

CMBI Credit Commentary - JINKE

We see value in JINKE 24 at 90.5 (YTM 10.8%)

JINKE: held a call to update fixed income investors on its recent shareholding development and its 1H21 operational results preview. In particular, **Chairman Huang expects to remain as controlling shareholder**, given a key shareholder has signed an [agreement](#) to act in concert with Chairman Huang with additional 6% of voting rights if Huang's voting rights falls below 20.5425%. This will help Huang remain as the controlling shareholder, even if Huang's ex-spouse terminates the letter to act in concert with Huang. Note that Jinke's CoC will be triggered only when the Chairman's voting rights less than 25% AND a rating decline. **Jinke's operation has remained stable in 1H21 with good cash collection**, balanced with more prudent land investment. Jinke recorded RMB102.1bn (+18% yoy, 41% of annual target) in pre-sales in 1H21. The lagging pre-sales was countered by improved cash collection of 95% (2020: 90%). Management guided the company is likely to record contracted sales of RMB210bn-220bn for full year 2021 (lower than the previous guided target of RMB250bn). Total cash collection in 1H21 recorded RMB96.7bn. The company acquired 40 land parcels with attributable costs ~RMB36bn (~37% of cash collection, 36% of annual budget). **Company has refinanced majority of maturities except two SCPs due in Sept (RMB1bn) and Dec'21(800mn)**. We expect the company to use internal resources or issuance of SCP to refinance these two bonds. **Jinke expects to remain in green camp under the "3 Red Line" policy and to report lower debts of RMB94bn in interim result (2020: RMB97bn)**. Management further guided it maintained sound bank support given its funding costs from bank loans lowered 40-50bps in 1H21. **We see value in JINKE 24s at 90.5 (ask YTM 10.8%), compared with SUNSHI 24s (ask YTM 9.8%), given the yield differential has been the widest since JINKE 24/SUNSHI 24's issuance (Jun'21).**

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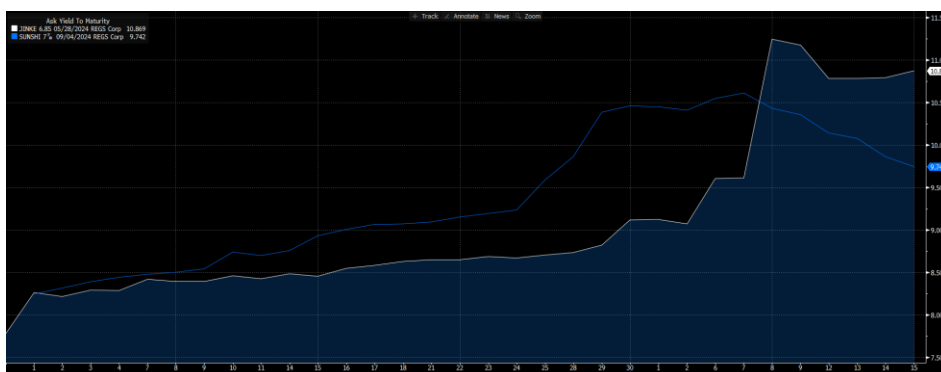
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