

CMBI Credit Commentary

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

- *China IG space further tumbled amid SOEs being asked to report their Alibaba and Ant Group exposure. TMT names like BABA/MEITUA widened 3-9bps while CCAMCL widened 5-7bps. We also see relaxation in Chinese property market such as lowering down payment ratio in Foshan and mortgage rate cut in Guangzhou, but didn't see much price movement in property space post relaxation news.*
- **ZHPRHK:** *announced the exchange for all ZHPRHK'22s and consent solicitation for the remaining public USD bonds. The exchange is to extend maturities of 22s to 6 Mar'23 while the consent solicitation is mainly to lower the change of control threshold to 30% and carve out the cross-default terms. See below.*
- **CHITRA:** *China Tourism Group proposed to issue USD700mn 5yr USD bond (A3/A-, all Stable) with IPG at T5+155bps. We see fair value for new CHITRA'27 at T5+105bps. See below.*

❖ Trading desk comments 交易台市场观点

Yesterday, China HY property space opened flat with weak sentiment. SUNAC curve underperformed and down 2-4pts post the headline of onshore commercial paper overdue. ZHPRHK were skewed to better selling and fell 2-8pts to 15pts post announcement of consent solicitation. Other property names like CIFIHG/COGARD/CHINSC/SHIMAO saw buying interests and slightly up for the day. In industrial sector, HONGQI short-term notes closed up slightly.

IG market remained weak with benchmark spread 1-3ps wider. In TMT sector, as Chinese regulators were screening Alibaba and Ant Group exposure, names such as BABA/TENCNT underperformed and widened 8-9bps. In financial sector, Tier 2 names including CCB/BOCOHK got lifted slightly 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
AGILE 6.7 03/07/22	94.9	3.2	REDPRO 8 04/13/22	54.9	-9.8
RONXIN 8.95 01/22/23	30.4	2.6	ZHPRHK 14.724 PERP	14.8	-9.3
RONXIN 10 1/2 03/01/22	93.8	2.5	ZHPRHK 5.98 04/13/22	20.6	-5.6
CHIOLI 6.45 06/11/34	125.9	1.8	SUNAC 6 1/2 01/26/26	52.9	-3.5
RONXIN 8 3/4 10/25/22	38.6	1.5	ZHPRHK 8.7 08/03/22	15.1	-3.5

➤ Macro News Recap 宏观新闻回顾

Macro – U.S. stock market closed for public holiday yesterday. However, tensions of Russia-Ukraine crisis were escalating. Russia would recognize the independence of Donetsk and Luhansk, territories in Ukraine controlled by Moscow-backed separatists, which could lead to one of the biggest conflicts in Europe since World War II.

➤ Desk analyst comments 分析员市场观点

➤ ZHPRHK: Exchange and consent solicitation

Further to the consent solicitation of ZHPRHK 10.25% perps, Zhenro announced the exchange for all ZHPRHK'22s and consent solicitation for the remaining public USD bonds. The exchange is to extend maturities of 22s to 6 Mar'23 while the consent solicitation is mainly to lower the change of control threshold to 30% from 45% and carve out defaults of ZHPRHK'22s to trigger the cross-default of other ZHPRHKs. Meanwhile, Zhenro proposes one-year extension for onshore ABS of RMB283.64mn due 17 Mar'22.

Key terms of exchange and consent solicitation for ZHPRHK'22s (consent and exchange are bundled):

- Par-par exchange into new notes due 6 Mar'23 with a coupon rate of 8% for all ZHPRHK'22s (USD and RMB)
- Consent fee: 1pt for early consent and 0.5 pt for consent
- Minimum acceptable level for the exchange: 85% for each of ZHPRHK'22. Exchange and consent will not be proceeded if acceptance levels of any ZHPRHK'22s below 85%
- Consent threshold: 50% of each of ZHPRHK'22s
- Early consent expiration date: 4 Mar'22
- Consent expiration: 11 Mar'22

Key terms of concurrent consent solicitation for other ZHPRHKs:

- Consent fee: 0.25pt for early consent and 0.1pt for consent
- Consent threshold: 50% of each of ZHPRHKs. The acceptance of consents for any ZHPRHKs is not dependent on the receipt of the requisite consents of any other ZHPRHKs
- Early consent expiration date: 4 Mar'22
- Consent expiration: 11 Mar'22

➤ **CHITRA: China Tourism Group New Issue**

CHITRA [A3/A-, all stable outlook by Moody's/S&P]

Issuer: Sunny Express Enterprises Corp.

Guarantor: China Tourism Group Corporation

Tenor: 5 year

Ranking: Senior unsecured

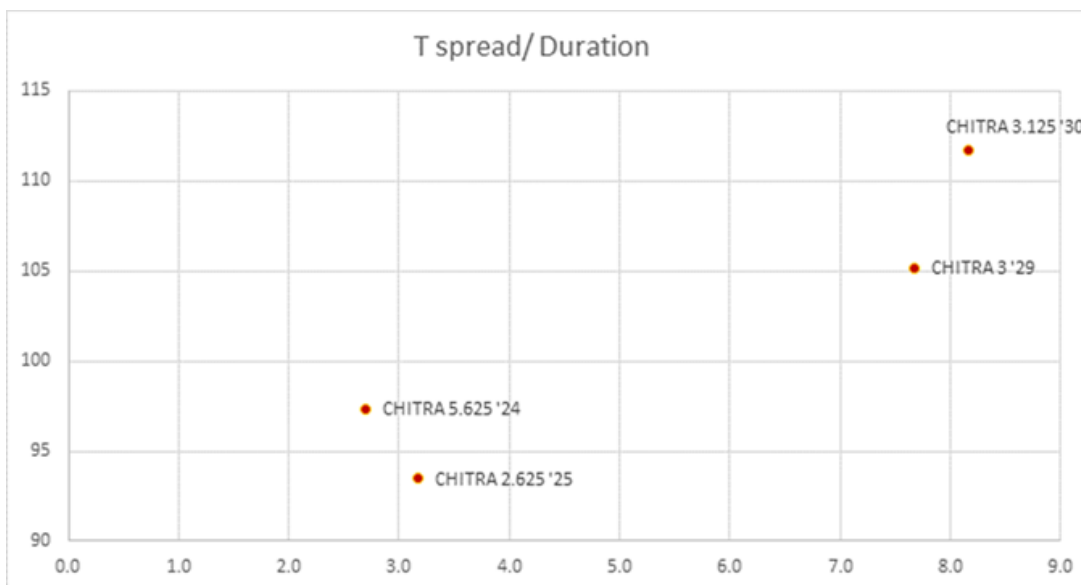
UOP: repay existing offshore debt/replenish working capital

Issuance size: USD 700mn, Reg S only

Fair value for new CHITRA '27 at T5 + 105bp

vs IPG +155bp. This is by extrapolating a mid-point between CHITRA '24 at T2+97bp, Z+89bp, 108px-mid and CHITRA '30 at T10+112bp, Z+133bp, 100.5px- mid. This new CHITRA has a large target issuance size of USD 700mn (vs its NDRC quota of USD 1bn), which will be deployed to repay CHITRA 3.5 '22 (USD 500mn) in Mar '22 and partly prefund its CHITRA 3.35 Perp (USD 300mn), callable in Oct '22 in our view. We see some technical demand from existing noteholders that can support the near-term performance of new issue.

Recent operating performance: China Tourism Group is 100% owned by Central SASAC. It is the largest duty-free retailer in China, with 92% market share in 2020. In 9M21, the Group's revenue/EBITDA rebounded strongly +29%yoy/+165%yoy to RMB 56.7bn/RMB 12.7bn, exceeding its 2019's pre-Covid level. This is on the back of its strong sales in both duty free stores in Hainan province and online, thanks to increased domestic tourist traffic in China and an enhanced quota for duty-free purchases.



➤ **YZHOU: Results of the re-launched exchange offer**

Yuzhou announced the result of its relaunched exchange offer for its two bonds due in Jan'22. 70.2% of outstanding bonds are validly tendered with only cUSD26.4mn bonds remained outstanding. As we discussed in [YUZHOU: Why exchange offer relaunched? dated 4 Feb'22](#) and [our daily](#), Yuzhou's priority is to avoid default which could be the stumbling block for the future funding access, introduction of investors and further exercises of asset liability management. Hence, we should expect company continue to clean up the outstanding bonds due in Jan'22 and cure the missed coupons in the near-term. Including coupons of YUZHOU 8.625%'22 and 6%'22, as well as those of 8.5%'23, 7.7%'25 and 7.85%'26, total coupon missed and to be cured is USD68.9mn. Regarding the remaining hold-outs, we expect Yuzhou to continue to engage with them and buy back bonds from open market to minimize the outstanding amount, so as to minimum the potential litigation risk.

➤ **GUORPO: Result of the exchange offer and consent solicitation**

Guorui Properties announced exchange offer and consent solicitation result for its GUOPRO 14.25%'24. USD315mn (c97.35%) of the bonds have been validly tendered for exchange. Including USD1.8mn of the bonds that holders have submitted consent-only instructions for consent solicitation, requisite consents are also obtained for the proposed amendments. The company expects to issue USD334.8mn new notes on or around 23 Feb'22, which will mature on or around 23 Aug'24. Please see the exchange offer and consent solicitation details in [our daily](#).

➤ **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)
China Tourism Group Corporation	USD	700	5yr	T5+155bps	A3/A-/-
Double Dragon Properties	USD	-	-	-	-/-/-
Mumbai International Airport	USD	-	7.25	-	-/-/BB+

➤ **Onshore China conditions and color**

- Regarding onshore primary issuances, there were 82 credit bonds issued yesterday with an amount of RMB101bn. As for Month-to-date, 547 credit bonds were issued with a total amount of RMB757bn raised, representing a 50.4% yoy increase
- China's four largest banks cut their mortgage rates by 20bps in Guangzhou city in a bid to support debt-ridden developers, Reuters reported
- **[BABA]** Chinese regulators ask SOEs to report Alibaba and Ant Group exposure
- **[BUMIJJ]** gets additional capital of IDR 2.5tn through Private Placement
- **[CHINSC]** further repurchases USD 15mn of 5.875% senior notes due 2022 in open market
- **[FTHDGR]** sued by bondholder due to 'inaccurate and misleading' announcement made in 2021
- **[VNET]** downgraded to 'B' on higher-than-expected debt-funded capex in medium term; outlook stable - Fitch

- **[YUNAEN]** raises RMB 2bn via 210-day onshore notes issuance

CMB International Securities Limited

Fixed Income Department

Tel: 852 3761 8867/ 852 3657 6291

fis@cmbi.com.hk

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