

## CMBI Credit Commentary

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

- *The market sentiment turned negative this morning, HPDLF plunged 12pts following auditor resignation. CHINSC/LOGPH down 3-4pts, KWGPRO/SUNAC/TPHL down 2-3pts while the rest generally down 1-2pts.*
- *HRINTH: Huarong AMC transferred 71.99% stake in Huarong Securities to China Reform for RMB 10.932bn. In light of valuation and its curve trading close to par, we are Neutral on HRINTH. See below.*
- *HPDLF: announced the resignation of PWC, citing the auditor's concerns on lack of requisite information. The Company expects to appoint another big 4 auditor soon and the auditor change will not lead to delay in publication of its FY21 results. HPDLF curve down 12pts this morning. See below.*

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#### ❖ Trading desk comments 交易台市场观点

Yesterday, China HY space were mixed with two way flows. LOGPH down 3-4pts despite its issuance of USD 250mn equity-link notes. TPHL dropped 3-4pts after the Company announced a small size share placement to raise HKD 393.6mn. CSCHCN continued to trade up and closed 1-3pts higher. Other property names such as CENCHI/GRNLGR/GZRFPR outperformed and up 1-3pts, while KWGPRO/PWRLNG down 3-4pts and CHINSC/SHIMAO fell 1-2pts.

IG market sentiment remained relatively stable. SOE names such as HAOHUA/SINOCH saw some two way flows and closed unchanged to 2bps wider. TMT space underperformed for the day, names like BABA/TENCNT widened 2bps amid lower equities. In financial sector, CCAMCL '27 notes continue to trade up with spread 4-5bps tighter. CCB '32 notes saw some demands and closed 2bps tighter.

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## ➤ Yesterday's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
CENCHI 7 1/4 08/13/24	52.3	4.0	JINGRU 12 1/2 10/26/23	31.1	-11.5
GRNLGR 5 7/8 07/03/24	79.3	3.5	JINGRU 14 1/2 02/19/23	40.5	-7.5
SINOCE 4.9 PERP	78.5	3.5	PWRLNG 5.95 04/30/25	77.5	-5.5
CENCHI 7 1/2 07/14/25	50.9	2.3	PWRLNG 6.95 07/23/23	85.1	-4.9
CENCHI 7 3/4 05/24/24	51.3	1.8	KWGPRO 7 7/8 09/01/23	68.8	-4.8

## ➤ Macro News Recap 宏观新闻回顾

**Macro** – U.S. stocks fell last night as investors try to gauge how monetary policy and the prospects for the economy will affect corporate profits and stock valuations. The S&P fell (-0.5%), Dow (-0.1%), Nasdaq (-1.4%). U.S. Treasury yield curve flattened slightly yesterday. The yield on the benchmark 10Y Treasury note dropped to 1.81%. The 1Y yield rose to 0.75% while 5/30Y yields down to 1.66/2.09% respectively.

## ➤ Desk analyst comments 分析员市场观点

➤ **Hopson: Another big 4 is expected to be appointed soon**

Hopson announced the resignation of PWC, citing the auditor's concerns on lack of requisite information on Hopson's equity investment, property projects and the valuation of investment properties, etc. As per our discussions with Hopson, it expects to appoint another big 4 auditor soon and the auditor change will not lead to delay in publication of its FY21 results. We maintain OW on HPDLFs.

As we wrote in our Asia HY corps outlook and daily yesterday, we expect qualified opinions, account restatements, resignations of auditors or even delays in publications of FY21 results. While auditors will put Chinese property developers under microscope for review, regulators may also put auditors under more stringent scrutiny. Recalled that Financial Reporting Council of Hong Kong announced its enquiries and investigation into the audit of Evergrande accounts by PWC in Oct'21. See below for a list of Chinese property developers audited by PWC.

Stock Ticker	Stock Name
3383 HK Equity	AGILE GROUP HOLDINGS LTD
3333 HK Equity	CHINA EVERGRANDE GROUP
2007 HK Equity	COUNTRY GARDEN HOLDINGS CO
2117 HK Equity	DATANG GROUP HOLDINGS LTD
2019 HK Equity	DEXIN CHINA HOLDINGS CO LTD
6968 HK Equity	GANGLONG CHINA PROPERTY GROU
845 HK Equity	GLORIOUS PROPERTY HOLDINGS
2777 HK Equity	GUANGZHOU R&F PROPERTIES - H
754 HK Equity	HOPSON DEVELOPMENT HOLDINGS
2768 HK Equity	JIAYUAN INTERNATIONAL GROUP
1862 HK Equity	JINGRUI HOLDINGS LTD
106 HK Equity	LANDSEA GREEN PROPERTIES CO
3990 HK Equity	MIDEA REAL ESTATE HOLDING LT
1238 HK Equity	POWERLONG REAL ESTATE HOLDIN
1622 HK Equity	REDCO PROPERTIES GROUP LTD
3301 HK Equity	RONSHINE CHINA HOLDINGS LTD

1030 HK Equity	SEAZEN GROUP LTD
813 HK Equity	SHIMAO GROUP HOLDINGS LTD
3377 HK Equity	SINO-OCEAN GROUP HOLDING LTD
59 HK Equity	SKYFAME REALTY HOLDINGS LTD
3639 HK Equity	YIDA CHINA HOLDINGS LTD
123 HK Equity	YUEXIU PROPERTY CO LTD
405 HK Equity	YUEXIU REAL ESTATE INVESTMENT

➤ **HRINTH: Transfer of 71.99% Equity in Huarong Securities**

Huarong AMC entered into a State-owned Equity Transaction Contract to transfer 71.99% stake in Huarong Securities to China Reform Capital (an investment holding company owned by SASAC) for RMB 10.932bn.

This is in-line with Central Government's mandate for Huarong AMC to refocus on core distressed asset management and dispose non-core businesses. Huarong Securities is its 3rd largest subsidiary in terms of net asset, after Huarong Xiangjiang Bank and Huarong Financial Leasing. The transfer valuation at 1.09x PB and SASAC being its transferee again signal government support. We expect Huarong AMC will further proceed with its 79.92% stake transfer of Huarong Financial Leasing, according to its announcement in Nov 2021.

Huarong AMC has completed its equity issuance to a Citic Group-led consortium of investors on 30 Dec, 2021 and raised RMB 42bn. The company has further completed redemption of its HRINTH 4.5 Perp (USD 1.5bn) on 24 Jan 2022. We expect the company will resume its domestic bank loan access, with new capital replenishment and Ministry of Finance remaining its largest shareholder of 28% stake. In light of valuation and its curve trading close to par, we are Neutral on HRINTH.

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

Issuer	Size (mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Sino-Ocean Land Treasure Iv Ltd	USD 200	2.95	2.7%	6.4%	Baa3-/BBB-

➤ **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 29 credit bonds issued yesterday with an amount of RMB22bn. As for Month-to-date, 1675 credit bonds were issued with a total amount of RMB1668bn raised, representing a 0.7% yoy decrease
- **[COGARD]** repays outstanding 7.125% senior notes due 2022 in full with accrued interest at maturity
- **[EMPINT]** further cancels USD 10.8mn of 4.5% notes due September 2023
- **[HPDLF]** could not reach a consensus with PwC on the audit fee for the financial year 2021, PwC resigned as the auditor of the Company
- **[LOGPH]** S&P placed Logan Group rating on CreditWatch Negative on previously unreported guaranteed debt
- **[DALWAN]** Wanda Film Holding forecasts RMB 90mn-RMB 130mn net profit for FY21, compared with RMB 6.669bn net loss for FY20

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