First Read

China Property

Huafa's Debt Extension Request Raises Concerns Over SOE Developer Liquidity

Equities

China Emerging

Real Estate

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Potential First Case of an SOE Developer Seeking Debt Extension

According to Bloomberg, Zhuhai Huafa Group has been in discussions with at least three Chinese banks since September 2026 to extend the maturity of its bank loans and reduce borrowing costs. As of last week, lenders had not agreed to the proposed terms, according to the report. If confirmed, this would represent the first known case of a major state-owned developer seeking debt extensions from banks. The news has weighed on sentiment toward the sector. USD bonds issued by Chinese SOE developers have declined by 0.6-3.1 cents on the dollar compared to before the presale model change on Aug 28 2026 (Figure 1), likely reflecting growing investor concerns over refinancing conditions.

New Presale Model Tightening Developers' Cash Flow

Given Zhuhai Huafa Group's status as a local government-owned enterprise, its request for debt extensions could have negative implications for the broader SOE developer sector and perceptions of bank refinancing access. We believe investor concerns may be linked to the new presale model introduced on 28 August 2026, which, in our view, has tightened operating cash flow for developers (see our prior report). Against this backdrop, we remain cautious on the Chinese property sector and continue to prefer KE Holdings (UBS APAC Key Call), given its asset-light business model and beneficiary from higher secondary transactions.

Relationship of Huafa Group and Huafa Properties

Zhuhai Huafa Group is an unlisted state-owned conglomerate and the controlling shareholder of Zhuhai Huafa Properties (600325.SS, not covered). Its principal businesses include urban operations, real estate development, financial services, technology, commercial and trading services, and other modern service industries. Huafa Properties contributed approximately 25% of the group's revenue in 1H26 and accounted for around 45% of total assets as of June 2026.

Valuation:

China Property H shares and A-shares are trading at 0.45x 2026E P/B and 0.52x P/B respectively.



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Figure 1: Chinese developers offshore bond summary table

	Company	Net Gearing FY25	Bond Ticker	Mid Price 8/27/2026	Mid Price 10/27/2026	% Change	Currency	Amount mn	Issued date	Mature date	Maturity Years	Coupon
Central SOE	COLI	34%	XS1811821211	99.8	99.2	-0.6%	USD	750	4/26/2018	4/26/2028	10	4.750%
			XS2026426085	96.3	95.1	-1.2%	USD	450	7/15/2019	7/15/2029	10	3.450%
			XS2056378347	94.7	93.3	-1.5%	USD	294	11/27/2019	11/27/2029	10	3.050%
			XS2125601547	92.6	91.3	-1.4%	USD	500	3/2/2020	3/2/2030	10	2.750%
			XS1075180379	105.9	103.0	-2.7%	USD	500	6/11/2014	6/11/2034	20	6.450%
			XS2125715800	83.7	81.9	-2.1%	USD	200	3/2/2020	3/2/2035	15	3.125%
			XS0852986313	92.4	89.3	-3.4%	USD	300	11/15/2012	11/15/2042	30	5.350%
			XS0985567881	102.8	100.0	-2.7%	USD	500	10/29/2013	10/29/2043	30	6.375%
			HK0001325171	100.1	100.1	-0.1%	RMB	3,191	8/18/2026	8/18/2031	5	2.200%
	CR Land	39%	XS3225731382	98.6	97.7	-0.9%	USD	300	11/20/2025	11/20/2028	3	4.125%
			XS1950126109	98.3	97.3	-1.0%	USD	500	2/26/2019	2/26/2029	10	4.125%
			XS1127304514	106.6	104.3	-2.2%	HKD	3,500	10/28/2014	10/28/2029	15	6.100%
			HK0001221131	101.4	101.0	-0.4%	RMB	4,300	11/20/2025	11/20/2030	5	2.400%
	Jinmao	107%	XS2030348903	93.3	91.3	-2.1%	USD	500	7/23/2019	7/23/2029	10	4.250%
Local/ Semi SOE	Yuexiu	55%	XS2274831051	90.6	87.0	-4.0%	USD	150	1/20/2021	1/20/2031	10	3.800%
			HK0000963139	100.2	100.1	-0.1%	RMB	1,210	11/15/2023	11/15/2026	3	4.000%
			HK0001007944	100.4	100.1	-0.3%	RMB	1,690	7/12/2024	7/12/2027	3	4.100%
			HK0001249090	98.8	98.6	-0.2%	RMB	1,735	2/6/2026	2/6/2029	3	3.400%
			HK0001302691	98.7	98.3	-0.4%	RMB	1,600	5/28/2026	5/28/2029	3	3.400%
	Greentown China	66%	XS2971601336	101.0	98.0	-2.9%	USD	500	2/24/2025	2/24/2028	3	8.450%
			XS3374333329	98.0	92.6	-5.5%	USD	300	5/19/2026	5/19/2029	3	7.000%
	Zhuhai Huafa Group	182%	HK0001085882	99.9	70.7	-29.2%	RMB	1,400	12/23/2024	12/23/2027	3	4.500%
			HK0001038576	100.5	71.0	-29.4%	RMB	2,530	7/30/2024	N/A	Perp	6.000%
			HK0001201430	96.9	58.3	-39.8%	RMB	1,420	10/17/2025	10/17/2028	3	3.050%
	Vanke	125%	XS1713193586	56.3	56.4	0.2%	USD	1,000	11/9/2017	11/9/2027	10	3.975%
			XS2078642183	51.7	50.6	-2.2%	USD	300	11/12/2019	11/12/2029	10	3.500%
POE	Seazen	59%	XS3298830434	95.5	93.5	-2.1%	USD	355	3/9/2026	3/9/2029	3	11.800%
	Longfor	52%	XS2098539815	97.1	96.6	-0.5%	USD	250	1/13/2020	4/13/2027	7	3.375%
			XS1743535491	94.6	92.3	-2.5%	USD	500	1/16/2018	1/16/2028	10	4.500%
			XS2033262895	86.2	82.3	-4.6%	USD	850	9/16/2019	9/16/2029	10	3.950%
			XS2098650414	77.8	73.0	-6.1%	USD	400	1/13/2020	1/13/2032	12	3.850%

Source: Refinitiv, Bloomberg, Company data

Valuation Method and Risk Statement

We base our valuations of China's property developers and managers on PE or P/BV multiples. We believe key downside risks related to the Chinese property market include: 1) government administrative policies that restrict demand and mortgage lending; 2) tight financing for China's developers; 3) lower-than-expected residential growth in China's economy. We believe key upside risks include: 1) material policy loosening that effectively boosts residential property sales, investments and prices to positive YoY growth; 2) large-scale asset disposals at fair prices by some developers to ease liquidity pressures.

KE Holdings: We use a PE multiple to value KE Holdings.
We think key downside risks for the sector include: 1) a slowdown in macroeconomic growth and urbanisation; 2) tighter property policies; 3) risks for certain large developers; 4) failure to control service quality and improve efficiency; and 5) deterioration in the competitive landscape.
We think key downside risks for the company include: 1) a failure to attract and retain management and high-quality agents; 2) competitive pressures, especially in the longer term; 3) failure to diversify the regional revenue mix as over 30% of revenue has been derived from Beijing and Shanghai; 4) failure to maintain good relationships with top developers; and 5) government intervention, especially anti-monopolistic measures or public platforms.