

## CMBI Credit Commentary

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

- *Extremely quiet morning. Front-end IG slightly traded up, recent New Issue STESP'27 tightened 5bps to 68bps. KWGPRO up 0.5pt-1pt after reiterating the full repayment of USD900mn due Sep'22. JIAYUAs largely unchanged after the buy-back. See below.*
- **Zhongliang:** *The exchange and consent solicitation for ZHLGHD 8.5%'22 and 9.5%'22 due 19 May'22 and 29 Jul'22, respectively to extend maturity to Apr' and Dec'23. See below for details..*
- **CHIGRA:** *FY2021 and 1Q2022 results showed weaker cash flow and liquidity. Maintain Hold on CHIGRA '24 at 60 handle, await onshore bond issuance as next catalyst. See below.*

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#### ❖ Trading desk comments 交易台市场观点

Yesterday, Chinese HY property space were skewed to better selling and slightly pulled back. We saw selling flows in high quality names like COGARD/CIFIHG/GRNLGR (-0.5-1pt). Other property names like AGILE/LOPGH/SHIMAO/TPHL also down 0.5-1pt. On the other hand, RONXIN Oct'22 has continued to rise 4pts since the company remitted RMB727mn to repay its ABS maturing on 29 April. KWGPRO was also traded higher by 0.5-1pt after its post annual report credit-investor call. The Macau gaming sector was weak amid ongoing strict covid restrictions in China, SJMHOL down 0.5pt.

China IG market was mixed with amid low trading flows. In TMT sector, MEITUA/TENCNT/BABA widened 5-10bps. CNOOC and HAOHUA in SOE sector widened 3-5bps. In AMC sector, GRWALL'25 closed around 3-5bps tighter.

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### ➤ Yesterday's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
RONXIN 8 3/4 10/25/22	37.4	4.1	REDSUN 9.7 04/16/23	30.7	-4.3
JIAZHO 10 7/8 06/18/22	39.8	3.2	GRNLGR 7 1/4 01/22/25	54.3	-3.4
RONXIN 8.95 01/22/23	25.5	2.4	GRNLGR 5 7/8 07/03/24	56.8	-2.4
KWGPRO 5 7/8 11/10/24	30.6	1.4	CENCHI 7 1/4 07/16/24	32.9	-2.0
SUNAC 7 1/4 06/14/22	35.2	1.1	PINGIN 2.95 02/25/31	83.2	-1.8

### ❖ Macro News Recap 宏观新闻回顾

**Macro** – U.S. stock market ended mixed yesterday, as investors hoped that stronger-than-expected tech earnings could boost sentiment amid the collective concerns over Fed rate hikes, China's Covid-19 lockdown and Russia's war on Ukraine. The S&P (+0.21%), Nasdaq (-0.01%), and Dow (+0.19%) closed mixed. Tensions between Russia and its European neighbors escalated, after the state-controlled energy giant Gazprom cut off natural gas supplies to Poland and Bulgaria for failing to meet an earlier demand to pay in rubles. Treasury yield curve shifted upwards, with the 1/5/10/30 yield reaching 1.97/2.81/2.82/2.91% respectively.

### ❖ Desk analyst comments 分析员市场观点

#### ➤ Jiayuan: Repurchase of USD96mn of JIAYUA 11.375%'22

Jiayuan bought back USD96mn of JIAYUA 11.375%'22 due 2 May'22, only USD7mn remains o/s. As we wrote on 20 Apr'22, Jiayuan does not have onshore bonds and ABS outstanding. After the repayment of remaining outstanding of USD225mn due 11 Mar'22, onshore ABS of RMB200.2mn on 31 Mar'22 and JIAYUA11.375%'22, its only other bond maturity in FY22 will be USD200mn due 30 Oct'22. The refinancing pressure is manageable factoring into its unrestricted cash/ST debts of 1.4x. We take additional comfort that Jiayuan, audited by PWC, is one of the few Chinese developers with a "clean" FY21 results. While we would not rule out the possibility that Jiayuan will explore options for liability management to conserve liquidity for its longer-term development, we maintain BUY on JIAYUAs and believe that the current valuations (at high 30s - low 40s), have priced in an excessive risk of a "distressed exchange".

Separately, we understand that court cases regarding the guarantee of onshore CPs have been withdrawn as expected. The total claims are only HKD16mn. See more discussions in [our comments on 20 Apr'22](#).

#### ➤ Zhongliang: Exchange and consent solicitation

Zhongliang announced the exchange and consent solicitation for ZHLGHD 8.5%'22 and 9.5%'22 due 19 May'22 and 29 Jul'22, respectively to extend maturity, as well as the concurrent consent solicitation for ZHLGHD 12%'23 to carve out cross-default trigger for the exchanged notes. The maturity extension should not be too surprising given the negative impact on property sales resulting from the lockdown in YRD and the effective shutdown of capital markets for most developers. We acknowledge that Zhongliang had 3 USD bonds/notes (issue size totaled USD850mn) since 2H21. There will not be upfront cash repayment but 1pt incentive fee and payment of accrued interests (c3-4pts) in cash. The coupon rates for the new notes/bonds will be increased 25bps effectively. Please see below for the key terms of the liability management exercise.

**EXCHANGE AND CONSENT SOLICITATION FOR ZHLGHD 8 1/2 05/19/22 & 9 1/2 07/29/22**

<b>INCENTIVE FEE</b>	1pt
<b>NEW NOTES/BONDS</b>	Par-par exchange with no upfront repayment 70% of exchange notes/bonds will be exchanged into new bonds due 31 Dec'23, subject to the cap of USD533mn, Zhongliang's available NDRC quota The remaining exchange notes/bonds will be exchanged into new notes due 15 Apr'23.
<b>COUPON OF NEW NOTES/BONDS</b>	25bps step-up effectively compared with 8.5% and 9.5% of the existing notes/bonds 8.75% for news notes due Apr'23 9.75% for new bonds due Dec'23
<b>ACCRUED INTERESTS</b>	Paid in cash, to be accrued up to settlement date (to be on or before 17 May'22)
<b>MINIMUM ACCEPTANCE LEVEL</b>	90%
<b>DEADLINE</b>	10 May'22

**CONCURRENT CONSENT SOLICITATION FOR ZHLGHD 12 04/17/23**

<b>CONSENT FEE</b>	0.25pt
<b>APPROVAL THRESHOLD</b>	50%
<b>DEADLINE</b>	10 May'22

➤ **CHIGRA – muddling through, maintain Hold on CHIGRA '24**

China Grand Auto reported 2021 and 1Q2022 results, which showed weaker cash flow generation and liquidity.

Although China Grand Auto's operation showed modest improvement in 2021, when its revenue remained RMB 158bn (flat yoy), EBITDA rose to RMB 7.9bn (vs RMB 6.9bn in 2020), its operating cash flow lowered to RMB 1.8bn (down from RMB 4.2bn in 2020), resulting in – FCF after capex of RMB 2.7bn and Interest payment of RMB 2.7bn in 2021. By end-2021, net debt rose by RMB 2bn to RMB 32.2bn. Gross Debt/EBITDA remained high at 7.3x and Net Debt/EBITDA at 4.0x, compared to 8.6x and 4.4x as of end-2020.

Liquidity is tight. Its free cash lowered to RMB 6.2bn by Mar'22 (vs. RMB7.2bn in end-2021, RMB 9.9bn at Mar'21). Free cash/short-term debt coverage: 0.16x as of Dec'21 and 0.18x as of Mar'22, down from 0.27x at Dec'20 and 0.32x at Mar '21.

The company did not propose any dividend for 2021, in view current Covid outbreak and its short-term debt repayment need. Saving grace is that upcoming bullet maturities are more manageable for rest of 2022, including an onshore syndicated loan due in June 2022 and onshore bonds of RMB 2bn due in Sep '22 and Nov '22. We expect the company to muddle through in 2022, but await an improvement in its financing channels for CHIGRA '24 to outperform.

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

Issuer	Size (mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Mineral Resources	USD625	5.5	8	8	Ba3/NR/BB
Mineral Resources	USD625	8	8.5	8.5	Ba3/NR/BB

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

Issuer	Currency	Size (mn)	Tenor	IPG	Issue Rating (M/S/F)
Korea East-West Power	USD	-	3	T+130	Aa2/AA/AA-
Chongqing Nan'an Urban Construction and Development Group	USD	-	3	5	-/BBB

➤ **Market conditions and color**

- Regarding onshore primary issuances, there were 83 credit bonds issued yesterday with an amount of RMB81bn. As for Month-to-date, 1,597 credit bonds were issued with a total amount of RMB1,655bn raised, representing a 10.4% yoy decrease.
- **[FUTLAN/FTLNHD]** downgraded to BB, outlook negative; Off RWN - Fitch
- **[PWRLNG]** pushes back board meeting to approve FY21 results to 29 April
- **[RONXIN]** remits RMB727mn to repay asset-backed securities maturing on 29 April
- **[TQLTHI]** USD800mn three-year loan in senior syndication to partially refinance restructured syndicated loan
- **[TSINGH]** says free transfer of equity interest in Tsinghua Holdings by Tsinghua University approved by Sichuan SASAC, Ministry of Education

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