

CMBI Credit Commentary

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

The Asset Asian G3 Bond Benchmark Review 2023

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- *New DAESEC'27 tightened 2bps this morning. Asian IG overall widened 1-3bps. HYUELEs widened 1-2bps post 2Q24 result. BCLMHK/CCB floaters and GRWALL/HRINTH were firm and well bid.*
- *SINOCE: A restructuring dominated by an effective debt to equity swap. See comments below.*
- *CCAMCL: China Cinda Asset Management expects 1H24 net profit to drop up to 50% yoy to cRMB2.3bn due to decrease in income from distressed debt assets. CCAMCLs widened 1-3bps this morning.*

❖ Trading desk comments 交易台市场观点

Yesterday, the new ZHOSHK '28 opened 9bps tighter from RO (CT5+209) and closed 4bps tighter at CT5+205. Chinese SOEs/TMTs were skewed to better selling. The long-end of HAOHUAs/CNOOCs/TENCNTs were 0.7-1.1pts lower (3-7bps wider in spreads). BABA/TENCNT/HAOHUA 28-31s closed unchanged to 1bp wider amid mixed two-way flows. In the BBB TMTs, MEITUA/WB 30s widened 1-3bps. In financials, Chinese AMCs were soft. CCAMCLs 27-30s were 3-8bps wider. China Cinda AMC announced profit warning for 1H24 results. HRINTH 25-27s/GRWALL '30 closed unchanged to 5bps wider. BCHINAs/CCBs were 1-3bps wider. BNKEA '34/DAHSIN '33/OCBCSP '34/UOBSP '32 were 1-2bps wider. In AT1s, HSBC 6 Perp/BNP 8 Perp were 0.2pt higher. ACAFP 6.5 Perp/UBS 7.75 Perp were down 0.1-0.2pt. In KR, the old DAESEC 5.875 '27 widened 2bps. DAESEC priced a USD400mn 3-yr bond at CT3+145. HYUELEs were 2-3bps tighter. Chinese properties were mixed. FUTLAN/FTLNHD 26s were 0.9-1.2pts higher. CHJMAO Perp/VNKRLE '29 were 0.5-0.6pt higher. PINGRE '25 was up 0.4pt. SHUION 25/26 were 0.3pt higher. On the other hand, ROADKG Perps were down 0.5-1.0pt, ROADKG 28-30s were 0.1-0.4pt lower. In Macau gaming, MPELs/SANLTDs/STCITYs were 0.2-0.5pt lower. In India, the recently issued PIELIN '28 was up another 0.1pt. SAELLT priced a USD300mn 7NC3 bond at par to yield 7.8%. In Indonesia, MDLNIJ '25 lowered 0.3pt.

In LGFVs, ZHHFGR '25 and CPDEV 25/26 were 0.1-0.2pt higher. YWSOAO '25/HZCONI '26/WUXIND '26/WHMTR '24 were up 0.1-0.2pt. LIANYU '25/KMRLGP '24 were 0.2-0.3pt lower. In SOE perps, CCBINT 3.329 Perp was up 0.1pt, CHSCOI 4 Perp/CHPWCN 3.08 Perp were down 0.1pt. In the high beta names, ZHONAN/GRPCIN 26s were 0.1pt higher.

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❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
FTLNHD 4 1/2 05/02/26	68.0	1.2	TENCNT 3.24 06/03/50	66.5	-1.1
FTLNHD 4 5/8 10/15/25	77.3	1.1	ROADKG 7.95 PERP	26.6	-1.0
FUTLAN 4.45 07/13/25	82.8	0.9	HAOHUA 4 3/4 06/19/49	87.7	-0.8
YANTZE 2.15 09/22/30	87.2	0.6	CNOOC 4 7/8 04/30/44	96.2	-0.8
CHJMAO 6 PERP	89.8	0.6	TAISEM 2.7 09/22/60	60.6	-0.8

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-2.31%), Dow (-1.25%) and Nasdaq (-3.64%) were weak on Wednesday. The US Jul'24 Markit manufacturing/service PMI was 49.5/56.0, compared to the expectation of 51.7/54.7. Long-term UST yields rallied higher yesterday, 2/5/10/30 yield reached 4.37%/4.12%/4.28%/4.54%

❖ Desk analyst comments 分析员市场观点

➤ SINOCE: Unappealing offshore debt restructuring plan with 60% of debt swapped into equity

Table 1: Maturity extension comparison between the RSA of SINOCE, CAPG, SUNAC and YUZHOU

	SINOCE	CAPG	SUNAC	YUZHOU
Restructuring debts (USD)	5,636mn	7,230mn	10,237mn	6,527mn
Maturity extension	3-8 years	3-8 years	2-9 years	3-10 years
Max. amt to be exchanged into new bonds (USD)	2,200mn	2,300mn/3,900mn (incl. perps)	6,000mn	6,527mn for the election of 10 years 1% new bonds
% of new bonds to original debts	39%	32%/54% (incl. perps)	59%	57%-100%
Haircut on outstanding principal amount of debts to be exchanged into new bonds	Nil	Nil	Nil	70-90% for the election of 3-year 6% new bonds

Note: The table does not include Sunac scheme's issuance of USD1bn 9-year CB.

Source: Company filling, CMBI Research.

Sino-Ocean released the offshore debt restructuring plan covering offshore debts totaled USD5,636mn in principal amount, including bank loans of cUSD1,918mn, as well as 7 USD bonds and perps totaled USD3,718mn. The plan excluded SINOCE 3.8 04/26/25 of USD200mn with Standby LC, and SINOCL 6 06/22/29 of USD528.8mn issued under Sino-Ocean Capital, an associate of Sino-Ocean. In our view, the restructuring plan of Sino-Ocean plan is more straightforward with limited options to bondholders compared with the restructuring plans of other distressed peers. From an USD bondholders' perspective, a higher proportion of their claims will be converted into MCB, and shares eventually. The restructuring plan is more of a debt to equity swap. This may reflect Sino-Ocean's major shareholders are more receptive to their shareholdings to be substantially diluted after the debt restructuring, as opposed to the founders and major shareholders of CAPG, Sunac and Yuzhou.

Among the existing debt claims, c60% will be exchanged into non-interest bearing MCB with a maturity of 2 years or new perps. The remaining c40% will be exchanged into 3-8 years amortizing new bonds without haircut. Indeed, 70% of the new bonds amortization will be in year 7 and 8. See Table 2 for details. Also, the new bonds

carry deferred triggering event (DTE) clauses which could lead to further extension of 2 years. The DTE are linked to offshore assets disposal and fulfilment of certain contract sales levels after the RED. However, Sino-Ocean did not disclose the assets to be disposed or the level of contract sales need to be attained. The new bonds will be secured by shares of Sino-Ocean Services (6677.HK) and a list of undisclosed offshore assets, and backed by cash sweep.

From an USD bondholders' perspective, only 14%-31% of their positions will be converted into new bonds with tenors of 3-8 years, the remaining will be converted to MCB with high conversion prices. The minimum conversion prices range from HKD5.52 to HKD16.37, compared with last close of HKD0.34. Effectively, 69%-86% of their positions will be mandatorily swapped for equities at high conversion prices. These compared with only c31% of syndicated loan positions will be mandatorily swapped for equities at a high but much lower conversion price (i.e HKD1.46).

Additionally, the Class A creditors (i.e. syndicated loan creditors) can choose to receive new 3-8 years amortizing loans instead of new bonds. The key difference between new loans and new bonds are the 2nd, 3rd and 4th DTE. Upon the occurrence of 2nd, 3rd or 4th DTE, only up to 20% of the new loans will be subject to 2 years maturity extension. This compared 100% of new bonds are subject to 2 years maturity extension for new bonds once 1st – 4th DTE is triggered.

The accrued and unpaid interest, default interest up to RED will be included in the restructuring claims. Early consent fee of 0.1% of the aggregate principal amount will be given to creditors submit their consent by 8 Aug'24, or base consent fee of 0.05% by 22 Aug'24. Longstop date will be on 31 Mar'25.

Table 2: Key terms in the RSA

Class	Restructuring claims	O/s amt (USDmn)	Allocation of new bonds (USDmn)	% of new bonds to debt claims	Allocation of MCB and perps (USDmn)	% of MCB/perps to debt claims
Class A	USD and HKD loan facilities	1,918	1,320	69%	598	31%
Class B	SINOCE 2.7 01/13/25	520	602	31%	1,318	69%
Class B	SINOCE 3.25 05/05/26	400				
Class B	SINOCE 4.75 08/05/29	600				
Class B	SINOCE 4.75 01/14/30	400				
Class C	SINOCE 6 07/30/24	698	162	14%	1,036	86%
Class C	SINOCE 5.95 02/04/27	500				
Class D	SINOCE 6.946 Perp	600	116	19%	484	81%
Total		5,636	2,200	39%	3,436	61%
Early consent fee		0.1% by 8 Aug'24				
Base consent fee		0.05% by 22 Aug'24				
Longstop date		31 Mar'25				

Source: Company filling.

Table 3: 3-8 years amortizing new bonds

Tranche	Principal amt as % of new bonds	Principal amt (USDmn)	Tenor (years)	Years of maturity extension
1	1.5%	33	3	1 year if 1 st DTE occurs
2	3%	66	4	-
3	10.5%	231	5	-
4	10%	220	6	-
4A	5%	110	6	2 year if 2 nd DTE occurs
5	15%	330	7	-
5A	20%	440	7	2 year if 3 rd DTE occurs
6	15%	330	8	-
6A	20%	440	8	2 year if 4 th DTE occurs
Total		2,200		

Note: DTE refers to deferred triggering events. 1st DTE refers to disposal of certain offshore assets has not been received within 36 months after RED. 2nd/3rd/4th DTE refers to accumulated contracted sales fail to meet certain levels within 69/81/93 months after RED since 1 Jan'24.

Source: Company filling.

Table 4: MCB

Class	Debt claims	New MCB conversion price	Premium of min. conversion price over last close of HKD0.34	New conversion shares
Class A	USD and HKD loan facilities	2.9x of 90-day VWAP, min HKD1.46	4.3x	Up to 29.6% of the enlarged share capital
Class B	SINOCE 2.7 01/13/25			
Class B	SINOCE 3.25 05/05/26	11x of 90-day VWAP, min HKD5.52	16.2x	Up to 13.5%
Class B	SINOCE 4.75 08/05/29			
Class B	SINOCE 4.75 01/14/30			
Class C	SINOCE 6 07/30/24	32.7x of 90-day VWAP, min HKD16.37	48.1x	Up to 3.6%
Class C	SINOCE 5.95 02/04/27			
Class D	SINOCE 6.946 Perp	22.4x of 90-day VWAP, min HKD11.2	32.9x	Up to 2.6%
Total				Up to 49.3%

Source: Company filling.

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Mirae Asset Securities	400	3yr	5.5%	T+145	Baa2/BBB/-

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Bank of Communications Co., Ltd.	USD	-	3yr	SOFR+105	A2/-/-
Dongxing Securities Co., Ltd.	USD	-	3yr	5.8%	-/-/BBB-

➤ News and market color

- Regarding onshore primary issuances, there were 104 credit bonds issued yesterday with an amount of RMB124bn. As for month-to-date, 1,564 credit bonds were issued with a total amount of RMB1,571bn raised, representing a 28.4% yoy increase
- [CCAMCL]** China Cinda Asset Management expects 1H24 net profit to drop up to 50% yoy due to decrease in income from distressed debt assets
- [HYUELE]** SK Hynix 2Q24 revenue rose 125% yoy to cUSD11.9bn and EBITDA increased to cUSD6.2bn
- [KWGPRO/LOGPH]** Media reported that Logan, KWG Group close to finalizing private loan to refinance HKD10.2bn project loan backing The Corniche
- [MINMET]** Minmetals Land 1H24 contracted sales down 54.7% yoy to RMB3.2bn
- [SANLTD]** Sands China 2Q24 revenue increased 8% yoy to USD1.8bn and adj. EBITDA rose 3.6% yoy to USD561mn

- **[VEYONG]** Moody's assigned ENN Natural Gas Baa3 rating with stable outlook
- **[VNRKLE]** China Vanke announced to call RMB2.3bn 21Wanke05 on 26 Jul'24

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