

CMBI Credit Commentary

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

- *Constructive morning to start the week. COGARD up 2-3pt following news on the RMB40bn facility from ABC. SHUION, CIFIHG, ROADKG also saw buying interest, up 0.5-1.5pt.*
- **China Property:** *Accounting issues from Aoyuan, GZRF and Shimao. See below.*
- **BTSDf:** *countersigned a commitment letter of USD1.2bn Refinancing facility on 25 Mar'22. We consider this early refinancing plan a sign of stable banking relationship and will remove all refinancing uncertainty prior to 2024 USD bond maturity. Reiterate Buy, see below.*

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❖ Trading desk comments 交易台市场观点

Last Friday, Chinese HY space was mixed. PWRLNG continued to plunge 4-11pts on the back of auditor changing news, except PWRLNG due Apr'22 (+3pts). ZHLGHD Jul'22 marked down 15pts to mid-20s. COGARD curve also traded down 1-2pts. On the other hand, REDSUN Apr'22 rose around 6-7pts. We also saw buying interest in developers that have announced result, including SHUION (+2-5pts) and CIFIHG (+2pts). The industrial space was broadly stable and saw EHOUSE buyers.

Chinese IG space was generally quiet last Friday. TMT sector names slightly widened while MEITUA outperformed and up around 1pt. In financial sector, ICBCAS and CCAMCL were broadly stable. LNGFOR saw better buying and spread tightened 10bps.

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➤ Yesterday's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
REDSUN 9.95 04/11/22	46.0	7.1	HONGSL 9 7/8 08/27/22	16.4	-34.3
MEITUA 0 04/27/27	82.9	5.4	ZHLGHD 12 04/17/23	27.2	-13.2
PWRLNG 3.9 04/13/22	90.0	4.6	PWRLNG 7 1/8 11/08/22	30.8	-11.8
XINHUZ 11 09/28/24	94.3	3.7	PWRLNG 6.95 07/23/23	26.2	-9.4
CIFIHG 4 3/8 04/12/27	66.0	2.9	PWRLNG 6 1/4 08/10/24	26.7	-7.5

❖ Macro News Recap 宏观新闻回顾

Macro – U.S. stock market ended mixed last Friday, as rate hike bets stabilize, and energy prices hold firm following President Biden's two-day summit in Europe. The S&P (+0.51%), Dow (+0.44%), Nasdaq (-0.16%) closed mixed. Oil prices, which have swung wildly for most of the week, were rising last Friday, with WTI crude futures for May delivery up 39 cents to \$112.70 per barrel. Treasury yield curve continued to shifted upwards, with 1/5/10/30Yr yield reaching 1.67%/2.55%/2.48%/2.60%. UST curve flattens from 5Yr to 30 Yr.

❖ Desk analyst comments 分析员市场观点

➤ China Policy – Industrial profits slowed amid base effect & cost pressure

Total profit of China's mining, manufacturing and public utility industries rose 5% YoY in 2M22, sharply down from 34.3% YoY in 2021. The slowdown was mainly due to high base, rising cost & weakening demand. Compared to year 2019, the annualized growth of total industrial profits reached 21.8% in 2M22, compared to 18.2% in 2021. Due to rising costs of materials, total profits as % of operation income declined from 6.5% in 2M21 to 6% in 2M22. Looking forward, total industrial profit growth may rebound to 10% in 2022 with both supply and demand improvement in 2H22.

Please see our full note <https://www.cmbi.com/article/6538.html?lang=en>

➤ Chinese properties: More on accounting issues

Over the weekend, Aoyuan, GZRF and Shimaos announced the accounting issues for their FY21 results. Aoyuan, changed its auditor to a non-Big 4 in late Jan'22, announced the possible delay in the publication of FY21 results without any indications on the publication of the unaudited FY21 results. China Aoyuan will likely face share trading suspension starting from 1 Apr'22.

GZRF, audited by PWC, announced the delay in publication of audited FY21 results but will publish the unaudited FY21 results on 31 Mar'22. The company expects to publish its audited results no later than 30 Apr'22.

Meanwhile, there are more negative news on Shimaos. The company replaced PWC with a non-Big 4 auditor and issued profit warning. On 21 Mar'22, it announced the delay in publication of audited FY21 results to on or before 30 Apr'22 but will release the unaudited FY21 results on 31 Mar'22.

So far, 13 Chinese developers have announced different accounting issues related to the FY21 results. Out of these, 7 of them are originally audited by PWC. Please click the [link](#) for developers originally audited by PWC.

Date	Developers	Accounting issues
26 Jan'22	Aoyuan	Replaced Deloitte with Shinewing. Board meeting on 21 Mar'22. Announced possible delay in publication of FY21 results on 25 Mar'22. Likely face shares trading suspension
27 Jan'22	Hopson	Replaced PWC with E&Y. Expected audited FY21 results to be released on 31 Mar'22.
25 Feb'22	Yuzhou	Replaced E&Y with UniTax. Board meeting on FY21 results on 31 Mar'22.
21 Mar'22	Evergrande	Delay in publication of audited FY21 results. No indication on the publication of unaudited FY21 results. Current shares trading suspension should be related to the account irregularities and delay in publications of FY21 results.
21 Mar'22	Ronshine	Replaced PWC with Elite Partners. Delay in publication of audited FY21 results and unaudited results to be released on 31 Mar'22.
21 Mar'22	Shimao	Delay in publication of audited FY21 results to on or before 30 Apr'22. Unaudited FY21 results to be released on 31 Mar'22. Replaced PWC with Zhonghui Anda and issued profit warning on 25 Mar'22.
21 Mar'22	Sunac	Delay in publication of audited FY21 results and unaudited results to be released on 31 Mar'22.
22 Mar'22	Kaisa	Delay in publication of audited FY21 results. No indication on the publication of unaudited FY21 results. Lengthy share trading suspension expected.
24 Mar'22	Powerong	Replaced PWC with Elite Partners. Delay in publication of audited FY21 results to on or before 15 May'22. Unaudited results to be released on 29 Mar'22.
24 Mar'22	Mingfa	Delay in publication of audited FY21 results and unaudited results to be released on 31 Mar'22.
24 Mar'22	Greenland HK	Delay in publication of audited FY21 results and unaudited results to be released on 29 Mar'22.
24 mar'22	Sansheng	Delay in publication of audited FY21 results and unaudited results to be released on 31 Mar'22.
25 Mar'22	GZRF	Delay in publication of audited FY21 results to no later than 30 Apr'22. Unaudited results to be released on 31 Mar'22. Audited results to be announced.

➤ **BTSDf: countersigned a commitment letter of USD 1.2bn refinancing facility; Reiterate Buy**

H&H announced it has countersigned a commitment letter of USD1.2bn refinancing facility on 25 March 2022, with certain financial institutions. The commitment of this facility is subject to (a) preparation and execution of final facility documentation, and (b) completion of NDRC filing.

This Refinancing facility has similar covenants and undertaking as the existing facilities obtained in 2018. Upon execution and drawdown, this will refinance its bridge loan (USD350mn) and term loan (USD150mn) due in Sep '22 and Nov '22, and final tranche of existing facilities (USD677mn) due in 2023.

We consider this early refinancing plan a sign of stable banking relationship of H&H and it can remove all refinancing uncertainty prior to 2024 USD bond notes due date. Reiterate Buy and [see our note on 25 March 2022](#).

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

Issuer	Size (mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Knowledge City	450	3	3.5	3.5	-/-/ BBB

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

Issuer	Currency	Size (mn)	Tenor	IPG	Issue Rating (M/S/F)
Zhengzhou Airport	USD	-	3	4.9	-/-/BBB

➤ **Market conditions and color**

- Regarding onshore primary issuances, there were 75 credit bonds issued yesterday with an amount of RMB63bn. As for Month-to-date, 1630 credit bonds were issued with a total amount of RMB1613bn raised, representing a 19.7% yoy decrease.
- **[CAPG]** in recapitalization discussions with potential investors; and facing 1 April share trading suspension
- **[CHEDRP]** BoD proposes to further extend USD244.75mn offshore bonds redemption to 1 Dec 2025
- **[CHIGRA]** Fitch Downgrades China Grand Auto to 'B-', Maintains Rating Watch Negative
- **[CHJMAO]** completes issue of RMB 1.5bn five-year corporate bonds with 3.5% coupon
- **[COGARD]** getting RMB40bn facility from Agricultural Bank of China, it's a strategic agreement in relation to M&A and affordable rental housing, and strategic cooperation agreement on mortgages

- **[GEMDAL]** Gemdale's top management to buy up to RMB20m bonds
- **[HRINTH]** gains shareholders' approval for transfer of 71.99% stake in Huarong Securities to SASAC for RMB10.93bn
- **[PWRLNG]** S&P downgraded Powerlong To 'B+/Negative' On Weaker Governance; Ratings Suspended Due To Insufficient Information
- **[REDPRO]** says USD12.03mn of 8.0% senior notes remains outstanding following purchase offer
- **[ZHPRHK]** to sell 51% of company which holds Foshan land parcel for RMB155.6mn

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