

CMBI Credit Commentary

Fixed Income Daily Market Update 固定收益部市场日报

- *Weak China HY open again, following some negative surprises from developers' liability management. GZRFPR down 6-8pt except GZFRPR 5.75 1/22 muted given validly tendered. YUZHOU down 1-2pt with more front-end weakness. Rest COGARD/FUTLAN/FTLNHD/GRNLGR/LOGPH/TPHL down 1 pt.*
- *YUZHOU: entered into framework agreement on sale of property management subsidiary to China Resources Mixc. We see high chance of Yuzhou seeking liability management, notably on its 2022 Jan notes. See below for more.*
- *GZRFPR: Upfront cash payment to Jan'22 noteholders will be much lower given earmarked funds much lower than USD 300mn. But it has received 95.9% noteholders valid tender, surpassing its 75% Consent Solicitation threshold. See below for more.*

❖ Trading desk comments 交易台市场观点

Yesterday, China HY space was relatively weak together with sentiment skewed to better selling due to the increasing Omicron cases in HK. Property names like AGILE/TPHL/KWGPRO/LOGPH continued downward tendency and closed 3-5pts down. LOGPH recovered to flat post news that a LOGPH spokesperson said the interest payment were already made. Other property names like COGARD/CHINSC/SUNAC was negatively affected by sector sentiment and closed around 1pt down.

IG flows remained firm with positive sentiment on the back of climbing US treasury yield, benchmark spreads were 2-3bps tighter. Chinese AMC names like HRINTH/CCAMCL had strong demands and spread shrunk by 2-3bps. Besides, SOE names like HAOHUA spreads continued to tighten by 1-2bps. On TMT sector, BIDU/BABA maintained positive flows and spread narrowed 4-5bps.

Glenn Ko, CFA 高志和
(852) 3657 6235
glenko@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

CMBI Fixed Income
fis@cmbi.com.hk

➤ Yesterday's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
YUNMET 5 1/2 04/08/22	86.5	1.5	CSCHCN 10 7/8 06/26/22	76.0	-6.2
MGMCHI 4 3/4 02/01/27	96.9	1.1	GRNLGR 5.6 11/13/22	81.0	-5.5
AVIILC 3.45 PERP	102.9	1.1	REDSUN 9.7 04/16/23	40.4	-5.2
MGMCHI 4 3/4 02/01/27	97.0	1.0	SHIMAO 5.6 07/15/26	59.7	-4.4
SINOCE 2.7 01/13/25	92.7	0.9	TPHL 6 3/4 07/16/23	66.4	-4.4

➤ Macro News Recap 宏观新闻回顾

Macro – The headwind in tech stock further spread into broader U.S. stock market. The S&P (-1.9%), Nasdaq (-3.3%) and Dow (-1.1%) all dropped. While Fed turning more hawkish and Treasury yields keep climbing, overly stretched stocks may have difficulty justifying their valuations. U.S Treasury yield curve further steepened on the day. The yield on the benchmark 10Y Treasury note was up to 1.71%. The 30Y yield rose slightly to 2.09% while the near leg, 1Y/5Y yields, moved to 0.41/1.43% respectively.

➤ Desk analyst comments 分析员市场观点

➤ YUZHOU: Sales of property management subsidiary

Yuzhou entered into a framework agreement with China Resources Mixc to sell the operations of its residential property management for no more than RMB1.06bn. As per our discussions with Yuzhou, the sales, subject to due diligence, will complete in mid 2022. Residential property management contributes about half of Yuzhou's profit from property management.

Meanwhile, media reported that Yuzhou was in talks with financial advisors over possible bond exchange offer and have begun identifying holders of 2022 Jan USD bonds. Yuzhou has an outstanding amount of USD590mn bonds due on 23/25 Jan 2022. We understand the company has been exploring options including sales of assets in Hong Kong to shore up liquidity but the progress has been slow. Hence, the chance that Yuzhou will go through asset liability management is high. In our opinion, any asset liability payments may focus on the maturity extension on the 2 USD bonds due this month as the complication of a more comprehensive restructuring for the whole curve (o/s USD5.8bn) is high, and the remaining USD bond maturities after Jan'22 is more manageable. At current valuation (30ish for front-end of 20is for longer-end), YUZHOU have priced in the potential restructuring.

➤ GZRFRP: Upfront cash payment to Jan' 22 noteholders will be much lower

Guangzhou R&F announced results to its Tender Offer and Consent Solicitation. It received 95.9% noteholders valid tender, surpassing its 75% Consent Solicitation threshold

- 71.7% Holders tendered for Option A (For upfront cash payment at 83)
- 24.2% Holders validly tendered for Option B (Tender 50% of their holding at 100, rest maturity extension by 6 months to 13 Jul'22)

However, Guangzhou R&F announced at the same time the earmarked funds for Tender Offer and Consent Solicitation will be much less than previous expectation of USD 300mn. This will materially lower its maximum acceptance ratio for both Option A and B, rendering noteholders with tender offer Option C - Consent to maturity extension by 6 months to 13 Jul'22.

Assuming there is USD 200mn earmarked funds, upfront cash payment will be around 28pt, lower than our previous assessment of mid-30 to mid-60.

➤ **Offshore Asia New Issues (Priced)**

Issuer	Size (mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
	USD 1,750	30	3.625%	3.625%	Baa2/BBB+/-
Reliance Industries Ltd	USD 750	40	3.75%	3.75%	Baa2/BBB+/-
	USD 1,500	10	2.875%	2.875%	Baa2/BBB+/-

➤ **Offshore Asia New Issues (Pipeline)**

Issuer	Currency	Size (mn)	Tenor	IPG	Issue Rating (M/S/F)
No Offshore Asia New Issues Pipeline Today					

➤ **Onshore China conditions and color**

- **[SUNSHI]** Yango Group executive chairman & CEO Zhu Rongbin resigns

CMB International Securities Limited

Fixed Income Department

Tel: 852 3761 8867/ 852 3657 6291

fis@cmbi.com.hk

CMB International Securities Limited ("CMBIS") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Author Certification

The author who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the author covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that author in this report.

Besides, the author confirms that neither the author nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or

trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIS does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIS recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIS, solely for the purpose of supplying information to the clients of CMBIS and/or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIS nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIS has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIS provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIS may issue other publications having information and/or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIS may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIS may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIS does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIS may have a conflict of interest that could affect the objectivity of this report and CMBIS will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIS.

Additional information on recommended securities is available upon request.

Disclaimer

CMBIS or its affiliate(s) have investment banking relationship with the issuers covered in this report in preceding 12 months.

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIS.

For recipients of this document in the United States

CMBIS is not a registered broker-dealer in the United States. As a result, CMBIS is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.