

CMBI Credit Commentary

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

- *Markets were two-way balanced this morning. Asian IG space overall tightened 1-4bps as rates rallied higher. TMT sector was unchanged while AMCs were firm. For LGFV/AT1, we saw active two way flows from PBs and buying interests on SOE Perp callable in 2023.*
- **DALWAN:** *Feedback from CSRC is a step forward for the IPO of Zhuhai Wanda. DALWANs rebounded 14.5 to 20pts in the last week and moved -0.5 to +0.75pt this morning. See below.*
- **BTSDf:** *Second attempt in tender offer and concurrent new issue with an additional exchange offer. BTSDf'24 is traded at 86.5 and largely unchanged this morning. See below.*

❖ Trading desk comments 交易台市场观点

Last Friday, the sentiment was cautious ahead of Friday job data. The IG spreads were largely unchanged despite we saw the flows were skewed to better selling. The recent new issues HKINTL 28s/33s were better offered given the rate moves. In Chinese SOEs, HAOHUA tightened 3bps across the curve. CHGRID/CHITRA were under better selling. TMT benchmarks grinded 1-2bps tighter. Whilst XIAOMI/MEITUA 30s widened 3-4bps. In financials, leasing papers such as BOCAVI/ICBCIL curves were under two way mixed flows, with the front-end space skewed to better buying. In AMC space, there was selling on the front end of HRINTH/CCAMCL curve. HRINTH 23-24s were traded 2-8bps wider. In non-China space, we saw buyers on benchmark JP/KR credits. MUGG/SMBCAC/WOORIB/GSCCOR were under better buying. Chinese properties closed on a constructive tone, spurred by onshore chatters about the government's potential supporting policies. COGARDs rallied 2.25-4.75pts across the curve. SINOCE 24-26s were up 2-4pts. FUTLANs/FTLNHDs/ROADKGs gained 0.5-3pts. AGILEs/CENCHIs were traded 0.25-1.75pts higher. Industrial FOSUNIs/WESCHIs gained 1.75-3.25pts. In Macau gaming space, STCITYs were traded up 1-1.5pts and MPELs/WYNMACs were marked 0.25-0.5pt higher. In Indian space, VEDLNs were marked 0.5pt higher. Indonesian names were mixed. INDYIJ 24s/25s were quoted 0.3pt higher. LMRTSP/KIJAIJs lowered 0.5-1pt.

The Perp/Asia AT1/LGFV spaces were relatively muted with SG market out for holiday. Chinese AT1s rebounded by 0.15-0.35pt on the back of the rates rally, as the loose bonds had been gradually absorbed by onshore NBRM buying flows earlier in last week. In benchmark AT1s, we saw a little bit of profit taking into the rally but bids remained resilient at close. BCHINA/ICBCAS AT1s closed 0.15pt higher. Elsewhere, SOE and HK Perps were firm with small two-way activities. SINOCE 6.946 Perp/FAEACO 7.375 Perp edged 0.75-1pt higher. NWSZF 5.75 Perp/CPDEV 5.75 Perp were bid

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up 0.25-0.5pt. Flows in LGFVs were overall small in size, but interests were skewed towards better buying across the credit curve. The selling pressure on the front-end LGFV papers eased a touch ahead of Friday night's NFP print, and yields grinded a touch tighter towards ~6%. In Shandong/Chongqing names, SHUGRP/SHGUOH 24-26s was bid up 0.125pt whilst CQNANA 24s were marked down 0.125pt. KMRLGP 24s/25s closed largely unchanged to 0.5pt lower. Moody's downgraded KMRLGP to Baa2 with outlook negative.

❖ Last Trading Day's Top Movers

| Top Performers | Price | Change | Top Underperformers | Price | Change |
|-----------------------|-------|--------|-----------------------|-------|--------|
| COGARD 4.2 02/06/26 | 39.5 | 5.2 | CHGRID 1 5/8 08/05/30 | 83.2 | -1.6 |
| COGARD 5 1/8 01/17/25 | 51.2 | 5.1 | XIAQUJ 5 1/2 11/19/23 | 90.0 | -1.5 |
| FOSUNI 5.05 01/27/27 | 67.4 | 5.0 | CHITRA 3 10/23/29 | 89.9 | -1.4 |
| GLPCHI 2.95 03/29/26 | 63.2 | 4.9 | CITLTD 3 1/2 02/17/32 | 88.7 | -1.3 |
| COGARD 6 1/2 04/08/24 | 69.2 | 4.8 | CCAMCL 2 1/2 01/20/28 | 86.6 | -1.2 |

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+1.45%), Dow (+2.12%) and Nasdaq (+1.07%) rallied higher after the House and the Senate passed debt ceiling bill. Biden signed the bill on Saturday. US May NFP was +339k and higher than expectation of +180k while May unemployment rate was +3.7%, also higher than expectation of 3.5%. OPEC+ reached a deal to extend the crude oil output cut till the end of 2024, Brent and WTI oil prices increased c2% to USD78/73 per barrel post the news. The US treasury edged up on last Friday, the 2/5/10/30 yield reached 4.50%/3.84%/3.69%/3.88%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ DALWAN: Feedback from CSRC is a step forward for the IPO of Zhuhai Wanda

CSRC finally gave the feedback on and provide a list of additional information required for the IPO of Zhuhai Wanda on 2 Jun'23. Our take is the feedback is a step forward for the IPO of Zhuhai Wanda. Recalled that CSRC received the application of Zhuhai Wanda on 20 Apr'23, and CSRC was supposed to have the official feedback by 20 May'23. However, CSRC was reported to have submitted Zhu Wanda's IPO to other regulators including State Council for advices. This led to the delay for CSRC to provide feedback. We believe that the feedback from CSRC provided clues on the delay in the IPO process and hinted regulators including State Council and CSRC have clarified the conditions for the IPO to go ahead. We continue to believe that CSRC does not have much incentive to block/delay the IPO of Zhuhai Wanda. The uncertainties of the IPO, in our view, is less on regulatory approvals but more on the sentiment of stock markets and the listing valuation.

To summarize, the latest feedback from CSRC centered on whether the IPO proceeds from Zhuhai Wanda will be used to "fund" the property developments of Dalian Wanda group, related transactions of between DALWAN/Zhuhai Wanda and Dalian Wanda Group, the risk related to redemption of pre-IPO investments, accuracies of operating statistics, etc. Indeed, some of the CSRC's concerns such as accuracies of operating statistics and funding plans have already been addressed in the [press release of DALWAN on 26 May'23](#).

There were reports that DALWAN initiated negotiations with pre-IPO investors to defer the redemption if Zhuhai Wanda could not complete the IPO by the end of Dec'23. As we wrote before, the pre-IPO investors and DALWAN are in the same boat. It is in the interests of the pre-IPO investors to openly discuss the possibility of waiving or amending the put option. This signals to the market that DALWAN will not rush for the IPO at the expense of valuation. We expect at least some of the pre-IPO investors will be open to the waiver or

amendment of the put option. A quick check on the list of pre-IPO investors which include PAG, COGARD, Country Garden Services, CITIC Capital, Ant, Tencent, etc. The pre-IPO investors which are more likely to insist on the redemption by the end of Dec'23 could be COGARD and Country Garden Services. They account for a total of 17% of the pre-IPO investments of RMB38bn (i.e. RMB6.5bn).

➤ **BTSDf: Tender and exchange offers and consent solicitation for BTSDf 5.625'24, concurrent proposed USD bonds issuance**

Health & Happiness launches exchange and tender offers, consent solicitation for its only outstanding USD bond BTSDf 5.625 10/24/24, and also concurrent proposed issuance of USD 3-year senior notes. Bondholders can choose to provide consent plus tender offer or exchange offer, or only provide consent. The tender offer price is USD93 (including consent fee of USD0.1). For the exchange offer, bondholder will receive exchange and consent fees of USD6 in total, and also a 3-year new notes.

The tender and exchange offers are subject to certain conditions, including the aggregate principal amount of the new notes to be issued being at least USD200mn and also receipt of the valid consents from the majority of the bondholders of BTSDf 5.625'24. H&H reserves the right to accept any or none of the notes under the tender and exchange offers.

As of Dec'22, H&H have RMB5.9bn (cUSD847mn) secured bank loans due after Oct'24 according to the FY22 annual report, and these amount will fall due in full immediately if BTSDf 5.625'24 is not repaid or refinanced on or prior to 3 months before the maturity date of Oct'24. The exchange/tender offer and new issue, if successfully goes ahead, will help lengthen H&H's maturity profile and remove the overhang of negative rating actions if no concrete refinancing plan over the coming months. The company is yet to be called in distress, in our view, given the tender offer price at USD92.9 is still higher than the latest bond price at 86.5 and there are still c14 months until Jul'24 for the refinancing timeline stated above. Besides, it signed RMB500mn (cUSD71.4mn) 30-month unsecured term loan with CCB for working capital purpose on 29 May. The company also repurchased USD30.3mn, or 10.1%, of the outstanding principal in total to reduce finance costs since Oct'22.

Recalled that back in 8 May, H&H planned to issue a 3NC2 USD bonds to fund the concurrent tender offer for BTSDf 5.625'24. The previously proposed bond was structured as subordinated to the company's senior secured loans, compared with the latest proposed issuance that is rank pari passu to existing and future secured loans. The previous tender offer price was USD101.40625, same as the second call price on and after 24 Oct'22. It had extended the expiration deadline from 17 May to 25 May. Then on 26 May, it decided not to proceed with the tender offer.

| Bond | BTSDf 5.625 10/24/24 |
|---|----------------------|
| Outstanding amount | USD269.656mn |
| Expiration deadline for tender and exchange offer | 9 Jun |
| Settlement date | 26 Jun |
| <u>Tender offer</u> | |
| Purchase price | USD92.9 |
| Consent fee | USD0.1 |
| Maximum acceptance amount | To be determined |
| <u>Exchange offer</u> | |
| Exchange fee | USD5.9 |
| Consent fee | USD0.1 |
| Maximum acceptance amount | Any and all |

New notes

| | |
|----------------|---|
| Maturity | 3 years |
| Minimum coupon | To be announced on or about 6 Jun |
| Size | To be determined. If the issue size is larger than the outstanding amount of BTSDf 5.625'24, the remaining proceeds to partially repay other outstanding debts of the company |
| Pricing date | On or about 12 Jun |
| Collateral | Guaranteed by certain subsidiaries of the company |
| Seniority | Rank pari passu to existing and future secured debts |
| Px (bid) | 86.5 |
| YTM (bid) | 16.96% |

Source: Bloomberg, 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) |
|---|----------|---------------|-------|------------|----------------------|
| ANZ Bank | USD | - | 3yr | SOFR MS+75 | Aaa/-/AAA |
| Zhejiang Changxing Financial Holdings Group | USD | - | 3yr | 7.15% | -/-/- |

➤ **News and market color**

- Regarding onshore primary issuances, there were 57 credit bonds issued last Friday with an amount of RMB74bn. As for Month-to-date, 140 credit bonds were issued with a total amount of RMB177bn raised, representing a 118.1% yoy increase
- Media reported that China mulls new measures including reduction down payment in some major cities and agent commissions to support property market
- [BTSDf]** S&P assigned BB+ to Health And Happiness (H&H) International Holdings proposed senior secured notes
- [DALWAN]** CSRC asked Zhuhai Wanda to provide additional information for HK IPO and required the company to commit that the IPO proceeds will not flow into real estate development; Media reported that Dalian Wanda plans asset disposals amid more than RMB8bn debts due within next two months
- [JIAYUA]** Jiayuan creditors voted to appoint Deloitte as liquidator
- [KMRLGP]** Moody's downgraded Kunming Rail Transit Group to Baa2 from Baa1 and maintains negative outlook

- **[SAKAEI]** Saka Energi 1Q23 revenue rose 4.6% yoy to USD129.5mn while net profit down 58.3% to USD8.1mn
- **[SHIMAO]** Shanghai Shimao failed to make payment for RMB739mn public debts on schedule
- **[SINOCH]** Media reported that Sinochem unit Syngenta's planned USD9.4bn IPO on Shanghai bourse picks up speed
- **[YANGOG]** Yango Group further delays deadline for reply to Shenzhen bourse inquiries regarding FY22 results
- **[ZHHFGR]** Zhuhai Huafa Properties to redeem RMB310mn 21 Huafashiye MTN002 notes as investors exercise put option

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