

CMBI Credit Commentary

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

- *The market was generally stable this morning, most of the benchmark names remain +/- 0.5pt. Underperformer include CIFIHG/SUNAC/KWGPRO. LOGPH down 2-3pts following USD250mn equity-linked note issuance. See below for more.*
- *Evergrande hosted an investor call last night and stated that preliminary restructuring plan will be ready in 6 months without providing details; China South City secured consent on maturity extension; Aoyuan appointed new auditor and sold properties in Canada for CAD215mn; Times placed shares to raise HKD393.6mn See below.*
- *Tianqi Lithium recorded strong earnings in 2021, We continue to OW TQLTHI 3.75%'22 at 94.5 (YTM~10.5%) as a diversification idea; Unigroup keepwell notes see upside surprises from strategic investor's negotiation. See below.*

❖ Trading desk comments 交易台市场观点

Yesterday, China HY space flows continued to slow down with total aggregate client buy/sell ratio of 65:35. FTLNHD/AGILE/TPHL up 1-3pts. High quality names like CIFIHG/COGARD were skewed to better buying and up around 1pt. SHIMAO down 6-8pts after holders of offshore syndicated loans requested the Company to hire independent financial advisor. Other names like CSCHCN/REDSUN/ZHGLHD saw some real money buying interests and gained 1-3pts. In industrial sector, we saw some demands on FOSUNI and price closed up slightly.

IG market traded firm yesterday with shortcovering and benchmark spreads tightened 3-6bps. SOE names including HAOHUA/SINOCH/SINOPE all lifted while benchmark names in TMT sector narrowed 1-2bps. In financial sector, CCAMCL '27 notes continued to outperform and tighten to T+153. In addition, the newly issued CCB/ICBCIL also saw street buying and closed 2-3bps tighter.

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

CMBI Fixed Income
fis@cmbi.com.hk

➤ **Yesterday's Top Movers**

Top Performers	Price	Change	Top Underperformers	Price	Change
REDSUN 9.95 04/11/22	68.5	7.3	SHIMAO 4 3/4 07/03/22	65.1	-6.7
LOGPH 5 3/4 01/14/25	86.3	7.1	SHIMAO 5.2 01/16/27	45.6	-4.1
CSCHCN 11.95 02/09/23	76.1	7.0	SHIMAO 4.6 07/13/30	44.7	-3.4
AGILE 5 3/4 01/02/25	43.8	6.9	SHIMAO 3.975 09/16/23	53.6	-3.1
LOGPH 4 1/4 07/12/25	82.6	6.7	SHIMAO 3.45 01/11/31	43.5	-3.1

➤ **Macro News Recap 宏观新闻回顾**

Macro – U.S. stocks fell after the Federal Reserve indicated plans to start raising interest rates in March, winding down its pandemic stimulus efforts and fighting rising inflation. The S&P fell (-0.1%), Dow (-0.4%), while Nasdaq up (<0.1%). U.S. Treasury yield curve continued to shift upward. The yield on the benchmark 10Y Treasury note rose to 1.85%. The 1/5/30Y yields up to 0.70/1.66/2.16% respectively.

➤ **Desk analyst comments 分析员市场观点**

➤ **EVERRE: Preliminary restructure plan in 6 months' time**

Evergrande hosted an investor call last night. To us, the key messages are: the preliminary restructuring plan will be ready in 6 months and the plan will cover TIANHLs (supported by keepwell+EIPU). Evergrande also urged creditors not to take aggressive legal actions to protect the recovery value of the company. That said, Evergrande did not offer any details as to the direction of restructuring, any differences between the treatment of offshore and onshore creditors, as well as the chance of provision of credit enhancement, asset sales and introduction of strategic investors.

➤ **CSCHCN: Consent on maturity extension secured**

Yesterday, China South City (CSC) announced that it had obtained the requisite consent (at least 75% of holders in principal amounts) to extend the maturity of CSCHCH 11.5%'22 and CSCHCN 10.875%'22 by 6 months and 4 months to Aug'22 and Oct'22, respectively, 2-days ahead of the consent deadline on 28 Jan'22. The maturity extension will offer CSC adequate time to complete the new share placements to SZDCG while maintain the time order of its USD bonds maturities unchanged, i.e. CSCHCH 11.5%'22 and CSCHCN 10.875%'22 will remain the first 2 maturities of CSC's USD bonds. Meanwhile, media reported that CSC had reached initial agreements with holders of its onshore bonds (RMB600mn due Apr'22 and RMB1.388bn due Aug'22) to roll over the bonds but no detail was given. As per our discussions with the company, there are already signs of improving access to onshore funding channels after the signing of shares subscription agreement with SZDCG. We maintain OW on CSCHCNs.

➤ **LOGPH: Issuance of USD250mn cash-settled equity-link notes**

Logan will issue cash-settled equity-linked notes (ELNs) of HKD1.95bn (USD250mn). We take its ability to continue to access various funding channels positively. Recalled that Logan raised USD150mn in Dec'21

through a share placement. We maintain OW on LOGPHs. Within LOGPHs, we prefer LOGPH 6.9%'24 and LOGPH 5.75%'25 in view of their lower cash prices and higher coupons.

The key terms of the ELNs are:-

- Issue size: HKD1.95bn (USd250mn)
- Status: senior unsecured
- Coupon rate: 6.95% (7.95% incl back-load yield)
- Exercise price: HKD7.25 per share (12.7% premium over the last close of HKD6.43 per share)
- Maturity: 4 Aug'26 (4.5-yr)
- Put date: 4 May'24 (2.25-yr)

The ELNs will be settled in cash and no equity will be issued. The cash, instead of equity, settlement somewhat reflects the reluctance of controlling shareholders (holding 74.9% stakes in Logan) to be diluted and their confidence of Logan's future cash flow. Media reported that Logan had 4 private USD bonds/repackage loans. A quick check on Bloomberg, the total outstanding amount of these 4 private USD bonds/repackage loans is USD812mn, including USD170mn due in Mar'22, USD170mn due in May'22, USD212mn due in Mar'23 and USD260mn due in Jun'23. The private debts are equivalent to 6% and 12% of Logan's total and net debts as at Jun'21. We understand these private debts are issued by its JV partners and guaranteed by Logan. The company is, in turn, counter-guaranteed by its JV partners, with JV partners' stakes or assets in JVs as collaterals.

➤ **TQLTHI: Tianqi Lithium recorded strong earnings in 2021, OW TQLTHI 3.75%'22**

Tianqi Lithium announced its preliminary FY2021 result and expected to record a core operating profit of RMB 1.08bn - RMB 1.6bn, increased significantly from net loss of RMB 122mn during 1Q-3Q2021. The sharp earnings improvement for 4Q2021 alone was backed by a strong increase in Chinese lithium price to an average of RMB 210,057/ton in 4Q2021, from RMB110,141/ton in 3Q2021. The strong earnings and cash flow will likely continue in 2022 thanks to more battery capacity expansion lifting lithium demand. We understand management has intention to repay its USD notes (USD300mn) in Nov 2022, instead of seeking refinancing. We continue to OW TQLTHI 3.75%'22 at 94.5 (YTM~10.5%) as a diversification idea.

In addition, Tianqi disclosed its long-term equity investment in Solid Energy System (9.34% stake before IPO) will go on US listing after a merger with IVANHOE Capital. Although Tianqi sees this as a strategic investment and has no intention to dispose, we deem the successful listing of Solid Energy System (with an estimated market cap of USD 3.6bn) will increase its pledge financing sources. Recall Tianqi pledged its entire SQM stake for bank loans since its acquisition in 2018.

See our [previous note](#) on 17 Jan 2022.

➤ **TSINGH: Unigroup keepwell notes see upside surprises from strategic investor's negotiation**

On 25 Jan 2022, Tsinghua Unigroup approached its keepwell notes ad hoc group with an intention to hire financial advisor to explore a consensual restructuring of its keepwell-backed notes (TSINGH 6% 2020, ~USD450mn), on the condition that the ad hoc group ceases all lawsuits against Unigroup.

Recall the keepwell ad hoc group has a wind-up petition of Unigroup International Holding, the keepwell notes issuer, which was adjourned to mid-March in Hong Kong court. We deem the new strategic investor seeks to negotiate with keepwell notes holder separately, and try to maintain the keepwell claims out of the official court appointed restructuring. TSINGH 2020 jumped 7pt upon this news to 47. We assess in a best case scenario, the

keepwell bonds can receive restructuring terms on par with its guaranteed notes (40 upfront cash, remaining 60 amortized over 8 years) but this is still subject to a tug of negotiation.

See our [previous note](#) on 14 Jan 2022.

➤ **CAPG: New auditor appointment and asset sale for CAD215mn**

Aoyuan announced that company has appointed Shinewing (HK) as auditor after Deloitte's resignation in Dec'21. Recalled that Shimao also changed auditor to Zhongxingcai Guanghua CPAs from Shanghai Certified Public Accountants. As mentioned in our [Asia High Yield Corps Outlook 2022](#), we expect to see more of similar cases from property sector till the end of March, including qualified opinion, profit alert, delay in publishing annual report and change of auditors, etc. On a separate note, Aoyuan entered into Offer to Purchase with Anthem Properties to sell 364,000sqm properties in Canada for CAD215mn (cUSD169mn). The use of proceeds include repaying loan facilities secured by the same properties, supporting the daily operation of the Canadian subsidiaries and meeting the broader liquidity needs.

➤ **TPHL: Small size share placement to raise HKD393.6mn**

Times announced a small size share placement at HKD3.4 per share and the net proceed to be received by the company is estimated to be HKD393.6mn (cUSD50.5mn). Chairman Mr. Shum and his associates' ownership will decrease to 59.23% from 62.74% after the placement.

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

Issuer	Size (mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
No Offshore Asia New Issues Priced Today					

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

Issuer	Currency	Size (mn)	Tenor	IPG	Issue Rating (M/S/F)
Sino Ocean Land Treasury Re Iv Lt d	USD	-	2.95	6.5%	Baa3-/BBB-

➤ **Onshore China conditions and color**

- Regarding onshore primary issuances, there were 51 credit bonds issued yesterday with an amount of RMB43bn. As for Month-to-date, 1618 credit bonds were issued with a total amount of RMB1639bn raised, representing a 3.8% yoy increase
- **[CHINSC]** repurchases USD 54mn of 5.875% senior notes due 2022 in open market
- **[CHMERC]** issued RMB 645mn 2.89% MTN due 2025 and RMB 645mn 3.30% MTN due 2027
- **[SINOCE]** Tap Issue of 2025 Green Bond, 6.5% Area

CMB International Securities Limited

Fixed Income Department

Tel: 852 3761 8867/ 852 3657 6291

fis@cmbi.com.hk

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