

CMBI Credit Commentary

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

- *Markets were strong this morning. Asian IG space tightened 2-7bps. High-beta TMTs MEITUA/WB/LENOVO were 5-7bps tighter. HAOHUA/front-end CCAMCL were 3-5bps tighter. High-yielding insurance names ZHONAN/GRPCIN were sought after by onshore buyers. PINGREs rose 1.8-5pts post securing RMB8bn credit line from Ping An Bank.*
- **YUZHOU:** *RSA means hair-cut and debt-to-equity swap or longer maturity extension. See below.*
- **EHICAR:** *Media reported that eHi Car is planning US IPO in this year and targeting new funds of cUSD300mn. EHICAR'24 and '26 moved 1.6pts and 3.2pts higher post the news. We maintain buy on EHICARs. See our comments in [Asia credit outlook 2024](#).*

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❖ Trading desk comments 交易台市场观点

Yesterday, Asia IG space had a quiet session as US was out for President's day and closed unchanged to 2bps tighter. KR space was under better buying. DAASEC 27-29s/DFHOLD '26 tightened 1-2bps. Front-end Chinese SOE/TMT benchmarks such as BABA/CNOOC/CNCG 24s were better bid. HAOHUA 25-30s were 2bps tighter. In Chinese AT1s, we saw some demand in CHOHIN as PBs offloaded the weaker name such as CHIYBK. CHOHIN Perps were unchanged to 0.2pt higher, while CHIYBK 8 Perp was 0.2pt lower. In EU AT1s, HSBC 8 Perp/UBS 7.75 Perp were up 0.1pt. In HK Corp space, NWDEV/L/FWDGHD Perps were 0.6-1.1pts higher. SHUION 24-25s were up 0.3-0.7pt whereas HYSAN '35/CPREIT '30 were down 0.8pt. Chinese properties were firm. PINGRE 24/26 were 1.4-2.1pts higher. ROADKG 25-26s and CSCHCN 24s were up 0.6-1.2pts. DALWAN 25-26s were up 0.4-0.5pt. CHIOLIs were among the exceptions to close 0.3-0.8pt lower. Industrials were mixed. EHICAR 24/26 were 1.7-2.9pts higher post report on potential IPO. WESCHI '26 was 1.5pts higher whilst ANTOIL '25 was 0.5pt lower. Macau gaming names were muted. In Indian space, AZUPOE 24/26 were unchanged to 0.2pt higher after moving 0.4pt higher last Friday post the announcement of tender offer. VEDLNs/ADSEZs were unchanged to 0.3pt higher. Indonesian names MDLNIJ '25/KIJAIJ '27 were 0.6-0.9pt lower. Elsewhere, GLPCHI '26 was up another 3.3pts after gaining 2.8pts last Friday. GLPSP '25 was up 1.3pts, and GLPSP Perps were up 5.9-6.1pts. Media reported that GLP China would fully redeem GLPCHI 4.974 02/26/24 due on 26 February.

In the LGFVs/perps/high beta spaces, the high-yielding names such as SUNSHG/ZHONAN/CWAHK 26s were better bid and closed unchanged to 0.4pt higher. On the other hand, the low-yielding LGFVs were better offered by dealers at around 5.7% for the 1-3yr papers. HZCONI '25/GZINFU '26/SYSTIO '26 were 0.1-0.2pt lower. In Shandong names, SHUGRP '24/HKIQCL '25 were down 0.1pt. SOE perps were mixed. CHSCOI 4 Perp/HUADIA 3.375 Perp were up 0.1-0.2pt, whilst CHPWCN 3.55 Perp/RLCONS 3.97 Perp were down 0.1pt. CPDEV Perp was 0.6pt higher.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
GLPSP 4.6 PERP	47.0	6.1	MDLNIJ 5 06/30/25	33.7	-0.9
GLPSP 4 1/2 PERP	47.1	5.9	CHIOLI 6 3/8 10/29/43	95.3	-0.8
GLPCHI 2.95 03/29/26	78.5	3.3	TAISEM 1 3/8 09/28/30	79.6	-0.8
EHICAR 7 09/21/26	81.8	2.9	CPREIT 2.95 06/15/30	81.8	-0.8
PINGRE 2 3/4 07/29/24	96.1	2.1	HYSAN 3.55 06/16/35	76.8	-0.8

❖ Marco News Recap 宏观新闻回顾

Macro – US stock markets closed on Monday. PBOC maintained 1yr LPR unchanged at 3.45% and cut 5yr LPR 25bps to 3.95% from 4.20%, compared with the expectation of 10bps cut in 5yr LPR. UST yields were unchanged yesterday, 2/5/10/30 yield stayed at 4.64%/4.29%/4.30%/4.45%.

❖ Desk analyst comments 分析员市场观点

➤ YUZHOU: RSA means hair-cut and debt-to-equity swap or longer maturity extension

Yuzhou Group announced the RSA for its cUSD6.5bn offshore debts on 8 Feb'24. See Table 1 for the summary of key terms. According to the RSA, the company divided its cUSD6.5bn offshore debts into 2 classes: 1). Class A for 15 offshore public senior notes totaled USD5,470mn. 2). Class B for Perp, private exchange notes and due-2021 USD notes totaled USD1,057mn. Creditors are offered 3 options and they can choose one or a combination of the three options (see Table 2).

For Option 1, this is effectively to exchange existing claims into new 3-yr STNs with 70% and 90% haircut and small upfront cash payments of 1.9pts and 0.1pt for Class A and B, respectively. The caps of Option 1 for Class A/B claims are USD356.5/18.76mn, equivalent to c23% and c19% of the total claims, respectively. The coupon of STNs will be 6% p.a. in cash. If Option 1 was oversubscribed, the creditors shall receive considerations on a pro-rata basis and their unallocated claims shall be re-assigned to Option 2.

For Option 2, Class A/B creditors will exchange 72%/36% of their claims into new 4-7-yr MTNs and remaining 28%/64% into new Yuzhou shares. The coupon of MTNs will be 4-5.5% p.a. with PIK option for the first 3 years. Option 2 is effectively a partial debt-to-equity swap. A higher proportion of the claims of perps and PPs will be converted into new shares. Creditors will have an aggregate shareholding of 36.6%-40.1% of Yuzhou post restructuring.

For Option 3, claims will be converted into 10-yr LTNs with no principal haircut. The coupon of LTNs will be 1% and could be in PIK at Yuzhou's selection.

There will be no cap on Option 2 and Option 3 and creditors who select the two options shall receive consideration in accordance with their selection. Creditors do not make any election shall be automatically assigned to Option 3.

The RSA fee of the scheme is 0.2%/0.1% of the aggregate principal amount of creditor's existing notes provided that they accede to the RSA before 7 Mar'24/21 Mar'24. The approval threshold of the scheme will be a simple majority in number who represent at least 75% by value of existing notes in the scheme meeting. The longstop date of the restructuring plan is 31 Dec'24. As of 8 Feb'24, AHG representing c30% of the aggregate outstanding principal amount of the existing public notes (Class A) has acceded the RSA.

Table 1: Key terms of the RSA

Class A Notes (Existing Public Notes)				
Name	ISIN	Issue amount (USD mn)	o/s amount (USD mn)	Ask Price
YUZHOU 6 10/25/23	XS1508493498	650	650	7.4
YUZHOU 7 13/16 01/21/23	XS2429784809	528	528	7.5
YUZHOU 8 ½ 02/04/23	XS1945941786	500	500	7.2
YUZHOU 8 ½ 02/26/24	XS1954963580	500	500	8.0
YUZHOU 7.7 02/20/25	XS2121187962	400	400	7.9
YUZHOU 7 ¾ 01/13/26	XS2100653778	645	637	7.7
YUZHOU 8.3 05/27/25	XS2085045503	500	486	7.6
YUZHOU 6.35 01/13/27	XS2277549155	562	557	7.8
YUZHOU 8 ¾ 10/30/24	XS2073593274	500	497	7.7
YUZHOU 7.85 08/12/26	XS2215399317	300	295	7.9
YUZHOU 9.95 06/08/23	XS2379568004	200	179	8.0
YUZHOU 8 ½ 09/22/22	XS2388913290	120	115	8.1
YUZHOU 8 ¾ 01/23/22	XS1938265474	500	14	8.0
YUZHOU 6 01/25/22	XS1555300497	350	12	8.0
YUZHOU 12 2022	XS2361260131	100	100	-
		6,355	5,470	
Class B Notes (Additional Existing Debt Instruments)				
YUZHOU 5 ¾ PERP	XS1692346395	300	300	3.3
	XS2313466604	267	229	-
Private Exchange Notes	XS2356029384	250	250	-
	XS2380443833	150	150	-
	XS2473580137	38	38	-
USD100mn 6.0% Notes due 2021	N/A	100	90	-
		1,105	1,057	

RSA Fee: Early-bird/General RSA Fee - 0.2%/0.1% of the principal amount of the Existing Notes

RSA Fee Deadline: Early - 7 Mar'24, General - 21 Mar'24

Required Approvals: Simple majority in number of Scheme Creditors who represent at least 75% by value of existing notes

Reference Date: 30 Jun'24

Longstop Date: 31 Dec'24

Source: Company fillings.

Table 2: Options for Class A and B creditors

		Cash Payment	STN	MTN	LTN	New Equity	Accrued Interest
	Option 1	Pro-rata proportion of USD23.5mn	USD100 principal exchanged into STN with USD30 face value less cash payment	-	-	-	Waived
Class A	Option 2	-	-	USD100 principal exchanged into USD72 MTN	-	USD100 principal exchanged into USD28 New Equity	50% waived 50% to LTN
	Option 3	-	-	-	USD100 principal exchanged into USD100 LTN	-	Waived
	Option 1	Pro-rata proportion of USD1.24mn	USD100 principal exchanged into STN with USD10 face value less cash payment	-	-	-	Waived
Class B	Option 2	-	-	USD100 principal exchanged into USD36 MTN	-	USD100 principal exchanged into USD64 New Equity	50% waived 50% to LTN
	Option 3	-	-	-	USD100 principal exchanged into USD100 LTN	-	Waived

Source: Company fillings.

Table 3: Key terms of New notes

Notes	STN	MTN	LTN
Issue Cap (USD mn)	Class A: 356.5 Class B: 18.76	Tranche A/B/C: 378/655/870 Tranche D: MTN face value less Tranche A, B and C	Depends on Scheme Creditors' option
Maturity	30 Jun'27	Tranche A: 30 Jun'28 Tranche B: 30 Jun'29 Tranche C: 30 Jun'30 Tranche D: 30 Jun'31	30 Jun'34
Coupon	6.0%	Tranche A: 4.0% Tranche B: 4.5% Tranche C: 5.0% Tranche D: 5.5% -PIK or in cash at company's election before 30 Jun'27	1.0%
Interest Payment	Semi-annually in cash	-Interest to be paid in cash for MTN Tranche A when STN is fully redeemed -All interest in cash from 30 Jun'28	-PIK or in cash at company's election
Mandatory Redemption	In % of principal amount on cumulative basis: -5.33% on 31 Dec'25 -10.66% on 30 Jun'26 -15.99% on 31 Dec'26	N.A.	N.A.
Cash Sweep	1 st priority over cash sweep on 70% of Specified Asset Sale and WFOE Project Companies Proceeds -Corporate guarantees from 42 Subsidiaries	2 nd priority over cash sweep on 70% of Specified Asset Sale and WFOE Project Companies Proceeds -Corporate guarantees from 42 Subsidiaries	N.A.
Guarantee and Security	-Common Security Package -1 st ranking security over Credit Enhancement Package, Allocation Account and 10% shares held by Lam Lung On and Kwok Ying Lan	-Common Security Package -2 nd ranking security over Credit Enhancement Package, Allocation Account	-Corporate guarantees from 42 Subsidiary -Common Security Package

Notes: 1). Specified Assets comprise 33 assets of the Company (primarily investment properties in the PRC); WFOE Project Companies comprises 5 project companies in the PRC.

- 2). Common Security Package entails the existing security packages of the Existing Public Notes (share pledges of 42 Subsidiary Guarantors) and will be shared on a paripassu basis among STN, MTN and LTN.
- 3). Credit Enhancement package comprises share pledges of 16 PRC companies.
- 4). Allocation Account is the designated account for the purpose of the cash sweep.
- Source: Company filings.

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	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)
Mizuho Financial Group Inc	USD	-	6.25NC5.25/ 11.25NC10.25	T+145/165	A1/A-/-
Korea Housing Finance Corp	USD	-	3.5yr	T+90	Aa2/AA/-
Westpac New Zealand Ltd	USD	-	3/5yr	T+100/120	A1/AA-/-
Del Monte Philippines	USD	-	Perp	-	

➤ News and market color

- Regarding onshore primary issuances, there were 8 credit bonds issued yesterday with an amount of RMB9bn. As for month-to-date, 378 credit bonds were issued with a total amount of RMB402bn raised, representing a 40.3% yoy decrease
- China's Hainan province cut down-payment of first-time homebuyers to 20% from 25%
- [EHICAR]** Media reported that eHi Car is planning US IPO in this year and targeting new funds of cUSD300mn
- [JD]** Media reported that JD.com is mulling acquisition of UK electronics retailer Currys
- [MAPLEA]** China Maple Leaf Educational Systems fully redeemed USD125mn 2.25% CBs due 2026
- [PINGRE]** Ping An Real Estate secured additional RMB8bn one-year credit line from Ping An Bank

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