

## INTERNATIONAL FINANCING REVIEW (IFR) ASIA

### LOANS: Agile seeks amendment and extension

13 October 2014 | By Clare Jim, Denny Thomas

**Chinese developer Agile Property Holdings, battling an industry slowdown and media speculation about ties to China's former security chief, said it was in talks with banks about extending what remains of a US\$475m loan due in December.**

Shares in the company, which is valued at around US\$2.1bn, dropped by more than a fifth on Monday as they resumed trading after a week's halt. Last week, the company scrapped a proposed HK\$2.79bn (US\$360m) rights issue, which would have gone towards repaying the loan, and said its billionaire founder and chairman Chen Zhou Lin had been detained.

Sources said that had the shares remained suspended for more than 10 days, it would have led to a default of the US\$475m loan.

On a call with analysts on Monday, Agile said it was in talks with banks including HSBC, Standard Chartered and Hang Seng Bank about extending the US\$475m loan.

Apart from the extension, the company is also seeking an amendment to a clause on a separate HK\$5.665bn three-year loan it signed on June 25. The amendment pertains to a clause stipulating that Chen has to be the chairman of the company at all times during the life of the loan.

Five banks participated in that deal, which paid an all-in of 506.6bp based on a margin of 420bp over Hibor. The facility has an average life of 2.31 years.

Hang Seng (facility and security agent), BNP Paribas, China Construction Bank, HSBC and StanChart were the lenders.

Sam Cheung, Agile's chief financial officer, said on the call that the syndicated loan signed in June was the only facility among Agile's borrowings with a clause requiring Chen to be chairman.

Agile said that Chen – whose family wealth of US\$3.2bn was ranked 51st in China on the 2014 Hurun Rich list – had been required by the prosecutor in Kunming in South-East China to stay at “a designated residence” since September 30.

Chinese property companies face tight credit and excess supply as growth in the world's second-largest economy slows. Weaker sales have choked liquidity at some property developers, pushing them to look for fresh sources of funding.

Agile, which is currently being run by Chen's wife and another relative, said it would consider other funding options including another try at a rights offer, other forms of equity financing or commercial property sales.

“Shareholders' commitment will be ready within one or two days. So you can rest assured the committed shareholders will continue to support the company. Financially they're very sound, so don't worry,” Cheung said on the call.

Agile has not said why Chen was detained, but noted on Monday's call that three plots of land it bought in Yunnan province – part of a Rmb3bn (US\$490m) investment – were acquired through “proper auctions”. Kunming is the capital of Yunnan province.

### Higher yields

In a statement early last week, Agile said online allegations linking the company with Zhou Yongkang, the country's former domestic security chief and the highest-profile figure caught up in Beijing's crackdown on corruption, were “entirely groundless and totally fabricated.”

Agile's bond yields jumped last week amid the speculation as to why the company halted trading in its shares. Agile has over US\$2bn of bonds outstanding, and liquidity risks have been elevated since its first-half accounts showed short-term debt of Rmb14.7bn, far in excess of the Rmb1.3bn it had as a free-to-use cash balance on June 30.

The bonds now yield 15%–20%, up from 7%–9% a week ago, according to data from Tradeweb. Credit analysts warned the bonds were unlikely to recoup all their losses.

“It will be better for the company if the chairman is released in a week or two without charges. Even then, the bond yields may not go back to the previous 4%–7%, but settle somewhere in the middle,” said Dilip Parameswaran, Hong Kong-based CEO at Asia Credit Advisors. “Overall, Agile will have to curtail land purchases and conserve cash to focus on repaying debt.”

He added that Agile may find it more difficult to issue bonds as investors would be nervous about any corporate governance issues potentially related to Chen's detention.

“There could be lingering fears that this is only the tip of the iceberg,” he said, noting Agile had enough land to sell to generate liquidity. “I don't think it's a default candidate.”

Agile's 8.25% perpetual bond currently trades at 68/70 cents on the dollar, down from 84/85 over the week and 90 in August.

On Monday, Agile said the news of its chairman's detention had not impacted its business, and it recorded sales of more than Rmb2bn during the Golden Week holiday period.

*(Additional reporting by Prakash Chakravarti and Umesh Desai)*