

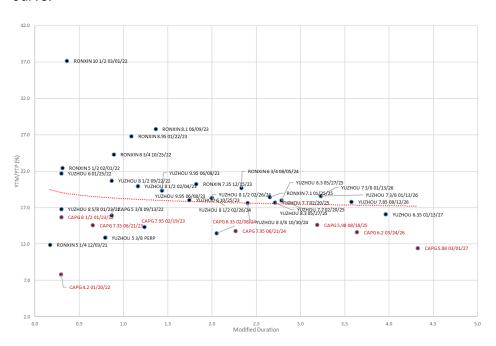


CMBI Credit Commentary - CAPG

CAPG: Strong shareholder commitment and close tie with Henderson Land

CAPGs fairly priced

After opening 3-4pts higher in response to the share placement news, we see some profit taking before lunchtime. Net-net, CAPGs moved 1-2 pts higher this morning. The share placements demonstrate Aoyuan's ability to access various funding channels. Nonetheless, we believe that CAPGs are fairly priced and hence maintain neutral recommendations on the curve.



Strong sponsorship from controlling shareholders and close tie with Henderson Land

Aoyuan raised HKD1bn from issuing new shares worth HKD600mn and HKD400mn to the controlling shareholder and Dr. Lee Ka Kit who is the co-chairman of Henderson Land. The share placements help strengthen Aoyuan's liquidity to meet upcoming maturities. More importantly, the share placements demonstrate the strong sponsorship from the controlling shareholder and close working relationship with Henderson Land and the Lee family. Recalled that Aoyuan formed JV with Henderson Land for project developments. On 18 Sep'21, Guangzhou Aoyuan The Residence Class, an URP in Guangzhou, was launched for sales. The project, with saleable resources of RMB24.1bn and expected gross margin of 35%, is 50/50 JV between Aoyuan and Henderson Land. In addition, Dr. Lee Ka Kit is also an investor of Aoyuan Healthy Life, the property management subsidiary of Aoyuan.

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Prudent land acquisitions to conserve liquidity

Aoyuan reported contract sales of RMB87.5bn in 8M21 (+23% yoy), equivalent to 58% of its sales target (RMB150bn). We understand that the company has been muted in land acquisitions since 2H21 and targets to control land premium payments to below 20% of cash collections from sales. Aoyuan eyes on additional URPs conversion (2H'21 conversion target of RMB27bn). Despite the slower physical market, Aoyuan targets a cash collection rate 85-90% for FY21. Recalled that in 1H21, China Aoyuan delivered better than excepted interim results, featuring intact income statement and slightly improved balance sheet. Aoyuan mildly deleveraged in 1H21 with 4% reduction in debts, thanks to its contained land acquisitions. It guided to cut total debts 10%-15% by FYE21 (vs. FYE20), lengthen debt maturity profile, and to be fully in compliance with "3 red lines" by 2022

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