

CMBI Credit Commentary

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

- *Markets were relatively quiet this morning. In Asian IG space, new issue AIA 4.95'33 tightened 10bps and HYNMTRs tightened 2-5bps. China TMT narrowed 5-10bps boosted by BABA's reorganization. China AT1 slightly up c0.25pt while LGFV were stable with two-ways.*
- **ROADKG:** Released FY22 results. Maintain buy on ROADKG 7.75 PERP. See below.
- **SUNAC:** Signed RSA with AHG, with equity and debt options and extending maturities for 2-9 years. See below.

❖ Trading desk comments 交易台市场观点

Asia IG sentiment generally improved overnight after the news of First Citizens Bank's acquisition of SVB. On the primary front, BMR1J gave IPG at T+225bp for a 3Y USD bond. New KOROIL 3/5y tranches were traded 10-15bps tighter from RO. In Korea space, EIBKOR/KDB 28s/33s tightened by 3-5bps while KHFC curve was unchanged. Before close, we saw negative headline Syngenta Shanghai IPO hearing got cancelled. HAOHUA curve immediately widened by 5bps. TMT space tightened 5-10bps. BABA 27s/31s tightened 8-10bps. In financials, bank T2 space closed 3-5bps tighter. In China AMCs, HRINTHs were traded heavy. CCAMCL announced earnings with net profit down 48% yoy but curve was largely unchanged. China property space was mixed with quality names broadly rebounded 1-2pts from the lows. LNGFORs jumped 2.4-3.9pts. SINOCE 25-29s bounced back 1-2pts to mid-40s after having plunged 7-9pts on Mon. SINOCE 24 was marked 2pts higher at 61. DALWAN 23-26s were traded up 1-1.5pts. COGARDs closed 0.5-1.25pts higher. ROADKGs were traded down 2-4.5pts. GRNLGR 24s lowered 1.5pts while GRNLGR 25-26s were traded down 3-6pts. Industrial names FOSUNs/WESCHIs were down 0.5-1pt. Macau gaming names were unchanged to 0.5pt lower. In India space, AZUPOEs were unchanged to 0.5pt higher. VEDLN 25s gained 1.75pts. Indonesian names LPKRIJs were down 0.5pts, MEDCIJs were 1pt higher.

In the LGFV/Perp/Asia AT1 spaces, tone remained defensive ahead of quarter end as flows were heavily skewed to the front end driven by two-way cash management needs, with AM parking cash in papers coming out of prop desks due to rich yields and out of RM rebalancing flows. Overall, activities were fairly lackluster as investors remained cautious in view of noises from macro and the property sector. CTIH 6.4 Perp edged another 0.125pt higher to 102. SOE perps were unchanged to a touch firmer. AT1s was largely stable. Benchmark AT1s BCHINA 3.6 Perp/ICBCAS 3.58 Perp were traded active two-ways skewed to better buying.

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❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
LNGFOR 4 1/2 01/16/28	80.9	3.9	GRNLGR 6 3/4 06/25/24	46.3	-6.0
LNGFOR 3 3/8 04/13/27	81.4	3.8	ROADKG 6 09/04/25	73.5	-4.5
LNGFOR 3.95 09/16/29	72.5	2.9	CENCHI 7.9 11/07/23	22.6	-3.9
LNGFOR 3.85 01/13/32	67.1	2.4	ROADKG 5 1/8 07/26/26	61.4	-3.3
SINOCE 4 3/4 01/14/30	36.7	2.3	GRNLGR 6 3/4 03/03/26	37.0	-3.0

❖ Marco News Recap 宏观新闻回顾

Macro – U.S. stock markets remained weak yesterday, S&P (-0.16%), Dow (-0.12%) and Nasdaq (-0.45%) down amid worries about potential recession. U.S. listed Chinese stocks were outperformer and boosted by Alibaba c14% rally, which announced substantial organizational changes. U.S. consumer confidence rises to 104.2 from 103.4 in Mar and is higher than expectation of 101. The U.S. treasury yields edged higher yesterday, the yield curves bear flattened and 2/5/10/30 yields reached 4.02%/3.63%/3.55%/3.77%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ ROADKG: Released FY22 results. Maintain buy on ROADKG 7.75 PERP

Road King FY22 revenue down 30.5% to HKD17.2bn and net profit down 76.9% to HKD458.6mn. Total property sales was RMB42bn, down 19.9% from RMB52.5bn for FY21 mainly due to lack of new project in Hong Kong. Despite sluggish mainland property markets, it achieved RMB41.7bn property sales in mainland China, representing 5.3% yoy increase. It outperformed most of its 37 peers under our radar, of which the average contract sales dropped 47% in FY22. According to the latest NBS data of Jan-Feb'23, nationwide commercial residential housing sales turned to +3.5% yoy, which was the first positive yoy change since Dec'21. We view it is a positive sign of recovery in property markets. Besides, contract sales of developers under our radar was down 18% yoy on average 2023YTD, improved from -47% in FY22.

As of Dec'22, Road King held HKD8.3bn (cUSD1.1bn) cash and equivalents, cash to short-term debt was 0.8x, down from 1.44x in FY21. That said, we view the Road King's debts maturity is manageable as there is no onshore or offshore bonds due before 2H24, after the company fully redeemed USD343mn ROADKG 7.875 02/01/23 in Feb'23. We expect its liquidity condition in FY23 to be improved, with recovery in toll road traffic as well as property market.

After the company issued profit warning on 10 Mar, ROADKGs dropped 2.5 to 15pts. For ROADKG 7.75 PERP, it is trading at 67.4 with YTC of 35.3%. We believe the company have a strong incentive to call or buy back the perps, given that current high level of UST rate and the coupon after reset will be c9-10%.

Table1: ROADKG debt redemption record since 2021

Date	Bonds	Amount (USDmn)	Event
1 Feb'23	ROADKG 7.875 02/01/23	343	Full redemption
31 Oct'22	ROADKG 6 09/04/25	31	Open market repurchase
14 Oct'22	ROADKG 6.7 09/30/24	31	Open market repurchase
14 Oct'22	ROADKG 5.9 03/05/25	15	Open market repurchase

13 Oct'22	ROADKG 5.9 03/05/25	33	Open market repurchase
13 Oct'22	ROADKG 6 09/04/25	46	Open market repurchase
9 Sep'22	ROADKG 6.7 09/30/24	26.5	Open market repurchase
17 Aug'22	ROADKG 7.875 02/01/23	22	Open market repurchase
22 Mar'22	ROADKG 7.875 02/01/23	20	Open market repurchase
		567.5	

Source: Bloomberg.

Table 2: ROADKG USD bonds details as of 28 Mar'23

Name	Maturity	Next call date	Amt Out	Coupon step-up (bps)	YTM/YTC (%)	Ask Price
ROADKG 6.7 09/30/24	9/30/2024	03/30/2023	480	-	11.3	93.7
ROADKG 5.2 01/12/26	1/12/2026	1/12/2024	500	-	14.9	78.4
ROADKG 7 ¾ PERP	-	11/18/2024	300	600	35.3	67.4
ROADKG 5 ½ 07/26/26	7/26/2026	07/26/2024	500	-	14.7	75.4
ROADKG 6 09/04/25	9/4/2025	9/4/2023	339	-	14.4	83.0
ROADKG 7.95 PERP	-	08/17/2023	300	-	11.7	68.0
ROADKG 5.9 03/05/25	3/5/2025	03/30/2023	267	-	14.6	85.6
ROADKG 7 PERP	-	06/23/2023	300	-	10.5	66.8

Sources: Bloomberg.

➤ **SUNAC: Signed RSA with AHG, with equity and debt options and extending maturities for 2-9 years**

Sunac China has signed RSA with AHG representing more than 30% of existing debt holders. The restructuring includes equity and debt options: the New Notes will mature in 2-9 years and to be implemented through one or more schemes of arrangement. For the equity options, holders can swap into shares of the company and/or Sunac Services (1516.HK), its property management arm.

The company has cUSD10.2bn outstanding principal, accrued and unpaid interests. The restructuring consideration consist of (a) USD1bn convertible bonds (CB) to be allocated on pro-rata basis; (b) Mandatory Convertible Bonds (MCB), at the election of the creditors and subject to USD1.75bn cap; (c) ordinary shares of Sunac Services, at the election of creditors and subject to 14.7% cap of total issued shares; and (d) New Notes, in an aggregate of total claims minus the above CB, MCB and shares of Sunac Services. For the New Notes, no less than 50% of the net proceeds from the specified asset sales will be remitted offshore. And under the cash sweep clause, it allows the company to redeem the New Notes and MCB at par or below par from the proceeds of specified asset sales in accordance with the terms in the RSA.

The restructuring plan discounted the coupons of the senior notes to 5-6.5% range from original notes of 5.95-8.35% range, with interest to be paid in cash only starting from 3rd year (first 2 years the company can elect PIK). While USD1bn is to be exchanged into CB, while other equity options, i.e. MCB and Sunac Services' shares, are voluntary election. The MCB allows the holder to convert into company's share (and take cash) at minimum of current share price of HKD4.58 starting from 2nd year of anniversary, or at HKD10 on the restructuring effective date. The company says some of the members of the AHG have indicated (on a non-binding basis) that they intend to subscribe a certain amount of the MCB. Yet, factors affecting the repayment ability, such contract sales expectation, assets designated for the New Notes repayment, any additional financing plans to fund project construction, etc. are yet to be announced. Sunac is holding conference call tonight 9pm HKT to brief investors on the proposal.

RSA

Consent fee	0.1% of the aggregate principal
Consent fee deadline	20 Apr'23
Restructuring effective date	On or before 30 Sep'23
Longstop date	31 Dec'23
Ranking	New Notes, CB and MCB benefits from same subsidiary guarantees and charges over the shares held by the company.
	Shareholder loan and/or any MCB issued in respect of the shareholder loan is subordinated of New Notes, MCB and CB

New Notes

Total amount, maturity and interest	Total existing debt claims minus the CB, and election of MCB and Sunac Services shares Comprises of 8 tranches in sequence:
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<u>Tranche</u>	<u>Maturity</u>	<u>Interest</u>	<u>Principal</u>
A	2 years	5%	USD500mn
B	3 years	5.25%	USD500mn
C	4 years	5.5%	USD1,000mn
D	5 years	5.75%	USD1,500mn
E	6 years	6%	USD1,500mn
F	7 years	6.25%	USD1,000mn
G	8 years	6.5%	equal to the remaining restructuring consideration if it is <USD1,000mn, or USD1,000mn if it is more than USD1,000mn
H	9 years	6.5%	any remaining restructuring consideration (if any)

Interest payment	Interest is payable in cash semi-annually in arrears. The company can elect to pay all or part of the interest in PIK in the first 2 years. If PIK is elected for the 1 st year, PIK interest is 1% higher than the original. If it is elected for the 2 nd year, it shall pay at least 2% in cash, the remaining PIK interest is 1% higher than the original. Starting from the 3 rd year, it shall pay interest in cash only
Further maturity extension	The company has option to extend the maturity of Tranche A and B for one additional year. For the extended year, Tranche A/B will bear 6%/6.25% interests

Convertible Bonds (CB)

Total amount	USD1bn
Maturity	9 years
Interest	1 st – 2 nd year: 1% p.a. PIK 3 rd year onward: 1% PIK and 1% cash interest
Conversion price	HKD20
Conversion period	First 12 months after the RED
Latest share price (3/29/2023)	HKD4.58 (shares trading remain suspended)

Mandatory Convertible Bonds (MCB, voluntary election)

Total amount	Subject to USD1.75bn cap
Maturity	5 years, all the MCB will be mandatorily converted into ordinary shares in full
Interest	Nil
Conversion price	Upfront conversion: HKD10 Ordinary: Minimum of HKD4.58 or VWAP for 90 days immediately preceding
Conversion period	Upfront: On the RED or 6 months after the RED, subject to cap of 25% of total Ordinary: Within 10 business days after the 2 nd , 3 rd and 4 th anniversary
Trigger conversion	After the 1 st year of issue date, MCB can be converted into shares when the 90-trading-days VWAP exceeds HKD12/13/16 as detailed in the Terms

Sunac Services shares (voluntary election)

Total amount	Subject to cap of 449,356,068 shares, or 14.7% of total issued shares, or USD7.6bn
Exchange price	2.5 times the VWAP for the 60 trading days immediately preceding the record time, subject to minimum exchange price of HKD17
Latest share price (3/29/2023)	HKD3.16

Shareholder loan

Total outstanding	USD450mn
Conversion	Within 60 days after the date of any conversion into shares by holders of the MCB, such proportion of shareholder loan will be mandatorily converted into shares as the approximately the same as the proportion that the principal amount of MCB so converted bears to the total outstanding principal amount of the MCB
Conversion price	Equal to the conversion price applicable to the MCB converted.
Repayment	Not to repay before maturity

Source: Company's filing

➤ **Offshore Asia New Issues (Priced)**

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
AIA Group	600	10yr	4.95%	T+145	A1/A+/A+
Bank Mandiri Persero Tbk PT	300	3yr	5.5%	T+183	Baa2/BBB-/BBB-
Hyundai Capital America	1200/800/500	3/5/7yr	5.5%/5.6%/5.8%	T+175/200/225	Baa1/BBB+/-

➤ **Offshore Asia New Issues (Pipeline)**

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
No Offshore Asia New Issues Pipeline Today					

➤ **News and market color**

- Regarding onshore primary issuances, there were 58 credit bonds issued yesterday with an amount of RMB51bn. As for Month-to-date, 2,167 credit bonds were issued with a total amount of RMB2,039bn raised, representing a 24.9% yoy increase
- **[AGILE]** Agile issued RMB700mn 2-year corporate bonds to repay debts; the bonds consists of a RMB500mn 7.5% tranche and a RMB200mn 5% tranche
- **[BUMIJ]** Bumi Resources FY22 revenue rises 82% to USD1.83bn and profit increases 149% to USD556mn
- **[CHJMAO]** China Jinmao denied the rumor that its property sector will be merged by China Resources
- **[COGARD]** Country Garden plans to resell up to RMB3.39bn of its RMB3.4bn onshore 20Bidi01 put by bondholders
- **[DALWAN]** Dalian Wanda Commercial Management schedules put option exercise for RMB1bn 21DalianwandaMTN002 notes from 28 Mar to 3 Apr
- **[GCLNE]** GCL New Energy FY22 revenue drops 67% to USD135.1mn and pre-tax loss widens to USD184.6mn from USD74.8mn in FY21. Separately, it will redeem USD10.8mn 10% due-24 senior notes on 31 Mar
- **[GRNCH]** Greentown's management said the company will repay cUSD700mn due 2023 debts as scheduled; Greentown's 20Lvcheng03 bondholders exercise RMB1bn put option
- **[INDYIJ]** Indika Energy FY22 reenuue rises 41% to USD4.3bn and profit rises 7 times to USD511mn
- **[LOGPH]** Media reported that Logan expects to deliver detailed restructuring plan in about two weeks and plans to secure supporting term sheets by the end of Apr or in early May
- **[MEDCIJ]** Medco Energi to fully redeem IDR217.5bn (cUSD14.5mn) 9.15% notes due 2023 at maturity
- **[SUNAC]** Sunac China announces offshore debt restructuring, with options of receiving equity and new bonds. It will host investor call 9pm HKT today
- **[SYNNVX]** Shanghai exchange cancels Syngenta IPO hearing

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