

## CMBI Credit Commentary

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

- **HPDLF:** To replace PWC with another big-4 E&Y as its auditor. This helps contain the impact and skeptics resulting from the resignation of PWC. We maintain OW on HPDLFs and expect HPDLFs to rebound after 10-12pts drop last Fri. See below.
- **GRNLGR:** Greenland reported preliminary result showing weak earnings on recognized sales in 4Q21 but also indicated progresses on cash collection & debt reduction. See below
- **Chinese Properties:** Asset sales of AGILE, SHIMAO & FTDHGR to shore up liquidity and the purchasers are mainly SOEs. We believe this as a trend after the relaxation of 3 red-lines for M&A. The impact to developers will vary. See below.

#### ❖ Trading desk comments 交易台市场观点

Last Friday, China HY property space traded weak with risk off sentiment. HPDLF curve plunged 12-14 pts post the headline of auditor resignation but recovered 3-4pts after Debtwire reported that Hopson development plans to appoint EY as new auditor. COGARD/SUNAC/LOGPH were skewed to better selling and down 3-5pts for the day. Quality names like CIFIHG saw light two way flows and slightly dropped 1-2pts. Industrial sector names like FOSUNI were unchanged for the day.

IG market remained quiet with light flows, benchmark spreads were relatively unchanged. In IG property sector, SINOCE '25 tap was 1-1.5pts down from reoffer of 90.275. TMT names like TENCNT/BABA saw street selling and closed 1-2bps wider. In financial sector, the new CCAMCL '27 notes continued to see buying interests and tighten 1-3bps. SOE names such as HAOHUA saw light two way flows and closed flat for the day.

**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
LSEAGN 10 3/4 10/21/22	70.5	0.9	HPDLF 7 05/18/24	81.4	-11.4
CPDEV 5 3/4 PERP	91.6	0.9	HPDLF 6.8 12/28/23	83.6	-10.2
GRNLGR 5 7/8 07/03/24	80.1	0.8	KWGPRO 7 7/8 09/01/23	63.1	-5.7
HCELEC 6 5/8 05/18/20	52.2	0.8	LOGPH 6.9 06/09/24	77.2	-5.6
ICBCAS Float 08/14/24	104.3	0.7	LOGPH 6 1/2 07/16/23	80.2	-5.5

➤ **Macro News Recap 宏观新闻回顾**

**Macro** – U.S. stock indexes rallied last Friday to finish the week along with strong earnings from Apple and other big companies. The S&P advanced (2.4%), Dow (1.7%), Nasdaq (3.1%). U.S. Treasury yield curve shifted downward slightly. The yield on the benchmark 10Y Treasury note dropped to 1.78%. The 1Y yield was flat at 0.75% while 5/30Y yields down to 1.61/2.07% respectively.

➤ **Desk analyst comments 分析员市场观点**

➤ **Hopson: EY to replace PWC**

Hopson will replace PWC with another big-4 E&Y as its auditor, subject to the SGM approval on 22 Feb'22. This helps contain the impact and skeptics of the resignation of PWC. As per our previous discussions with Hopson, it expect no delay in publication of its FY21 results. We maintain OW on HPDLFs and expect HPDLFs to rebound after 10-12pts drop last Fri.

As we wrote before, we expect qualified opinions, account restatements, resignations of auditors or even delays in publications of FY21 results as auditors will be even more cautious after Financial Reporting Council of Hong Kong announced its enquiries and investigation into the audit of Evergrande accounts by PWC in Oct'21. Please see the list extracted from our comments last Fri for Chinese property developers audited by PWC.

Stock Ticker	Stock Name
3383 HK Equity	AGILE GROUP HOLDINGS LTD
3333 HK Equity	CHINA EVERGRANDE GROUP
2007 HK Equity	COUNTRY GARDEN HOLDINGS CO
2117 HK Equity	DATANG GROUP HOLDINGS LTD
2019 HK Equity	DEXIN CHINA HOLDINGS CO LTD
6968 HK Equity	GANGLONG CHINA PROPERTY GROU
845 HK Equity	GLORIOUS PROPERTY HOLDINGS
2777 HK Equity	GUANGZHOU R&F PROPERTIES - H
754 HK Equity	HOPSON DEVELOPMENT HOLDINGS
2768 HK Equity	JIAYUAN INTERNATIONAL GROUP
1862 HK Equity	JINGRUI HOLDINGS LTD
106 HK Equity	LANDSEA GREEN PROPERTIES CO
3990 HK Equity	MIDEA REAL ESTATE HOLDING LT
1238 HK Equity	POWERLONG REAL ESTATE HOLDIN
1622 HK Equity	REDCO PROPERTIES GROUP LTD
3301 HK Equity	RONSHINE CHINA HOLDINGS LTD
1030 HK Equity	SEAZEN GROUP LTD

813 HK Equity	SHIMAO GROUP HOLDINGS LTD
3377 HK Equity	SINO-OCEAN GROUP HOLDING LTD
59 HK Equity	SKYFAME REALTY HOLDINGS LTD
3639 HK Equity	YIDA CHINA HOLDINGS LTD
123 HK Equity	YUEXIU PROPERTY CO LTD
405 HK Equity	YUEXIU REAL ESTATE INVESTMENT

➤ **GRNLGR: Weak preliminary FY2021 results, but progresses on cash collection & debt reduction**

**Greenland's preliminary result showed weak earnings on recognized sales in 4Q21.** For FY2021, it booked revenue of RMB 535bn, +17%yoy (FY2020: RMB 456bn); operating profit of RMB 21.9bn, -31% yoy (FY2020: RMB 30.7bn); and attributable profit of RMB 7.6bn, -49% yoy (FY2020: RMB 15bn). Compared to its attributable profit of RMB 11.1bn in 1-3Q2021, Greenland recorded a loss of RMB 3.5bn in 4Q21. Management ascribed it to a) lower gross profit (GPM -4ppt) on recognized property sales, b) lower share of profit from JV/Associate, down by RMB 2.3bn yoy and c) lower investment income due to weaker stock market, down by RMB 3bn yoy.

During FY2021, Greenland's contracted sales fell 19% to RMB290bn (FY2020: RMB 358bn). However, the company continued to prioritize on cash collection (FY2021: RMB 277bn at 96% rate vs FY2020: RMB 309bn at 86% cash collection ratio). **As such, in 4Q21 Greenland continued to cut its gross debt by RMB 21bn to approximately RMB 230bn by end-2021. (FYE2020: RMB 316bn). Net debt data is pending its full result release in Mar '22.**

To meet its offshore maturity in 2022 (a total of USD2.09bn), we believe Greenland will receive continual bank support, and some liquidity support from shanghai government. But in light of its high cash price of 77 – 95 of GRNLGR curve, we remain Neutral.

➤ **Chinese properties: The asset sales of AGILE, SHIMAO & FTHDGR to SOEs**

We noticed a wave of SOEs' involvement in acquiring stakes and assets from Chinese property developers. Over the past few days, Agile, Shimao and Fantasia sold assets to companies with state-ownership. This is in addition to China South City's new share placement to SZDCG, wholly-owned by Shenzhen SASAC. We can envisage more SOEs' involvement in acquisitions of stakes and assets of property developers. That said, the impact to developers will vary. In our opinion, local SOEs/governments will only acquire significant stakes of smaller developers or those with more geographic focus. The significant stakes could help resume these developers' access to funding channels and could be game-changers for these developers. For larger or more nationwide developers, the SOEs'/local governments' involvements will likely be in piecemeal asset acquisitions. These could be too small and too little to restore market confidence on individual credits.

Last Fri, Agile entered into sale and purchase agreements with China Overseas Grand Oceans (COGO) to sell equity interests in 3 project companies for total considerations of RMB1bn (including RMB750mn sale loan). The 3 project companies are property development companies in Yiwu and Xuzhou. Additionally, Agile entered into equity transfer agreement to sell equity interests of 5 of its waste and renewable operations to Conch Venture (586.HK) for a total consideration of RMB1.13bn (including RMB330mn shareholder's loan).

On the same day, Shimao entered into a disposal agreement to sell Hyatt on the Bund (Shanghai) to state-owned Shanghai Land for a total consideration of RMB4.5bn. On a separate note, Shimao's chairman sold 40% stake of a HK property to CC Land and CSI Properties for HKD1.05bn (cUSD134mn). We expect the sales will enhance the chairman's ability to provide support to Shimao, if needed.

This morning, Fantasia announced it entered into agreement with Yuexiu to sell a URP in Guangzhou for total considerations of RMB1bn (including RMB72mn sale loan).

See below for the recent asset disposals of property developers:

Time	Ticker	USD mn	Currency	Size (mn)	Target Company	Buyer
1/29/2022	FTHDGR	32	RMB	200	Guangzhou Yunjia Economic Information Consulting	Foshan Honghui Real Estate Development (subsidiary of Guangzhou Yuexiu Group)
1/28/2022	AGILE	158	RMB	1,000	24% Equity Interest in Yiwu Haichuang Property Development, 33% Equity Interest in Xuzhou Weituo Property Development, 33% Equity Interest in Xuzhou Runyao Property	China Overseas Grand Oceans Property Group (wholly owned by COGO)
1/12/2022, 1/19/2022, 1/28/2022	AGILE	178	RMB	1,129	5 Project Companies that mainly engaged in renewable energy, household waste processing, electricity generation business	Conoh Venture (588.HK)
1/28/2022	SHIMAO	711	RMB	4,500	Shanghai Shimao North Bund Development and Construction Co., Ltd ('Hyatt on the Bund, Shanghai Hotel')	Shanghai Land (Group) Co., Ltd.
1/24/2022	CAPG	169	CAD	215	Properties in Burnaby, British Columbia, Canada with a total site area of approximately 364,000 square feet	Anthem Properties Group Ltd., British Columbia, Canada
1/24/2022	SHIMAO	291	RMB	1,845	26.67% equity interest in Guangzhou Lihe Property Development Co., Ltd	Guangdong Zhonghai Property Co., Ltd (wholly owned by COLI)
1/21/2022	AGILE	291	RMB	1,844	26.66% equity interest in Guangzhou Lihe Real Estate Development	Guangdong Zhonghai Property Co., Ltd (wholly owned by COLI)
1/21/2022	SHIMAO	167	RMB	1,060	Shanghai Shimao Real Estate Development	Shanghai Jiushi North Bund Construction and Development Co., Ltd (wholly owned by Shanghai SASAC)
1/21/2022	VNKRLE	76	GBP	56	Lithium Real Estate (Jersey) Limited, wholly owned by Vanke Overseas Investment	M&G TS Ryder Limited
1/17/2022	SHNSUN	77	RMB	487	51% equity interest of Hangzhou Buntuo Enterprise Management Co., Ltd	Zhelizhanjing Real Estate Co., Ltd
1/7/2022	SHNSUN	53	RMB	337	23.81% equity interest of Zhejiang Sunflower Health Industry Development	Zhuji Tiancheng Hongwei Property Co., Ltd
12/17/2021	SHIMAO	268	HKD	2,086	SPVs for property development project "Grand Victoria"	SEA Holdings, Wheelock, Sino Ocean

### ➤ 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)
No Offshore Asia New Issues Pipeline Today					

➤ **Onshore China conditions and color**

- Regarding onshore primary issuances, there were 0 credit bonds issued yesterday with an amount of RMB0bn. As for Month-to-date, 1692 credit bonds were issued with a total amount of RMB1677bn raised, representing a 3.6% yoy decrease
- **[PINGIN]** gains CBIRC approval to invest in New Founder Group and will pay RMB 48.2bn for 66.5% stake
- **[REDSUN]** Moody's revised Redsun's rating outlook to negative, affirms B2/B3 ratings
- **[SFHOLD]** to forecasts RMB 4.2bn-RMB 4.4bn net profit for FY21, down 40%-43% yoy
- **[TPHL]** has repurchased a total of USD 42.7mn of 5.75% senior notes due 2022 and 5.3% senior notes due 2022 from the open market
- **[ZHLGHD]** downgraded to 'B/Neg' on tighter liquidity buffer amid operational headwinds - S&P

*CMB International Securities Limited*

*Fixed Income Department*

Tel: 852 3761 8867/ 852 3657 6291

[fis@cmbi.com.hk](mailto:fis@cmbi.com.hk)

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