

CMBI Credit Commentary

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

- *Markets were overall two-way balanced this morning. Asian IG widened 2-3bps by mid-day. Bank T2 were under better buying and HRINTHs rebounded c0.5pt after yesterday's drop. For AT1, SOE perp and LGFV, we saw buyers tended to buy 24/25 due or callable bonds to lock high yield.*
- **EVERRE:** *Announced long-awaited proposed offshore debt restructuring plan. See below.*
- **HRINTH:** *Moody's reviewed Huarong AMC's ratings for downgrade as its huge loss in FY22 reflects the weakness of risk management. HRINTHs moved -0.75 to +0.5pt this morning.*

❖ Trading desk comments 交易台市场观点

Yesterday, Asia IG space was relatively firm despite UST 10y yields opened 12.5bps wider. Low-beta Korean papers such as KHFC/KDB was under better buying. On the primary side, KOROIL announced the multi-tranche (3Y/5Y/10Y) USD bond mandate. China TMTs and HAOHUA performed well. Benchmark names such as BABA/TENCNT grinded 3-5bps tighter. High beta tech names like LENOVO 32s initially tightened 20bps to T+310 then retraced to T+320, still ended at 10bps tighter than the last close. HAOHUAs tightened 3-8bps across the curve. In financials, AMCs notably underperformed. Moody's placed the Baa2 long-term rating of China Huarong AMC under review for downgrade, following the company announced profit warning. HRINTH curve was traded 2-4pts lower in cash prices (or 70-100bps wider) post the headline. Other AMC peers were relatively calm as flows were more focused on HRINTH curve. On the other hand, HK T2 name BNKEA 27 was squeezed 15bps tighter. Whilst China T2s were still traded heavy and ICBCAS curve widened 5-10bps. Flows remained better selling on front-end T2 papers for 23s-28s. In IG properties, LNGFORs/DALWANs/CHJMAOs widened 5-20bps. China HY property space was also a touch weaker. CSCHCNs dropped 1-2.5pts. COGARDs/FUTLANs/FTLNHDs/ROADKGs drifted 0.5-1.75pts lower. CENCHI/GRNLGR 23-25s were marked down 1.5-3pts. Industrials FOSUNIs were up 0.5-1.25pts. Macau gaming names SANLTDs/STDCTYS/ WYNMACs were traded up another 0.5-2pts. In Indian space, VEDLNs were marked 1-2.5pts higher. Renewables such as GRNKENS/RPVINs climbed another 0.5-2pts. Indonesian names LMRTSPs were quoted 0.5-1pt lower.

In the Asia AT1/Perp/LGFV space, the market finally managed to take a breather from recent volatilities, and sentiment was largely constructive ahead of FOMC on Wed night. In AT1s, HSBC 8 Perp were stable. CINDBK perps were under better buying. BCHINA/ICBCAS were indicated 0.25pt higher. Thai/SG names gained another 0.5-1pt driven by a mixture

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short squeezing and PB demand. Elsewhere in Chinese space, we saw clients focused on picking up front-end papers of BOCHK/CIMWLB. The 23/24 papers across LGFVs and SOE/HK Perps were also better buying, as investors sought to lock up yields for the remaining of the year in anticipation of this rate hike cycle coming to an end after the March FOMC.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
JSTLIN 5.05 04/05/32	81.0	2.2	HRINTH 3 7/8 11/13/29	66.5	-3.1
WYNMAC 5 5/8 08/26/28	84.2	1.6	CENCHI 7 1/4 04/24/23	40.7	-3.0
RPVIN 4 1/2 07/14/28	82.1	1.6	GRNLGR 6 1/8 04/22/25	43.3	-3.0
SANLTD 2.85 03/08/29	81.0	1.5	CENCHI 7.9 11/07/23	27.9	-2.7
SANLTD 5.9 08/08/28	93.2	1.5	HRINTH 4 1/2 05/29/29	71.0	-2.6

❖ Marco News Recap 宏观新闻回顾

Macro – U.S. stock markets retreated yesterday, S&P (-1.65%), Dow (-1.63%) and Nasdaq (-1.60%) opened stably then turned to down after Fed lifted interest rate by 25bps on FOMC meeting. The Fed chairman reiterated to control inflation rate at 2% and said to ensure the stability of bank system. The U.S. treasury yields overall down yesterday, the 2/5/10/30 yields reached 3.96%/3.54%/3.48%/3.68%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ EVERRE: Announced long-awaited proposed offshore debt restructuring plan

China Evergrande announced the proposed offshore debt restructuring plan for its USD13.9bn senior secured notes and USD5.2bn senior notes with guarantee through schemes of arrangement yesterday. For the Group (CEG) Scheme, Class A and C creditors are entitled to elect one of the two options. Option 1 is pure debt that will have a tenor of 10-12 years. For Option 2, Class A/C creditors can convert its entitlement into A2/C2 Notes and/or A2/C2 equity-linked instruments package, linking to the listed shares of Evergrande Property Services (EVPS), Evergrande New Energy Vehicles (NEV), or the Company. For creditors who do not make their elections before the relevant deadline, default option is Option 1.

For Scenery Journey (SJ) Scheme, creditors will receive 5 tranches of new notes with tenor of 4-8 years in an aggregate principal amount equal to USD6,500mn. For Tianji (TJ) Scheme, creditors will receive 4 tranches of new notes with tenor of 5-8 years in an aggregate principal amount equal to USD800mn. In addition, a 0.25% consent fee will be paid in PIK new notes to the CEG Scheme and the TJ Scheme eligible creditors. The restructuring effective date is expected to be 1 Oct and the longstop date is 15 Dec. Meanwhile, it estimated the recovery rate to unsecured offshore creditors will be 2.05-9.34% if the proposed restructuring is unsuccessful. Details of proposed terms are summarized below.

Furthermore, the company expects to have additional financing of RMB250-300bn in next three years to ensure project delivery. The cash flow generated from existing projects will be mainly used to repay new financing obtained to continue the construction. The ability to repay unsecured debt at the company level and therefore relatively weak.

	Outstanding (USDmn)	New notes to be issued (USDmn)
China Evergrande Group (CEG) Scheme	13,922.5	TBD
Scenery Journey (SJ) Scheme	5,226	6,500
Tianji (TJ) Scheme*	5,849*	800

*Includes USD5,035mn intercompany claim by CEG against TJ, it is entitled to receive scheme consideration as a scheme creditor in the TJ Scheme as with other TJ other existing debt instruments creditors.

CEG Scheme

Option 1	New notes with a tenor of 10-12 years at a conversion ratio of 1x (A1/C1 Notes)
Option 2	<p>Either one or a combination of both:</p> <p>(1) New notes with a tenor of 5-9 years (A2/C2 Notes)</p> <p>(2) A package of 5 equity-linked instruments either secured over, linked to, mandatorily exchangeable into, or mandatorily convertible into listed shares of the Group, Evergrande Property Services, Evergrande New Energy Vehicles</p>
Consent fee	<p>0.25% of the outstanding principal amount, to be paid in PIK</p> <p>For Option 1, creditor will receive the PIK notes in 10 years; and for Option 2 is 7 years</p>
Option 1: A1/C1 Notes	
Maturities	3 tranches, Tranche A/B/C due in 10/11/12 years
Interest	<p>Payable semi-annually in arrears, in cash or in kind at the election of the issuer:</p> <p>Tranche A: 2% p.a. (if all paid in cash) or 3% p.a. (if any portion paid in kind)</p> <p>Tranche B: 2.5% p.a. (if all paid in cash) or 3.5% p.a. (if any portion paid in kind)</p> <p>Tranche C: 3% p.a. (if all paid in cash) or 4% p.a. (if any portion paid in kind)</p>
Guarantee (only applicable for A1 Notes)	Same as the guarantor guaranteeing the existing notes. The A1 Notes guarantees shall be subordinated to the A2 Notes guarantees, the A2 EVPS SLN guarantees and the A2 NEV SLN guarantees
Option 2: A2 Notes	
Maturities	4 tranches: Tranche A/B/C/D due in 5/6/7/8 years
Interest	<p>Tranche A: 5% p.a. (if all paid in cash) or 6% p.a. (if any portion paid in kind)</p> <p>Tranche B: 5.5% p.a. (if all paid in cash) or 6.5% p.a. (if any portion paid in kind)</p> <p>Tranche C: 6% p.a. (if all paid in cash) or 7% p.a. (if any portion paid in kind)</p> <p>Tranche D: 6.5% p.a. (if all paid in cash) or 7.5% p.a. (if any portion paid in kind)</p> <p>Payable semi-annually in arrears.</p> <p>For the first 2.5 years, interest paid in cash or in kind at the election of the issuer.</p>

For the 31st-36th month, at least 0.5% of the outstanding principal paid in cash.

For the 4th year, at least 3% p.a. interest paid in cash.

Starting from 5th year, all interest paid in cash.

Guarantee

Same as the guarantor guaranteeing the existing notes. The A1 Notes guarantees to be subordinated to A2 Notes guarantees

Option 2: C2 Notes

Maturities	3 tranches: Tranche A/B/C due in 7/8/8 years
Interest	<p>Tranche A: 6% p.a. (if all paid in cash) or 7% p.a. (if any portion paid in kind)</p> <p>Tranche B: 6.5% p.a. (if all paid in cash) or 7.5% p.a. (if any portion paid in kind)</p> <p>Tranche C: 7% p.a. (if all paid in cash) or 8% p.a. (if any portion paid in kind)</p> <p>Payable semi-annually in arrears.</p> <p>For the first 2.5 years, interest paid in cash or in kind at the election of the issuer.</p> <p>For the 31st-36th month, at least 0.5% of the outstanding principal paid in cash.</p> <p>For the 4th year, at least 3% p.a. interest paid in cash.</p> <p>Starting from 5th year, all interest paid in cash.</p>

Option 2 Equity-linked instrument packages (per USD1000)	Class A	Class C
EVPS MEBs Principal Amount	108	49
NEV MEBs Principal Amount	345	446
CEG MCBs Principal Amount	46	59
A2/C2 EVPS SLNs Principal Amount	225	92
A2/C2 NEV SLNs Principal Amount	276	354

SJ Scheme

Maturities	5 tranches: Tranche A/B/C/D/E due in 4/5/6/7/8 years
Interest	<p>Tranche A: 5.5% p.a. (if all paid in cash) or 6.5% p.a. (if any portion paid in kind)</p> <p>Tranche B: 6% p.a. (if all paid in cash) or 7% p.a. (if any portion paid in kind)</p> <p>Tranche C: 6.5% p.a. (if all paid in cash) or 7.5% p.a. (if any portion paid in kind)</p> <p>Tranche D: 7% p.a. (if all paid in cash) or 8% p.a. (if any portion paid in kind)</p> <p>Tranche E: 7.5% p.a. (if all paid in cash) or 8.5% p.a. (if any portion paid in kind)</p> <p>Payable semi-annually in arrears.</p> <p>For the first 2.5 years, interest paid in cash or in kind at the election of the issuer.</p> <p>For the 31st-36th month, at least 0.7% of the outstanding principal paid in cash.</p> <p>For the 4th year, at least 3% p.a. interest paid in cash.</p> <p>Starting from 5th year, all interest paid in cash.</p>
Guarantees/ Keepwell	Same as the guarantor guaranteeing the existing notes. Keepwell agreement to be provided by Hengda Real Estate with detailed terms to be agreed
Security	Share charged given by Tianji and its offshore subsidiaries over the shares they hold in the SJ Notes guarantor. And charge over certain intercompany receivables to be agreed

TJ Scheme

Maturities	4 tranches: Tranche A/B/C/D due in 5/6/7/8 years
Interest	<p>Tranche A: 6% p.a. (if all paid in cash) or 7% p.a. (if any portion paid in kind)</p> <p>Tranche B: 6.5% p.a. (if all paid in cash) or 7.5% p.a. (if any portion paid in kind)</p> <p>Tranche C: 7% p.a. (if all paid in cash) or 8% p.a. (if any portion paid in kind)</p> <p>Tranche D: 7.5% p.a. (if all paid in cash) or 8.5% p.a. (if any portion paid in kind)</p> <p>Payable semi-annually in arrears.</p> <p>For the first 2.5 years, interest paid in cash or in kind at the election of the issuer.</p> <p>For the 31st-36th month, at least 0.7% of the outstanding principal paid in cash.</p> <p>For the 4th year, at least 3% p.a. interest paid in cash.</p> <p>Starting from 5th year, all interest paid in cash.</p>
Consent fee	0.25% of the outstanding principal amount, to be paid in PIK
Security	Share charges

Source: Company's filing.

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Yield	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)
No Offshore Asia New Issues Pipeline Today					

➤ News and market color

- Regarding onshore primary issuances, there were 109 credit bonds issued yesterday with an amount of RMB108bn. As for Month-to-date, 1,744 credit bonds were issued with a total amount of RMB1,620bn raised, representing a 26% yoy increase
- [AGILE]** Agile Group expects RMB12.5-13.5bn net loss for FY22
- [CENCHI]** Central China expects RMB7-8bn net loss for FY22
- [DEXICN]** Dexin China expects net profit for FY22 drop by RMB2.1-2.35bn as compared to RMB2.38bn net profit for FY21
- [EVERRE]** China Evergrande announces plans for proposed offshore debt restructuring involving bond, equity swaps
- [GCLNE]** GCL New Energy accepts for purchase USD36.4mn of 10% senior notes due 2024 via tender
- [HRINTH]** Moody's reviewed Huarong AMC's ratings for downgrade and viewed its large amounts of net loss in 2022 as a reflection of Huarong AMC's weakness in risk management
- [SINOCE]** Sino-Ocean expects RMB15-18bn net loss for FY22
- [SYNNVX]** Shanghai exchange scheduled listing hearing for ChinaChem unit Syngenta on 29 Mar for its cUSD10bn IPO
- [YANGOG]** Yango Group schedules put option exercise for RMB315mn notes on 7-21 Apr
- [YUEXIU]** Yuexiu Property plans to issue up to RMB1.5bn corporate bonds to repay corporate bonds previously issued
- [ZENENT]** Zensun expects RMB2.5-3bn net loss for FY22

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