

CMBI Credit Commentary

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

- *New issues KEXIMs were unchanged to 2bps tighter. INDONs down 0.5-1pt. China IG benchmarks widened 0-2bps, long-end TENCNT/BABA were under better selling. High quality LGFV/SOE Perp/CN AT1 continue to be well-bid..*
- *CIFIHG: Plans to extend the maturities of offshore debts by 2-9 years with five options. See below.*
- *ZHPRHK: Obtained 26.97% bondholder's support on RSA so far. See below.*

❖ Trading desk comments 交易台市场观点

Yesterday, overnight UST yields tightened 2-4bps across the curve. Asia ex JP IG space remained relatively soft. On the new issue front, the Republic of Indonesia priced 5-yr bond of USD500mn, 10-yr bond of USD650mn and 30-yr bond of USD900mn to yield 4.65%, 4.85% and 5.2%, respectively. The new INDON 29/34/54 were traded around 0.25pt lower against the aggressive RO levels. Chinese IG benchmarks were unchanged to 5bps wider. HAOHUA 25-30s widened 3-5bps. CHGRID/CNOOC 25-27s widened 2-3bps. The longer dated SOEs such as SINOPE/CNOOC 44-49s were also under better selling. The high beta TMTs MEITUA/WB 30s were 2-4bps wider. In financials, Fitch downgraded the ratings of China's four national AMCs by one notch. We saw two-way active flows on CCAMCLs/HRINTHS. HRINTHS were traded 0.1pt lower (around 10-15bps wider), CCAMCLs/ORIEASs widened 3-4bps. Chinese AT1s such as ICBCAS/BOCOHK Perps were unchanged to 0.1pt higher while EU AT1s such as HSBC/STANLN Perps were 0.3-0.5pt lower. In Korea, POHANG/DFHOLD 26s and HYUELE 28s widened 4-8bps. Elsewhere, TAISEM curve was under better selling. HK IGs were traded in balanced two way flows. CKHH/AIA 33s were unchanged to 3bps wider. In HK Corp space, NWDEVL Perps were 1.7-2.2pts lower. SHUION 24-26s were up another 2.2-3.3pts to close 8-10pts higher WTD. Chinese properties were firm. ROADKG 24-25s were 1.1-1.7pts higher. GEMDAL/FUTLAN 24s were up 1.2-1.7pts. DALWANs were 1-1.3pts higher. YLLGSP 24/26 were up 0.8-1.8pts. In industrials, CHIOIL/FOSUNI 26s were up another 0.6-1.1pts. Macau gaming names MPEL/SANLTD/STCITY 26-30s were down 0.5-0.8pt. In Indian space, VEDLN 24-26s were up 1.7-3.4pts. Renewables RPVIN 27-28s were up 0.3-0.5pt. Renew Power's subsidiary India Green Energy announced the call of INGREN 5.375 '24 in full on 11 Jan. Indonesian names were quiet.

In Perp/LGFV spaces, SOE perps continued to be resilient, thanks to the support from onshore prop desks. HUANEN 3.08 Perp/CHSCOI 3.4 Perp were 0.1-0.2pt higher. The high-beta IG names remain better bid, led by the short-squeeze of SUNSHG. BCDHGR/MINMET 26s were also 0.5-0.9pt higher. Meanwhile LGFVs were firm. The 6-7% LGFVs GZINFU/SHGUOH 26s were 0.4-0.5pt higher. The higher-yielding GSHIAV 24-25s were up 0.3-

Glenn Ko, CFA 高志和
 (852) 3657 6235
 glennko@cmbi.com.hk

Cyrena Ng, CPA 吴倩莹
 (852) 3900 0801
 cyrenang@cmbi.com.hk

Jerry Wang 王世超
 (852) 3761 8919
 jerrywang@cmbi.com.hk

0.6pt. CPDEV 25/Perp were up 0.7-1.7pts to close 2-4pts higher WTD. On the other hand, We saw profit taking interests in several weaker Shandong names at high target levels, following media report that SAFE had suspended Shandong LGFVs from issuing new 364-day offshore notes.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
VEDLN 6 1/8 08/09/24	73.4	3.4	NWDEVL 4.8 PERP	43.7	-2.2
SHUION 5 1/2 06/29/26	57.3	3.3	NWDEVL 6.15 PERP	81.6	-1.9
SHUION 5 1/2 03/03/25	67.4	2.4	NWDEVL 5 1/4 PERP	67.3	-1.8
CSCHCN 9 06/26/24	29.1	2.2	NWDEVL 6 1/4 PERP	54.5	-1.7
SHUION 6.15 08/24/24	87.1	2.2	CHGRID 4 05/04/47	86.3	-1.7

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-0.34%), Dow (+0.03%) and Nasdaq (-0.56%) were mixed on Thursday. US Dec'23 ADP employment was +164k, higher than the expectation of +115k. US latest initial jobless claim was +202k, lower than the expectation of +216k. UST yields moved higher yesterday, 2/5/10/30 yield reached 4.38%/3.97%/3.99%/4.13%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ CIFIHG: Plans to extend the maturities of offshore debts by 2-9 years with five options

CIFI made an update on the holistic solution for the offshore debts. It proposes five options for the creditors to convert their holdings into new USD notes or new USD/RMB loans, including maturity extension with different level of haircut and partial equitization. CIFI targets to deleverage by USD3.3-4bn via the debt restructuring, to be implemented by way of scheme of arrangement.

The amortization for most of the options will be spread over 2-9 years from the restructuring effective date. The coupon rates will be in the range of 2-4%. Most of the options will include interest deferral mechanism where the deferred interest (without any compounding) will be paid in a lump sum together with or after the repayment of the last amortization instalment. All options will be credit enhanced by the same guarantees and security package. Also, consent fee is considered to be provided to the creditors. As of 3 Jan, CIFI is still negotiating with the creditors in relation to the restructuring plan.

CIFI defaulted in Oct'22 and suspended payment of all offshore debts in Nov'22. As of Jun'23, CIFI has offshore interest-bearing liabilities (excluding accrued interest) of cUSD7bn, comprises of senior notes of USD4bn, convertible bonds of HKD1.9bn (cUSD243mn), perpetual securities of USD300mn, unsecured loans of USD2.3bn and project-level debts of USD110.5mn. The cash balance was only RMB19.2bn (cUSD2.7bn) as of Jun'23.

CIFI has IPs of RMB45.6bn (cUSD6.4bn) as of Jun'23, and it plans to dispose IPs and offshore assets to realize RMB12-14bn (cUSD1.7-2.0bn). It also expects to generate RMB104-115bn (cUSD14.7-16.2bn) from the onshore development projects from 2H23 to 2032. The total cumulated cash flow generated for offshore debt repayment is expected to be RMB30-35bn (cUSD4.2-4.9bn). In our view, the estimation on the proceeds from the monetization of IPs and onshore projects development are still hinge on the property market sediment, which we still yet to see a sign of notably recovery.

➤ **ZHPRHK: Obtained 26.97% bondholder's support on RSA so far**

Zhenro had entered into RSA with AHG representing c26.97% of the aggregate outstanding principal amount of its senior notes and perp. Zhenro has 15 senior bonds and 1 perp outstanding with cUSD3.6bn principal amount and the cumulative principals/interests were cUSD4.2bn. In the RSA which was proposed in Nov'23, Zhenro plans to issue four series of new USD notes with tenor of 4-7yr to substitute all of its existing notes without principal hair-cut. Credit enhancements include shares of subsidiaries/receivables, etc. as collaterals for the new bonds, and mandatory redemption upon specified asset disposals, receivables repayments and new project sales.

New Notes	Principal (USD mn)	Tenor (yr)	Maturity	Coupon (Cash/PIK)	Principal of new bonds per USD100 old bonds
Series 1	237	4	1/1/2028	5%/6%	3.36
Series 2	853	5	1/1/2029	5%/6%	20.15
Series 3	1,279	6	1/1/2030	5.5%/6.5%	30.22
Series 4	1,863	7	1/1/2031	6%/7%	44.04
Total	4,232				97.77*

*Note: The gap was USD100mn of Series 1 as consent fee.

Source: Company fillings.

	Scheme Creditors (senior notes holders)	Perpetual Security holders
Consent Fee	1). 0.15% of the aggregate principal amount 2). Pro rata share of the Series 1 New Notes in an aggregate principal amount of USD95mn	1). 0.15% of the principal amount of Perp 2). Pro rata share of the Series 1 New Notes in an aggregate principal amount of USD5mn
Consent Fee Deadline	24 Jan'24 or such later date as may be agreed between the company and the AHG in writing	
Restructuring Effective Date	No later than 30 Jun'24	
Longstop Date	30 Jun'24 or such later date as may be agreed between the company and the AHG in writing	

Source: Company fillings.

In 2023, Zhenro's contracted sales was RMB15.38bn, decreased 39.7% yoy. The company projected it may generate RMB50-60bn cash flow from existing property projects in 2023-2027 and RMB30-35bn cash flow from new property projects in 2027-2030. It also plans to sell IPs in 2024-2028 to raise cRMB5-8bn liquidity.

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Export-Import Bank of Korea	800/800/400	3/5/10yr	4.625/4.5/4.625%	T+53/63/73	Aa2/AA/AA-
Jinan Zhangqiu Holding Group	118.8	330d	5.9%	5.907%	-/-/-

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

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Hanwha TotalEnergies Petrochemical	USD	-	5/5.5yr	-	Baa1/BBB/-

POSCO	USD	-	3/5yr	-	Baa1/A-/-
SK Hynix	USD	-	3/5yr	-	Baa2/BBB-/BBB

➤ News and market color

- Regarding onshore primary issuances, there were 70 credit bonds issued yesterday with an amount of RMB58bn. As for Month-to-date, 192 credit bonds were issued with a total amount of RMB149bn raised, representing a 61.4% yoy increase
- [DALWAN]** Media reported that Dalian Wanda prepares funds to make scheduled installment payment for USD bonds due on 5 Jan
- [JNZQHO]** Jinan Zhangqiu Holding proposes to offer RMB3bn corporate bonds
- [LMRTSP]** Lippo Malls Indonesia Retail Trust estimates its aggregate leverage ratio increases to 44.3%, lower than the limit of 45%
- [SJMHO]** Fitch affirmed SJM Holdings' BB- rating and revised outlook to stable from negative
- [VEDLN]** Vedanta Resources announced results of bondholders' meetings that all amendment resolutions approved
- [XZETDZ]** Xuzhou Economic and Technology Development Zone State-Owned Assets Management proposes to offer CNY 600m three-year MTNs to repay debts
- [YLLGSP]** Media reported that Yanlord plans to use a closed syndicated loan of no less than USD200mn to partly redeem its USD376mn 6.8% bonds due-27 in 2024, the remaining amount of the bonds to be repaid from the developer's internal cash
- [YUNINV]** Yunnan Provincial Investment proposes to offer RMB2bn one-year bills to repay debts

Fixed Income Department

Tel: 852 3657 6235/ 852 3900 0801

fis@cmbi.com.hk

CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Author Certification

The author who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the author covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that author in this report.

Besides, the author confirms that neither the author nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM and/or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or

enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.

Additional information on recommended securities is available upon request.

Disclaimer:

CMBIGM or its affiliate(s) have investment banking relationship with the issuers covered in this report in preceding 12 months

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.