

CMBI Credit Commentary

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

- *Recent New Issue GRWALL '25 stabilized at T3+220bp, (Px:97.5) while long-end '31 and Perp continued to see weakness.*
- ***BEDUUS:** Upgrade to Buy at 93.8, as controlling shareholder's privatization offer reflects willingness to pay. See below.*
- ***GRNLGR:** FY2021 significantly deleveraged through CFO and cash on hand. Yet Greenland's contract sales fell -56%yoy in Jan – Apr '2022, we prefer short-end GRNLGR 7.974 08/22 and GRNLGR 5.75 09/22 with prospect of liquidity support from Shanghai government.*

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❖ Trading desk comments 交易台市场观点

Yesterday, Chinese HY property space was stable amid low trading flows since markets were closed in much of Asia. COGARD curve slightly went down by 1-2pts, and rest of the market remained quiet with little price movements.

Chinese IG market was quiet. In TMT sector, BABA spread widening narrowed to 4-5bps from as much as 25bps wider earlier after it became clear that the person in the province named Ma who was reportedly under "compulsory curbs" was not founder Jack Ma. In financial sector, GRWALL widened around 60bps after the company announced on Friday (29 Apr) that it was unable to publish its audited 2021 annual report.

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➤ **Yesterday's Top Movers**

Top Performers	Price	Change	Top Underperformers	Price	Change
ZENENT 12 1/2 09/13/22	63.3	4.9	GRWALL 3 7/8 08/31/27	92.7	-3.3
LOGPH 4.7 07/06/26	27.6	2.3	GRWALL 3.95 PERP	95.7	-2.1
RONXIN 8.95 01/22/23	29.9	2.2	FRESHK 5.6 PERP	93.8	-1.5
CQLGST 4.3 09/26/24	95.0	2.2	HAOHUA 4 3/4 06/19/49	90.9	-1.4
XINHUZ 11 09/28/24	100.5	2.0	COGARD 5 5/8 01/14/30	62.7	-1.4

❖ **Macro News Recap 宏观新闻回顾**

Macro – U.S. stock market ended higher yesterday ahead of the Federal Reserve's policy decision later on Wednesday. The S&P (+0.48%), Nasdaq (+0.22%), and Dow (+0.20%) all slightly advanced. Slowing factory activity readings from major economies and COVID situation in China continued to push oil prices lower, even amid accelerated talk of a ban on Russian exports by European lawmakers. Treasury yield curve flattened with shorter-end rose and longer-end retreated, with the 1/5/10/30 yield reaching 2.16/3.01/2.97/3.03% respectively.

❖ **Desk analyst comments 分析员市场观点**

- **BEDUUS: Upgrade to Buy at 93.8, controlling shareholder's privatization offer reflects willingness to pay.**

Bright Scholar received a preliminary non-binding proposal letter on April 29, 2022 from its Chairperson of the Board, Ms. Huiyan Yang (who is also the controlling shareholder of Country Garden), and Ms. Meirong Yang (collectively, the "Buyer Group") to acquire all of the outstanding Class A ordinary shares and Class B ordinary shares of the Company at a purchase price of USD 0.83 per share, subject to certain conditions. The Buyer Group, currently owns around 78.06% of all issued shares of Bright Scholar, and so the privatization proposal will cost it approximately USD 16mn. While this is a relatively small sum to Ms. Huiyan Yang, we argue the privatization proposal reflects Ms. Huiyan Yang's intention to maintain Bright Scholar as a going-concern business despite regulatory challenge, and will repay BEDUUS 7.45 7/2022 (O/S USD 232mn) when it comes due in July 2022.

Bright Scholar had cash on hand of RMB 845mn and restricted cash of CNY669 million as of Aug 2021. It also had short-term investments of RMB 2bn already settled as cash, according to Fitch in Dec. 2021. This is sufficient to cover its short-term debt of RMB 754mn USD notes of USD 232mn (RMB 1.5bn).

<https://www.cmbi.com/article/6734.html?lang=en>

- **GRNLGR: Prefer short-end**

Greenland's contract sales fell -56%yoy in Jan – Apr '2022, this renders its FY2021 results release a non-event. Its contract sales will remain weak, amid ongoing lockdown in China. Nonetheless, we believe liquidity support from Shanghai government is forthcoming, taking cue from the government's RMB 3bn equity injection into operating projects of Greenland in Dec' 2021. We prefer short-end GRNLGR 7.974 08/22 at 89 and GRNLGR 5.75 09/22 at 86.

Deleverage through operating cash inflow and cash on hand

In FY2021, Greenland reduced its total debt significantly by RMB 80bn to RMB 235bn in FY2021. The debt reduction was mainly funded with its operating cash flow (RMB 62bn in 2021) including RMB 40bn inflow from working capital change. We deem Greenland's prior acquisition of local SOE construction companies enables it to demand better payable credit terms, i.e its account payables balance increased by RMB 82bn to RMB 384bn, while payables day increased to 292, from 283 in 2020. In 1Q2022, Greenland continued to pay down debt with cash. Total debt fell RMB 10.5bn to RMB 224.7bn, while cash also lowered by RMB 17bn to RMB 65.7bn during first quarter. Net debt also significantly lowered by RMB 60bn to RMB 152bn in FYE2021, before picking up slightly to RMB 158bn by Mar'2022.

Orange camp under 3 red-line

Partly driven by debt repayments with cash on hand, Greenland's unrestricted cash balance fell from RMB 86bn (FYE 2020) to RMB 61.6bn (FYE 2021), and further down to RMB 49bn by Mar '2022. Hence, its unrestricted cash/ST debt ratio worsened to 0.53x and 0.59x by Mar '2022 and FYE2021, from 0.8x at FYE2020. That said, Greenland's net gearing ratio materially improved to 93% by FYE2021, from 137% at FYE2020. Adj. liabilities-to-assets ratio marginally improved to 83.7% in FYE2021, from 84.1% in FYE2020.

<https://www.cmbi.com/article/6733.html?lang=en>

➤ JIAYUA: Anchor investor effectively rolled USD 84mn due 2 May'22 notes by 6 months

As stated in our daily on April 28th, Jiayuan bought back USD96mn of JIAYUA 11.375% due 2 May'22 and repaid the remaining USD7mn. Among USD96mn buy-back by Jiayuan, Asia Standard announced yesterday that it disposed USD84.75mn 11.375% notes and subscribed to the same amount of new 11.375% JIAYUA notes due 29 Oct 2022 (effectively roll this due –May bond for approximately 6 months).

It implied Jiayuan used a net cash outflow of USD 18.25mn to meet the due May'22 notes (O/S USD 103mn), and will face offshore bond maturity of USD 84.75mn due 29 Oct, 2022 and USD 200mn due 30 Oct, 2022. [Please refer to our note on 20 April on Jiayuan](#). 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 believe that current valuations, especially those of the longer-dated JIAYUAs, priced in excessive risk of a "distressed exchange".

➤ 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					

➤ Market conditions and color

- **[CAPG]** China Aoyuan-owned Aoyuan Healthy Life to establish independent investigation committee to assess fund flows matters between Aoyuan Healthy Life and China Aoyuan Group
- **[SJMHO]** extends maturity of syndicated banking facilities with HKD13.3bn outstanding amount until 28 February 2023

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