

## CMBI Credit Commentary

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

- *Chinese IG space tightened 1-3bps this morning with buying flows especially on KUAISH 36. TOPTB/PTTGC Perps were down 0.5-1.0pt. NWDEVL 28 was 0.5pt higher. GARUDA 31 edged 0.4pt higher. We saw buying flows on long-end CNH bonds.*
- **FRESHK:** *Financial leasing business resilient buffered HCD headwinds. FRESHK 28s tightened 1-8bps yesterday. FRESHK 26-29s tightened 5bps this morning supported by all-in buyers, while FRESHK CNH edged 0.1-0.2pt higher. See below.*
- **MEDCIJ:** *Medco Energi obtained USD100mn 5-yr loan from HSBC (Singapore) for general corporate purposes. Medco Energi obtained 4-yr loans of IDR8tn (cUSD473mn) from BNI and 5-yr loans of IDR800bn (cUSD47mn) from ICBC in Feb'26. These reflect the strong onshore USD liquidity after further tightening of rules on export proceeds. MEDCIJ 26-30 were unchanged this morning.*

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#### ❖ Trading desk comments 交易台市场观点

Yesterday, TW lifers tightened 1-3bps amid better-buying into FUBON and NSINTW. Chinese TMT benchmarks traded largely unchanged, while real-money accounts were buying FRESHK 28s, which tightened 1-8bps. See comments on Far East Horizon's FY25 financial results below. EHICAR 26-27 closed unchanged to 0.3pt lower. In HK, LASUDE 26 led the space and rose 4.2pts. Media reported that Lai Fung, Lai Sun Development's subsidiary, has obtained all existing lenders' approvals for an HKD3.1bn-equivalent (cUSD391mn) facility for refinancing a secured loan due today. FAEACO 12.814 Perp was 1.3pts higher. NWDEVLs increased by 0.1-2.8pts, and VDNWDELs closed unchanged to 0.1pt higher. In Chinese properties, GRNCH 28 edged 0.1pt higher. See our comments on Greentown's FY25 earnings drop yesterday. VNKRL 27' and 29' gained 0.5pt. LNGFOR 27-32 were unchanged to 0.2pt higher. In KR space, HYNMTR/LGENSO/POHANG traded 2-3bps wider amid better selling, lower-beta names held mostly unchanged, while liquid financial bonds like DAESEC eased 1-2 bps wider on real-money selling. In JP, we saw better selling on FRNs, recent new-issue SUMITR fixed tranches attracted all-in buyers. Japanese and Yankee AT1s and insurance subs opened stable amid light two-way flows, before a round of street hitting at London open. The space closed 0.3-0.5pt weaker. Asian prop desks and PBs trimmed exposure in UBS/BACR. In SE Asian space, Bank senior paper tightened 1-3bps with Chinese RM buying the PETMK curve. MEDCIJ 26-30 were unchanged to 0.1pt higher. Medco Energi obtained 5-yr USD100mn facility from HSBC (Singapore) for general corporate purposes in addition to the cUSD520mn loans from BNI and ICBC in Feb'26. SMCGL Perps were unchanged to 0.2pt lower. GLPSPs leaked 0.1-0.3pt. In the Middle East, flows stayed balanced two-way but leaned

toward slightly better selling on long-end ARAMCO/KSA, which traded 0.1-0.7pt lower. Saudi Aramco FY25 adjusted EBIT fell 5.5% yoy to SAR744.6bn (cUSD197.9bn). PBs were incrementally selling T2s like NTBKKK. In LGFV space, there were balanced two-way flows, as papers sold by RMs were largely well digested by other buyers, particularly at 4% or 8% spot on the credit curve.

#### ❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
LASUDE 5 07/28/26	88.4	4.2	BHP 5 3/4 09/05/55	100.6	-1.8
NWDEVL 5 1/4 PERP	82.7	2.8	TACHEM 5.8 07/05/64	96.8	-1.6
NWDEVL 10.131 PERP	85.8	2.3	BHP 5 1/2 09/08/53	97.3	-1.6
FAEACO 12.814 PERP	84.6	1.3	TACHEM 5.65 07/05/54	96.3	-1.5
NWDEVL 4 1/8 PERP	76.4	0.9	TACHEM 5.65 07/05/44	98.9	-1.5

#### ❖ Marco News Recap 宏观新闻回顾

**Macro** – S&P (-0.08%), Dow (-0.61%) and Nasdaq (+0.08%) were mixed on Wednesday. US Feb'26 CPI was +0.3% mom/+2.4% yoy, in line with the market expectation. US crude oil inventories was 3.824mn, higher than the market expectation of 2.8mn. UST yield was higher on Wednesday. 2/5/10/30 year yield was at 3.64%/3.79%/4.21%/4.86%.

#### ❖ Desk Analyst Comments 分析员市场观点

##### ➤ FRESHK: Financial leasing business resilient buffered HCD headwinds

We maintain buy on FRESHK 26-29. We expect FEH's resilient financial leasing business to buffer the ongoing headwinds at its subsidiary Horizon Construction Development (HCD) which remains under pressure as the engineering, construction services and equipment leasing continue to be affected by the broader construction slump and prolonged property downturn in China. In our view, FRESHKs offer even more attractive risk-return profiles than other leasing peers such as BOCAVI 26-29s (YTM of 4.1-4.2%) after FRESHK 27-29 widening 4-28bps since the negative rating action by S&P. As we discussed on 5 Feb'26, we found the negative rating action unconvincing as HCD's revenue, gross profit, and PBT represented 25%, 12% and 1% of FEH in 1H25, respectively, and 26%, 15% and 3% in FY25. The yield pick-up, in our opinion, sufficiently compensates for the 3 notches lower in rating, partly due to the stronger shareholding background. Indeed, we like FEH's more diversified operations compared with those of other Chinese commercial leasing peers.

**Table 1: Bond profiles of FRESHK**

Security name	ISIN	Amt o/s (USD mn)	Ask px	Z-spread (bps)	YTM	Mod dur	Issue rating (M/S/F)
FRESHK 4.25 10/26/26	XS2393797530	300	99.6	143	4.9%	0.6	-/BBB-/-
FRESHK 6.625 04/16/27	XS2800583606	500	101.2	201	5.5%	1.0	-/BBB-/-
FRESHK 5.875 03/05/28	XS2886144232	550	100.5	218	5.6%	1.8	-/BBB-/-
FRESHK 6 10/01/28	XS3025777221	500	100.9	221	5.6%	2.3	-/BBB-/-
FRESHK 5.25 01/13/29	XS3249057400	400	99.0	224	5.6%	2.6	-/BBB-/-

Source: Bloomberg.

FEH's revenue declined 5% yoy to RMB35.8bn in FY25, driven by a 18% yoy drop in industrial operations revenue, comprising HCD and Horizon Healthcare. The decline was partly offset by the resilient performance of the financial leasing and advisory services businesses. The net interest margin (NIM) expanded by 35bps to 4.83%, partly attributable to FEH's expansion on inclusive finance business to serve SME customers in more economically developed regions where the NIM is higher. Pre-provision operating profit was broadly unchanged at RMB9.3bn. Asset impairment losses narrowed in FY25, as the recoveries of previously written-off assets more than offset higher assets provisions from a more prudent risk management policies (writing off projects over 30 days overdue). PBT stood at RMB8.0bn, while ROAA and ROAE both compressed to 1.09% and 7.71%, respectively. See Table 2.

Recalled that S&P placed FEH on CreditWatch Negative in Feb'26 following a profit warning from its 41.7%-owned subsidiary, HCD. As discussed, we view the impact on FEH's consolidated financials as manageable given HCD's small contribution to group's PBT. In FY25, HCD's revenue dropped by 19% yoy to RMB9.4bn, and PBT plunged 83% yoy to RMB209mn. This was driven by a continued decline in onshore equipment rental rates and a proactive scale-down of the onshore materials business. To navigate the challenging onshore environment, HCD actively deployed overseas business teams in 2025, and to expand its footprint further in Central Asia and Middle East. Management expects HCD's performance to bottom out in 2026.

FEH generated lower operating cash inflow in FY25 due to an increase in receivables. Meanwhile, capex fell by 64% yoy to RMB3.0bn in FY25. Hence, net debts was roughly flat at RMB246.4bn as of Dec'25. We continue to take comfort from FEH's continued access to low-cost onshore funding. In 2025, FEH issued totalled RMB21.5bn onshore bonds at a weighted average coupon rate of 2.3%, down from 2.8% in 2024.

FEH's asset quality remained stable. The NPL ratio down 4bps to 1.03%, and provision coverage ratio increased 4bps to 227.8% as of Dec'25. We expect FEH's asset quality to remain steady, in view of its prudent policies to contain non-performing assets and reduce exposure to LGFVs. FEH's exposure in urban public utilities, i.e. LGFVs, declined to 30% of net interest-earning assets as of Dec'25 from 34% as of Dec'24 and 40% as of Dec'23, despite the sector remains its largest single industry exposure. In addition, the assets at risk to equity ratio of at its company level and its main financial leasing business entities remained well below the 8.0x regulatory cap.

**Table 2: Financial highlights of FEH**

RMBmn	FY24	FY25	Change
Revenue	37,749	35,785	-5%
-Financial services	21,182	21,807	3%
-Advisory services	524	868	66%
-Industrial operation	16,181	13,284	-18%
-Tax and surcharges	(137)	(175)	27%
Pre-provision operating profit	9,276	9,338	1%
Asset impairment losses	1,058	932	-12%
Profit before tax	8,021	8,032	0%
Operating cash flow	9,966	1,255	-87%
Capex	8,412	3,024	-64%
Net interest margin	4.48%	4.83%	35bps

Cost to income ratio	48.98%	48.89%	-9bps
ROAA	1.27%	1.09%	-18bps
ROAE	7.80%	7.71%	-9bps

	Dec'24	Dec'25	Change
Cash on hand	19,787	21,375	8%
ST debts	145,843	134,449	-8%
LT debts	120,070	133,365	11%
Total debts	265,913	267,814	1%
Net debts	246,126	246,439	0%
Gearing ratio	84.1%	83.8%	-30bps
Special mention loan ratio	5.58%	5.50%	-8bps
Non-performing loan ratio	1.07%	1.03%	-4bps
Provision coverage	227.78%	227.82%	4bps

Assets at risk to equity ratio			
-Company level	6.1	6.2	-
-International Far Eastern Financial Leasing	4.1	3.8	-
-Far Eastern Horizon (Tianjin) Financial Leasing	3.4	3.9	-
-Far Eastern Horizon Financial Leasing	1.6	5.6	-
-Far East Horizon Financial Leasing (Guangdong)	4.7	5.2	-
-Far East Horizon Inclusive Financial Leasing	3.0	3.4	-

Source: Company filling, CMBI FICC Research.

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	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)
BCEG (HongKong) Company/Beijing Construction Engineering Group Co	USD	-	3yr	4.6%	-/BBB-/-

#### ➤ News and market color

- Regarding onshore primary issuances, there were 96 credit bonds issued yesterday with an amount of RMB50bn. As for month-to-date, 731 credit bonds were issued with a total amount of RMB612bn raised, representing a 27.8% yoy increase

- **[ADTIN]** Aapollo provided USD500mn of senior secured private placement to Adani Energy Solutions for subsidiary's transmission assets
- **[GTJA]** Guotai Junan International Holdings said an employee has been detained after Hong Kong anti-graft authorities raided its offices and seized some documents
- **[LASUDE]** Media reported Lai Fung Holdings has obtained all existing lenders' approvals for a HKD3.1bn-equivalent (cUSD391mn) facility to help refinance a secured loan due 12 Mar'26
- **[LGCHM]** LG Chem may declare force majeure on some exports as the Iran war has disrupted supplies
- **[RIOLN]** Rio Tinto obtained a USD1.2bn financing package from multilateral lenders to help fund its Rincon lithium project in Argentina
- **[SOFTBK]** SoftBank Group's digital payment business, PayPay, will raise cUSD497mn after pricing its US IPO below the targeted range

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