

CMBI Credit Commentary

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

- *Market flows were light before holidays this morning. Recent issued AIA'34 tightened c2bps and KOMRMR'29 was 1bp tighter. HONGQI'25 down 0.1pt. CHIOIL'26 dropped c7.5pts after it announced delay of FY23 results publication.*
- *HPDLF: Concrete refinancing plan. We consider HPDLF 7 05/18/24, its only outstanding USD bond, a good short-dated carry play. HPDLF'24 down 0.3pt post the results. See below.*
- *MEITUA: Moody's revised Meituan's outlook to positive and affirmed Baa3 ratings. MEITUAs tightened 2-4bps yesterday.*

❖ Trading desk comments 交易台市场观点

Yesterday, Asia IG space was mixed and the market continued to focus on new issues. BBNIIJ priced a USD500mn 5-yr bond at T+107. AIA 34s was chased after and tightened 10bps from RO (T+125). KOMRMR 29s first tightened 3bps from RO (T+105), but closed only 1bp tighter amid mixed two-way flows. KOROLs edged 1-2bps wider from the ROs. SMBCAC 29s/34s widened 6-9bps from their ROs. On the secondary side, HYUELE/DAESEC 27-29s were 1-3bps wider. In Chinese IGs, HAOHUA '29/TENCNT '28/BIDU '30 widened 1-4bps. In financials, ORIEAS '27 widened 3bps. BOCAVIs edged 1-2bps wider. In AT1s, EU names HSBC/STANLN/BNP/BACR/INTNED Perps were unchanged to 0.3pt higher under strong buying from Asian AMs/PBs. In HK, NWDEVLs were 0.3 lower. Chinese properties moved higher. GEMDAL '24 was up 1.6pts. ROADKG '24 increased another 1.5pts and closed 10pts higher WTD, and its 25-26s/perps were also up 0.5-1.0pt. VNKRL 25-29s rose 0.9-1.4pts, post media report of its plan of some further asset sales in Greater Bay Area. SHUION/FUTLAN/FTLNHD 24-26s moved 0.5-1.4pts higher. GRNCH 25s were up 0.5-0.6pt and closed 0.5-2.5pts higher WTD. On the other hand, CSCHCN 24s declined 0.9-1.6pts. HPDLF '24 was down 0.4pt. See below for comments. In industrials, HILOHO '24 dropped 1.3pts and closed 2pts lower WTD. HONGQI '25 was unchanged to 0.1pt lower. Macau gaming names were mixed. STCITYs were up 0.2-0.4pt, whilst WYNMACs were 0.3-0.6pt lower. In Indian space, UPLLIN 30/Perp rebounded 0.9-2.2pts after declining 0.5-1.2pts on Wed. Indonesian name MDLNIJ '27 was 0.4pt lower. APLNIJ '24/LMRTSP '26 were down 0.3pt.

The LGFVs/perps/high beta names spaces were firm. The high-yielding LGFVs remained sought-after by onshore RMs. The flows on CNH LGFVs also picked up. The 5-6% LGFVs WUXIND/HZCONI 26s were 0.1-0.4pt higher. GZGETH '27 was up 0.1pt. Elsewhere, we also saw offshore AMs buying the short-dated-to-call perps to park cash ahead of Easter holiday.

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RLCONS 3.97 Perp/COFCHK 3.1 Perp were up 0.1pt, whilst CHPWCN 4.25 Perp was down 0.1pt. In the high-beta names, FRESHKs were 0.1-0.2pt higher.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
UPLLIN 5 1/4 PERP	68.4	2.2	GRNLHK 10.21 PERP	15.0	-1.6
GEMDAL 4.95 08/12/24	80.8	1.6	CSCHCN 9 12/11/24	23.3	-1.6
ROADKG 6.7 09/30/24	61.5	1.5	HILHOHO 9 3/4 11/18/24	59.5	-1.3
SHUION 5 1/2 03/03/25	67.9	1.4	CSCHCN 9 06/26/24	23.8	-1.1
VNKRLE 3.975 11/09/27	50.4	1.4	CSCHCN 9 10/09/24	23.8	-0.9

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.86%), Dow (+1.22%) and Nasdaq (+0.51%) rebounded on Wednesday. UST yield retreated yesterday, 2/5/10/30 yield reached 4.54%/4.18%/4.20%/4.36%.

❖ Desk analyst comments 分析员市场观点

➤ HPDLF: Concrete refinancing plan

Security Name	ISIN	Amt (USD mn)	Out (USD mn)	Ask Price	YTM (Ask)	Rating (M/S/F)
HPDLF 7 05/18/24	XS2336271510		300	97.8	22.4	-/-/B

Source: Bloomberg.

Hopson continued to outperform its peers in a challenging market environment. We continue to believe that Hopson will be a survivor of the sector given its manageable offshore debt maturities, more resilient operating performance and ownership of significant offshore listed investments. We consider HPDLF 7 05/18/24, its only outstanding USD bond, is a good short-dated carry play.

HKD mn	FY22	FY23	% change	1H22	1H23	% change
Contracted sales(RMB mn)	32,579	32,583	0.0%	16,860	16,062	-4.7%
Revenue	27,252	34,292	25.8%	13,170	15,080	14.5%
-Property sales	19,081	26,500	38.9%	9,282	11,320	22.0%
-Non property sales	8,171	7,792	-4.6%	3,888	3,760	-3.3%
Gross profit	8,281	9,496	14.7%	3,064	5,377	75.5%
Profit before tax	13,068	6,294	-51.8%	8,683	6,188	-28.7%
Recognized GFA (k sqm)	1014.4	1,446.1	42.6%	473.0	543.3	14.8%
Recognized ASP/sqm (RMB)	15,773	16,634	5.5%	14,511	18,479	27.3%
Gross margin	30.4%	27.7%		23.3%	35.7%	

Source: Company fillings.

Hopson has been an outperformer of the Chinese properties sector. In FY23, its revenue increased 25.8% to HKD34.3bn as delivered GFA increased 42.6%. While its gross margin narrowed to 27.7% due to higher cost of projects delivered. In FY23, its gross margin remained well above its peers.

In FY23, Hopson's contracted sales was RMB32.6bn, roughly the same as those of FY22. For the 34 developers under our radar, their contracted sales fell 34.1% on average. Only 5 of them reported higher or flat yoy contracted sales growth in FY23.

In FY24, Hopson expects its contracted sales to stay at the FY23 level. This implies a sell-through rate of c47% on saleable resources of cRMB69bn, compared with c36% sell-through rate on saleable resources of cRMB90bn in FY23. In 2M24, Hopson's contracted sales dropped 46% yoy to RMB1.9bn, equivalent to c6% of its FY24 sales target. We take comfort that c70% of its FY24 saleable resources and c78% of its landbanks are in tier 1 cities and there are still rooms for implementing relaxation on purchase restriction in these cities.

HKD mn	Dec'22	Dec'23	% change	Dec'22	Jun'23	% change
Cash	18,394	15,368	-16.5%	28,262	18,997	-32.8%
ST debts	26,002	37,951	46.0%	31,836	30,064	-5.6%
LT debts	72,194	50,523	-30.0%	73,856	62,843	-14.9%
Total debts	98,197	88,474	-9.9%	105,692	92,906	-12.1%
Net debts	79,802	73,106	-8.4%	77,430	73,910	-4.5%
Net gearing	81.1%	72.4%		68.3%	74.5%	
Cash/ST debts	0.7x	0.4x		0.9x	0.6x	
Adj. liab/assets	61.2%	58.8%		60.0%	59.9%	

Source: Company filings.

Hopson continued to deleverage in FY23. Its net debts decreased 8.4% to HKD73.1bn from HKD79.8bn in FY22 as the company proactively reduced debts with internal resources. In FY23, its net gearing ratio lowered to 72.4% from 81.1% in FY22, helped by cRMB18.5bn operating cash inflows from property development and commercial property.

As of Dec'23, Hopson had cash on hand of HKD15.4bn (cRMB14.2bn) including unrestricted cash of cRMB10.5bn. Hopson's total cash reduced HKD3bn (cRMB2.7bn) in FY23 after it repaid maturing debts, including USD250mn CBs and USD237.5mn HPDLF'23 totaled cRMB3.5bn, by internal resources rather than refinancing. Despite lower cash/ST debts ratio, we take comfort from its IPs values at HKD87.3bn (cRMB80.3bn) which could be collateralized for additional liquidity. We estimate that Hopson's high quality IPs can provide liquidity headroom of cRMB13-20bn assuming Hopson raises the LTV to the industry norm of 60-70% from current c33% as per our estimation.

Hopson has a concrete refinancing for its ST debts of HKD37.9bn (cRMB34.9bn) as at FYE23. As of 27 Mar'24, Hopson had repaid/refinanced ST debts of cRMB9bn. For the remaining ST debts of cRMB26bn, cRMB9bn are loans related to commercials properties in Beijing, Shanghai and Tianjin. Hopson expects to refinance these debts with new operating property loans. The residual ST debts of cRMB17bn will be covered by cRMB10bn unrestricted cash and projected cRMB16-17bn operating cash inflows from operations.

Furthermore, Hopson had financial assets of HKD4.8bn (cRMB4.4bn) as of Dec'23. The Current financial assets of HKD1.2bn (cRMB1.1bn) were mainly offshore equities and the non-current financial assets of HKD3.6bn (cRMB3.3bn) were mainly pre-IPO and PE investments. These investments could be alternative liquidity sources for Hopson. We believe Hopson have adequate liquidity to cover repayment obligations and capex in the near term.

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Bank Negara Indonesia Persero Tbk PT	500	5yr	5.28%	T+107	-/BBB/BBB-

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

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Chengdu Tianfu New Area Investment	USD	-	3yr	6.05%	-/-/BBB

➤ **News and market color**

- Regarding onshore primary issuances, there were 125 credit bonds issued yesterday with an amount of RMB76bn. As for month-to-date, 2,217 credit bonds were issued with a total amount of RMB1,990bn raised, representing a 0.6% yoy decrease
- **[BTSDFI]** H&H International said it is in talks with banks to refinance USD1.12bn facility due 2025
- **[CHIOIL]** China Oil & Gas delays FY23 results publication as it's still in process of collating information, documents required by auditor
- **[CHJMAO]** China Jinmao FY23 revenue down 13% to USD10bn and turned to loss of USD955mn from USD274mn profit in FY22
- **[COGARD]** Media reported that Country Garden selected Kroll to conduct liquidation analysis; The company said there is no direct link to substantial liquidation
- **[LNGFOR]** Media reported that Longfor plans to remit RMB500mn-1bn each month to early repay over RMB8bn offshore syndicated loans maturing in Jan'25
- **[MEITUA]** Moody's revised Meituan's outlook to positive and affirmed Baa3 ratings
- **[ORSECH]** Orient Securities proposed to issue up to RMB23bn offshore debt financing instruments to repay due debts
- **[PUTSTA]** Fitch affirmed Putian State-Owned Assets Investment at BB+ and placed negative outlook
- **[SHIMAO]** Media reported that Shimao ad hoc bondholder group opposed 'unilateral' creditor support agreement proposal
- **[SUNAC]** Sunac China revenue rose 59.4% to USD21.4bn and operating loss narrowed to USD268mn

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