

CMBI Credit Commentary

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

- *China HY and IG space slightly stabilized this morning from volatility earlier this week. TPHL/CHINSC up 1-2pts while AGILE/COGARD up around 0.5pt. ZHPRHK further down 0.5pt with flattish curve. HAIDIL widened around 20bps.*
- *JINGRU: announced the exchange for JINGRU 12.75%'22 and consent solicitation for the other 5 USD bonds. The exchange is to extend maturity for 1.5yr to Sep'23 with two options while the consent solicitation is to carve out the cross-default terms. See below.*
- *CARINC: Management is preparing to repay CARINC 8.875 '22 by internal resources, CARINC '22 will be money good, reiterate OW as short term pick. See below.*

❖ Trading desk comments 交易台市场观点

Yesterday, China HY property sector traded relatively unchanged with recovering sentiment. Names like AGILE/TPHL/SHIMAO/CHINSC saw buying interests and up 0.5-2pts. ZHPRHK curve continued to trade another 2-5pts down to 10-13pts post announcement on exchange offer and consent solicitation. Other property names such as SUNAC/GZRFPR underperformed and down 0.5-1pt.

IG market sentiment remained weak with escalating Ukraine crisis and regulations on TMT sector, benchmark spread widened 3-5bps for the day. TMT names including BABA/TENCNT continued to see better selling and widened another 10bps. In SOE sector, names like HAOHUA traded down for the day. In addition, AMC names like CCAMCL/HRINTH underperformed and spread widened 5-10bps for the day.

Glenn Ko, CFA 高志和
(852) 3657 6235
glennko@cmbi.com.hk

Polly Ng 吴宝玲
(852) 3657 6234
pollyng@cmbi.com.hk

James Wen 温展俊
(852) 3757 6291
jameswen@cmbi.com.hk

CMBI Fixed Income
fis@cmbi.com.hk

➤ Yesterday's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
TPHL 5 3/4 04/26/22	75.8	3.3	JINGRU 12 1/2 10/26/23	23.0	-8.0
TPHL 6 3/4 07/16/23	44.3	3.0	ZHPRHK 5.98 04/13/22	15.3	-5.3
CHIGRA 8 5/8 04/08/22	82.7	2.9	JINGRU 12 09/26/22	25.6	-5.1
REDSUN 9.95 04/11/22	63.6	2.7	JINGRU 12 01/28/24	21.5	-4.4
TPHL 6.6 03/02/23	45.3	2.7	ZHPRHK 6.7 08/04/26	11.2	-4.2

➤ Macro News Recap 宏观新闻回顾

Macro – U.S. stocks indexes further decline yesterday with concern over escalating Russia-Ukraine crisis. Political tensions became higher, as President Biden announced harsh new sanctions on Tuesday aiming at what he called “the beginning of a Russian invasion of Ukraine,” joining European leaders in imposing severe economic consequences on Russia over the crisis. The S&P (-1.01%), Nasdaq (-1.23%), and Dow (-1.42%) ended lower. The yield on the benchmark treasury came up except the 30-year treasury. The 1/5/10/30 yield increased 14/3/2/0bps to 1.17/ 1.85/ 1.94/ 2.24% respectively.

➤ Desk analyst comments 分析员市场观点

➤ JINGRU: Option B!

Jingrui Holdings launched an exchange offer for JINGRU 12.75%'22 (o/s USD190mn) due 11 Mar'22 and consent solicitation for the other 5 USD bonds due in 2022-2024. The exchange offer consist of two options: Option A is a “par to par” exchange to New Notes while holders who choose Option B will be repaid 5pts in cash, 1pt in incentive cash and exchange 95pts in principal amount into New Notes. The coupon rate of the new notes will be the same at 12.75% with maturity date on 4 Sep'23 (1.5yr maturity extension) and the minimum acceptance amount is USD171mn (90%). To us, the option B is clearly a better option is in line with the recent exchange offers of other industry peers. We understand option A will be mainly for some long-term partners and investors of Jingrui. We also believe that further liability management for the remaining maturities in 2022 is likely.

Summary of the exchange offer:

- **Coupon of New Notes:** 12.75% (same as the old notes)
- **Maturity of New Notes:** 4 Sep'23 (1.5 year from New Notes settlement date)
- **Minimum acceptance amount:** USD171mn (90% of outstanding old notes)
- **Deadline:** 1 Mar'22
- **Option A Consideration**
 - **New Notes:** 100pts in principal amount
 - Accrued interest
- **Option B Consideration**
 - **New Notes:** 95pts in principal amount
 - **Upfront repayment:** 5pts
 - **Incentive cash:** 1pt
 - Accrued interest

Concurrently, Jingrui announced consent solicitation for the other 5 USD bonds due in 2022-2024 (total o/s USD1.165bn) to carve out cross default terms triggered by default of JINGRU 12.75%'22. The requisite consents is 50% in principal amount for each JINGRUs and consent fee is 0.25pt.

Summary of the consent solicitation

- **Consent fee:** 0.25pt
- **Requisite consents:** 50%
- **Deadline:** 1 Mar'22

➤ **CARINC '22 will be money good, in our view**

As per our discussions with CAR Inc., it is preparing to repay its CARINC 8.875 '22 notes in May 2022 (USD 279.348mn, c. RMB 1.8bn) while it continues to monitor USD bond market. Car Inc has un-utilized NDREC quota of USD500mn to be expired in Jul'22.

The company's current cash balance is lowered to RMB 1.6bn, after its USD notes tender offer (USD 93mn, c. RMB 600mn) in Oct 2021. Management seeks to preserve operating cash and conduct some used car disposal in 1H2022, with a target to bring in RMB 800mn cash inflow prior to USD notes repayment in May 2022. We assess this budget as achievable, given its car rental business EBITDA is around RMB 400mn - 500mn per quarter, with reference its EBITDA of RMB 1,383mn in 9M2021. While as the company's other short-term loan (RMB 323mn) will be due in 2H2022.

We reiterate OW on CARINC '22. It is our short-term pick for carry.

➤ **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					

➤ **Onshore China conditions and color**

- Regarding onshore primary issuances, there were 99 credit bonds issued yesterday with an amount of RMB151bn. As for Month-to-date, 422 credit bonds were issued with a total amount of RMB591bn raised, representing a 3.6% yoy increase
- **[EVERRE]** withdraws from Dongguan residential project, and Everbright becomes new shareholder
- **[FTLNHD]** outlook revised to negative, and its Ba1 CFRs is affirmed, according to Moody's

- **[RONXIN]** completes cancellation of USD86.7mn of 10.5% senior notes due 2022; Ronshine was downgraded to 'B/Neg', according to Fitch
- **[SHIMAO]** Citic Trust has not reached an agreement with Shimao on the RMB 6bn trust repayment plan
- **[TSINGH]** to engage Admiralty Harbour as FA for restructuring USD2.45bn bonds
- **[YUZHOU]** to sell 85.64% of company owning properties in Tai Chiap Factory Building in HK for HKD305mn

CMB International Securities Limited

Fixed Income Department

Tel: 852 3761 8867/ 852 3657 6291

fis@cmbi.com.hk

CMB International Securities Limited ("CMBIS") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Author Certification

The author who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the author covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that author in this report.

Besides, the author confirms that neither the author nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIS does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIS recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIS, solely for the purpose of supplying information to the clients of CMBIS and/or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIS nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIS has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIS provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIS may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIS may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIS may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIS does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIS may have a conflict of interest that could affect the objectivity of this report and CMBIS will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIS.

Additional information on recommended securities is available upon request.

Disclaimer

CMBIS or its affiliate(s) have investment banking relationship with the issuers covered in this report in preceding 12 months.

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIS.

For recipients of this document in the United States

CMBIS is not a registered broker-dealer in the United States. As a result, CMBIS is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.