

CMBI Credit Commentary

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

The Asset Asian G3 Bond Benchmark Review 2023

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- *Asian IG space was quiet this morning. SINOCH tightened 2-4bps, TENCNT/BABA opened c2bps tighter then retreated to unchanged. Short-end SOE Perps were heavy while LGFVs were two way balanced.*
- **Macau gaming:** *Accelerating rebound of GGR and more signs of normalizing funding access. Macau gaming bonds are largely unchanged this morning. See below.*
- **CAPG:** *Agreed with AHG representing c33% in aggregate principal of offshore notes on the proposed restructuring. See below.*

❖ Trading desk comments 交易台市场观点

Last Friday, overnight rates moved 9-15bps high and UST 10y yields reached 3.85%. Asia ex-JP IG space were mixed. In SOEs, HAOHUA curve grinded 2-4bps tighter on the back of higher rates. CHALUM 26s tightened 2bps to close 6bps tighter WoW. TMT benchmark papers TENCNT 29s/30s tightened 3-4bps. The high beta TMTs closed largely unchanged to a touch wider. XIAOMI/MEITUA were better-offered. In financials, the front-end papers were under better selling. On AMCs, the front-end of HRINTHs/GRWALLs remained under small selling. HRINTH 26-30s were traded 5-10bps wider. Chinese Bank T2s such as BCHINA/ICBCAS papers were skewed to better selling. Thai bank T2s such as BBLTBs/KBANKs were 2-3bps wider. Chinese AT1s were quoted down 0.125-0.25pt on the back of rates surge. That said, the bids for AT1s remained fairly resilient thanks to the short positioning in street. Chinese properties remained sluggish. COGARDs plunged 1.75-5.75pts. SINCOEs/FUTLANs/FTLNHDs were quoted down 1-2pts. DALWANs/LNGFORs lowered 0.5-1.5pts. AGILEs dropped 2.5-4.5pts on RM selling. CHINSC 24s were marked 1.25-2.25pts lower. On the other hand, GRNLGR 25s/26s gained 1-2pts. Industrials performed mixed. The grace period of scheduled 5% redemption of GRNLGR 6.75% 25/06/24 will end today. FOSUNIs declined 0.5-1.25pts. Whilst HILOHO 24s/CHIOIL 26s/EHICAR 26s were marked 1-1.5pts higher. In Macau gaming space, MPELs/WYNMACs were bid up 0.25-0.5pt. Indian space was muted. VEDLN 26 gained ~1pt. In Indonesian space, KIJAIs were marked 0.25pt higher, post Jababeka issued a call option notice to redeem USD14.144mn of the

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outstanding 6.50% due-2023 senior notes on 31 Jul at 100.813. MEDCIJs were indicated 0.25-0.5pt higher.

The LGFV/SOE perp space had a lackluster half-year end day and the sentiment closed on a defensive tone given the uncertainties in the rate outlook. Flows were largely driven by rebalancing needs among AMs. In LGFVs, Shandong/Chongqing names remained active. SHUGRP 24 declined 0.75pt to close a 95.5. SHDOIS 24s/SHGUOH 25s/CQNANA 26s were marked down 0.125-0.25pt. In Perps, flows were overall skewed to better selling, while bonds were largely well-absorbed by prop desks. In HK Corp Perp space, NWDEVL Perps declined around 0.75-1pt. CKINF/CKPH Perps were marked down 0.5pt

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
GRNLGR 6 3/4 09/26/25	22.1	2.5	COGARD 5.4 05/27/25	36.9	-5.8
CHIOIL 4.7 06/30/26	85.7	2.0	COGARD 5 1/8 01/17/25	44.3	-4.7
CCAMCL 4 3/4 12/04/37	80.5	1.6	COGARD 6.15 09/17/25	33.3	-4.6
TAISEM 3.1 09/23/51	73.2	1.3	AGILE 6.05 10/13/25	23.3	-4.2
GRNLGR 6 3/4 03/03/26	19.1	1.0	COGARD 6 1/2 04/08/24	59.7	-3.9

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+1.23%), Dow (+0.84%) and Nasdaq (+1.45%) moved higher on last Friday and three indexes increased in 1H23 by 15.91%, 3.80% and 31.73%, respectively. US May core PCE price index fell to +4.6% yoy, lower than expectation of +4.7% yoy. China official Jun manufacturing PMI was 49.0 and non-manufacturing PMI was 53.2. The US treasury yields slightly down on last Friday, the 2/5/10/30 yield reached at 4.87%/4.13%/3.81%/3.85%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ Macau gaming: Accelerating rebound of GGR and more signs of normalizing funding access

MOP mn	2022	2023	Cumulative GGR 2023	Cumulative GGR 2023 growth rate
Jan	6,344	11,580	11,580	62.6%
Feb	7,759	10,324	21,904	48.4%
Mar	3,672	12,738	34,642	94.9%
Apr	2,677	14,722	49,364	141.4%
May	3,341	15,565	64,929	172.9%
Jun	2,477	15,207	80,136	205.0%

Gaming Inspection and Coordination Bureau of Macau reported that the gross gaming revenue (GGR) in Jun'23 rebounded 513.9% to MOP15.2bn. For the 6M23, the cumulative GGR rebounded 205.1% to MOP80.1bn. For 5M23 and 4M23, the GGR increased 172.9% and 141.4% yoy to MOP64.9bn and MOP49.4bn, respectively. These reflected the momentum GGR recovery in Macau has been strong and accelerating over the past few months. The cumulative 6M23 GGR is already c90% higher than that of the full year 2022 but only about c54% of the pre-pandemic level (cumulative 6M19 GGR).

Under the backdrop of strong recovery GGR and operating cash flow, we see more signs of “normalizing” funding access for gaming operators. Last evening, MGM China announced the amendments to the revolving credit facilities totaled HKD12.9bn. In short, the major changes are to extend the final maturity for another 2

year to 15 May'26 and upsize the second revolver to HKD5.85bn from HKD3.12bn, as well as reinstated more 'relaxed' financial covenants. Meanwhile, the interest expenses will remain at HIBOR +1.25-2.75%. In Mar'23, Wynn Macau upsized the issue 6NP4 CBs to USD600mn. We expect more progresses in refinancing from the Macau gaming sector with the continued recovery of operating cash flow.

We like the Macau gaming on its improving credit stories, contained capex and undemanding valuation, we prefer MPEL, SJM and STCITY/STDCTY for better risk-return profiles. We also see MGMCHI, SANLTD and WYNNMAC yield pick-up plays over the bonds of their US parents.

➤ **CAPG: Agreed with AHG representing c33% in aggregate principal of offshore notes on the proposed restructuring**

China Aoyuan has agreed with AHG representing c33% in aggregate principal of offshore notes on the key commercial terms of the proposed restructuring plan. Aoyuan sees the agreement reached is a major milestone in addressing its offshore debts in a holistic manner. The company has 12 offshore notes (incl. private notes) outstanding, totaled USD3.45bn.

Under the proposed restructuring, new notes, mandatory convertible bonds (MCB), shares and perpetual securities will be issued. New notes to be issued will have maturities of 5-8 years, interest ranging from 5.5%-8.8%. The MCB will be zero-coupon and mature in 5 years, convertible into Aoyuan's shares. For the perpetual securities, there is no interest for the first 8 years. Starting from year 9, company could choose to defer the interest payment and the cash interest will be automatically toggled to PIK. Consent fee of 0.25% in cash will be payable on the RED, an also a pro rata share of an aggregate principal amount of USD100mn of the new notes to be issued on RED. The approval threshold is at least 75% in value of the scheme creditors who are present and voting at the scheme meeting. Last heard from Aoyuan's restructuring was back in Apr, at that time it aimed to finalize the plan by early May.

Apart from the progress in offshore restructuring, the company announced its FY22 annual results. In the annual report, auditor indicated material uncertainty which may cast significant doubt on the group's ability to continue as a going concern. As at 31 Dec'22, Aoyuan has offshore total interest-bearing liabilities of cRMB42.8bn (cUSD5.9bn), and onshore interest-bearing liabilities of cRMB66.2bn (cUSD9.1bn). See below a summary of the proposed restructuring.

(1) New debt of USD1.8bn

Principal	Tranche A: USD650mn Tranche B: USD500mn Tranche C: USD650mn
Amortization and maturity	Tranche A: USD150mn to be repaid in 3 years, USD200mn to be repaid in 5 years and remaining principal to be repaid in 6 years Tranche B: mature in 7 years Tranche C: mature in 8 years
Interest	Tranche A: 7.5% Tranche B: 8.0% Tranche C: 8.8%
Interest payment	Semi-annually, issuer may elect to PIK all interest for first 2 years. For the 25 th -30 th month, issuer must pay a minimum of 2% in cash and may elect PIK for the balance Interest rate of 1% will be added to PIK interest
Credit enhancement	Assets and shares pledged
Mandatory redemption	Under 4 circumstances as detailed in the plan, including the net proceeds from the sale of offshore real estate project completed within 2 years from the RED, and the proceeds from the sale of the Chairman's Healthy Life shares

(2) New debt of USD500mn

Maturity	Sep'31
Interest	5.5% p.a. PIK
Mandatory redemption	At par plus accrued and unpaid interest, from all dividend from Healthy Life and any net proceeds from the disposal of Healthy Life

(3) Ordinary shares of 1.4bn

To be issued	1bn
To be transferred	400mn, From Mr Guo Zi Wen (and his family members) to certain eligible creditor
Value	HKD1.06 per share

(4) New zero-coupon mandatory convertible bonds (MCB) of USD143mn

Mandatory convertible	1,691,449,112 ordinary shares, representing 29.9% pro forma shareholding immediately after conversion
Maturity	5 years
Conversion right	Any time after 12 months from the RED, up to and including 10 business dates prior to the maturity
Conversion price	Any conversion of the total MCB would represent 29.9% of the total share capital of Aoyuan immediately after conversion, being cHKD0.66 per share based on c0.56x of the last traded price of HKD1.18 per share
Put option	At par within 30 days if Aoyuan issues shares representing 10% or more of the fully diluted issued shares capital to a third party strategic investor and that would invest in Aoyuan but not use the call option to obtained the shares in the company within 12 months from the RED
Call option	Any third party strategic investor to be granted to redeem the entire outstanding amount of the MCB at par within 12 months from RED

(5) New perpetual securities of USD1.6bn

Maturity	Perpetual
Interest	Year 1-8: No interest Year 9-10: 1% in cash Year 11-12: 2% in cash Year 13-14: 3% in cash Year 15-16: 5% in cash Year 17-18: 7% in cash Year 19-21: 9% in cash Year 22 and onwards: increase by 3% per year
Interest deferral	Cash interest shall be automatically toggled to PIK if the company choose to defer the interest payment

Consent fee 0.25% in cash payable on RED, and a pro rata share of an aggregate principal amount of USD100mn of new notes to be issued on RED

Approval threshold at least 75% of the scheme creditors who are present and voting at the scheme meeting

Reference date 30 Sep'23

Longstop date 15 Dec'23

Source: Company filling.

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

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

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

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

➤ **News and market color**

- Regarding onshore primary issuances, there were 57 credit bonds issued last Friday with an amount of RMB47bn. In Jun'23, 1,978 credit bonds were issued with a total amount of RMB1,691bn raised, representing a 7.5% yoy increase
- Macau gaming revenue in Jun'23 rose 513.9% yoy to MOP15.21bn; Total gaming revenue in 1H23 rose 205.1% yoy to MOP80.14bn
- **[EHOUSE]** E-House (China) Enterprise receives support from c70.91% of scheme creditors for irrevocable restructuring
- **[EVERRE]** Media reported that China Evergrande plans to sell stake in insurance unit Evergrande Life Assurance to state-backed company
- **[FUTLAN/FTLNHD]** Media reported that Seazen Holdings expects to get formal guarantee letter for planned RMB1.5-2bn CBICL-backed bonds in 2-3 weeks
- **[GOME]** Gome Retail failed to redeem USD100mn 5% CBs due 30 Jun'23
- **[JINKE]** Jinke Property signed framework agreement with prospective investor China Great Wall AMC unit on restructuring
- **[MGMCHI]** MGM China amended certain terms of original HKD12.1bn unsecured revolving credit facility including extending maturity for 2 years
- **[MOLAND]** Modern Land (China) announced payment of interests for five senior notes due 2023 – 2027; Expects to publish FY22 result in Aug'23
- **[PWRLNG]** Powerlong Real Estate received large amount of tenders in relation to exchange offer
- **[SHIMAO]** Shimao chairman's Mason Group delays scheme document on HKD 0.0338 per share privatization offer to 7 Sep
- **[SUNKWP]** Sunkwan Properties Group to appoint Prism Hong Kong and Shanghai as new auditor following resignation of EY
- **[TPHL]** Times China announced that it is negotiating with creditors to reach holistic management of five offshore debts

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