

CMBI Credit Commentary - SUNSHI

SUNSHI: High uncertainty on the exchange offer, but risk should be largely priced in

SUNSHI announced exchange offer and consent solicitation on a total of USD747mn offshore notes, including SUNSHI 10% 23 (USD247mn), SUNSHI 5.3% 22 (USD200mn), and SUNSHI 10.25% 22 (USD300mn) with minimum acceptance rate of 85%. Note that the company can exchange each of the 3 bonds above individually into new notes if each series' acceptance ratio reaches the 85% hurdle. However, the exchange offer will be binding to all holders of such series, should it hit the minimum acceptance ratio. The exchange terms include 2.5% cash payment + 0.5% consent fee + accrued interests + 100% in new notes due on 10.25% Sep 2022 and personal guarantee from Chairman Lin for the new note. Concurrently, in order to avoid cross default, the company is seeking the consents solicitation to amend the indentures of the rest of the five offshore USD bonds with total outstanding of USD1.5bn with 0.5% consent fee.

Wilson Lu 路伟同

(852) 3761 8918

wilsonlu@cmbi.com.hk

Glenn Ko, CFA 高志和

(852) 3657 6235

glennko@cmbi.com.hk

Polly Ng 吴宝玲

(852) 3657 6234

pollyng@cmbi.com.hk

James Wen 温展俊

(852) 3757 6291

jameswen@cmbi.com.hk

Yango Group's exchange offer terms

Upfront payment	2.5% of principal, i.e. USD18.675mn
Maturity extension	From individual maturities to 15 Sept'22
Coupon	10.25%
Requisite consent	85% in principal amount
Consent fee	0.5
Expiration date	10 Nov'21

We believe Yango Group is facing liquidity issue, instead of insolvency problem. We understand that regulator's tighter grip on its escrow accounts, onshore financial institutions' risk adverse actions, and sluggish physical market have weighed on Yango's liquidity pressure. **In addition, we believe there are some assets that could be monetized, under Yango Group and Chairman Lin's Fujian Yango Group.** These assets include 4.8% share of Onewo (Vanke's property management company, estimated stake worth of RMB10bn on RMB200bn valuation of Onewo), 2.4% share of Industrial Bank (~RMB9.1bn based on current market cap), and 4.252% of Huatai Insurance (~RMB2bn based on recent equity transaction). We estimate Yango should have pledged half of these

CMBI Fixed Income

fis@cmbi.com.hk

assets so net cash inflow from assets monetization could be up to RMB10bn (~USD1.5bn).

We see high uncertainty on the exchange offer and consent solicitation going through, given the high minimum acceptance ratio. Should the exchange offer go through, SUNSHI still have RMB6.8bn onshore maturities due before Sep 2022. Having said that, SUNSHI curve was indicated 21/23 and 18/20 for the front end and long end bonds this morning. We believe the downside of the SUNSHI curve has been priced in.

Yango Group - Maturity Profile as of Nov'21

RMB mn	Amount (RMB)	Amount (USD)	Maturity	Rate	Puttable Date
Unrestricted cash as of 3Q'21	27,180.4				
20 Yangguang Sub	70.0	10.8	Nov-18-2022		
Yangguang Sub	50.0	7.7	Jan-28-2022		
Yangguangcheng 04	164.0	25.3	Jan-28-2022	7.50%	
18 Yangguang 04	670.0	103.2	Nov-19-2021	5.80%	
19 Yangguangcheng PPN001	500.0	77.0	Mar-22-2022	7.50%	
17 Yangguangcheng MTN001	1,470.0	226.5	Mar-24-2022	7.40%	
19 Yangcheng 02 (1)	-	-	Apr-12-2022	7.50%	
17 Yangguangcheng MTN004	1,105.0	170.3	Oct-31-2022	6.90%	
20 Yangcheng 01	1,200.0	184.9	Apr-24-2024	6.95%	Apr-24-2022
20 Yangguangcheng MTN001	600.0	92.4	Jun-23-2024	6.60%	Jun-23-2022
20 Yangcheng 03	1,000.0	154.1	Aug-24-2024	7.00%	Aug-24-2022
20 Yangguangcheng MTN003	1,650.0	254.2	Oct-28-2024	6.80%	Oct-28-2022
21 Yangguangcheng MTN001	580.0	89.4	Jan-29-2025	6.92%	Jan-29-2023
20 Yangcheng 02	800.0	123.3	Apr-24-2025	7.30%	April-23-2023
20 Yangguangcheng MTN002	750.0	115.6	Jul-23-2025	6.80%	Jul-23-2023
20 Yangcheng 04	800.0	123.3	Oct-14-2025	6.67%	Oct-14-2022
21 Yangcheng 01	1,000.0	154.1	Jan-22-2026	6.90%	Jan-22-2023
Total Onshore Bonds	18,226.4	2,808.5			
SUNSHI 10% '23	1,622.5	250.0	Feb-12-2023	10.00%	Nov-12-2021
SUNSHI 9.5% 'Apr-03-2021	-	-	Apr-03-2021	9.50%	
SUNSHI 5.3% '22	1,298.0	200.0	Jan-11-2022	5.30%	
SUNSHI 10.25% '22	1,947.0	300.0	Mar-18-2022	10.25%	
SUNSHI 9.25% '23	1,947.0	300.0	Apr-15-2023	9.25%	
SUNSHI 8.25% '23	1,947.0	300.0	Nov-25-2023	8.25%	
SUNSHI 7.5% '24	1,947.0	300.0	Apr-15-2024	7.50%	
SUNSHI 7.5% '25	1,752.3	270.0	Feb-17-2025	7.50%	
Total Offshore Bonds	12,460.8	1,920.0			

CMB International Securities Limited

Fixed Income Department

Tel: 852 3761 8867/ 852 3657 6291

fis@cmbi.com.hk

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