

CMBI Credit Commentary

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

- *Markets were quiet this morning. FUTLANs/LNGFORs/VNKRLEs moved -0.2 to +1pt. GEMDAL'24 rose 2.25pts. India miner VEDLNs were unchanged to rose 0.5pt post the news that it secured USD1.25bn loan.*
- **DALWAN:** *First takes on the settlement of pre-IPO investments. DALWANs rose 10-17pts yesterday and moved 1 pt higher this morning post the news. See below.*
- **CSCHCN:** *Media reported that China South City AHG reiterated to vote against consent solicitation and warned enforcement action against SOE keepwell provider SZCDG. CSCHCNs were unchanged to rose 1pt this morning.*

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

Cyrena Ng, CPA 吳蓓瑩
(852) 3900 0801
cyrenang@cmbi.com.hk

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

❖ Trading desk comments 交易台市场观点

Yesterday, overnight UST yield tightened 1-3bps. Asia IG space was firm ahead of CPI data on Tue night. Chinese SOE/TMT benchmarks BABA/BIDU/SINOCH 30-31s tightened 1-3bps. The high beta TMTs XIAOMI/WB 30-31s were unchanged to 2bps tighter. In financials, Chinese bank T2/leasing names BOCAVI/CINDBK/ICBCAS 28-33s were 1-2bps tighter. Chinese AT1s BCHINA 3.6 Perp/ICBCAS 3.58 Perp were down 0.1pt. Thai AT1s BBLTB/KABNK Perps were under small better selling from PBs and lowered 0.1pt, whereas EU AT1s remained robust and HSBC/STANLN Perps closed 0.2pt higher. In HK Corp space, HYSAN Perps were down 0.5pt. In HK/Chinese properties, SHUION 24-26s were up 1.4-1.9pts. DALWAN 24-26s rallied 10-16pts and moved 1pt higher this morning, following the resolution of the put of pre-IPO investments. See comments below. CSCHCN 24s were 0.8-3.4pts higher despite the noise on AHG's opposition of the sweetened consent solicitation. FUTLAN/FTLNHD 24-25s were up 1.8-2.4pts. GEMDAL '24/ROADKG '26 were up 1.3-1.4pts. On the other hand, LNGFOR 27-29s were down 0.9pt. GRNLGR/RISSUN 28s were 1-1.5pts lower. In industrials, EHICAR '24/ANTOIL '25 were up 0.4-0.6pt. Macau gaming names MGMCHIs/SANLTDs/ WYNMACs were up 0.3-0.5pt. In Indian space, VEDLNs were 0.3-0.6pt higher. Indonesian names KIJAIJ '27/BUMAIJ '26 were up 0.9-1.9pts. LMRTSP 24/26 gained 6.0-7.9pts, and LPKRIJ '25 was 3.2pts higher. LMIRT announced the partial tender offer and consent solicitation to repurchase its LMRTSP 7.25 '24 at 76.5 and LMRTSP 7.5 '26 at 66.5. See our comments in the daily yesterday.

In LGFV/Perp spaces, the flows were overall light. There was better buying from asset managers who weren't on holiday yet, and we also saw some the scattered selling flows from PBs. CQLGST 4.3 '24 stayed range-bound and closed 0.8pt lower at 97.8 cash price level, while CQLGST 5.3 '24 closed unchanged. CQNANA '24/JMUDIV '25 were down 0.1pt. The quality LGFVs

JNHTE '24/GZINFU '26 were 0.3pt higher. The higher-yielding LGFVs GSHIAV '25/KMRLGP '24 were down 0.3-0.4pt. In SOE perps, CHSCOI 4 Perp/HUADIA 3.375 Perp/RLCONS 3.97 Perp were 0.1-0.2pt higher.

❖ Last Trading Day's Top Movers

| Top Performers | Price | Change | Top Underperformers | Price | Change |
|-----------------------|-------|--------|-----------------------|-------|--------|
| DALWAN 11 01/20/25 | 62.0 | 16.0 | RISSUN 3 03/29/28 | 4.1 | -1.5 |
| DALWAN 11 02/13/26 | 53.5 | 13.5 | GRNLGR 6.6 11/13/28 | 11.8 | -1.0 |
| DALWAN 7 1/4 01/29/24 | 76.0 | 10.0 | LNGFOR 3 3/8 04/13/27 | 56.7 | -0.9 |
| LMRTSP 7 1/4 06/19/24 | 77.3 | 7.9 | LNGFOR 3.95 09/16/29 | 46.1 | -0.9 |
| LMRTSP 7 1/2 02/09/26 | 66.2 | 6.0 | CQLGST 4.3 09/26/24 | 97.8 | -0.8 |

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.46%), Dow (+0.48%) and Nasdaq (+0.70%) continued to rally higher on Tuesday. US Nov CPI increased 3.1% yoy, same with the expectation. The latest CPI reached the lowest level Apr'21. Long term UST yields retreated yesterday, 2/5/10/30 yield reached 4.73%/4.23%/4.20%/4.30%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ DALWAN: First takes on the settlement of pre-IPO investments

What we know?

Dalian Wanda Commercial Management (DWCM) signed a new investment agreement with pre-IPO investors of Zhuhai Wanda Commercial Management (ZWCM) to reinvest the proceeds from the redemption of pre-IPO investments in ZWCM. We estimate that the put for pre-IPO investment would be cRMB46bn. The development is in line with our expectation that DWCM can avoid the sizeable cash flow for the redemption of pre-IPO investments. Nonetheless, DWCM's shareholding in ZWCM will be diluted to 40% from 78.81%. As per DWCM, there is no more put on the pre-investments based on the IPO timing of ZWCM. Indeed, DWCM will even have a net cash inflow based on the new investment agreement. We believe that DWCM is able to bring in new pre-IPO investors and the new investments are more than offset the pre-IPO investors chosen to withdraw. As we discussed, majority of its pre-IPO investors should not be under liquidity pressure to put the pre-IPO. COGARD and Country Garden Services which invested a total of RMB6.4bn, c17% of the pre-IPO investments, could be the exceptions.

What we don't know?

There remains a few details we need to portray the full picture of the new pre-IPO investments and the resulting impact. For example, the size of net cash inflow from the new investment agreement and whether there will be any early debt repayment clauses resulting the loss of majority control of ZWCM, as well as any change in operating and financing strategies of ZWCM after the ownership changes.

What are the mitigations of unknown?

Nonetheless, our concerns on whether there will be early repayment triggered by the loss of majority control over ZWCM is mitigated by the fact that ZWCM is an asset-light company. ZWCM is more of a mall operators and managing the malls owned and entrusted by DWCM. Diluting the shareholding in ZWCM will have limited impact on the asset base of DWCM. The income generating asset base of DWCM should be consider as the ultimate source of repayment.

In terms of cash flow, ZWCM paid dividend equivalent to c89% of its net profit. While the diluted shareholding will reduce DWCM's recurring dividend income from ZWCM, we expect ZWCM to maintain the current high dividend payout ratio as the high dividend payout will be in the interests of all shareholders. We also believe that the net cash inflow from the new agreement will somehow compensate for the loss of future dividend income. Furthermore, DWCM remains to be the largest shareholder of DWCM, we do not expect the operating and financial strategies to be significantly changed.

What is our view on DALWANs?

Our first takes of the new investment agreement are that this is a big relief of DWCM's near-term liquidity profile by removing the overhang of up to cRMB46bn redemption before FYE23. This is also a key step to unwind the intertwinements. As discussed in [DALWAN - Q&As on the consent solicitation dated 22 Nov'22](#), we believe that DWCM is locked in a "circular" situation in which the approval of the IPO of ZWCM, the amendments of the put of pre-IPO investments, the issuance of onshore bonds.... are dependent upon each other. The maturity extension of DALWAN 7.25 01/29/24 and the resolution of pre-IPO investments are keys to resume the push for IPO of ZWCM and the access to funding channels.

We continue to believe that DWCM is in a better position to weather through the current tight liquidity situation than many residential developers. DWCM is a mall operator instead of a residential developer. It has strong and recurring cash flows even the sale recovery of residential properties remains lackluster. DWCM's LTM (ended Sep'23) revenue was cRMB51.7bn (cUSD7.2bn). Majority of this was recurring rental and management income and gross margin was 63%. DWCM's offshore maturity is also way more manageable than many residential property developers. Its total o/s USD bonds is USD1.4bn, with maturities evenly distributed from 2024 to 2026. We have buy recommendations on DALWANs. DALWANs rose 10-17pts yesterday and move 1pt higher post the news.

| Security name | Amt O/s (USDmn) | Ask price | YTM (ask, %) | Rating (M/S/F) |
|----------------------|-----------------|-----------|--------------|----------------|
| DALWAN 7.25 01/29/24 | 600 | 75 | 272.4 | Ca/-/C |
| DALWAN 11 01/20/25 | 400 | 61 | 66.2 | Ca/-/C |
| DALWAN 11 02/13/26 | 400 | 52 | 49.5 | Ca/-/C |

Sources: Bloomberg.

➤ Offshore Asia New Issues (Priced)

| Issuer/Guarantor | Size (USD mn) | Tenor | Coupon | Priced | Issue Rating (M/S/F) |
|--|---------------|-------|--------|--------|----------------------|
| No Offshore Asia New Issues Pipeline Today | | | | | |

➤ Offshore Asia New Issues (Pipeline)

| Issuer/Guarantor | Currency | Size (USD mn) | Tenor | Pricing | Issue Rating (M/S/F) |
|--|----------|---------------|-------|---------|----------------------|
| No Offshore Asia New Issues Pipeline Today | | | | | |

➤ News and market color

- Regarding onshore primary issuances, there were 104 credit bonds issued yesterday with an amount of RMB75bn. As for Month-to-date, 617 credit bonds were issued with a total amount of RMB535bn raised, representing a 2% yoy decrease
- **[CSCHCN]** Media reported that China South City AHG reiterated to vote against consent solicitation and warned enforcement action against SOE keepwell provider SZCDG
- **[DALWAN]** Beijing Wanda Cultural Industry sold 51% stake in Beijing Wanda Investment to Shanghai Ruyi Investment Management for RMB2.155bn
- **[SHDOIS]** Shandong Iron and Steel issued RMB1bn extendable MTNs at 3.88% coupon rate to repay debts
- **[SHRIHG]** Shangrao Investment Holding receives Shanghai bourse approval over CNY 2.461bn corporate bond offering
- **[THSCPA]** Media reported that Tus-Holdings plans proposed calls for holders of its two due-2024 notes to settle debt at par or take between 40-80% haircut
- **[VEDLN]** Media reported that Vedanta Resources signed USD1.25bn loan with private credit funds
- **[YUNINV]** Yunnan Provincial Investment issued RMB1.2bn two-year MTNs at 4.04% coupon rate to repay debts

Fixed Income Department

Tel: 852 3657 6235/ 852 3900 0801

fis@cmbi.com.hk

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