

CMBI Credit Commentary

DALWAN: The first "proper" book-built deal of Chinese HY properties since Sep'21

Buy DALWANs, prefer DALWAN 6.8 11/07/25 most

As we discussed in our Asia Credit Outlook 2023, we consider DALWAN one of "survivors" of the sector. The issue of DALWAN 11 01/20/25 further enhances our belief on DALWAN's long-term viability. Recalled that DALWAN issued 3-year onshore MTN of RMB2bn (without CRMW and CBICL guarantee) at a coupon rate of 6.8% in Nov'22 when the market sentiment hitting the trough. These demonstrated the company's ability to access onshore and offshore funding channels even in times of challenging market environment. We have buy recommendations on DALWANs and prefer DALWAN 11 01/20/25 most. The next catalyst for DALWANs to perform will be the progress of the spin-off of Zhuhai Wanda in HK. Given the Chinese regulatory is relaxing the access to equity funding, we believe the chance of the spin-off to go through is increasing. The new DALWAN issue will also have positive spill-over to developers such as **Seazen** and **Yanlord** as their bond yield are already at "affordable" levels (from issuer's perspective) and could be candidates for next USD bond issues.

First "proper" book-built deal since Sep'21

DALWAN 11 01/20/25 is the first "proper" book-built USD issue from Chinese HY properties since RDHGCL 7.8 03/20/24 in Sep'21 (See below Table 1). With the final book size of USD1.4bn at FPG, DALWAN managed to "upsized" the issue to USD400mn from USD200-300mn and tightened price guidance by 25bps. The issuance will substantially relieve DALWAN's near-term refinancing pressure. DALWAN's coming offshore maturities are USD349.5mn due 21 Mar'23 and USD400mn due 23 Jul'23.

IPO of Zhuhai Wanda will be the next catalyst

The A1 for IPO of Zhuhai Wanda in HK were re-submitted in Oct'22, and this will be valid for 6 months, i.e. till Apr'23. As the Chinese regulator is relaxing the policies for equity raising for property companies, the chance of IPO going through is increasing. The IPO will remove a major overhang for potential redemption of pre-IPO investments of cUSD7.1bn if the IPO fails to complete by Dec'23. Recalled DALWAN introduced pre-IPO investments of RMB38bn for a 21% stakes in Zhuhai Wanda. PAG and Country Garden Property Services are amongst pre-IPO investors. The IPO will also widen DALWAN's funding access and enhance data transparency as DALWAN is unlisted.

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Table 1: Chinese HY properties issuance list

ISIN	Name	Company	Tranche Pricing Date	Tranche Amount (USD mn)	Total Issued Amount (USD mn)	Issue Rating (M/S/F)	Remark
XS2247552446	GRNCH 4.7 04/29/25	Greentown	Feb'22	150	450	Ba3/-/-	Additional Issue
XS2342908949	CIFIHG 4.45 08/17/26	CIFI	Jan'22	150	500	Ba3/BB-/-	Additional Issue
XS2316077572	CHINSC 5.95 09/29/24	China SCE	Dec'21	150	450	-/-/BB-	Additional Issue
XS2250030090	PWRLNG 5.95 04/30/25	Powerlong	Dec'21	135	535	B2/B+/-	Additional Issue
XS2213954766	PWRLNG 6 1/4 08/10/24	Powerlong	Dec'21	150	500	B2/B/-	Additional Issue
XS2400512146	DAFAPG 13 1/2 04/28/23	DaFa Properties	Oct'21	100	100	B3/-/-	New issue
XS2387698926	XINHUZ 11 09/28/24	Xinhu Zhongbao	Oct'21	250	500	-/B/-/-	Additional Issue
XS2376908344	HLBCNH 11 10/08/23	Helenbergh China	Oct'21	102	270	B3/-/-	New issue
XS2333154867	JIAYUA 11 02/17/24	Jiayuan	Sep'21	100	230	B3/-/B+	Additional Issue
XS2386506310	JINGRU 12 01/28/24	Jingrui	Sep'21	165	165	-/B/-/-	New issue
XS2387698926	XINHUZ 11 09/28/24	Xinhu Zhongbao	Sep'21	250	500	-/B/-/-	New issue
XS2385313064	ZENENT 12 1/2 04/23/24	Zensun Enterprises	Sep'21	160	160	B3/-/-	New issue
XS2384610577	RDHGCL 7.8 03/20/24	Radiance	Sep'21	300	300	B2/B/-	New issue
XS2384273475	REDSUN 9 1/2 09/20/23	Redsun Properties	Sep'21	200	200	B3/-/B+	New issue
XS2034561584	KWGPRO 7.4 03/05/24	KWG Group	Sep'21	158	458	-/-/BB-	Additional Issue
XS2386495100	ZHLGHD 12 04/17/23	Zhongliang	Sep'21	200	200	-/-/B+	New issue
XS2382158207	ZENENT 12 1/2 09/13/23	Zensun Enterprises	Sep'21	200	200	B3/-/-	New issue
XS2214229887	KWGPRO 5.95 08/10/25	KWG Group	Sep'21	100	300	-/-/BB-	Additional Issue
Total				3,020			

Source: Dealogic, Bloomberg.

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