

THE BIG PICTURE

# Evergrande's Ever-Growing Debt Problem

A look into China's second largest real estate developer's ownership, assets, and debt.

BY HANNAH REALE — OCTOBER 18, 2020

Lately, the [Evergrande Group](#), one of China's biggest property developers, has been in the news for all the wrong reasons. Shares of its Hong Kong listed company have been on a roller coaster ride after a letter the company allegedly wrote to the government of Guangdong Province surfaced recently, suggesting the company was desperate for cash and heavily in debt. While the company insists the letter was fabricated, it's notable that its debt load now tops \$120 billion.

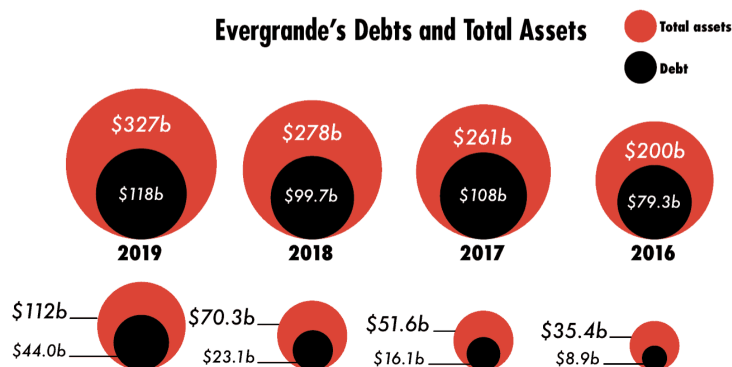
Making sense of [Evergrande](#) is not easy. It's a property company that builds as many as [600,000 homes a year](#). But it also does a lot more. <sup>1</sup> About five years ago, the company spun off a smaller unit called the [Evergrande Health Industry Group \(0708.HK\)](#). That firm, which is also a Hong Kong listed company, manages homes for the elderly, and has formed a partnership with Harvard's teaching hospital, [Brigham and Women's](#) (See our [profile](#) of American hospital deals in China). More recently, the company changed the name and focus of the spinoff. It is now known as the [China Evergrande New Energy Vehicle Group](#) — and it promises to deliver health care and electric vehicles to the market. <sup>2</sup> All of which makes clear a simple point: Evergrande has ambitions in areas that have little or nothing to do with its main business: selling apartments. <sup>3</sup>

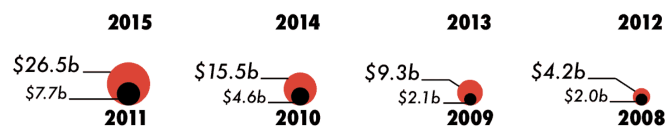
This week, *The Wire* delves into Evergrande's ownership, assets, and debt to see how China's second largest real estate developer (by sales) is faring — and who's winning and losing alongside it. <sup>4</sup>

## Debt & Assets

As [Evergrande](#) (3333.HK) has grown explosively in the last decade, so have its debts. The company has racked up massive debts over the past decade, according to recent [reports](#), and is struggling to finance its operations.

*The Wire* charted its assets and debt since 2008, when Evergrande debuted as a listed company on the [Hong Kong Stock Exchange](#). While the company has taken on large amounts of debt to expand its property footprint throughout the country, the size of that debt has now ballooned, making it one of China's most indebted non financial firms.





Evergrande's debts have grown alongside its assets. USD amounts were converted from RMB with conversion rate 0.148230 USD to 1 RMB.

Data: Evergrande annual reports

A report released at the end of June shows the company's debt at \$124 billion, up from \$118 billion at the end of last year. (Assets grew to \$340 billion, up from \$327 billion.) The company pledged to [halve its debt by 2022](#), but so far it's debt has continued to climb.

But Evergrande's revenue has not kept pace with its asset growth or its debt. Revenue last year grew a relatively small \$3.7 billion, particularly following a \$22.3 billion jump from 2017 to 2018.

**Evergrande's Annual Revenue, in USD billions**





Evergrande's annual revenue has increased every year since 2008 but slowed last year. USD amounts were converted from RMB with conversion rate 0.148230 USD to 1 RMB.

Data: Evergrande annual reports

## Shareholders

Evergrande is controlled by its founder and chairman, Xu Jiayin (who also goes by a Hong Kong name Hui Ka Yan). Despite bringing in global investors ahead of his IPO

in 2008, Xu and his wife, [Ding Yumei](#) ,

own more than three-quarters of the company's shares, through two offshore companies: [Xin](#) [Xin \(BVI\) Limited](#) , and [Even Honour Holdings Limited](#).

The next largest shareholder, Hong Kong listed [Chinese Estates Holdings](#), a property and investment firm, owns 6 percent; with another 2.4 percent held by the executive chairman of [Chinese Estates](#) — Hoi-wan Chan. Other major stakeholders include more than a dozen American and European asset management firms, including BlackRock, Vanguard and Credit Suisse.

Just looking at the ownership of Evergrande doesn't give a sense of every player in the company's orbit. Other stakeholders in Evergrande's subsidiaries and joint ventures, such as Chinese [Suning](#) and German [Hofer Powertrain](#), are also significant players in the company's revenue streams.

Check out the full ownership chart below to see the international investors who have claimed small portions of Evergrande's shares.

**Evergrande Stock Price, in USD**



Evergrande stock price in USD, 8/13/2015-8/12/2020

Data: S&P

## Evergrande's Shareholders

Owner	Ownership Share	Description
Hui Ka Yan	77.793%	Founder and executive chairman of Evergrande's board
Chinese Estates Holdings Limited	6.283%	Chinese Estates Holdings owns and operates properties in Hong Kong, China, and the U.K.

Hoi-wan Chan	2.418%	Hoi-wan Chan runs Chinese Estates Holdings and is married to Hong Kong billionaire Joseph Lau, who formerly served as the company's executive chairman
The Vanguard Group, Inc.	0.718%	U.S. asset manager
BlackRock, Inc.	0.428%	U.S. global investment company
Dimensional Fund Advisors L.P.	0.291%	U.S.-based investment firm
Strong Access Limited	0.281%	Hong Kong-based corporation, incorporated in the British Islands
Norges Bank Investment Management	0.229%	Norwegian bank's investment arm
Charles Schwab Investment Management, Inc.	0.054%	U.S. financial services company
Geode Capital Management, LLC	0.048%	U.S. asset manager, a spinoff from Fidelity
Northern Trust Global Investments	0.036%	U.K.-based investment management company
State Street Global Advisors, Inc.	0.036%	U.S.-based asset management division of State Street.
AP Fonden 7	0.026%	Swedish pension investment fund
Teachers Insurance and Annuity Association of America – College Retirement Equities Fund	0.024%	U.S. retirement fund
UBS Asset Management	0.019%	U.K.-based asset manager
Credit Suisse Asset Management	0.016%	Swiss asset manager
Standard Life Aberdeen plc	0.015%	U.K.-based global investment firm
AQR Capital Management, LLC	0.013%	U.S. investment management firm
Pictet Asset Management Limited	0.013%	Swiss multinational private bank
HSBC Global Asset Management (UK) Limited	0.013%	U.K. investment arm of HSBC bank
Deutsche Asset & Wealth Management	0.012%	German investment management arm of multinational bank Deutsche Bank
AP Fonden 2	0.011%	Swedish pension investment fund
Amundi Asset Management	0.01%	French asset management fund
Invesco Capital Management LLC	0.009%	U.S.-based asset manager
118 other minor stakeholders	0.166%	

Data: S&P



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## COVER STORY



### Pole Position

BY EYCK FREYMAN

In public, Chinese diplomats and climate negotiators deny that they see any link between climate change and geopolitics. But there is a deeply cynical consensus within China's academic and policy communities that climate change creates geopolitical opportunities that China can exploit — and must exploit before its rivals do. Greenland was the proof of concept for this strategy. And it caught the U.S. flat-footed.

## THE BIG PICTURE



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BY GARRETT O'BRIEN

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BY ANDREW PEAPLE

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