

CMBI Credit Commentary

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

- *Asian IG space was overall 5-10bps wider this morning. We saw better selling on LGENSO/HYNMTR/NTT, and PBs buying front-end perps. FTLNHD 27-29 edged 0.2-0.4pt higher. GLPSP 4.6 Perp lost 0.9pt. FAEACO 12.814 Perp was 0.6pt lower.*
- **ZHOSHK:** *Silver linings of the weak FY25 results. Last Friday, S&P downgraded Zhongsheng by one notch to BBB- from BBB on lower profitability, outlook changed to stable from negative. ZHOSHK 28 rose 1.6pts last Friday, and was marked down 0.5pt this morning. See below.*
- **LNGFOR:** *Consistent positive FCF continues to underpin Longfor's credit profile. Maintain buy on LNGFORs. See below.*

❖ Trading desk comments 交易台市场观点

Friday, ZHOSHK 28 led the space and rose 1.6pts amid better-buying flow and less than alarming FY25 results. We saw the silver linings of Zhongsheng's weak FY25 results. See our comments [last Friday](#). S&P downgraded Zhongsheng to BBB- from BBB and affirmed stable outlook, which reflects expectations of improved profitability over the next 12 months. EHICAR 26-27 edged 0.1-0.5pt higher. On the other hand, MEITUA 5-10yr tranches widened another 1-3bps. See comments on Meituan's FY25 results [last Friday](#). WESCHI 28-29 lost 0.5pt. Fitch revised the outlook on West China Cement to negative from stable and affirmed B ratings because of uncertainty around free cash flow improvement given high overseas capex and execution risks in the ramp-up of overseas cash flow. FAEACO 12.814 Perp/LIFUNGS lost 0.2-0.4pt. In Chinese properties, LNGFOR 27-32/FUTLAN 28/FTLNHD 26-29 were 0.3pt lower to 0.2pt higher. Longfor's FY25 revenue declined 23.7% to RMB97.3bn, and its GPM decreased from 16.0% in FY24 to 9.7% in FY25. See comments below. Seazen Group's FY25 revenue was down 40% to RMB53.1bn. VNKRL 29 gained 0.5pt, while VNKRL 27 lost 0.1pt. In SE Asian space, GLPSP Perps/GLPCHI 29 gained 0.1-0.8pt, but GLPSP 28 was 0.2pt lower. TOPTB/PTTGC Perps leaked 0.3-0.4pt. VEDLN 28-33s were 0.2-0.6pt weaker. In KR space, HYNMTR/HYUELE and the recent new issues LGENSO 31s traded 2-4bps wider. JP IG credits SUMITR/NTT/SMBAC/NOMURA/SUMI widened 1-3bps amid heavy selling. Japanese and Yankee AT1s and insurance subs were down by up to 1.0pt in the belly and the long end, led by BNP 6.875 Perp/LLOYDS 6.625 Perp/SUMIBK 6.45 Perp, and lost 0.3-0.4pt in the front end. Meanwhile, lower-yielding/IG USD LGFVs closed 50-70bps wider on the bid side amid AM selling. Higher-yielding CNH LGFVs were more resilient, but liquidity also gradually shrank.

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

Cyrena Ng, CPA 吴倩莹
(852) 3900 0801
cyrenang@cmbi.com.hk

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

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
ZHOSHK 5.98 01/30/28	96.6	1.6	ACPM 4.85 PERP	79.4	-1.2
GLPSP 4.6 PERP	48.0	0.8	HCELEC 4.65 12/29/26	63.2	-1.2
ROADKG 5 1/8 01/26/30	21.0	0.6	BNP 6 7/8 PERP	96.1	-1.0
HYSAN 2.82 09/04/29	94.0	0.6	LLOYDS 6 5/8 PERP	94.8	-0.9
CHNAAR 6 08/14/28	99.1	0.6	SUMIBK 6.45 PERP	97.9	-0.9

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-1.67%), Dow (-1.73%) and Nasdaq (-2.15%) were lower on last Friday. 2/5 year UST yield was lower while 10/30year UST yield was higher on last Friday. 2/5/10/30 year yield was at 3.88%/4.06%/4.44%/4.98%.

❖ Desk Analyst Comments 分析员市场观点

➤ ZHOSHK: Silver linings of the weak FY25 results

Overreaction on the profit warning, maintain buy on ZHOSHK 5.98 01/30/28

Table 1: Summary of Zhongsheng's o/s bond

Ticker	ISIN	Size (mn)	O/S (mn)	Coupon	Maturity	Offer price	Z-spread	YTM (%)
ZHOSHK 5.98 01/30/28	XS2867272630	600.0	600.0	5.98%	1/30/2028	97.0	378	7.8%

Source: Bloomberg.

ZHOSHK 5.98 01/30/28 (rated BBB by S&P with a negative rating outlook) lowered up to 6.5pts to 93.1 with credit spread widened up to 362bps to 606bps since the announcement of profit warning on 13 Mar'26. While Zhongsheng's FY25 results were weak, we believe that the market had over-reacted in view of the company's continued positive free cash flow (FCF) generation and net debt reduction, as well as comfortable liquidity, supported by its cash/ST debts ratio of 1.2x as of Dec'25. Additionally, we see silver linings of the weaker FY25 results taking cues from the narrowing gross losses from new car sales in 2H25, lower manufacturer's suggested retail price (MSRF) and continued growth of after-sale services. ZHOSHK 5.98 01/30/28 has recovered 3.9pts off the recent low but still at 97.0 at the time of writing, the bond is still trading at a YTM of 7.8%. The market appears to price in a multi-notch downgrade for Zhongsheng. We maintain buy on ZHOSHK 5.98 01/30/28 and consider the bond offers good risk-return profile given our expectation of improving operating performance and Zhongsheng's consistent positive FCF and comfortable liquidity profile. These should help support its IG credit profile.

Click [here](#) for the full report.

➤ LNGFOR: Consistent positive FCF continues to underpin Longfor's credit profile

Longfor has demonstrated its ability to manage debt maturities well and to reduce net debts with consistent positive FCF since 2023 despite the challenging operating environment. We take additional comfort from the growing contribution from investment properties and property management partly offset the impact of weak

property sales and margin pressure. We maintain our view that Longfor is a survivor of the sector and the current valuation of LNGFORs offer good carry plays. Hence, we maintain buy on LNGFORs.

Table 2: Bond profiles of LNGFORs

Security Name	O/S (USD mn)	Maturity	Coupon	Ask px	YTM (%)
LNGFOR 3 3/8 04/13/27	250.0	4/13/2027	3.38%	92.3	11.5%
LNGFOR 4 1/2 01/16/28	500.0	1/16/2028	4.50%	89.2	11.3%
LNGFOR 3.95 09/16/29	850.0	9/16/2029	3.95%	78.5	11.7%
LNGFOR 3.85 01/13/32	400.0	1/13/2032	3.85%	69.5	11.1%

Source: Bloomberg.

In FY25, Longfor's revenue fell 23.7% yoy to RMB97.3bn, due to lower property sales recognized while non-property sales revenue was broadly stable. Gross profit declined 53.8% yoy to RMB9.4bn, with GPM compressed to 9.7% from 16.0% in FY24. Property development GPM turned negative at -6.9% on segment's gross loss, while non-property sales GPM stood at 53.4%. The income from property operation and service was largely flat at RMB26.8bn, cover 5.0x of its gross interest expenses in FY25. As of Dec'25, Longfor had 99 malls in operation across 24 cities, with overall occupancy rates for investment properties unchanged at 97%, while the occupancy rate for rental housing slightly down to 94% from 95%. Longfor targets to open 9 new malls (5 of them are asset heavy) in FY26. By 2028, Longfor expects the revenue contribution from non-property operations to exceed that of property developments.

Longfor recorded a core attributable loss of RMB1.7bn in FY25, from a profit of RMB7.0bn in FY24. As of Dec'25, Longfor's unrecognized sales were RMB99.1bn. The margin pressure for unrecognized sales remains significant given the challenging property development environment. As per Longfor, 2025 and 2026 would be the low points for property developments as the company continues to digest land acquired at higher prices. We take some comfort in Longfor's disciplined in land acquisition strategy and high land bank quality with 70% of its remaining saleable resources RMB200bn+ in T1/2 cities. The company reiterated that debt repayment remains the number one priority and land acquisitions will only come after debt repayments (RMB6-7bn in the coming 3 years) and the focuses will be on projects with synergy of its existing projects/land bank. Longfor acquired 7 new plots in FY25 in Shanghai, Suzhou, Shenzhen, Chengdu, Chongqing and Guiyang at an average cost of cRMB9.2k/sqm.

Longfor continued to generate positive FCF despite the challenging operating environment, delivered RMB5.8bn in FY25 which is the third consecutive year of positive FCF. Its net debts further reduced to RMB138.6bn as of Dec'25, with key credit ratios on an improving trajectory. Longfor guided for another year of positive FCF in FY26 at RMB5-10bn, partly from a reduction of RMB20bn in costs, which should support further debt reduction and improvement in credit profile. Longfor expects to generate positive FCF of RMB5-10bn for further net debt reduction in FY26.

Table 3: Operating performance at a glance

RMB mn	FY24	FY25	% change
Revenue	127,474.9	97,308.6	-23.7%
-Property sales	100,766.6	70,535.9	-30.0%
-Non property sales	26,708.3	26,772.8	0.2%
Gross profit	20,411.1	9,434.9	-53.8%
Core attributable profit/(loss)	6,970.0	(1,700.0)	-124.4%
Profit before tax	18,730.5	5,238.1	-72.0%

Recognized GFA (mn sqm)	7.6	5.9	-22.2%
Recognized ASP/sqm (RMB)	13,225.7	11,904.8	-10.0%
Gross margin	16.0%	9.7%	-6.3%
-Property sales	6.1%	-6.9%	-13.0 pct pt
-Non property sales	53.4%	53.4%	-

Source: Company filing, CMBI FICC Research.

During FY25, Longfor extended its the average debt tenor to 12.1 years from 10.3 years and lower the average funding cost to 3.5% from 4.0%, partly through increased use of operating loans and long-term rental loans secured against its investment properties. These secured loans increased to RMB100.9bn (RMB95bn were operating loans) as of Dec'25 from RMB83.0bn (RMB77.3bn were operating loans) in Dec'24. We estimate that the headroom for additional operating loans to be over RMB11bn. Longfor expects incremental operating loans to be over RMB5bn in FY25. The increasing uses of long-term loans against its IPs have not only lower its overall funding costs, but also lengthened its debt maturity considerably.

Longfor passed through the hump of debt repayment in FY25, repaying onshore bonds totaling RMB13.5bn and offshore loans totaling cRMB16.6bn, resulting in total debt reduction of cRMB20bn. In the near-term, average annual debt maturities in FY26-28 is cRMB6-7bn. Longfor has prepared sufficient funds for the next maturity of RMB1.5bn in May'26. The positive FCF, coupled with its headroom for operating loans, should offer a strong financial flexibility for refinancing over the coming 2-3 years. The next USD bond maturity will be Apr'27, and the outstanding amount of Longfor's offshore USD bonds are USD2bn. We expect Longfor to conduct more repurchases of its USD bonds.

Table 4: Summary of financial position

RMB mn	Jun'24	Dec'24	Jun'25	Dec'25
Cash	48,915.9	47,951.6	42,632.2	27,361.9
Cash in escrow	19,200.0	16,750.0	13,410.0	9,370.0
ST debts	30,939.8	31,785.3	27,010.9	17,114.1
LT debts	170,592.5	158,477.8	156,010.9	148,826.6
Net debts	152,616.5	142,311.5	140,389.6	138,578.7
Net gearing	63.0%	58.0%	57.4%	58.5%
Cash/ST debts	1.6x	1.5x	1.6x	1.6x
Adj. liab/assets	58.6%	57.2%	56.1%	54.7%

Source: Company filing, 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 140 credit bonds issued on last Friday with an amount of RMB74bn. As for month-to-date, 2,286 credit bonds were issued with a total amount of RMB1,838bn raised, representing a 6.7% yoy increase
- Australia is increasing its oversight of the private credit industry, with more detailed data from funds being requested each week
- **[BNKEA]** Bank of East Asia tapped RMB250mn dim sum bond BNKEA 2.95 09/09/29
- **[CHIOIL]** China Oil and Gas FY25 revenue down 14% yoy to HKD15.2bn (cUSD1.9bn)
- **[FTLNHD/FUTLAN]** Seazen Group FY25 revenue down 40% yoy to RMB53.1bn (cUSD7.7bn)
- **[GRNCH]** Greentown plans to issue onshore 3-year MTN up to RMB1bn
- **[JD]** JD.com's planned purchase of German consumer electronics retailer Ceconomy has not been approved by Austrian regulators
- **[IHFLIN]** Moody's upgraded Sammaan Capital by one notch to B1 from B2 on RBI approval for proposed capital infusion by Avenir; outlook changed to positive from revise for upgrade
- **[LASUDE]** Lai Sun Development 1HFY26 adjusted EBITDA down 23% yoy to HKD379.1mn (cUSD48.4mn)
- **[PCORPM]** San Miguel CEO said Petron remains available for repurchase by the Philippine government; Petron purchased Russian crude oil as it diversifies suppliers to meet the country's energy needs amid the Iran war
- **[SOFTBK]** SoftBank Group is raising a USD40bn bridge loan to back a plan to invest an additional USD30bn in ChatGPT maker OpenAI Group
- **[VEDLN]** A group of lenders including Barclays Bank and Citicorp Investment Bank loaned INR25.8bn (cUSD271.7mn) to Vedanta Ltd in Mar'26
- **[WESCHI]** Fitch revised the outlook of West China Cement to negative from stable reflecting uncertainty around free cash flow improvement due to high overseas capex and execution risks in ramping up overseas cash flow; B rating affirmed

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-6 under 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.