

March 24, 2021

CMBI Credit Commentary**Languang: Near-term liquidity pressure eases****LGUANG 01/22 89.5/90.75; LGUANG 06/22 87.125/88.625**

Languang (LQUANG, B+/B1 stable outlook by S&P/Moody's) held an offshore fixed income investor call yesterday. Management guided 1) company expects to receive ~RMB4.9bn cash proceeds by 20 April 2021 from divestment of Languang Justbon (2606.HK) and ~RMB500mm by May 2021 from sale of Dikang Pharmaceutical; 2) RMB 1.99bn cash deposits received from Country Garden Services (6098.HK) is currently kept offshore; 3) company is considering offshore bonds buyback; 4) 2021 sales targets of RMB115bn with cash collection of RMB 70bn; 5) land acquisition will be capped at 30% of cash collection. We believe its subsidiaries disposal, if completed within its guided timeline, is positive to the developer's liquidity position and helps alleviate its refinancing pressure in 2021.

Languang expects to receive RMB 5bn from disposing its subsidiaries by May 2021, in the run-up to its lumpy maturity (~RMB 9bn) in 3Q2021.

By end-2020, we assess the company's cash/ST debts has improved to 1.3x from 1.1x, with a cash balance of RMB29.7bn. The additional cash proceeds of RMB 5 billion scheduled to receive by May 2021 will alleviate Languang's refinancing pressure in 3Q2021. In 3Q2021, Languang has maturity of ~RMB3bn onshore bonds, ~RMB1.3bn offshore bonds, and ~RMB4bn other financings (i.e. non-standard borrowings).

In addition, we draw some comfort from LGUANG's recent issuance of an RMB1bn MTN onshore, despite tight onshore funding condition.

Prudent land investment will help its debt reduction. Management guides its land investment will be capped at 30% of cash collection (RMB70bn), indicating ~RMB21bn in land acquisition (~RMB31bn in 2020). With that, management guides its net gearing will lower to 85-90% by end-2021, around 100% in 2020.

Polly Ng 吴宝玲

(852) 3657 6234

pollyng@cmbi.com.hk

Wilson Lu 路伟同

(852) 3761 8918

wilsonlu@cmbi.com.hk

CMBI Fixed Income

fis@cmbi.com.hk

We think Languang can sacrifice land purchase in 2021, after its large landbank's replenishment in 2020. We estimate its current landbank lifespan can support 2.5x - 3x of contracted sales.

Contracted sales performance is the most important credit driver. If Languang can maintain its good contracted sales traction in the coming months, this should provide more liquidity buffer to the company amid its refinancing need. Languang reported strong contracted sales in 2M2021, with gross sales of RMB16bn (+105% yoy) and cash collection of RMB10bn. Total sale-able resources is guided to be ~RMB180bn with sell-through ratio of 65% and cash collection ratio of 85%.

LGUANG's maturity Schedule

Languang Development (LGUANG, 600466.SH)						
<i>in millions</i>		2021/1/1 RMB	Rate	Maturity	Put-table Date	Notes
Onshore Corporate Bonds						
16LanguangMTN001	18蓝光M TN 001	700.0	5.90%	2021/1/28		Repaid
18LguangMTN001	18蓝光M TN 001	1,000.0	7.80%	2021/3/15	2021/3/15	Repaid
19Lguang01	19蓝光01	1,100.0	7.50%	2022/3/19	2021/3/19	Repaid
18Lguang06	18蓝光06	30.0	7.50%	2021/4/27		
18Lguang07	18蓝光07	600.0	7.90%	2021/5/29		
19LguangMTN001	19蓝光M TN 001	900.0	7.50%	2021/7/11		
19Lguang02	19蓝光02	1,100.0	7.50%	2021/7/23	2021/7/23	
20LguangCP001	20蓝光CP001	700.0	6.50%	2021/7/29		
16LguangMTN003	16蓝光M TN 003	280.0	7.50%	2021/8/12		
16Lguang01	16蓝光01	1,181.2	7.40%	2021/9/14		
19Lguang08	19蓝光08	300.0	7.50%	2022/12/13	2021/12/13	
20Lguang02	20蓝光02	750.0	7.15%	2023/3/16	2022/3/16	
19Lguang04	19蓝光04	300.0	7.00%	2022/8/6		
20LguangMTN002	20蓝光M TN 002	1,000.0	7.00%	2022/8/29		
20LguangMTN003	20蓝光M TN 003	1,500.0	7.00%	2022/10/26		
19Lguang07	19蓝光07	400.0	7.50%	2022/11/22		
21LanguangMTN001	21蓝光M TN 001	1,000.0	7.20%	2023/3/11		Issued in 2021
20LguangMTN001	20蓝光M TN 001	500.0	7.20%	2023/5/11		
20Lguang04	20蓝光04	800.0	7.00%	2023/7/31		
Total Onshore Corporate Bonds		13,141.2				
Offshore Corporate Bonds						
LGUANG 9 03/04/2021		469.8	9.00%	03/04/2021		Repaid
LGUANG 12 04/25/2021		2,706.5	12.00%	04/25/2021		
LGUANG 8.85 01/10/2022		1,934.7	8.85%	01/10/2022		
LGUANG 11 06/04/2022		2,902.1	11.00%	06/04/2022		
LGUANG 10.4 03/09/2023		1,934.7	10.40%	03/09/2023		
Total Offshore Corporate Bonds		9,947.9				

CMB International Securities Limited

Fixed Income Department

Tel: 852 3761 8867/ 852 3657 6291

fis@cmbi.com.hk

CMB International Securities Limited ("CMBIS") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Disclosures & Disclaimers

Author Certification

The author who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the author covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that author in this report.

Besides, the author confirms that neither the author nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIS does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIS recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIS, solely for the purpose of supplying information to the clients of CMBIS and/or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIS nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIS has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIS provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIS may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIS may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIS may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIS does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIS may have a conflict of interest that could affect the objectivity of this report and CMBIS will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIS.

Additional information on recommended securities is available upon request.

Disclosure:

CMBIS or its affiliate(s) have investment banking relationship with the issuers covered in this report in preceding 12 months

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIS.

For recipients of this document in the United States

CMBIS is not a registered broker-dealer in the United States. As a result, CMBIS is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.