

## CMBI Credit Commentary

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

- *Chinese HY property space continued the rebound this morning. Outperformers include TPHL (+6-9pts), KWGPRO (+4-7pts) and PWRLNG (+3-4pts). High-quality names such as CIFIHG/COGARD stabilized with price broadly unchanged to 0.5pt higher.*
- **Chinese properties:** *Another 4 developers announced the delay of publication of audited FY21 results overnight, namely Agile, Dexin, Logan and Fantasia. So far, 20 developers announced different types of accounting issues. See below.*
- **CARINC:** *Lackluster 2021 result. We deem CARINC '22 will be money good but downgrade CARINC '24 to Hold on operating challenge and lower financial flexibility. See below.*

#### ❖ Trading desk comments 交易台市场观点

Yesterday, Chinese HY space continued the strong rebounding trend since Monday. We saw strong market buying in high quality names. Outperformers include FUTLAN (+7-13pts), FTLNHD (+3-10pts), CIFIHG (+5-7pts), and COGARD (+3-4pts). REDSUN Apr'22 rose from 40 to 88, and LVGEM up 6pt to mid-50s. Other property names such as KWGPRO/TPHL was traded up 3-4pts and CENCHI up 2-3pts.

Chinese IG space also performed well amid positive market sentiment. In TMT sector, MEITUA/XIAOMI/TENCNT were traded firmer and tightened 5-10bps. In SOE sector, short-end spread of benchmark names generally tightened 3-5bps. Financial sector continued to rebound with HRINTH rose around 2pts. AT1 names broadly up 0.25pt.

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### ➤ Yesterday's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
REDSUN 9.95 04/11/22	86.9	44.2	YUZHOU 6 01/25/22	12.9	-11.7
FUTLAN 6 08/12/24	60.1	15.4	YANGOG 12 1/2 02/20/22	7.0	-2.2
FUTLAN 4.45 07/13/25	50.5	13.9	CSCHCN 11.95 02/09/23	68.9	-1.9
FUTLAN 6.15 04/15/23	61.0	10.8	THHTGP 11 1/4 09/11/20	14.8	-1.7
FTLNHD 6.8 08/05/23	56.7	10.0	THHTGP 7 7/8 01/17/21	14.8	-1.7

### ❖ Macro News Recap 宏观新闻回顾

**Macro** – U.S. stock market ended higher on Tuesday, while oil prices pulled back and Treasury yields retreated sharply, as global markets focused on the first face-to-face peace talks between Russia and Ukraine in more than three weeks. The S&P (+1.23%), Dow (+0.97%), Nasdaq (+1.84%) closed higher. Demand concerns linked to the ongoing lockdown in Shanghai and China's broader struggle to control its Covid outbreak, as well as Russia's comments on scaling back military activity, sent WTI crude futures for May delivery down 90 cents to USD 105.06 per barrel. Treasury yield dropped sharply, with 1/5/10/30Yr yield reaching 1.67%/2.49%/2.41%/2.53%.

### ❖ Desk analyst comments 分析员市场观点

#### ➤ Chinese properties: Another stock-take on accounting issues

Overnight, there were another 4 developers announced the delay of publication of audited FY21 results, namely Agile, Dexin, Logan and Fantasia.

Agile will delay the publication of audited FY21 results to on or before 15 May'22 and will release unaudited FY21 results on 31 Mar'22. Dexin announced the delay in publication of audited FY21 results but will release the unaudited FY21 results on 30 Mar'22. Both Agile and Dexin are audited by PWC.

In addition, Logan will delay the publication of audited FY results to on or before 30 Apr'22 and will release the unaudited FY results on 31 Mar'22. Fantasia, on the other hand, announced the delay of publication of audited FY21 results and will not publish unaudited FY21 results. Fantasia will face shares trading suspension starting from 1 Apr'22.

So far, 20 developers announced different types of accounting issues such as the changes of auditors and/or delay in publication of audited FY21 results, 10 of them were originally audited by PWC. As we pointed out in our comments: [HPDLF - Another big 4 is expected to be appointed soon](#) on 28 Jan'22, auditors will put Chinese property developers under microscope for review as auditors themselves are under scrutiny by regulatory watchdogs. Recalled that Financial Reporting Council of Hong Kong announced its enquiries and investigation into the audit of Evergrande accounts by PWC in Oct'21. Please see our comments on Hopson for a list of Chinese property developers audited by PWC.

Date	Developers	Accounting issues	Original auditor
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26 Jan'22	Aoyuan	Replaced Deloitte with Shinewing. Board meeting on 21 Mar'22. On 25 Mar'22, announced possible delay in publication of FY21 results. To face shares trading suspension	Deloitte
27 Jan'22	Hopson	Replaced PWC with E&Y. Expected audited FY21 results to be released on 31 Mar'22.	PWC
25 Feb'22	Yuzhou	Replaced E&Y with UniTax. Board meeting on FY21 results on 31 Mar'22.	E&Y
18 Mar'22	Sinic	Delay in publication of audited FY21 results. No indication on the publication of unaudited FY21 results. Trading halt since 20 Sep'21 because of the overdue onshore payment of RMB38.7mn.	E&Y
21 Mar'22	Evergrande	Delay in publication of audited FY21 results. No indication on the publication of unaudited FY21 results. Current shares trading suspension should be related to the account irregularities and delay in publications of FY21 results.	PWC
21 Mar'22	Ronshine	Replaced PWC with Elite Partners. Delay in publication of audited FY21 results and unaudited results to be released on 31 Mar'22.	PWC
21 Mar'22	Shimao	Delay in publication of audited FY21 results to on or before 30 Apr'22. Unaudited FY21 results to be released on 31 Mar'22. On 25 Mar,22, replaced PWC with Zhonghui Anda and issued profit warning.	PWC
21 Mar'22	Sunac	Delay in publication of audited FY21 results and unaudited results to be released on 31 Mar'22. On 28 Mar'22, announced unable to release unaudited FY21 results. To face shares trading suspension.	PWC
21 Mar'22	Shinsun	Delay in publication of audited FY21 results and unaudited results to be released on 30 Mar'22.	E&Y
22 Mar'22	Kaisa	Delay in publication of audited FY21 results. No indication on the publication of unaudited FY21 results. Lengthy share trading suspension expected.	Grant Thornton
22 Mar'22	JY Grandmark	Delay in publication of audited FY21 results and unaudited results to be released on 31 Mar'22.	PWC
24 Mar'22	Powerlong	Replaced PWC with Elite Partners. Delay in publication of audited FY21 results to on or before 15 May'22. Unaudited results to be released on 29 Mar'22.	PWC
24 Mar'22	Mingfa	Delay in publication of audited FY21 results and unaudited results to be released on 31 Mar'22.	BDO
24 Mar'22	Greenland HK	Delay in publication of audited FY21 results and unaudited results to be released on 29 Mar'22.	Deloitte

24 Mar'22	Sansheng	Delay in publication of audited FY21 results and unaudited results to be released on 31 Mar'22.	KPMG
25 Mar'22	GZRF	Delay the publication of audited FY21 results to no later than 30 Apr'22. Unaudited results to be released on 31 Mar'22.	PWC
29 Mar'22	Agile	Delay the publication of audited FY21 results to on or before 15 May'22. Unaudited results to be released on 31 Mar'22.	PWC
29 Mar'22	Dexin	Delay in publication of audited FY21 results and unaudited results to be released on 30 Mar'22.	PWC
29 Mar'22	Logan	Delay the publication of audited FY21 results to on or before 30 Apr'22. Unaudited results to be released on 31 Mar'22.	E&Y
29 Mar'22	Fantasia	Delay in publication of audited FY21 results. Unaudited results will not be published on 31 Mar'22. To face shares trading suspension.	Deloitte

➤ **CARINC '22 will be money good, Downgrade CARINC'24 to Hold**

**Lackluster 2021 results**

In 2021, CARINC's total revenue fell -10%yoy to RMB 5,539mn due to lower used car sales, EBITDA down 1%yoy to RMB 1,818mn. By segment, car rental revenue was unchanged, as its utilization increase (+14ppt to 68.1%) offset -17.3%yoy reduction in average fleet. ADRR (Average daily rental rate) remained unchanged at RMB 181, and RevPAC improved to RMB 123 on higher utilization. Total debt RMB 4,941mn vs cash RMB1,601mn, as such Debt/EBITDA modestly lowered to 2.7x (2020: 3.6x)

**CARINC '22 will be money good, but CARINC '24 will likely underperform**

CARINC will repay its May 2022 USD Notes (O/S USD 179.35mn) with internal resources. Post repayment, management expects its cash level will lower to c. RMB 500mn to service daily operation. However, there was limited traction to improve its bank borrowing channel in 2021, that its bank & other loan amount lowered to RMB 446mn by Dec' 2021, from RMB 871mn as of Dec 2020. We believe the company's lower cash reserve and slow progress in resuming its banking relationship will reduce its financial flexibility. It remains reliant on offshore bond market to refinance its CARINC 9.75 2024 notes. (Capital structure as of Dec' 2021, Bank and other loan RMB 446mn; USD notes: RMB 3,344mn and CB: RMB 1,152mn)

**Downgrade CARINC '24 to Hold on operating challenge**

Covid resurgence will pressure the company's operating performance in 1H22. CAR Inc. also has a target to dispose 37k units of Borgward cars. (37% of its car fleet size) The company has entered into a definitive agreement with an independent reputable third party to dispose certain number of Borgward used vehicles. We downgrade CARINC '24 (YTM~15.7%, 90 mid) to Hold and we will monitor the Borgward used car disposal progress.

➤ **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)
MISC	USD	-	3	T+160	Baa2/BBB+/-
MISC	USD	-	5	T+180	Baa2/BBB+/-

➤ **Market conditions and color**

- Regarding onshore primary issuances, there were 61 credit bonds issued yesterday with an amount of RMB72bn. As for Month-to-date, 1759 credit bonds were issued with a total amount of RMB1740bn raised, representing a 18.1% yoy decrease.
- **[BUMIJ]** announces result of non-preemptive private placement of 6.86bn new shares for IDR 548.9bn
- **[CIFIHG]** controlling shareholders increase stake to 55.52%, for about HKD 5mn
- **[SUNSHI]** directors sell 17.105mn shares, ~0.41% stake of the company; minority shareholder Taikang Life Insurance sells 2.12% stake

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