided to cut total debts by 10%-15% in 2021FY (vs. 2020), improve its debt maturity profile in 2021FY, and to be fully in compliance with “3 red lines” by 2022. CAPGs were 3pts higher post result announcements. **We maintain our neutral view on CAPG curve.**

Margin stabilized but NCI increased because of lower attributable ratio in recent years’ pre-sales. In 1H21, China Aoyuan delivered steady P&L with revenue of RMB32.4bn (+15% yoy, driven by recognition of URPs of RMB1bn), EBITDA of RMB5.5bn (-4% yoy). Gross margin of stabilized at 25% (flat with 2020). NCI as of net income increased to 36% from 18% in 1H21, as a result of Aoyuan’s lower equity portion of pre-sales in recent years.

Aoyuan showed mild deleverage. Open market maturities could be funded with internal resources. In 1H21, Aoyuan’s total debts/net debts declined 3%/4% vs. 2020YE, which is in line with management’s committed debts reduction target of 5% per annual. Cash/ST debts, net gearing and adj. liabilities/assets ratio remained largely unchanged. Although covered by its reported cash, Aoyuan’s ST debts remained high (46% of total debts vs. 45% in 2020), compared to industry peers. Aoyuan will have USD688mn offshore and RMB3.4bn onshore, totaling ~RMB7.9bn public market maturities by 1H22. We think Aoyuan could handle the upcoming public maturities with internal resources (mainly unrestricted cash of RMB60.6bn reported in 1H21).

Company expects the total debts to reduce below RMB100bn by repaying short-term debts, and improve ST debts of total debts to below 40% by 2021, per management guidance during the result presentation.

China Evergrande Group - Standstill appears to be coming

Full repayment of short-dated EVERREs/TIANHLs no longer our base case

Evergrande's daily operations are severely affected by the tight liquidity situation and progresses on asset sales/monetization stalled. It does not have adequate liquidity to cover its obligations over the next 12-18 months. As such, our expectation of full repayments of short-dated EVERREs/TIANHLs is increasingly unlikely. There are news reports on the suspension of interest payments and repayments of trust products. There are also news reports on regulators' approval on loans extension. Our takes on these are the regulators and the company are preserving liquidity to ensure timely deliveries and settlements of construction expenses. If these news reports are true, Evergrande will likely enter into a standstill and will suspend the payments of offshore bond coupon and principal payments. Recalled that it has 2 coupon payments due before the end of Sep'21; EVERRE 8.25%'22 on 23 Sep'21 and EVERRE 9.5%'24 on 29 Sep'21. Nonetheless, EVERREs/TIANHLs have moved sharply lower. At 20-30, we believe that the market has priced in a high default risk with a low recovery prospect. We revised down our recommendations on EVERRE'22s and TIANHL'22s to neutral and maintain neutral on the other EVERREs and TIANHLs.

Weak 1H21 results not though not too surprising after the profit warning

In 1H21, revenue down 16.4% yoy to RMB222.7bn. It recorded a recurring operating loss of RMB405.0mn in 1H21 vs an operating profit of RMB40.0bn in 1H20. We believe that the decline in revenue and operating loss reflected the delay/suspension in some construction work under the stressed liquidity and price cut in pushing sales. In 1H21, GFA delivered and ASP declined 8.5% and 11.2%, respectively. As a result of the price cut, its gross margin sharply lowered to 12.9% in 1H21 vs 25.0% in 1H20.

Liquidity had been tight

Trade and other payables further increased to RMB951.1bn in Jun'21 from RMB829.2bn. A quick check on the accounts of Hengda Real Estate, the onshore operating company's account payables increased RMB33.6bn to RMB239.4bn in 1H21. Evergrande's unrestricted cash lowered to RMB86.8bn in Jun'21 from RMB158.8bn in Dec'20 while restricted cash increased to RMB74.9bn from RMB22.0bn over the same period. These reflected banks' cautious stance on Evergrande.

Debt reduction but higher payables

Evergrande cut net debt by RMB125.6bn to RMB410.1bn or by RMB72.8bn to RMB485.0bn if deriving the net debts by only deducting unrestricted cash. Hence, net gearing ratio (debt minus restricted and unrestricted cash) improved to 99.8% in Jun'21 from 152.9% in Dec'20. Evergrande's adj liab/asset and unrestricted cash/ST debt ratios were 81.0% and 0.4x in Jun'21, compared with 83.4% and 0.5x in Dec'20, respectively. It improved to orange from red under the 3 red-line. That said, if including trade and account payables, the picture would be different. Its adj. net debt (including trade and account payables) in 1H21 would decreased marginally by RMB3.7bn to RMB1361.3bn or increased RMB49.2bn to RMB1436.1bn if deriving the adj net debts by only deducting unrestricted cash.

Stalled progress on asset/stake

Subsequent to 30 Jun'21, Evergrande divested stakes and assets (including stakes in Hengten and Shengjing Bank) for net proceeds of cRMB14bn. It also sold property units to suppliers and contractors for RMB25.1bn to set off some outstanding payments. The amount is relatively small compared with its ST debts of RMB240.0bn, as well as trade and account payables of RMB951.1bn. For more notable improvement in liquidity, more aggressive asset/stake sales are required, please see below our latest stock-take on its listed subsidiaries and associates in the table below. The market capitalization of these investments attributable to Evergrande is USD13bn (cRMB82bn), cUSD6bn lower than our last stock-take on 4 Aug'21 after the sales of 1.9% stakes in Shengjing Bank, and decline in share prices.

That said, we do not see sizeable disposals. We suspect that this may be due to: 1) lack of ready buyers; 2) low-ball bids not acceptable by Evergrande; and 3) regulators' concerns of proceeds from asset disposals may favour certain stakeholders at the expense of being used to ensure timely deliveries and settlement of construction expenses.

		Evergrande's ownership	Total market cap (USD mn)	Evergrande's attributable market cap (USD mn)
Evergrande Property Services Group Ltd	6666 HK	60.96%	6,534.82	3,983.62
China Evergrande New Energy Vehicle Group Ltd	708 HK	64.98%	6,922.73	4,498.39
HengTen Networks Group Ltd	136 HK	26.55%	3,907.45	1,037.43
E-House China Enterprise Holdings Ltd	2048 HK	9.82%	380.16	37.33
Shengjing Bank Co Ltd	2066 HK	34.50%	7,817.61	2,697.08
Guangdong Meiyan Jixiang Hydropower Co Ltd	600868 CH	5.00%	896.15	44.81
China Calxon Group Co Ltd	000918 CH	27.85%	1,148.79	319.94
				12,618.60

China South City - Manageable refinancing plan

Short-dated CSCHCNs are good short-tenor plays

As we discussed on our comments on 30 Jun'21, we believe that CSCHCNs, especially CSCHCN'21s, 11.5%'22 and 10.875%'22, offer good value and carry subsequent to recent sell-off. We expect the performance of CSCHCNs to be supported by its refinancing plan in place and bond buyback plan.

More bond buyback as planned

	2 Jul'21	8 Jul'21
CSCHCN 6 3/4 09/13/21	5.8	3
CSCHCN 11 1/2 02/12/22	2	
CSCHCN 10 7/8 06/26/22	2	2
Subtotal	**9.8**	**5**

CSC mentioned again in our Corporate Day about its plan to buy back offshore bonds, focusing on maturing bonds instead of lower cash price bonds. Subsequent to the announcement of buying back a total of USD9.8mn offshore bonds on 2 Jul'21, it announced this morning that it had bought back another USD5mn offshore bonds.

1QFY22 contracted sales on track

The contracted sales in 1QFY22 (ended Mar'21) is cHKD4bn with cash collections of HKD3.5bn. The sales momentum is in line with those of the past few quarters and the sales target completion rate is c25% in 1QFY22. CSC expects to maintain gross margin of over 40%, thanks to the low land costs.

Yellow camp under "3 red-line"

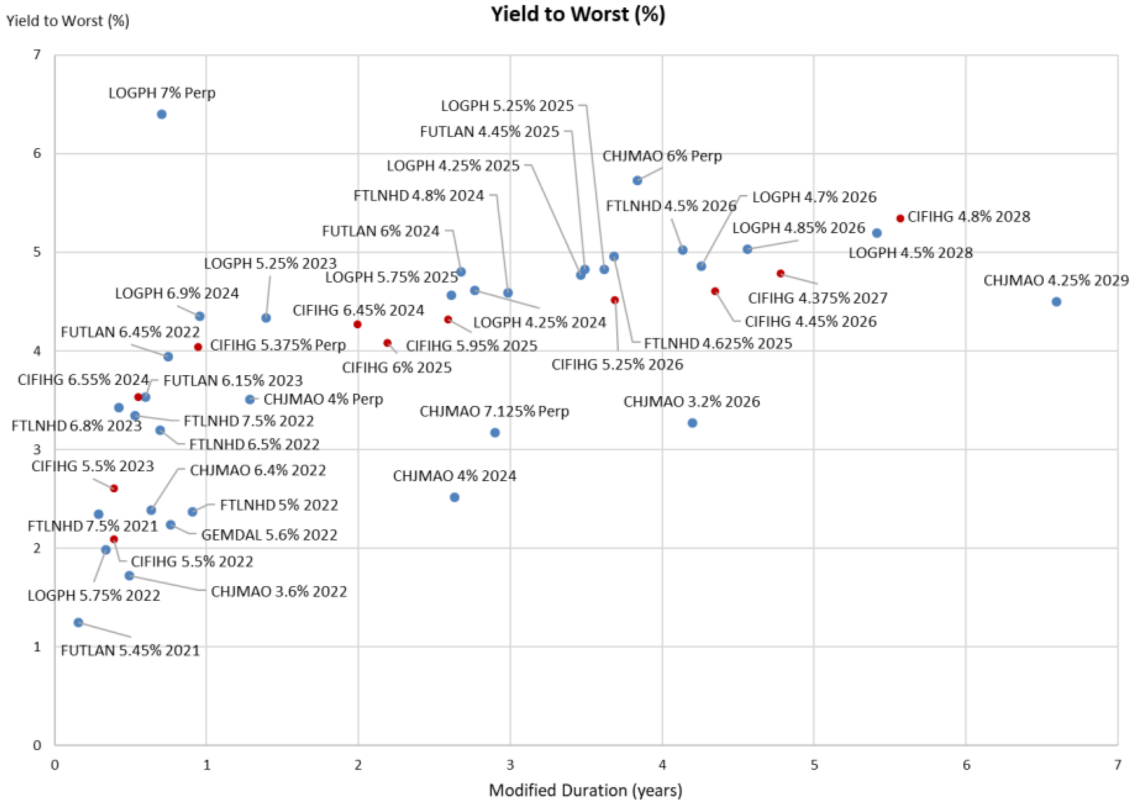
CSC is in the yellow camp under the "3 red-line" although we understand that CSC is not considered as a property developer by the regulator. As at Mar'21, CSC's net gearing, adj. liab/asset ratios were at 67.6% (vs 67.2% at FY20) and 60.4% (vs 64.4%), while cash to ST debts ratio was at 57.7% (69.2% in FY20), respectively. We estimate CSC's net gearing ratio to decline to low-60% by FY22. We expect CSC to stay in yellow camp by FY22.

Manageable refinancing risk

As discussed in our previous comments, an overwhelming majority of the RMB1.4bn onshore bonds due Aug'22 will not be put in Aug'21. In view of the upcoming refinancing requirements and adequate residential land bank replenished previously, CSC pulled out from the bidding of the Hefei residential project, and received in May'21 the return of RMB1.5bn deposit it paid last year. Recalled that CSC issued 364-day papers of USD200mn last August for the Hefei residential project. The deposit returned is earmarked for the repayment of the 364-day maturing in Aug'21. Additionally, CSC has secured additional long-term (10-15 years) operating loans and working capital loans (1-3 years) totaled RMB2.7bn after Mar'21. The operating loan and working capital facilities available for drawdown as at Jun'21 was RMB3.6bn and RMB900mn, respectively. As per CSC, it would use part of these onshore facilities to repay the USD323.9mn offshore bonds due Sep'21. The remittance can be completed in days' time through its cash pool of RMB10bn with no extra cost. CSC had cash on hand of HKD9.4bn as at Mar'21 (i.e. before RMB1.5bn deposit returned in May'21), out of it, cRMB6bn was unrestricted. These, coupled with our estimation of positive free cash flow of cRMB2bn in FY22, should provide CSC adequate liquidity to cover bond maturities over the next 12 months, including USD626.5mn offshore bonds due 1H22.

CIFI Holdings - 1H21 result stable as expected

CIFI announced stable interim result with high revenue growth but further margin compression. CIFIHG curve performed relatively firm amid sell-off in the past two months, thanks to its solid credit profile. We considered CIFIHGs fairly priced at current valuations.



Margin declined but expected to be stabilized

In 1H21, CIFI's revenue increased 58.0% to RMB36.4bn and core net profit attributable to equity owner up 4.8% to 3.3bn. Gross margin further lowered to 20.7% (vs 25.6% in 1H20 and 21.7% in FY20) and core net profit margin also down to 9.2% (vs 13.9% in 1H20 and 11.2% in FY20). Future revenue is visible given its high unbooked revenue (RMB150bn) and contract liability (RMB93.5bn). Having said that, gross margin is expected to stay at current level (c20%) based on existing unbooked revenue margin. Total debts (including perp and lease liability) grew 4.2% to RMB112.9bn from RMB108.4bn in FY20. Debt composition remains healthy with bank loans, senior notes and onshore corporate bonds account for 60.7%, 27.4% and 10.0% of total debts (vs 56.8%, 28.3% and 11.6% in FY20).

Target to enter green camp under "3-red-line" by FY21

CIFI lowered its net gearing to 64.0% (incl. perp as debts)/60.7% (not incl. perp) from 71.4%/64.2% in FY20. Unrestricted cash/ST debts ratio remained at 2.7x while adj. asset to liabilities ratio slightly improved to 72.1% from 72.5% in FY20. Company targets to lower adj. asset to liabilities ratio to below 70% and move to green camp by FY21.

Contracted sales on track to achieve full year target

CIFI achieved RMB157bn contracted sales in 7M21 (attributable ratio of c52%), representing 53% yoy growth and 59% full-year target. Company also maintained good cash collection ratio of above 90%. Management indicated that the company would slow down the expansion into new cities and target 15% attributable contracted sales growth in coming years given the tightening regulatory supervision in the industry.

Attributable ratio is expected to stay low

CIFI acquired 43 land parcels with attributable costs of RMB27.7bn and attributable ratio of 51%, which is in contrast to company's target to increase its attributable ratio. MI/total Equity also further increased to 59.3% from 52.7% in FY20. As CIFI prioritize moving into green camp over immediate increase in attributable ratio, we expect its attributable ratio and MI/total equity ratio to maintain at current levels over the coming 1-2 years.

Dafa Properties - Riding through the storm

Maintain Buy on DAFAPGs

Further to our comments on Dafa dated 7 Jul'21, we maintain Buy on DAFAPGs on the back of its strong operating performance and diversifying funding channels. DAFAPGs moved 2 pts higher post the strong 1H21 results. Offered at 96.5 and 94.1, DAFAPG 9.95% '22 and 12.375% '22 were trading at a YTM of 19.5% and 19.6%, respectively. We expect DAFAPGs to continue to outperform peers such as ZHLGHDs and SINHLDs and believe that Dafa is well-positioned to benefit from the "re-opening" of the capital markets given its improving credit story.

Strong 1H21 results

In 1H21, Dafa's revenue and estimated core net profit increased 51.1% and 57.8% to RMB5.2bn and RMB170.8mn, reflected its growing contract sales and improving contributions from JVs and associates. Over the past few years, Dafa has been growing significantly, party through formation of JVs, and the projects deliveries at JVs and associates contributed to the faster growth of estimated core net profit. Gross margin in 1H21 was 20.2%, compared with 20.3% in 1H20 and 20.9% in FY20 while estimated core profit margin was 3.3% in 1H21, compared with 3.1% in 1H20 and 3.8% in FY20. The strong 1H21 results were not too surprising after the company released the positive profit alert on 11 Aug'21. As the operating scale of Dafa has already expanded significantly since IPO in 2018, its revenue growth will be moderating to a range of 10-20% p.a. Taking cues of slightly lower margin of the new projects acquired, the gross margin of Dafa will be in the range of 18-20%.

Prudent tone reflected by not revising sales target upward

In 7M21, Dafa reported contracted sales of RMB28.8bn, up 112.3% yoy, driven by 85.2% and 14.6% increases in GFA sold and ASP, respectively. Dafa achieved 80% of its sales target of RMB36bn by end of Jul'21 and is amongst the best performing developer in terms of run-rate. As discussed before, we expect the growth pace to be moderating. In view of the 68% sell-through rate in 1H21 and saleable resources of RMB33.5bn for 2H21, we believe that Dafa can comfortably achieve contracted sales of over RMB40bn in FY21. That said, Dafa sounded out a prudent tone given the current credit and regulatory environment, and it maintains its sales target unchanged. Instead, it turned its focuses on deliveries and cash collection.

Dafa targets to have a cash collection rate of 75% and requires down-payments of 40% or above for properties sold. Based on the attributable ratio of 43% for the contracted sales in 1H21, we estimated its cash collection rate was 74.8% in 1H21 (incl. collection for sales in FY20).

Stable credit profile, remaining in the green camp under "3 red-lines"

Dafa remains in the green camp under the "3 red-line. Its net gearing, adj. liabilities to asset and cash/ST debts ratios were at 56.4%, 69.0% and 1.4x in Jun'21, compared with 61.2%, 68.6% and 1.4x, respectively. Even if we exclude restricted cash, its cash (including pledged deposits as these are pledged for ST debts)/ST debts ratio is 1.0x as at Jun'21. We notice an increase in non-controlling interests (NCI) as the company has expanded partly through partnership. We take comfort that its major JV partners including developers such as Country Garden and Sunac instead of financial investors. As at Jun'21, the attributable net debts at JV and associates' level was cRMB1.4bn. Factoring these, its adj. net gearing ratio of 70.9%. We estimated the adj. net gearing to improve to mid-60% by FYE21.

Adequate liquidity for repayment of USD bonds due Jan'22

Dafa has a relatively simple capital structure with no onshore bonds outstanding and non-bank borrowings accounting for 15% (RMB1.9bn) of its total debts. Subsequent to the repayment of o/s USD200mn bonds maturing on 11 Jul'21, the major maturities over the next 6-12 months will be cRMB1bn non-bank borrowings due within FYE21, and the 364-day USD280mn due Jan'22 and USD360mn due Jul'22. Dafa obtained NDRC quota of USD430mn recently to refinance maturing USD bonds. It recently obtained USD30mn loan facility from Hang Seng Bank. The loan will be fully repaid in 12 months (so not occupying its NDRC quota) after drawn down. We understand that the funding cost is lower than that of USD bonds. This is the first offshore loans Dafa obtained and has demonstrated the progress in diversifying funding channels. We estimate that Dafa will generate a small positive free cash flow in 2H21, and as discussed before, its unrestricted cash/ST debts ratio is 1.0x. Dafa should have adequate liquidity even if issuing new bonds could remain challenging in the near-term.

Dexin China - Debts funded expansion to slow down in 2H

Dexin reported mixed set of interim results, highlighting robust growth of revenue, improved debts profile, but higher reported debts and further growth of MI. Taking cues from its quality land bank in YRD, Dexin recorded strong contract sales growth with good sell-through and cash collections. The company also increased the attributable ratio of its 1H21 presales and land bank newly acquired. Dexin was active in land investments in 1H21 funded by debts, but we expect it to slow down in capital expenditure to meet the regulatory requirements. **Despite the higher MI reported in 1H and active debt funded expansion, we credit to Dexin's sufficient land bank in high tier cities, increasing attributable ratio, improvement in debt profile, and believe regulatory requirement will curb its land investment in 2H. We maintain our OW on DEXICN, and view DEXICN 22s at 14%-15% are attractive carry play.**

Strong P&L growth albeit margin compressed. Dexin reported revenue of RMB13.bn (+69% yoy), EBITDA of RMB2.2bn (+31%) and net income of RMB1.4bn (+3% yoy). GPM normalized to 22% (2020: 25%). Company guided to book RMB20-23bn in 2021FY with GPM stabilized at 22%. NCI as of total profits increased to 54% (1H2020: 48%).

Robust pre-sales with improved attributable ratio. Dexin delivered contract sales of RMB43bn (+67% yoy) with higher attributable ratio of 41% (2020: 31%) and consolidated ratio of 52% (2020: 50%). The company has maintained good sell through ratio and cash collection ratio (80% and 85%, respectively) as a result of strong market position in high tier cities in Yangtze River Delta area. We expect the company to achieve full year sales target of RMB80bn.

Active land replenishment in 1H21 pushed total debts higher, but "3-red-line" metrics remain stable. With strong contract sales and cash collection, Dexin was proactive in land acquisition and purchased 27 land parcels for attributable saleable GFA of 3.4mm sqm (50% attributable) with RMB13.5bn attributable costs (unpaid premium: RMB6.1bn). Dexin increased M&A as land acquisition channel, taking account of 59% of the GFA acquired and 64% of the attributable land expenditure. We estimated the average land cost to be RMB7.9k per sqm, equivalent to 37% of the ASP in 1H21's presales (RMB21k per sqm). With the sizable unpaid land premium of RMB6.1bn, we expect Dexin to slow down in land investments in 2H21, to meet the regulatory guidance that limits developers' land investment below 40% of pre-sales. As of 1H21, Dexin has unsold land bank of 14mn sqm (attributable ratio of 45%), translating into saleable resources of about RMB294bn, which is sufficient for at least 3 years of developments.

Following the land replenishment activities, Dexin's total debts increased to RMB32.4bn (+37%). We estimate Dexin will maintain similar debts level in 2021E, and fund the unpaid land premium through sales collection in 2H21. "3-red-line" metrics remain stable, as cash/ST debts reported 1.4x (2020: 1.4x), net gearing reported 72% (2020: 75%), and adj. liab-to-asset ratio reported 74% (2020: 74%).

Good market position in high tier cities helped Dexin's bank borrowings. Dexin increased bank loans to 63% as of total debts (2020: 56%), thanks to higher development loans incurred by active land acquisition in 1H. As a result, Dexin further eased its reliance on non-bank borrowings to 20% from 28% in 2020. With that, Dexin's average funding costs lowered to 8.1% from 8.9%.

Dexin's MI further increased to 70%, high among sector peers. Dexin reported higher MI of 70% as of total equity, from 65% in 2020. The rising MI stems from historically low attributable ratio of Dexin's projects. Despite the fact that more reliance on MI lowers Dexin's financial transparency, we understand that the majority of its JV partners are property developers, instead of financial investors. With the higher attributable ratio of its newly acquired land bank, we expect the MI to decrease gradually.

Fantasia Holdings - Eyes on asset and stake sales

Buy on FTHDGR'21s and neutral on FTHDGR'22s, '23s and '24s

Except for FTHDGR 7.375%'21 due Oct'21, FTHDGRs traded 20-30 pts lower over the past 3 months in view of Fantasia's heavy refinancing requirements. We believe that the company can handle the refinancing/repayments of USD bonds maturing within FY21 with cash on hand, as well as proceeds from asset and stake sales. Hence, we have buy recommendations on FTHDGR'21s. Over the longer-term, the access to capital market, important for its on-going refinancing requirements, remains challenging for Fantasia in view of the price levels in secondary market. That said, we believe that the current levels for longer-dated FTHDGRs have priced in significant downside resulting from the potential tender offer and exchange. We have neutral recommendations on FTHDGR'22s, '23s and '24s pending on more clarity on Fantasia's asset-liability management plan.

Weakened 1H21 results driven by the lower recognized margin....

In 1H21, Fantasia reported that revenue increased 1.5% to RMB11.0bn while recurring operating profit + share of profit of associates decreased 39.4% to RMB1.4bn, reflected the significant decline in gross margin to 20.8% in 1H21 from 33.6% in 1H20. This was attributable to the larger proportion of sales from projects in Guilin and Chengdu with lower ASP. We estimate that the recognized ASP in 1H21 was cRMB8.6k/sqm, compared with RMB9.0k/sqm in 1H20. Nonetheless, we take comfort that its gross margin had recovered from 17.9% in 2H20, and its contracted ASP was considerably higher than the recognized ASP in 1H21. In 7M21, Fantasia's contract sales and contracted ASP increased 49.0% and 20.4% yoy to RMB33.2bn and RMB16,166/sqm. The company guided that the gross margin to remain above 20% for FY21.

....URPs conversion to support sales momentum and margin recovery

Fantasia has a total pf 50 URPs projects in GBA, including 27 in Shenzhen. As per Fantasia, the total saleable resources are RMB467.1bn. It converted saleable resources of RMB5.8bn and RMB6.4bn into its land bank in FY19 and FY20, respectively. Fantasia targets to convert 3 URPs (2 in Shenzhen and 1 in Huizhou) into its land bank with total saleable resources of RMB7.9bn in FY21 and another 3 URPs (all in Shenzhen) with total saleable resources of RMB21.4bn in FY22. These URPs will generally be available for pre-sales 6-12 months after conversion. Taking cues from its sales target of RMB60bn in FY21 and higher gross margin (SZ: 50% and other GBA: 40%) of URPs, the speedier URPs conversion will support its sales momentum and margin rebound. We believe that the monetization of URPs could be an alternative funding source going forward.

Largely stable financial profile….

Fantasia's net debts increased 7% to RMB20.4bn with largely stable key credit ratios. Its net gearing, adj. lab/asset and unrestricted cash/ST debts ratios were 76.8%, 72.4% and 1.4x in Jun'21 compared with 77.3%, 72.0% and 1.4x in Dec'20, respectively. Fantasia revised down its full-year cash collection, as well as budgets for land acquisitions and construction, such that the free cash flow will be about breakeven. We believe that the net cash outflow to acquire property management operations from the RMB1.26bn transaction with Greenland to be limited and estimate that its net gearing to maintain at mid-70% by FYE21.

….refinancing of FTHDGR'21s hinged on asset and stake sales

The major concern on Fantasia remains its heavy refinancing requirements under the challenging capital market environment. Fantasia will have onshore and offshore bond maturities/redemption of cUSD1.0bn, including cUSD762mn USD bonds due before FYE21. It also had cUSD150mn trust loans to be repaid before FYE21. Fantasia is exploring onshore bonds to refinance the cRMB950mn onshore bond due Dec'21. Regarding the offshore maturities within FY21, Fantasia plans to repay them with cash on hand (unrestricted cash of RMB27.2bn, cUSD4.2bn as at Jun'21) and proceeds of USD400-500mn from asset sales. As per Fantasia, it is in advanced discussions to introduce a financial investor for its Qingdao project. It expects to complete the sale of project stake by Sep'21. The net proceeds from this sale will be cUSD260mn (cRMB1.7bn). Additionally, Fantasia is in the advanced stage of disposal of a piece of factory land to the local government of Fengtai district in Beijing for social housing developments. It expects to receive net proceeds of USD200mn by Nov'21 for the land sale.

Possibility of tender offer and exchange for the longer-dated FTHDGRs

Fantasia will have onshore and offshore bonds of USD1.9bn in FY22 and USD1.6bn in FY23 maturing or subject to redemption. During the analyst briefing for 1H21 results, Fantasia discussed the thoughts of asset-liability management which includes tender-offer and exchange for the longer-dated bonds. While no detail on the plan was given, the current valuations of longer-dated FTHDGRs, in our view, priced in a significant downside and a rather unfriendly-type of asset liability management. Indeed, we believe that the tender offer and exchange, if any, could be more than friendly than the current prices are suggesting. In our view, Fantasia would like to avoid the rating downgrade and the risk that the asset liability management exercise being considered as a distressed exchange given an on-going access to capital market remains very important for its future developments. Recalled that Fantasia tender-offered FTHDGR 7.375%'21 in May and Jun'21 to buy back a total of USD287.8mn at par. Since mid-May'21, the company has bought back a total of USD78.6mn offshore bonds. The controlling shareholders also bought back a total of USD22.1mn of USD bonds over the same period.

Greenland Holdings - Initial success in deleveraging promise

We maintain OW on GRNLGR FRN'21 at 99.5 GRNLGR 6.25 '22(21P) at 97.5 and GRNLGR 7.25 Mar'22 at 96.75 (YTM ~13.8%). This is in view of GRNLGR's improved long-term debt maturity profile and good bank support with stable bank credit line (RMB418.3bn in 1H21 and RMB418bn in FYE2020).

Management guides to further reduce gross debt by RMB30bn to RMB250bn by end of 2021. We assess Greenland will likely achieve this target by ensuring high cash collection of RMB320bn, at cash collection rate of 90% (vs. 1H2021: 89% and FY2020:86%), while keeping its land acquisition spending low (c. RMB70bn, 22% of cash collection). For full-year 2021, Greenland has guided a positive free cash flow of RMB40bn. So far the company has achieved 50% of this target, cut its net debt by RMB19bn in 1H21, partly through increasing bills payables (up RMB12.5bn to RMBB38bn).

Property recognized sales will likely accelerate in 2H21, reaching RMB230bn for FY2021 (+18% yoy), from RMB97bn in 1H21 (flat yoy). This is backed by RMB434bn contract liabilities and RMB830bn unbooked revenue as of 30 Jun, 2021. Following this sales recognition and deleverage pace, we estimate Greenland has potential to further lower its net gearing to below 100%, meeting one more red-line to reach Yellow camp by end-2021.

Offshore projects cash inflow can cover 50%-70% of USD bond maturity till end-2022. Greenland projects cash inflow of RMB4.8bn in 2H21 from overseas projects delivery. For 2022, the company targets to sell RMB16bn offshore projects, with a net cash inflow of RMB7bn. Assuming smooth projects delivery, this can cover up to 70% of its RMB17.6bn (~USD2.7bn) offshore maturities till end of 2022. We believe Greenland will use its cross border funding pool to repatriate onshore fund for some offshore bonds repayment in 2022. As of 30 Jun, 2021, the company has RMB1.7bn cash offshore.

Guangzhou R&F - More remedies needed

Guangzhou R&F delivered interim results featuring tight liquidity, deteriorated gross margin and barely improved "3-red-line" metrics. R&F was slow in making significant progress in asset disposal in 1H21, albeit the good quality of its investment properties portfolio. While we believe the refinancing profile could be manageable in 2021, more remedies are needed for the company to address lumpy maturity wall in 1H22. **We expect the company to monetize assets, and push pre-sales and cash collection to support its cash flow. We also believe the negotiation of debt to equity swap (RMB5bn) with Guangzhou City Construction Investment is the key to watch in the following months. Post the result, GZRFPRs down 3-4 pts. We believe the downside risks have been largely priced in the current valuation at YTM 20-26%, we remain neutral on GZRFPRs until more visibility on its refinancing/material assets disposal appears.**

Interim result at a glance. Guangzhou R&F reported revenue of 39.5bn (+18% yoy), driven by property development revenue of RMB35.9bn (+17% yoy) and hotel operation revenue of 2.5bn (+79% yoy). Meanwhile, GPM further declined to 22% (2020:24%, 1H20:30%) due to inventory destocking initiatives. EBITDA is estimated to be RMB10.3bn (-25% yoy). Net profits declined 19% to RMB3bn. R&F announced interim dividends of RMB375mn, representing 13% of dividends payout ratio (1H20 interim dividends payout ratio: 36%).

Total debts were cut RMB11.7bn to RMB148.5bn (incl. interest bearing borrowings from JVs), but total cash halved 11.1bn. As a result, net debts slightly down 588mn. ST/total debts slightly improved to 0.38x (2020: 0.4x). Net gearing remained high at 129% (2020: 131%). Adj. liabilities/assets ratio marginally lowered to 75% (2020: 77%).

Liquidity is the focus. In interim, Guangzhou R&F's liquidity further tightened with cash/ST debts lower to 0.5x (2020: 0.6x), and unrestricted cash lower to 0.25x (2020: 0.4x) due to repayment of sizable onshore & offshore bonds in 1H21, as per table 1. Under unfavorable funding conditions, R&F resold ~RMB6.2bn onshore bonds and newly issued ~RMB6.5bn equivalent offshore bonds, as per table 2. Having that said, R&F's liquidity situation remained tight and free cash balance fell short of market expectation. Guangzhou R&F's reported RMB12.8bn unrestricted cash is insufficient to cover up to ~RMB14.7bn public maturities due by 1H22 (as per table 3). With the management's optimistic guidance of RMB29bn projected cash flow in 21FY, we believe more remedies are needed to address the lumpy maturity wall in 1H22, especially onshore.

Table 1: Guangzhou R&F's bonds repayment & resale in 1H21

Bonds due in 1H21	Maturity date	Put date	Total size (RMB bn)	Repayment (RMB bn)	Resold (RMB bn)
18 富力 10	2023/1/3	2021/01/03	7.0	2.8	4.3
GZRFPR 8.750 01/10/2021	2021/1/10		2.6	2.6	
16 富力 01	2021/1/11		6.0	6.0	
16 富力 03	2021/1/22		3.6	3.6	
GZRFPR 7.000 04/25/2021	2021/4/25		6.0	6.0	
16 富力 05	2023/4/7	2021/04/07	1.0	0.0	1.0
19 富力 01	2023/5/9	2021/05/09	1.6	1.6	0.0
16 富力 06	2022/5/16	2021/05/16	1.3	0.3	1.0
Total			**29.1**	**22.9**	**6.2**

Table 2: Guangzhou R&F's new issuance in 1H21

Bonds issued in 1H21	Maturity date	Put date	Total size (RMB bn)
GZRFPR 11.75 08/02/2023	08/02/202		4.4
GZRFPR 11.625 09/03/2024	09/03/202		2.1
Total			**6.5**

Table 3: Guangzhou R&F's maturity schedule by 1H22

Bonds due by 1H22 (Incl. put)	Maturity date	Put date	Total size (RMB bn)
16 富力 11	2022/10/19	2021/10/19	1.7
GZRFPR 8.875 09/27/2021	2021/9/27		3.1
GZRFPR 5.750 01/13/2022	2022/1/13		5.5
16 富力 04	2022/4/7		2.0
20 富力地产 PPN001	2024/4/23	2022/04/23	1.0
19 富力 02	2024/5/9	2022/05/09	0.4
16 富力 06	2022/5/16	2021/05/16	1.0
Total			**14.7**

Rating implications post sluggish results. Guangzhou R&F is rated B stable/B1 negative/B+ stable by S&P/Moody's/Fitch. Once again, R&F's tight liquidity and weaker EBIT interest coverage ratio could weigh on the company's credit ratings. We assessed Guangzhou R&F's EBIT interest coverage ratio should be 1.3x on LTM basis, breached Moody's requirement of 2.0x.

What to watch in 2H21? While we believe R&F has sufficient internal resources to tackle its remaining two maturities (totaling RMB3bn) in 2021, we believe the next few months could be crucial for the company to monetize its assets and seek for alternative financing. We listed out few points for watch in the next few months, as R&F's potential liquidity sources.

Pre-sales and cash collection. In 6M21, Guangzhou R&F recorded contracted sales of RMB65bn (+18% yoy) with cash collection of RMB42bn (including those from pre-sales of last year). We view the cash collection from its presales the major source to shore up liquidity, albeit it may be challenging for the company to fully complete sales target of RMB150bn, under policy on curbing discount sales and slowdown in land acquisitions since last year. We expect R&F to complete 85%-90% of the sales target and achieve 80%-85% cash collection, depending on the physical market. With that, we assess R&F could generate RMB14bn-16bn free cash flow in 2021FY.

Subsidiary level of capital introduction from Guangzhou City Construction Investment Group (广州城投). In Dec'20, Guangzhou R&F obtained RMB5bn one-year loan from Guangzhou CCIG by pledging 5 subsidiary project companies at LTV of 50%. Per management, the loan could be converted into equity, but the details could subject to the negotiation between related parties. With the negotiation progress drag on, it is still unclear if the capital could be successfully introduced into the firm, taking consideration of the long haul Evergrande saga.

More asset disposals. Guangzhou R&F is assets rich, with 55.5mn sqm land bank (91% attributable), 58 URP projects with potential sale-able area of 37mn sqm, and sizable hotel and investment properties portfolio. Guided by the management, company has disposed 3 assets for RMB1.2bn in 1H21. More assets, including block size of offices, shopping malls, and JV stakes, are in pipeline for monetization. We view the management's more proactive assets sale plan, despite relative slow in the 1H, could bring more visibility in refinancing.

Jiayuan International - Solid results met expectations

Jiayuan reported solid interim results, in line with our previous expectations. Company improved its balance sheet and maintained good profitability, thanks to asset injections funded by equity and equity-like CBs. Jiayuan remained in green camp under "3-red-line" policy, and replaced good size of nonstandard borrowings with bank loans. **With JIAYUAs trading at 13.5% to 14.5%, we maintain our OW recommendation, credit to its continuous improving story, lower beta performance, active debts management, potential equity or equity related financing, and upside pressure of its credit ratings.**

All-round improvement in interim results. Jiayuan delivered revenue of RMB9.4bn (+9% vs. 1H20 before restatement). Gross margin normalized to 32% (2020: 32%; 1H20: 37%). EBITDA slightly declined 6% to RMB2.7bn. Profits rose 35% thanks to gains from non-cash items. NCI as of total profits is 10%.

On its balance sheet, Jiayuan further improved "3-red-line" metrics with net gearing of 41% (2020: 60%), adj. liab-to-asset of 62% (2020: 67%) and cash/ST debts ratios of 1.5x (2020: 1.5x), albeit total debts grew RMB1.5bn to RMB22.9bn. Debt profile notably improved as non-standard borrowings lowered to 13% (2020: 23%) and bank borrowings portion rose to 43% (2020: 33%). Contract liabilities increased 9% to RMB20.7bn, which covers 1.1x of its full year revenue target.

Operational wise, Jiayuan achieved RMB19.1bn pre-sales (+64% yoy, 47% completion rate), with 81% attributable and 80% cash collection rate. Company spent RMB6bn in land acquisition for 7 projects, adding 1.1mn sqm GFA at average land cost of RMB5.2k per sqm (40% of 1H21 presale's ASP). Management guided to use 40% of sales collection for land acquisitions for 2021FY.

Sufficient and cheap land bank driven by asset injection. On 30 Jun, 2021, the Shandong asset injection from the controlling shareholder was completed. The Shandong assets are 3 projects in Qingdao including an urban redevelopment project and 1 in Weihai. The total GFA of these projects is 1.62mn sqm and asset size is RMB30bn (NAV RMB6.8bn). As per the company, the Shandong assets (3 in Qingdao including an urban redevelopment project and 1 in Weihai) will have a GPM of 37%.

As of 1H21, Jiayuan owns 15.6mn sqm unsold land bank with saleable value of RMB210bn and an attributable ratio of 83%, covering 5x of 2021's pre-sales target. Average land costs were RMB2.5k per sqm, translating into 19% of the ASP sold 1H21 (~RMB13k per sqm).

Active debt management. In 2021, Jiayuan engaged in active debt management and improved its maturity profile. Company tendered USD117mn bonds puttable in 2021, USD12mn bonds due in 2022, and USD80mn bonds due in 2023. It also repurchased USD5mn 23s and USD3mn 24s bonds through secondary market.

On the issuance side, Jiayuan issued USD300mn notes due in 2023 and USD130mn notes due in 2024 and USD. In addition, Jiayuan issued USD100mn CBs which will mature in 3.5 years and puttable in 2.5 years. In our view, the CBs issuance is credit positive and the CBs are equity-like because: 1) CBs is structured to make conversion into equity; 2) we expect to see more equity and equity-related financing after the lock-up period, since more dilution is needed for the chairman to fully convert his CBs. The CBs and potential equity financing will notably enlarge Jiayuan's equity base.

Potential positive credit rating action. Taking cue from further improved credit metrics, lower reliance on nonbank borrowings, and successful offshore debts management, we access Jiayuan's credit ratings (B stable/B2 stable/B stable positive by S&P/Moody's/Fitch) has improved to be within the thresholds of the upside credit rating scenarios indicated by rating agencies. We expect Jiayuan's adj. debt/EBITDA to below 3.5x (S&P's requires below 4.0x for upgrade) and revenue/EBIT to above 80% (Moody's requires to above 70% for upgrade), as of 1H21. Having that said, the credit rating actions are still subject to company's negotiation with rating agencies, under bearish market sentiment especially on developers.

Kaisa Group - Upside surprises

Buy KAISAGs; prefer KAISAG 8.65%'22 and KAISAG 10.875% perps

KAISAGs moved 3-5 pts higher post the positive 1H21 results. That said, KAISAGs (except KAISAG'21) remain 4-11 pts below the levels 3 months ago under after huge market volatility and risk-off. We believe that the market will increasingly differentiate credits based on their fundamental and correlation amongst higher beta credits will be decline. Hence, we expect the beaten-down bonds from issuers with improving credit story such as Kaisa to outperform. Within the curve, we prefer KAISAG 8.65%'22 (Offer: 98.875, YTM: 10% due Jul'21) and KAISAG 10.875% perps (Offer at 88, YTC 18% callable Sep'23, coupon reset to 3-yr UST+15.718% if not called).

Upside surprise 1: Core net profit up 29% yoy

Kaisa posted stronger than expected 1H21 results with revenue up 35% to RMB30.1bn. The recognized sales growth outpaced the CAGR of 15% of contract sales over the past 3 years. More impressively, the core net profit grew 29% to RMB3.9bn under the backdrop of increase in non-controlling interests and deemed de-consolidations in the past few years. These somehow reflect its focus on deliveries. We note Kaisa 's 1H21 capex on construction was RMB22bn and it revised up the budgeted capex on construction in FY21 while cut its land acquisitions budget. Gross and net core profit margin in 1H21 narrowed to 30.9% and 13.1% from 33.8% and 13.7% in 1H20, respectively. That said, its profit margin remains at the high-end of the sector. Kaisa guided a FY21 revenue of RMB65bn and gross margin of 25-30%.

Upside surprise 2: URPs conversion exceeded target

In 1H21 Kaisa converted 3 URPs (all in GBA) with a total salable resources of RMB73bn (Kaisa's 7M21 contract sales were RMB74.0bn, up 62.3% yoy and equivalent to 57% full-year target). In terms of GFA, the URP conversions were equivalent to 1/3 of new land bank obtained on an attributable basis. These exceeded its target of 1H21 conversion of URP saleable resources of RMB66bn, and full year conversion of RMB64bn in FY20. URPs, with a general gross margin of 35-40%, contributed to about 1/3 of its contract sales and recognized sales in 1H21. The faster than expected conversion will support Kaisa's sales momentum as well as its profit margin.

Upside surprise 3: Moved to green camp earlier than expected

Kaisa managed to move to the green camp earlier than our expectation. In Jun'21, its net gearing, adj. liab/asset and cash (excl. restricted)/ST debts ratios were 94.1%, 69.6% and 1.6x, compared with 96.7%, 69.7% and 1.7x in Dec'20, respectively. Even if we exclude the short-term fixed deposits from its cash balance, its cash/ST debt ratio was 1.5x. We believe that the improvement was, to some extent, helped by deemed de-consolidations of subsidiaries (URPs). That said, we see the potential of further monetization of URPs, especially for those projects that will take longer for conversion. We also notice that the attributable net debt at JVs and associates level was stable at RMB17bn in Jun'21 (vs RMB16bn in Dec'20), equivalent to c20% of its total net debts. Kaisa is one of the larger issuers in the USD bond markets, the continued access to the offshore capital market is crucial for its on-going refinancing requirements. The improving credit story will help Kaisa to better position for the re-access of capital markets as we expect that the market will increasingly differentiate credits based on their fundamental.

Modern Land China - 22s bonds are good carry play

Modern Land reported stable interim result, featuring inline P&L and improved liquidity. With decent operational results in 1H21, we view Modern Land as a decent single B property name with resilient financial performance, diversified land acquisition methods, and evenly distributed maturity profile. We estimate that the company will have sufficient internal resources (cash and sales proceeds) for the upcoming maturity in Nov'21. **We view Modern Land's front end curve as attractive carry play and initiate our OW call on MOLAND '22 with YTW between 21%-27%, compared to REDPRO '22 (YTW of 11%), DEXICN '22 (YTW of 12%-14%), DAFAPG '22 (YTW of 27%).**

Stable interim financial result with resilient P&L and improved balance sheet. In 1H21, Modern Land's revenue grew 9.6% yoy to RMB9.5bn and gross margins normalized to 23% (vs. 2020: 24%). We expect the company to recognize revenue of RMB19bn (+21% yoy) for FY21 on the back of contract liabilities of RMB26.6bn (+27% yoy) as of 1H21. EBITDA slightly declined 9% to RMB1.5bn. On balance sheet side, total debts rose to RMB28.7bn (2020: RMB24.6bn), and net debts grew to RMB11.3bn (2020: 10.5bn). Cash / ST debts improved to 1.9x (2020: 1.4x). Net gearing ratio reduced to 93% (2020: 96%).

Higher trade payable balance reflected growth in pre-sales and ramp up in construction. We note that Modern Land's trades and notes payable grew to RMB7bn in 1H21 (2020: RMB4.2bn) with the amount due within one year rose to RMB5.5bn (2020: RMB2.1bn). Company shared its commercial paper balance was less than RMB500mn as of 1H21. We are not particularly concerned on its trade payables increase, which primarily reflected its sales growth and ramp up of construction during the period.

We expect less active land investment activities in 2H'21, after its inline operational results in 6M'21 and active land replenishment. In 6M21, Modern Land recorded contracted sales of RMB21.6bn (+51.8% yoy, locking 46% of annual target) with ASP of RMB10.4k per sqm (flat yoy). Attributable ratio, consolidated ratio and cash collection ratio were 54%, 70%, and 88%, respectively. Management is confident in achieving full-year sales target of RMB47bn with saleable resources of RMB33.6bn in 2H21 (indicating 74% sell-through rate in 2H'21 vs. 1H'21 sell-through rate of 75%-80%). Company acquired 20 land parcels for saleable resources of RMB33.9bn with attributable expenditure of RMB5.3bn (~40% of 1H21 cash collection) and attributable ratio of 52%. Note that Modern Land's annual land investment budget is set at RMB50bn in terms of saleable resources (81% completed as of 8M21). We expect lower land investment pressure for the company in 2H21. Post this active land replenishment, Modern Land has unsold land bank of ~RMB96.2bn (2x of 2021 sales target) and land bank locked through industrial cooperation of ~RMB100bn to be converted into land bank in 2-3 years. Please refer to the below table for a detailed analysis of Modern Land's land investment in 2021.

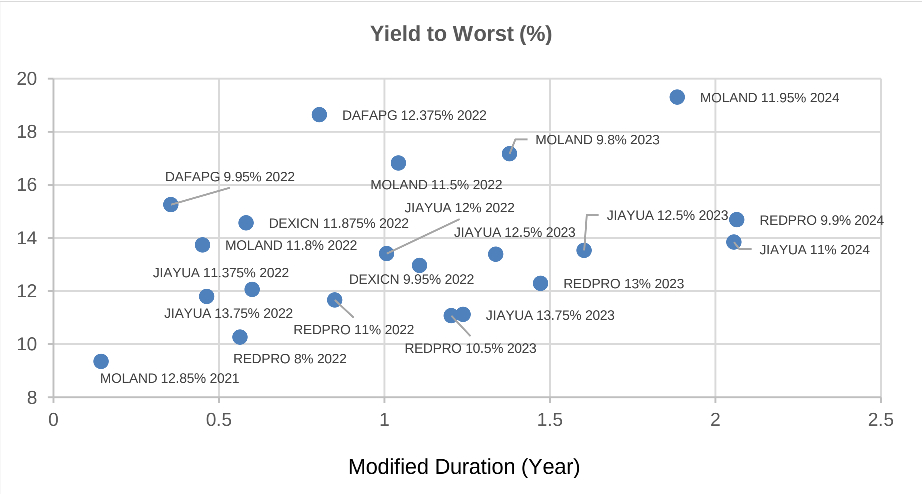
Table 1. Modern Land's land acquisition

Modern Land's land acquisition	**6M'21**	**8M'21**
Number of land parcels	20	23
Through industrial cooperation	*12*	*12*
Total GFA (mn sqm)	3.6	3.9
Total saleable resources (RMB bn)	33.9	40.6
% of annual budget	*67.9%*	*81.3%*
Total land investment (RMB bn)	10.2	13.1
Attri. land investment (RMB bn)	5.3	6.5
Attri. land investment / cash collection	*39.8%*	*na*
Est.ASP (RMB/sqm)	10,564	11,838
Cost/ASP	*32.1%*	*34.0%*

Modern Land improved its debt profile, featuring less reliance on ST debts and a balanced debts maturity profile. Modern Land's short-term debts/total debts ratio was 32.5% as of 1H21, improved from 40.0% as at FY20 and 51.1% as at FY19. Trust loan as of total debts also shrunk to 13% (2020: 19%). Company increased onshore bank borrowings in 1H21 to 49% from 43% in 2021as of total debts. We like Modern Land's improved debt profile and evenly distributed USD bonds maturity schedule, which provide the company with more flexibility to muddle through recent difficult capital markets environment. We expect the company to use internal resources (cash of ~RMB17.4bn) to repay the USD300mn bonds (o/s USD250mn) maturing in Oct'21.

Redco Group - 22s bonds offer attractive carry

Redco delivered solid interim results, highlighting strong P&L helped by NCI, steady B/S and resilient debts profile. We believe Redco's full year target is achievable backed by its optimized land bank structure and sufficient resources. Amid market volatility, REDPROs out-performed many of its similarly rated peers. **After outperformance for the past few months, we consider the valuation of REDPROs largely fair though we still like REDPRO '22s at 10%-12% as a low-beta, short-dated carry play in view of its diversified funding channel and adequate liquidity.**



Higher NCI due to consolidation of Nanchang and Ningbo projects. In 1H21, Redco reported robust revenue of RMB9.1bn (+36% yoy) with improved gross margin of 25% (+2ppts). EBITDA rose 59% to RMB1.3bn. Net income grew 78% to RMB1.3bn but the increase was mostly contributed by NCI (RMB779mn). That said, we understand the high NCI was due to the consolidation of projects partner with local government/other developers. These projects include 1) Nanchang project (20% of revenue) with 30% GPM and only 16% equity portion; 2) Ningbo project (18% of the revenue) with 35% GPM and only 31% equity portion. With these two projects booked, Redco's gross margin increased 2ppts vs. 2020 but NCI ramped up. Despite of the one-off booking effect in 1H, we expect Redco's full year NCI as of total profits and gross margin to gradually normalize in 2021E. Company guided to report RMB18bn revenue and above 20% gross margin in 2021E.

Steady balance sheet and debt profile. In 1H21, Redco showed higher total debts of RMB23bn (2020: RMB20bn), and higher net debts of 7.6bn (2020: 6.3bn) due to free cash outflow of RMB1.2bn in 1H21. With that, credit metrics under "3-red-line" remained largely unchanged as unrestricted cash/ST debts of 1.3x (2020:1.4x), net gearing of 51% (2020: 49%), and adj. liab-to-asset of 78% (2020: 78%). Redco expects to be full compliance with "3-red-line" by 2022. MI as of total equity edged up 3ppts to 50% in 1H21, driven by higher NCI. Average interest expense edged down 20bps to 9.5%.

Stable debts profile and manageable refinancing. Redco's debt profile features slightly higher usage of non-bank borrowings (12% vs. 8% in 2020), as of 1H21, due to active land bank replenishment in 1H21. Onshore bank loans as of total debts slightly decreased to 46% from 49%.

Redco's ST debts (deducting Aug'21 notes repayment) should be RMB6.6bn, flat to that of 2020.Redco will have USD175mn syndicated loan due in Mar'21 and USD320mn senior notes due in Apr'21, in the next 12 months. We expect the company to repay the upcoming maturities through offshore cash (guided USD150mn) and cross-border cash pooling, should the capital markets remain bearish on developers.

Achievable full year sales target backed by sufficient land reserve. Redco reported robust pre-sales in 1H21 of 23.5bn (+81% yoy) with attributable ratio of 52% (flat yoy). With RMB40bn-45bn expected resources in 2H21, we see its RMB50bn target (+22% yoy) is on track, on a 59-66% expected sell-through (1H21: 70%). In 1H21, Redco has added 16 projects for 2.6mn sqm at 3.8k per sqm with attributable costs of RMB5.2bn (52% of annual budget), optimizing its land reserve in GBA & YRD (combined 33% of total landbank). Redco has ramped up its total unsold land bank to RMB19.3bn, translating into 3.8x of its 2021 sales target.

Redsun Properties - Looking for opportunities in the kinked credit curve

Prefer short-dated HONGSL'22 and REDSUN'24 and '25 to capitalize on the kink of yield curve

Shorter-dated REDSUNs have been performing resiliently over the past 3 months, valuation of them are not too appealing. Indeed, for the REDSUN/HONGSL complex, we prefer REDSUN'24 and '25 in view of the kink of REDSUN curve. At 91.1 and 89.0, REDSUN'24 and '25 are trading at YTM of 11.2% and 11.3%, respectively. REDSUN'24 and '25 as these bonds are about 10pts lower than REDSUN'23 in terms of cash prices, and offer yield pick-up of c200bps for 1-2 year extension in maturity.

30% growth in revenue for FY21 guided

In 1H21, Redsun's revenue increased 34.7% to RMB13bn but core net profit increased only 3.5% to RMB904.9mn, reflected mainly the lower contribution of share of profits of JVs and associates. We believe that lower contribution from share of profit of JVs and associates was more of a timing issue resulting from the project delivery schedule. Redsun guided the revenue growth of 30% to cRMB27bn in FY21. In 7M21, Redsun achieved contract sales of RMB56.0bn (up 37.3% yoy). In view of its saleable resources of RMB155bn, Redsun can achieve its full-year target with a sell-through rate of 60% (the rate was 65% in 1H21).

Land acquisition under commercial/residential linkage to support margin over the medium term

Its gross margin and core net profit lowered to 21.1% and 7.0% in 1H21 from 25.3% and 9.1% in 1H20, reflected the margin pressure on the Chinese property sector. We note that Redsun's margin in 1H21 improved from that in 2H20 and expect the margin to stabilize at low 20% over the coming 1-2 years. As M&A and commercial/residential linkage have accounted for a larger portion (c1/3) of its land acquisitions, and revenue from these saleable resources will be recognized in the coming 2-3 years, we should expect to see its gross margin to rebound to mid-20% over the medium term.

Disciplined expansion to be fully in compliance with "3 red-line"

Redsun maintains at the green camp under "3 red-line" with net gearing, adj. liab/asset and cash (excl. restricted cash but incl. pledged deposit)/ST debts at 58.7%, 69.4% and 1.4x in Jun'21, compared with 56.8%, 69.4% and 1.4x in Dec'20, respectively. We understand that the company budgets its land acquisitions and cash flow in order to be in compliance with "3 red-line". Therefore, we expect the company to remain in the green camp. Redsun budgets a breakeven free cash flow in FY21. We estimate its net gearing ratio to further decline to low 50% by FYE21.

Lengthened maturity profile and diversifying funding channels

Redsun took advantage of the more favourable market condition earlier this year to issue 3-year bonds (USD210mn) in May'21 and its first 4-year bonds (USD350mn) in Jan'21. These had notable shored up its liquidity and lengthened its debt maturity. For the rest of 2021, the only maturing offshore bonds are USD100mn due Oct'21. The company has gradually secured the access to the offshore loan markets. The size of the 3-year loan facilities (to be full repaid by early 2023) have gradually increased from USD70mn to USD90mn. We understand that the company continues to explore offshore banking relationship to further diversify its funding channels and lengthen its maturity profile.

Risesun Development - Buy RISSUN 8.95% ’22 at 60

RISSUNs (Ba3 negative, B+ stable, BB- stable by Moody’s/S&P/Fitch) underperformed China HY market since Apr’21 over the rumors of delayed payment of commercial paper, and spillover effect from China Fortune Land’s high profile default.

At 60, RISSUN 8.95%’22 (due Jan’22) are trading at YTM of 192%. We view the bonds were oversold and offer an attractive risk-reward profile, taking cues from Risesun’s better-than-expected operating performance and its priority on cash flow over scale. We believe that Risesun has adequate liquidity to cover the repayment of RISSUN 8.95% 22, even in our sensitized case. We take additional comfort that Risesun’s unpledged stakes in its HK-listed property management subsidiary Roiserv (2146.HK) could be an alternative funding source if needed. Risesun’s 62.6% stakes in Roiserv is valued at HKD2.1bn (USD270mn) based on the last close. Between RISSUN 8.95%’22 and 8%’22 (due Apr’22, YTM 163%), we prefer 8.95%’22 to take advantage of the inverted credit curve. We remain neutral on RISSUN 8%’22 until there is more visibility of its refinancing plan.

Lower margin as expected due to geographical expansion. In 1H’21, Risesun reported revenue of RMB34.2bn (+31% yoy), EBITDA of RMB6.8bn (+8% yoy) and attributable profit of 2.5bn (-14% yoy). Gross margin normalized to 26% (-3ppts vs. 2020FY), in line with our expectation. With active land replenishment outside of Hebei area in recent years, we believe the gross margin could further decline in 2021 and after. Such margin erosion reflected the management’s effort to balance sell-through and profitability. We do not view such margin decline too negatively, as the sector’s margins trend lower.

Improved balance sheet with lower debts and non-bank borrowings. Risesun reported total debts/net debts of RMB67.9bn/RMB38.7bn (-7%/-7% vs. 2020YE) in 1H’21. Trust loans and asset management loans lowered from 17.6%/6.6% of its total debts to 13.8%/6.3%, totaling 20.1% in 1H’21. The company further improved credit metrics under “3 red lines” guidance and reported net gearing, Cash/ST debts and Adj. liab/asset ratios of 66.5%, 1.2x, 71%, respectively (2020: 80.2%, 1.2x, 73.8%). Such positive developments reflected management’s efforts in optimizing debt profile and reduce potential liquidity risk.

Intact operating results; focus on sell-through and cash collection. 1H pre-sales was RMB59.9bn (+24.3% yoy, 46% of target completion) with ASP of RMB11.6k per sqm. The attributable and cash collection ratio was 90% and 85%, respectively. Its sell-through rate averaged 55%; 50% in Pan-Beijing area and 60%-70% in YRD. Risesun spent RMB12.3bn (27% of cash collection) in land investments for 28 land parcels. As of 1H’21, it owns unsold land bank valued at ~RMB28bn (covering 2.2x of pre-sales). We think that vigilant investment strategy could offer more flexibility to the company in term of liquidity management, despite it could be at the expense of its operating scale in following years.

Sensitivity analysis on 2H'21 cash flow. We did sensitivity analysis of Risesun's cash flow projection. We arrive at liquidity buffer of RMB11.6bn/3.6bn for repayment of RISSUN 8.95% Jan'22 (o/s USD292mn, or RMB1.9bn) under our base/sensitized cases. We applied 40%/60% discount factor for base/sensitized cases, assuming only part of the liquidity sources could be used for repayment. Under both scenarios, we assume that Risesun will have to rely on internal resources to repay its Jan'22 maturity. In our sensitized case, we applied more stringent assumptions, including only 50% of its liquidity source would be available to repay debts, FY sales will decline 4% yoy despite 1H'21 sales grew 24% yoy, and cash collection will compress to only 70% in 2H'21 despite 1H'21 cash collection was over 80%.

Risesun's liquidity analysis	RMB bn	Base case	Sensitized case	Notes
Liquidity sources				
Unrestricted cash as of 1H'21		26.3	26.3	Mgmt guided 19bn free for use
Contracted sales 2H'21		63.0	58.0	62bn/80.9bn for 1H21/8M21; 2H21 saleable resources 12.4bn; indicated sell-through 51%/47% (1H21: 55%)
Cash colletion ratio		*75%*	*70%*	1H'21 82%; assume to compress due to tighter funding
Cash recepits		47.3	40.6	
Land premium		12.6	11.6	Unpaid land premium 1.2bn from 1H'21; no new land acquired in Jul-Aug; assume land premium/sales 20%
Construction		19.0	20.9	1H21: 20.5; Mgmt. guidance 19bn for 2H'21
SG&A		3.5	3.5	1H'21 3.5bn
Tax		4.4	4.4	1H'21 6.1bn; 21FYE 10.5bn
Interests		3.6	3.6	Assume total debts / interest rate remain similar
Dividends & others		1.5	1.5	Mgmt. guidance 1.5bn
Free cash flow 2H'21 (conso. basis)		**2.7**	**-4.9**	
Total liquidity sources		**29.0**	**21.4**	
Discount factor		*40%*	*50%*	Assume only part of liquidity could be used for repayment
Liquidity sources after discount		**17.4**	**10.7**	
Liquidity usage by 2021	**Maturities**			
Bank loans	2.4	0.4	0.6	Assumed majority bank loans could be rolled over
Assets management loans	0.7	0.2	0.3	
Trust loans	2.5	1.5	2.0	Assumed lower trust loan balance due to lower new land investment
Commercial paper	3.0	2.0	2.5	Assumed lower CP balance due to tighter regulation; 1H'21 balance 7.9bn
RISSUN 9% Jul'21	1.7	1.7	1.7	Repaid in Jul'21
Total liquidity usage	**10.3**	**5.8**	**7.1**	
Liquidity buffer		**11.6**	**3.6**	**Liquidity can cover the Jan'22 maturity**

Stakes in Roiserv (2146.HK) could be alternative funding source. Roiserv, Risesun's property management subsidiary, listed in HKEX in Jan'2021. Risesun owns a 62.6% stakes in Roiserv. We understand that these offshore stakes, worth HKD2.1bn (USD270mn), are unencumbered and could be an alternative funding source for meeting offshore maturities, if needed.

Times China - Curve fairly priced

Times China reported a set of mixed interim results, featuring stable income statement, mixed balance sheet and balanced cash flow. Times was conservative in land investment in 1H21, and reported lower debts and better liquidity, but higher payables and external guarantees balance. We expect company's high gross margin (33% in 1H21) to normalize in the full year result. Times lagged to its peer in pre-sales run-rate but we take comfort from its historically 2H loaded sales and sufficient sale-able resources. We also note that the company's MI as of total equity has increased to 52.5% (2020: 47.7%), which may hinder Times' financial transparency. **We view the TPHL curve is fairly priced and initiate our MW call with yield between 4.9% and 7.1%.**

Stable income statement with revenue booking dragged by COVID-19 outbreak in May and June. Times reported revenue of RMB13.6bn (-8.6% yoy) and high gross margin of 33.3% (2020: 28.8%), partly attribute to the lower revenue booking in 1H21 resulting from the outbreak of COVID-19 and delayed construction in Guangzhou in May and June. Management guided full year booking target to be RMB42bn (+10% yoy) in FY21, backed by contract liabilities of RMB37bn.

We expect gross margin to normalize in full year result. We view the recent-high GPM as one-off event. Times realized 81% of revenue from property development with GPM of 22% (2020: 22%) and 18% of revenue from highly profitable urban redevelopments with GPM of 83% (2020: 71%). We expect full year revenue recognition to normalize to 28%-30% with higher revenue booking from normal project development sector.

Table 1: Times gross profit margin breakdown

Times GPM breakdown	FY2018	FY2019	FY2020	1H21
Property development	30,779	39,080	32,673	11,006
As % of total revenue	*90%*	*92%*	*85%*	*81%*
GPM	*28%*	*29%*	*22%*	*22%*
Urban redevelopment	2,776	2,168	5,453	2,407
As % of total revenue	*8%*	*5%*	*14%*	*18%*
GPM	*65%*	*50%*	*71%*	*83%*
Total Revenue	**34,375**	**42,434**	**38,576**	**13,638**
GPM	***31%***	***29%***	***29%***	***33%***

Higher net debts with higher external guarantee and payables. Times reported lower total debts of RMB54.9bn (2020: RMB61.5bn), and lower cash level of RMB26.8bn (2020: RMB38bn) & higher external guarantee of RMB8.9bn (2020:6.6bn). Note the payables increased RMB11bn vs. 2020, which management explained is mainly composed of increase in dividends, tax, and investment in JV projects. With net debt up by ~RMB7bn, net gearing slightly rose to 69% (2020: 66%). Commercial paper balance was guided to be RMB1bn as of 1H21.

Better liquidity and optimized debt profile. Company improved its debt profile as ST debts/total debts reduced to 20%. As a result, liquidity improved as cash/ST debts grew to 2.3x and unrestricted cash/ST debts to 1.9x. We are comfortable with Times' refinancing profile.

Balanced cash flow guided in 1H21 and 2021E. Times generated positive free cash flow of RMB150mn in 1H21. Company revised its guidance on 2021E cash flow with higher construction costs (from RMB14.4bn to RMB17.4bn) and lower investment budget (from RMB22.8bn to RMB19.8bn).

Table 2: Times cash flow guidance

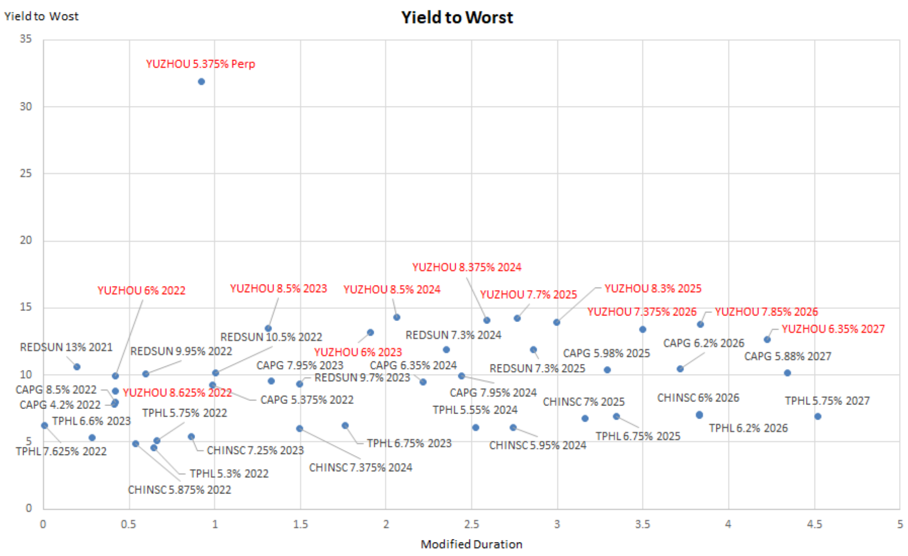
Direct Cash Flow (RMB bn)	**FY2020**	**1H21**	**2021E (old)**	**2021E (new)**
Cash inflow from Sales (Attri.)	46.8	22.9	52.7	52.7
Total Cash Inflow	**46.8**	**22.9**	**52.7**	**52.7**
Land premium (Attri.)	18.9	6.7	22.8	19.8
Construction capex (Attri.)	13.2	8.8	14.4	17.4
Tax	4.7	3.2	5.7	5.7
Finance Cost	4.7	2.0	4.7	4.7
S,G&A, div and others	5.1	2.0	5.0	5.0
Total Outflow	**46.6**	**22.7**	**52.6**	**52.7**
Net Cash flow	0.2	0.2	0.0	0.0

Confident to achieve sales target. Times recorded pre-sales of RMB45.4bn in 1H21 (+39.3% yoy, 41% of annual sales target). With the 44 issuers sales performance in 1H21 we listed out in our previous *notes*, Times was in line with industry peers in terms of sales growth (+39% vs. ~33% of industry average) and the run-rate is on track with a target completion rate of 41% (vs. ~48% of industry average). Times's contracted sales were often 2H loaded historically. With sufficient sale-able resources of RMB115bn (indicating 56% targeted sell-through, vs 1H2021 sell through 50%), we believe Times can achieve its sales target RMB110bn.

Lower attributable sales and land investment may hinder Times' financial transparency. Times guided lower attributable ratio of 60% (2020: 62%; 2019: 74%) and improved cash collection ratio of 80% in 1H21 (2020: 75%). On the investment front, Times has acquired 7 land parcels and converted 4 URPs into land bank, added a total of ~2.25mn sqm of land bank with actual investment costs of RMB RMB6.7bn. We note the company reported higher MI (+4.3bn vs. 2020), which reflected Times is getting involved in more collaborative projects (i.e. only 35% attributable for the new land acquired in 1H21). Although we see this as an industry trend, we believe the higher usage of JV may hinder Times' financial transparency.

Yuzhou Group - Back on track as expected

Yuzhou reported in-line interim results, featuring recovered revenue and gross margin, stable net gearing ratio and good liquidity. The results are very much in line with our Corporate Day First-take on 7 Jul'21. Management expects to be in full compliance with "3 red lines" guidance by 2021. Company reported negative free cash flow in 1H21 but expects to turn positive in 2021. Company mentioned that it does not issue commercial paper for financing/payment. We are comfortable with its refinancing prospects. **Compared to its peers, YUZHOUs are offering 150-300bps on a relative value basis. We reiterate our OW call on YUZHOU 23s given attractive premium over YUZHOU 22s, CAPG 23s and REDSUN 23s. We also think the bond trading technical will be supported by company's bond buy back, after the interim result back-out period.**



Interim result recovered; in line with previous guidance.

Yuzhou reported 1H21 revenue of RMB12bn (guided RMB12bn in 1H21; +495% yoy vs. 1H20 restate; +3% yoy vs. 1H19). 1H21 gross margin recovered to 20.1%, which also met previous guidance, but lower than the 2019 level (26.2%), following the industry trend.

Yuzhou expects its recognized gross margin to be 17-18% in FY21, reflecting the lower gross margin for projects to be recognized in 2H21, affected by higher fair value re-measurements and higher capitalized interests. Yuzhou's net gearing ratio improved to 80% in 1H21 from 86% in 2020, supported by the increase of minority interests (+RMB4.5bn vs. 2020). Note that the external guarantee of Yuzhou has also declined RMB5.7bn in Jun'21 from RMB6.6bn in Dec'20. We take comfort that Yuzhou has increasingly moved to pro-rata guarantees from joint and several guarantees. This will reduce contain Yuzhou's off-balance sheet exposure. Liquidity ratio (cash / ST debts) remained stable at 1.85x (2020:1.83x). Company remained in yellow camp under "3 red lines" guidance with adj. liab/asset ratio improved to 74% in 1H21 from 78% in 2020. Management guided that it will be in full compliance with "3 red lines" by 2021.

On track to achieve full-year sales target

In 7M21, Yuzhou's contract sales increased 16% yoy to RMB62.3mn (attributable ratio of c60%) and cash collection rate (same-year sales) was c70%. It achieved c56.7% of its sales target (RMB110bn). Management is comfortable with the full year sales target with RMB130bn sale-able resources in 2H21. Yuzhou spent RMB2.2bn attributable costs for 4 land parcels and saleable resources of RMB11.1bn.

Revised cash flow guidance to reflect more vigilant land investment and higher construction costs

Yuzhou revised its cash flow guidance in 2021 with key changes in land investment budget (from RMB23.6bn to RMB18.6bn) and construction costs (from RMB18.9bn to RMB23.4bn). This is due to the company to ensure the projects delivery and revenue recognition in 2021.

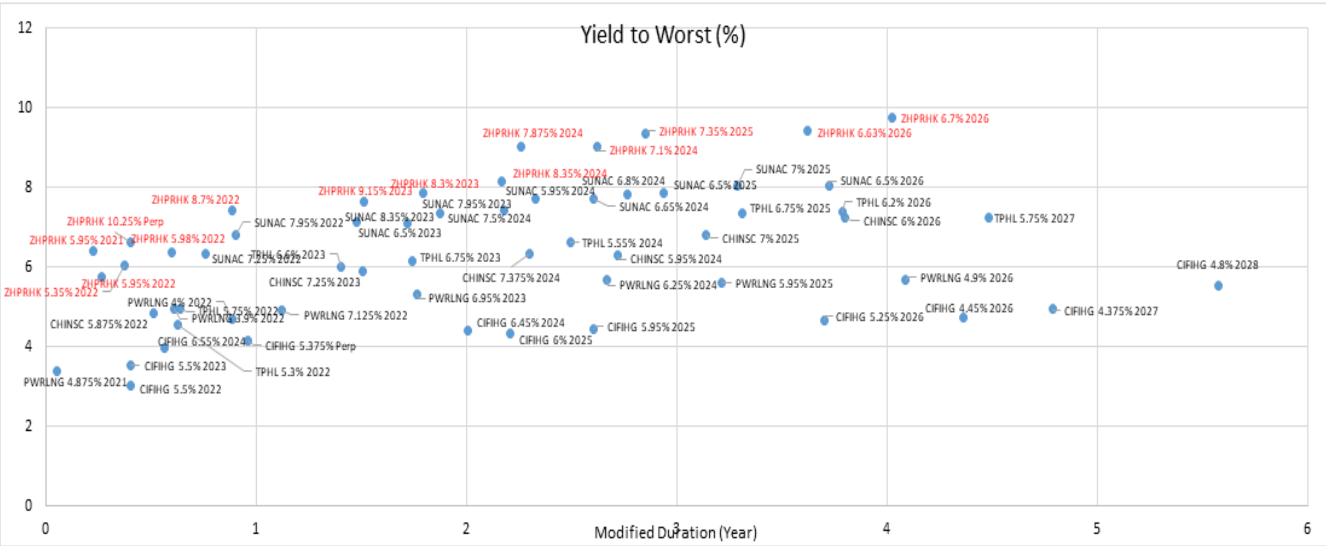
Yuzhou's refinancing is manageable for its good liquidity position

Yuzhou has RMB6.5bn onshore maturities and USD590mn offshore maturities. While we think the onshore/offshore funding environment could remain challenging, we draw comfort from Yuzhou's good liquidity (cash/ST debts >1.8x). We think the company could use internal resources (1H21 cash of RMB20.9bn with 2.5bn restricted) and expected free cash flow of RMB800mn for the bond repayment.

Zhenro Properties - Better entry opportunities as more differentiation expected

Prefer longer-end ZHPRHKs

We like the credit story of Zhenro, with improving key credit measures, higher level of transparency and continued access to various funding channels. Over the past 2-3 months, shorter-dated ZHPRHKs has performed relatively stable (down 1-3 pts) while longer-dated ZHPRHKs lowered 5-7pts. Taking cues of Zhenro's manageable near-term maturities and unrestricted cash (excl. also pledged deposit) to short-term debts ratios of 1.7x, we consider Zhenro to be one of the developers better positioned to ride through the near-term challenge resulting from the volatile market environment. Hence, we believe that the corrections of ZHPRHKs, especially those of the long-end of curve, offer better entry opportunities. Longer-ended ZHPRHKs ('24s, '25, '26s) are trading at 150-250bps behind other developers with more diversified funding channels. We expect ZHPRHKs to out-perform those peers on the expectation that the performance of Chinese property bonds will be more differentiated based on the operating fundamentals and access to various funding channels as the Evergrande saga drags on.



Solid 1H21 results

Zhenro reported a solid set of 1H21 results with revenue and core net profit attributable to owners of the parent increased 10.1% and 31.7% to RMB16.0bn and RMB1.2bn, respectively. Gross margin was largely stable at 19.1% in 1H20 (vs 20.3% in 1H20 and 19.1% in FY20) while core net profit margin increased to 7.5% in 1H21 from 6.3% in 1H20. We expect its gross margin to be largely stable. Contract liabilities increased 31.3% to RMB79.9bn in 1H21. The company expects a significant yoy increase in recognized sales in 2H21.

Confident to achieve full year contract sales target of RMB150bn

In 7M21, Zhenro's total contract sales increased 36.6% yoy to RMB94.3bn, driven by 25.2% and 7.8% increase in GFA sold and ASP, respectively. The 7M21 sales were equivalent to 62.9% of its full-year sales target. Based on its sell-through rate of over 60% in 1H21, full year saleable resources of RMB250bn, Zhenro is confident in achieving full-year target of RMB150bn.

Target to be in green camp under the "3 red-line" by FYE21

Net debt increased 10.1% to RMB27.0bn, partly reflected the higher consolidation ratio over the past couple years. We notice that the attributable ratio of land acquired in 1H21 was in mid-40%, in response to the policy on centralized land auction, as such MI increased 52.8% to RMB25.4bn, equivalent to 54.0% of its total equity. Nonetheless, we take comfort that the attributable net debts at JVs and associates were only cRMB700mn, equivalent to c2.6% of its net debts as at Jun'21. Additionally, its net gearing and adj. liabilities to assets improved to 57.4% and 72.4% in Jun'21 from 64.9% and 76.6% in Dec'20, respectively, while cash to short-term ratio maintained at 2.2x. It remains in the yellow camp under the "3 red-line" and expects to move up to the green camp by FYE21.

Access to various funding channels continues

Zhenro issued onshore bonds of RMB1.32bn in Jul'21 to refinance the onshore bonds of RMB2bn maturing in Sep'21. While the funding cost increased from 4.5% maturing to 6.3%, we take comfort that Zhenro's ability to continue to access onshore bond markets at a reasonable cost. As mentioned by the company, it will repay the USD bonds of USD200mn due Nov'21. Zhenro has total offshore bonds/perps of USD1.1bn (cRMB7.3bn) maturing or puttable in FY22, and it also has onshore bonds of RMB350mn puttable in Sep'21 and RMB1bn puttable in Sep'22. The pressure of bonds/perps redemption is manageable given its total cash and unrestricted cash on hand of RMB44.4bn and RMB35.0bn, i.e. cash/ST debts and unrestricted cash/ST debts ratios of 2.2x and 1.7x, respectively.

Zhongliang Holdings - 1H21 Result in-line with expectation

We believe that ZHLGHD 11.5%'21, and 8.875%'21 will be money good as company has funding plans prepared for repayments/refinancing. Zhongliang repurchased a total of USD89.8mn in principal amount of its outstanding USD bonds since July (ZHLGHD 11.5%'21: 79.8mn, ZHLGHD 8.5%'22: 6mn, ZHLGHD 9.5%'22: 4mn). We remain neutral on its long end bonds due to current volatile offshore bond markets that hindered its refinancing channels.

1H21 result is stable and in line with our expectation

Zhongliang reported stable 1H21 results with revenue increased 38.5% to RMB32.9bn and core net profit attributable to owners of the parent up 15.2% to RMB1.5bn. Gross margin slightly lowered to 20.8% (vs 22.6% in 1H20 and 21.0% in FY20). Management expects gross margin to maintain at 20% level based on current unbooked sales margin level. We believe future revenue growth is visible given its sufficient consolidated unbooked revenue (RMB160bn) and contract liability (RMB 129bn). Total debts slightly increased 1% to RMB54.7bn from RMB54.2bn in FY20 with bank loan portion decreased to 49.7% from 53.1% and offshore bonds portion increased to 19.1% from 16.4%. MI/total equity ratio further increased to 66.5% from 63.9% in FY20, we expect the ratio to remain high because of more cooperation under centralized supply policy.

Land replenishment remains aggressive in 1H21

Zhongliang spent RMB 16.9bn in land acquisitions in 1H21 (38% of its cash collection), and guided to spend another RMB 24.3bn in 2H21 (51% of expected cash collection). The replenishment plan is aggressive given its refinancing requirements, in our view. However, management indicated that company will adjust the amount to meet policy cap of 40% land acquisition to attributable contracted sales ratio. Company might also lower it if weak market sentiment prolongs.

Concern on debt profile remains

Zhongliang's non-bank borrowings portion stays high at 30.3% of its total debts (FY20: 29.8%) and we understand from management that RMB4bn trust loans will mature within 2021, pending refinancing from project loans. Guarantees to its JV and associates also amounted to RMB14.5bn (FY20: RMB12.2bn), which is unlikely to decline as centralized land supply policy results in more cooperation with other developers.

Zhongliang is expected to remain in yellow camp under "3 red-lines"

We saw improvement in all three ratios under "3 red-lines" in 1H21. Net gearing decreased to 56.6% from 66.2% in FY20, driven by higher cash balance and larger total equity. Unrestricted cash/ST debts increased to 1.21x from 1.09x while adj. asset to liabilities ratio slightly lower to 79.3% from 79.9% in FY20. Management targets to gradually lower adj. asset to liabilities ratio to 70% target by increasing total equity within the next two years.

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