

CMBI Credit Commentary

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

- *The new LGENSO 29-36s were largely unchanged around ROs this morning. LGENSO 26-35s traded 5bps wider. The rest of Asian IG space was overall unchanged to 2bps wider. We saw better selling on the recent new issues HSBC 6.75 Perp and HSBC 7 Perp. There were mixed two-way flows in LGFV space. ZHOSHK 28 was unchanged.*
- **CNMDHL:** *Stable profit margins amid softer raw milk's ASP in FY25. Maintain buy on CNMDHL 4.875 07/10/30. CNMDHL 26-30 were unchanged this morning. See below.*
- **FABUH:** *First Abu Dhabi Bank to redeem USD750mn FABUH 4.5 Perp on the first call date on 5 Apr'26. FABUHs were unchanged this morning.*

❖ Trading desk comments 交易台市场观点

The tone was much firmer yesterday after the US signaled a potential truce. The new KOROIL 29-31s closed 8-9bps tighter from ROs due to wide IPTs relative to the existing curve. However, LGENSO 26-30s traded 10bps wider, and LGENSO 34-35 widened 5bps amid LG Energy Solution's IPT announcement of new USD bonds in four tranches. Taiwanese lifers tightened 3-5bps amid better buying into NSINTW and SHIKON. MEITUA curve rallied 5-10bps tighter. Meituan's equity surged 14%, and shares of Alibaba/JD climbed 4.6%/4.9%, after state media calling an end to the price war among food delivery platforms. KUAISH/LENOVO/XIAOMI tightened 1-4bps. Xiaomi's FY25 revenue increased by 25.0% yoy to RMB457.3bn. BTSD 28 gained 0.3pt. H&H's revenue rose 10.0% yoy to RMB14.4bn in FY25, with all business segments recording growth. See our comments on both Xiaomi and H&H [yesterday](#). ZHOSHK 28 recovered 0.9pt. CWAHK 30 lost 1.1pts, while CWAHK 26 was unchanged. China Water Affairs repurchased USD25mn of CWAHK 4.85 05/18/26, and the outstanding amount was reduced to USD325mn. In SE Asian space, GLPSPs/GLPCHI recouped another 2.1-3.2pts. IHFLIN 28-30 rose 2.6-3.7pts. Sammaan Capital shares increased by 11% yesterday after media reported that the Reserve Bank of India had approved an IDR88.5bn deal for Abu Dhabi-based IHC to acquire a 41.23% stake in Sammaan Capital. In JP space, IG credits tightened 2-5bps with better buying on 10yr bank papers, partially offset by better selling on the front-end issues. Japanese and Yankee AT1s and insurance subs continued to recover and edged 0.3-1.0pt higher, on back of AMs/RMs/PBs reloading risks and prop desk/dealers covering shorts, particularly in on-the-run issues. We saw strong demand for front-end issues, while moderate better selling occurred later of the day into the 7-10yr-to-call papers. In the Middle East, bonds recovered to 0.5-1.0pt as PB clients sought after ARAMCOs and long-end KSAs.

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

In LGFV space, AMs were selling IG-rated USD papers yielding below 5%. On the other hand, we saw better buying on higher-yielding names across USD and CNH issues.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
IHFLIN 7 1/2 10/16/30	97.4	3.7	CWAHK 5 7/8 10/22/30	96.6	-1.1
GLPCHI 7 3/4 04/30/29	79.7	3.2	TSINGH 6 1/2 01/31/28	87.1	-0.7
GLPSP 9 3/4 05/20/28	81.6	3.1	LGENSO 5 1/2 07/02/34	100.1	-0.6
IHFLIN 8.95 08/28/28	101.7	2.6	SMCGL 8 3/4 PERP	99.4	-0.5
GLPSP 4.6 PERP	46.7	2.1	LGENSO 5 3/8 04/02/30	101.0	-0.5

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.54%), Dow (+0.66%) and Nasdaq (+0.77%) were higher on Wednesday. US crude oil inventories was +6.9mn, compared to the market expectation of +500k. UST yield was lower on Wednesday. 2/5/10/30 year yield was at 3.84%/3.96%/4.33%/4.89%.

❖ Desk Analyst Comments 分析员市场观点

➤ CNMDHL: Stable profit margins amid softer raw milk's ASP in FY25

We consider CNMDHL 4.875 07/10/30 as a yield pick-up play over CHMEDA 2.5 06/17/30 in view of the close relationship between China Modern Dairy (CMD) with Mengniu, and the better trading liquidity of CNMDHL 4.875 07/10/30. At 99.0, CNMDHL 4.875 07/10/30 is trading at YTM of 5.1%/Z+145bps and c70bps over CHMEDA 2.5 06/17/30.

Table 1: Bond profiles of CNMDHLs and CHMEDA

Security name	Amt o/s	Maturity	Coupon	Ask px	Z-spread (bps)	YTM (%)
CNMDHL 2.125 07/14/26	448.3	7/14/2026	2.125%	99.2	99	4.8%
CNMDHL 4.875 07/10/30	350.0	7/10/2030	4.875%	99.0	145	5.1%
CHMEDA 2.5 06/17/30	300.0	6/17/2030	2.5%	92.5	78	4.5%

Source: Bloomberg

In FY25, CMD's revenue fell 4.9% yoy to RMB12.6bn, primarily driven by a 23.8% yoy decline in the integrated dairy farming solutions segment amid weakened market demand, while raw milk revenue was broadly stable. Total raw milk sales volume rose 8.5% yoy to 3.1mn tons, supported by effective herd management and a meaningful improvement in average milk yield (AMY) per cow. Raw milk ASP declined 7.7% yoy to RMB3.33/kg, owing to persistent oversupply in China. Management guided feed costs to fall below RMB1.75/kg in FYE26 from RMB1.77/kg in FY25, which should provide a modest support to its margin in FYE26.

Gross profit was steady at RMB3.5bn in both FY25 and FY24, though GPM expanded to 27.4% from 26.0%, reflecting effective cost control in the integrated dairy farming solutions segment. Cash EBITDA rose 2.6% yoy to RMB3.1bn, with margin widened to 24.3% from 22.5%. CMD recorded RMB3.1bn in losses from fair value changes less costs to sell of dairy cows in FY25, up from RMB2.9bn in FY24, partly reflecting its effort to optimize herd structure by culling low-yield and inefficient cattle. As a result, the proportion of milkable cows

increased to 58.2% in FY25 from 51.1% in FY24. Net loss narrowed 18.0% yoy to RMB1.2bn in FY25 from RMB1.5bn in FY24. CMD expects the normalized losses from changes in the fair value of dairy cows and culled cattle to reduce to cRMB2bn per annum.

During FY25, CMD generated operating cash flow of RMB2.5bn, sufficient to cover capex of RMB2.4bn. Management guided the operating cash flow to be broadly stable in FYE26 from FY25, while the capex will decrease by RMB400-500mn, implying an improved free cash flow generation in FYE26. As of Dec'25, CMD had cash and equivalents of RMB6.6bn, up from RMB3.1bn as of Dec'24, with unutilized credit facilities of RMB7.4bn. Total debts and net debts increased 27.7% and 8.8% to RMB21.6bn and RMB15.0bn, respectively from the levels of Dec'24. Cash/ST debts ratio down slightly to 0.9x. That said, we noted its net debt declined 2.3% in 2H25. On the M&A front, CMD plans to acquire all issued shares of China Shengmu Organic Milk (CSM) via a cash offer capped at HKD2.0bn, to be funded by internal resources. We view the impact on CMD's liquidity profile to be contained, given the size of its available cash balance as of Dec'25.

We view CMD's improved operational efficiency and narrowed net losses in FY25 credit positive. The guided reduction in feed costs and capex should further support the cash flow generation in FYE26. That said, pace of debt reduction may be slow given the upcoming CSM acquisition. Overall, CMD's credit profile is underpinned by improving cash EBITDA, the parental support from Mengniu and manageable refinancing risk.

Table 2: CMD's financial highlights

RMB mn	FY24	FY25	Change
Revenue	13,254	12,601	-4.9%
-Raw milk	10,454	10,466	0.1%
-Integrated Dairy Farming Solutions	2,800	2,135	-23.8%
Gross profit	3,451	3,454	0.1%
Cash EBITDA	2,986	3,063	2.6%
Loss arising from changes in FV less costs to sell dairy cows	2,863	3,108	8.6%
Loss before tax	1,474	1,192	-19.1%
Operating cash flow	2,404	2,502	4.1%
Capex	3,452	2,442	-29.3%
Gross profit margin	26.0%	27.4%	1.4 pct pt
Cash EBITDA margin	22.5%	24.3%	1.8 pct pt
Total milk production (mn tons)	3.0	3.3	11.0%
Total raw milk sold (mn tons)	2.9	3.1	8.5%
Average milk yield (ton)	12.8	12.9	0.8%
Raw milk ASP (RMB/kg)	3.6	3.3	-7.7%
COGS (RMB/kg)	2.5	2.3	-8.3%
Feed costs	2.0	1.8	-9.2%
Others	0.6	0.6	-5.2%
GP (RMB/kg)	1.1	1.0	-6.5%
RMB mn	Dec'24	Dec'25	Change
Cash	3,059	6,554	114.2%
Total debts	16,897	21,578	27.7%

Net debts	13,838	15,024	8.6%
Total debts/cash EBITDA	6.5x	7.9x	-
Cash/ST debts	1.0x	0.9x	-
Cash EBITDA/interest	5.6x	4.8x	-

Source: Company filling, CMBI FICC Research.

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
LG Energy Solution	300/	3yr/	5.0%/	T+115/	Baa2/BBB/-
	500/	5yr/	5.25%/	T+130/	
	300/	5yr/	SOFR+156/	SOFR+156/	
	500	10yr	5.875%	T+165	
Nippon Life Insurance	1100/	5yr/	4.748%/	T+78/	A2/A/-
	750	7yr	5.046%	T+90	

➤ 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 187 credit bonds issued yesterday with an amount of RMB134bn. As for month-to-date, 2,028 credit bonds were issued with a total amount of RMB1,680bn raised, representing a 8.8% yoy increase
- **[CHMEDA]** China Mengniu Dairy FY25 EBITDA up 43% yoy in to RMB6.4bn (cUSD923.5mn)
- **[FABUH]** First Abu Dhabi Bank to redeem USD750mn FABUH 4.5 Perp on the first call date on 5 Apr'26
- **[FOSUNI]** Media reported Fosun International's luxury resort chain Club Med is considering an IPO in Hong Kong
- **[JSTLIN]** JSW Steel subsidiary completed acquisition of 92.19% Minas de Revuboe stake, shareholders loans
- **[LGELEC]** LG Electronics to get USD200mn from Korea Eximbank to fund AI initiatives
- **[REGH]** Regal Hotels expected FY25 loss to narrow to HKD1.2bn (cUSD153.3mn) from HKD2.6bn (cUSD331.8mn) in FY24, helped by better operating performance

- **[RIOLN]** Rio Tinto obtained AUD2bn (cUSD1.4bn) investment commitment for the aluminum facility Boyne Smelters from the Australian state and federal governments

Fixed Income Department

Tel: 852 3657 6235/ 852 3900 0801

fis@cmbi.com.hk

Author Certification

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.