CMBI Credit Commentary

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

- *GLPSPs/GLPCHI recovered 1.6-2.7pts this morning. PCORPM 7.35 Perp edged 0.4pt higher. FUTLAN 28 gained 0.3pt. On the other hand, VLLPM 29 lost 0.5pt. FAEACO 12.814 Perp leaked 0.4pt. ZHOSHK 28 was another 0.4pt lower.*

- ***AACTEC:** Solid FY25 results with a strengthening credit profile. AACTEC 26-31 were unchanged this morning. See below.*

- ***NWDEVL/VDNWDL**: Media reported that NWD is considering a USD4bn share offering to help meet debt payments and the Cheng family will keep control of the company. The NWDEVL/VDNWDL complex were overall 0.2-1.4pts this morning, except NWDEVL 5.25 Perp was marked down 1.8pts.*

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

Cyrena Ng, CPA 吴蒨瑩
(852) 3900 0801
cyrenang@cmbi.com.hk

Yujing Zhang 张钰婧
(852) 3900 0830
zhangyujing@cmbi.com.hk

❖ Trading desk comments 交易台市场观点

Yesterday, we saw better buying on lower-beta Asian IG names like LINREIT/KUAISH, but the spreads closed largely unchanged. ZHOSHK 28 was down another 0.5pt. See our comments on 17 Mar'26. FOSUNI 27-29 closed 0.2-0.6pt lower. The NWDEVL/VDNWDL complex were unchanged to 2.8pts lower. MTRC Perps leaked 0.1-0.2pt. LASUDE 26/FAEACO 12.814 Perp lost 0.7-0.8pt. In Chinese properties, LNGFOR 27-32/VNKRLE 27-29 dropped 0.7-1.4pts. FUTLAN 28/FTLNHD 27-29 were 0.1-0.3pt lower. In SE Asian space, GLPSP 28/GLPCHI 29 dropped another 6.9-7.6pts, and GLPSP Perps were 3.2-3.3pts lower. See our comments on GLP's denial of market rumors yesterday. SMCGL Perps lost 0.2-0.4pt. See our comments on 18 Mar'26. MEDCIJ 26-30 were up to 0.4pt lower. Petrochemical names TOPTB/PTTGC Perps retraced 0.4-0.7pt. Japanese AT1s and insurance subs were down by 0.4pt. SOFTBKs overall lost 0.1-0.5pt. Yankee AT1s were 0.5-1.0pt lower, led by the recent new issues DANBNK 6.6/HSBC 6.75/HSBC 7 Perps and other long-dated-to-call issues. Flows were overall better selling from institutions and PBs, though some prop desks were buying short-dated-to-call papers. In the Middle East, we saw better selling earlier in the day before stabilizing in the afternoon. We saw some buying on sovereign and quasi-sovereign names, though their prices were largely stable. LGFVs remained largely resilient to the macro volatilities. Some tactical bondholders were selling bonds to recycle cash, but the loose bonds were digested fairly well.

CMBI Fixed Income
fis@cmbi.com.hk

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
WDSAU 5.7 09/12/54	**94.2**	**1.0**	GLPSP 9 3/4 05/20/28	**75.5**	**-7.6**
TACHEM 5.8 07/05/64	**97.3**	**0.9**	GLPCHI 7 3/4 04/30/29	**72.8**	**-6.9**
TACHEM 5.65 07/05/54	**96.8**	**0.8**	GLPSP 4.6 PERP	**42.8**	**-3.3**
BABA 4.2 12/06/47	**83.5**	**0.8**	GLPSP 4 1/2 PERP	**45.8**	**-3.2**
SUMIBK 6.184 07/13/43	**106.5**	**0.8**	NWDEVL 4 1/8 PERP	**75.3**	**-2.8**

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-0.27%), Dow (-0.44%) and Nasdaq (-0.28%) were lower on Thursday. The US latest initial jobless claims were +205k, lower than the market expectation of +215k. 2/5 year UST yield was higher on Thursday while 10/30 year UST yield was lower. 2/5/10/30 year yield was at 3.79%/3.88%/4.25%/4.83%.

❖ Desk Analyst Comments 分析员市场观点

➢ AACTEC: Solid FY25 results with a strengthening credit profile

We maintain buy recommendations on AACTECs and prefer AACTEC 31 given the higher yield and lower cash price. We expect positive rating action on AAC Tech given its strengthening credit story driven by its stronger operating cash flow, net debt reduction, low leverage and good liquidity profile. We continue to view AACTECs lower beta and good carry plays offering better risk-return profiles than peers such as SUNOTG 5.95 07/17/26 (Moody's: Baa1, YTM of 4.5%/Z-spread of 69bps). Additionally, we also believe that AACTECs are candidates for early redemptions through repurchases and tender offers and these should support the performance of AACTECs.

Table 1: Bond profile of AACTECs

Security Name	ISIN	Amt o/s (USD mn)	Ask px	YTM	Z-spread (bps)	Issue rating (M/S/F)
AACTEC 2 ⅝ 06/02/26	XS2341038656	231.3	99.6	4.5%	75	Baa3/-/-
AACTEC 3 ¾ 06/02/31	XS2342248593	292.1	94.9	4.9%	126	Baa3/-/-

Source: Bloomberg.

In FY25, AAC Tech's revenue increased 16% yoy to RMB31.8bn, driven by growth across all business segments. The gross profit margin (GPM) stood at 22.1%, same as that of FY24. The improvements in profitability of the optics business and the expanding contribution from higher-margin segments largely offset the lower margin of the acoustics operations in the course of growing lower margin module-based businesses. AAC Tech's EBITDA increased 7.6% yoy to RMB5.6bn. Net profit surged 44.0% yoy to RMB2.5bn, primarily supported by revenue growth and one-off fair value gains on contingent consideration payables related to PSS, partly offset by higher expenses incurred from new business initiatives.

AAC Tech sounded out a positive tone for the FY26 results. It guided the FY26 growth as follows: 1) acoustics: mid-high single digit growth in revenue and stable GPM compared with the FY25 level. This will be supported by more mid-to-high end products ramping up in 2H25 with GPM improving in 2H25. The newly acquired company First Light, an automotive microphone manufacturer, should further strengthen AAC Tech's core competitiveness of acoustics system solutions; 2) Electromagnetic drives: 5-10% yoy revenue growth with stable margin; (3) Precision mechanics: 30%+ increase in revenue with steadily increase GPM; (4) optics:

stable growth driven by higher ASP and GPM to steadily increase given the efficiency improvement and higher ASP; 5) Sensor and semiconductor: 15-20% revenue growth with steadily increasing GPM; and 6) PSS: 15-20% revenue growth and stable GPM. Overall, the AI-driven spec upgrade cycle and resulting stronger demand will continue to support revenue growth in FY26 no lower than the level of FY25 (16.4% yoy growth) and gross margin to steadiy increase from the level of FY25 (GPM 22.1% in FY25).

In FY25, AAC Tech's operating cash inflow rose 38.1% yoy to RMB7.2bn, supported by higher revenue and shorter cash conversion cycle to 31 days, compared to 52 days in FY24. Longer payable days offset the impact of extended inventory days. Meanwhile, AAC Tech's capex increased 24.6% to RMB2.6bn, reflecting investments in the latest automation machinery and equipment for modifications, upgrades, and capacity expansion. We expect AAC Tech to continue to fund capex with operating cash inflows while maintaining its good liquidity position.

Its credit profile is solid for mid-BBB rating. As of Dec'25, AAC Tech had cash and cash equivalent of RMB8.6bn and its net gearing ratio was only 8.8%. Total debt/ EBITDA and EBITDA/gross interest were 1.9x and 14.2x in FY25, respectively. Indeed, we believe that AAC Tech's improving profit and manageable refinancing requirements could trigger positive actions by Moody's (rated Baa3) in the near-term. As per our estimates, the adjusted EBITA margin of AAC Tech was c10.6% in FY25 and total debt/adjusted EBITDA was c1.8x as of Dec'25, compared with the Moody's upgrade trigger of adjusted EBITA margin at or above a high single-digit percentage and total debt/adjusted EBITDA below 2.5x on a sustained basis.

Table 2: AAC Tech's key financials

RMB mn	FY24	FY25	Change
Revenue	27,328	31,817	16.4%
- Acoustic products	8,214	8,352	1.7%
- Electromagnetic drives and precision mechanic	9,710	11,774	21.3%
- Optics products	5,000	5,725	14.5%
- PSS - automotive & consumer acoustics products	3,547	4,117	16.1%
- Sensor and semiconductor products	773	1,571	103.1%
- Other products	84	278	229.9%
Gross profit	6,042	7,016	16.1%
EBITDA	5,215	5,611	7.6%
Net profit	1,797	2,512	39.8%
Operating cash flow	5,203	7,183	38.1%
Cash capex	2,071	2,581	24.6%
Gross profit margin	22.1%	22.1%	-
- Acoustic products	*30.2%*	*27.6%*	-2.5 pct pt
- Electromagnetic drives and precision mechanic	*23.3%*	*24.5%*	1.2 pct pt
- Optics products	*6.5%*	*11.5%*	5.0 pct pt
- PSS - automotive & consumer acoustics products	*24.8%*	*23.8%*	-1.0 pct pt
- Sensor and semiconductor products	*15.6%*	*13.8%*	-1.8 pct pt
EBITDA margin	19.1%	17.6%	-1.4 pct pt
Net profit margin	6.5%	8.0%	1.5 pct pt

	Dec'24	Dec'25	Change
Cash and cash equivalent	7,538	8,612	14.2%
ST debt	2,217	2,514	13.4%
LT debt	8,238	8,316	0.9%
Total debt	10,455	10,830	3.6%
Net debt	2,916	2,218	-23.9%
Cash/ST debt	3.4x	3.4x	
Total debt/EBITDA	2.0x	1.9x	
Net gearing	12.6%	8.8%	-3.8 pct pt

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)
No Offshore Asia New Issues Pipeline Today					

➢ News and market color

- Regarding onshore primary issuances, there were 139 credit bonds issued yesterday with an amount of RMB130bn. As for month-to-date, 1,484 credit bonds were issued with a total amount of RMB1,212bn raised, representing a 19.8% yoy increase

- **[BABA]** Alibaba expects annual revenue from cloud and AI to top USD100bn in five years; Alibaba's adjusted EBITDA down 40% yoy to RMB97.1bn (cUSD14.1bn) in 9MFY26

- **[BHP]** BHP Group's incoming chief executive, Brandon Craig, will put more focus on organic than pursuing M&A prospects

- **[CHJMAO]** S&P revised the outlook of China Jinmao to negative from stable on increased challenges in deleveraging; affirmed BBB- rating

- **[CKHH]** CK Hutchison FY25 EBITDA rose 3.2% yoy to HKD129.1bn (cUSD16.5bn); aims to resolve dispute with Panama that has complicated asset sales

- **[MGFLIN]** Manappuram Finance obtained the final regulatory approval for its stake sale to Bain Capital, which will pave the way for the completion of the USD473mn capital injection to be completed by Mar'26

- **[NWDEVL/VDNWDL]** Media reported that NWD is considering a USD4bn share offering to help meet debt payments and the Cheng family will keep control of the company

- **[SUNHKC]** Sun Hung Kai 2025 revenue was down 0.3% to HKD3.71bn (cUSD472.7mn)
- **[XIAOMI]** Xiaomi plans to invest at least USD8.7bn in AI business over three years
- **[ZHONAN]** ZhongAn Online FY25 total income rose 6.2% yoy to RMB36.2bn (cUSD5.3bn)

Fixed Income Department
Tel: 852 3657 6235/ 852 3900 0801
fis@cmbi.com.hk

Author Certification

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

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:

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-6under 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.