

## CMBI Credit Commentary

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

#### The Asset Asian G3 Bond Benchmark Review 2023

We hope you found our commentaries and ideas helpful. We seek to elevate our efforts and value-add further in the coming year. We highly appreciate your support to us in Sell-Side Analysts of the polls of [“The Asset Asian G3 Bond Benchmark Review 2024”](#). Thank you for your support!

- *Asian IGs were stable and flows skewed to better selling this morning. Japan names rallied higher while AU names were unchanged. LGFVs remained well bid.*
- **FRESHK:** *Stable asset quality yet lower profitability in 1H24. Maintain buy on FRESHK 25-27s. FRESHKs were unchanged to down 0.6pt post the results announcement. See comments below.*
- **Chinese properties:** *The recovery of primary sales remains toddling. See comments below.*

#### ❖ Trading desk comments 交易台市场观点

Yesterday, Asia IG space had a quiet session with JP out for holiday. In Chinese IGs, HAOHUA '30/TENCNT '28 tightened 2bps. In financials, Chinese AMCs remained under better buying. CCAMCLs/GRWALLs were 2-8bps tighter. CICCHK/BCLMHK Float 25-27s were unchanged to 3bps tighter. ANZNZ/ASBBNK/MQGAU/WSTP T2s were 1-5bps tighter. In AT1s, ICBCAS 3.2 Perp/KBANK 4 Perp/KBTB 4.4 Perp were up 0.1pt. BAERVX 6.875 Perp/UBS 9.25 Perp were 0.2-0.3pt higher. In JP, RAKUTN 11.25 '27/RAKUTN 9.75 '29 were 0.1-0.3pt higher. In KR, POHANGs/KEBHNBS widened 1-3bps. In HK, NANYAN 6 '34/BNKEA 6.75 '34 widened 2bps. NWDEVL Perps/27-31s rebounded 0.3-0.9pt. LIHHK 25-26s were 0.4pt lower. In Chinese properties, FUTLANs/FTLNHDs were 0.3-0.6pt higher while SHUIONs were unchanged. POLHON '25 was 0.7pt higher. DALWAN '26 was up 0.5pt. Media reported DALWAN has sold Xinghua Wanda Plaza in Jiangsu for RMB1bn (cUSD140mn). Outside properties, WESCHI '26 declined another 0.6pt after dropping 1.6pts over last week. In Macau gaming, MPEL/SANLTD/WYNMAC 25-30s rose 0.4-1.0pt. In India, VEDLN 27/28 were 0.2-0.3pt higher. ADANEM '31/ADTIN '36/ADGREG '42 were 0.4-0.5pt lower after another short-selling report. In Indonesia, MDLNIJ '27 lowered 0.6pt.

In LGFVs, CCUDIH announced the repurchases of USD64.5mn of CCUDIH 4.3 09/09/24 (issue size: USD230mn). CCUDIH 24-27s closed unchanged to 0.1pt higher. KMRLGP '24/WFURCD '25 were up 0.2pt. CPDEV 25/26/Perp and ZHHFGR '25 were 0.1-0.2pt lower. BJCONS/BCDHGR 26s were down 0.2pt. In SOE perps, CCBINT 3.329 Perp was up 0.1pt. CHCOMU 3.65 Perp/CHFECHK 3.1 Perp/SPICPT 3.45 Perp were down 0.1-0.2pt. In the

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high beta IG names, HUANEN '31/HNINTL '31 were up 0.2-0.3pt. CWAHK '26 lowered 0.6pt. FRESHK 25/26/27 were unchanged to 0.1pt higher following the 1H24 results. See below for comments.

#### ❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
SANLTD 4 3/8 06/18/30	94.0	1.0	CWAHK 4.85 05/18/26	94.0	-0.6
NWDEVL 8 5/8 02/08/28	96.6	0.9	WESCHI 4.95 07/08/26	80.6	-0.6
SANLTD 5.4 08/08/28	99.3	0.8	TAISEM 4 3/8 07/22/27	99.7	-0.6
NWDEVL 4 1/8 PERP	64.9	0.8	MDLNIJ 5 04/30/27	32.9	-0.6
MPEL 5 3/8 12/04/29	90.4	0.7	ADGREG 6.7 03/12/42	93.5	-0.5

#### ❖ Marco News Recap 宏观新闻回顾

**Macro** – S&P (+0.23%), Dow (-0.36%) and Nasdaq (+0.21%) were mixed on Monday. UST yield continued to retreat yesterday, 2/5/10/30 yield reached 4.01%/3.75%/3.90%/4.19%.

#### ❖ Desk analyst comments 分析员市场观点

##### ➤ FRESHK: Stable asset quality yet lower profitability in 1H24. Maintain buy on FRESHK 25-27s

Table 1: Bond profile of FEH

Security Name	ISIN	o/s amt (USDmn)	Ask px	YTM (ask)	Mod dur	First put date	Put px	Rating (M/S/F)
FRESHK 3.375 02/18/25	XS2109200050	300	98.89	5.61%	0.49	-	-	-/BBB-/-
FRESHK 4.25 10/26/26	XS2393797530	300	96.79	5.82%	2.04	-	-	-/BBB-/-
FRESHK 6.625 04/16/27	XS2800583606	500	101.77	5.90%	2.38	-	-	-/BBB-/-
FRESHK 2.5 07/08/25 CB	XS2193653818	290	102.90	-0.71%	0.90	07/08/2023	100	-/-/-

Source: Bloomberg.

Far East Horizon (FEH) reported stable asset quality yet lower profitability in 1H24. We expect FEH's operating performance and asset quality to remain stable in view of its diversified leasing asset base. We also expect its liquidity profile to remain adequate given its smooth access to low-cost onshore funding. FRESHKs moved 0.5-1.5pts higher since Jul'24, and still offer more superior risk-return profiles than its leasing peers such as BOCAVIs and PINIFLs. We maintain buy on FRESHK 25-27s on a RV basis, and neutral on FRESHK 2.5 07/08/25 CB.

In 1H24, FEH's revenue slightly declined 2% to RMB18bn, attributable to the decrease in interest income from financial services segment and fee income from advisory segment. In 1H24, the average interest-earning assets decreased by 4% to RMB264.0bn as a result of accelerated asset turnover and shorten duration with stricter pre-lease reviews, therefore, the interest income decreased by 4% despite 5bps improvement in net interest margin to 4.47%. The decline in revenue was partly offset by the higher income from industrial operation. Apart from the decline in revenue, lower other income and gains as well as increase in finance costs led to a drop in profit before tax by 20% yoy to RMB4bn, and the resulting ROAA and ROAE both narrowed to 1.3% and 8.5%, respectively.

FEH's asset quality was largely stable at Jun'24. NPL and provision coverage ratios were flat at 1.04% and 227.2%, respectively, compared to those of Dec'23. FEH has reduced exposures in urban public utility, i.e. LGFV, during 1H24 to 36% of net interest-earning assets from 40% at Dec'23, despite LGFV still represented the largest exposure by industry. Besides, its assets at risk to equity ratios of all domestic finance leasing operations entities were well within the regulatory cap of 8.0x.

FEH has slightly higher leverage with net debts increased 2% to RMB243.0bn at Jun'24. At Jun'24, FEH has cash on hand of RMB22.9bn (excl. restricted cash) and short-term debts of RMB127.1bn. The cash/ST debts ratio was 0.18x, compared with 0.14x in Dec'23. We take comfort from FEH's continued access to low-cost onshore funding. YTD, FEH issued nine onshore 180d notes totalled RMB9bn at an weighted average coupon rate of 2.42%. FEH is also active in offshore USD bonds market in 1H24 and it redeemed FRESHK 2.625 03/03/24 in full of USD500mn in Mar'24 and issued USD500mn FRESHK 6.625 04/16/27 in Apr'24. Meanwhile, FEH also redeemed and cancelled USD249.1mn of FRESHK 0 06/15/26 (CB) in Jun'24 pursuant to the exercise of put option by bondholders.

Separately, FEH has lowered the conversion prices of its two CBs. The conversion price of FRESHK 2.5 07/08/25 is adjusted to HKD5.72 per share from HKD5.96; and for FRESHK 0 06/15/26 is adjusted to HKD7.38 per share from HKD7.69. FEH also plans to buy back up to 10% of its issued share capital with internal financial resources.

**Table 2: Financial highlights of FEH**

RMBmn	1H23	1H24	Change
Revenue	18,362	18,036	-1.8%
-Interest income	11,085	10,700	-3.5%
-Fee income	473	162	-65.8%
-Industrial operation	6,890	7,244	5.1%
-Tax and surcharges	(86)	(70)	-18.6%
Profit before tax	4,990	4,008	-19.7%
Net interest margin	4.42%	4.47%	5bps
Cost to income ratio	41.76%	43.57%	181bps
ROAA	1.97%	1.30%	-67bps
ROAE	13.27%	8.49%	-478bps
Interest-earning assets average balance	274,694	263,959	-3.9%
Interest-earning assets average yield	8.07%	8.11%	4bps
Interest-bearing liabilities average balance	234,902	230,639	-1.8%
Interest-bearing liabilities average cost rate	4.26%	4.16%	-10bps
	<b>Dec'23</b>	<b>Jun'24</b>	<b>Change</b>
Cash on hand	18,853	22,946	21.7%
ST debts	132,670	127,356	-4.0%
LT debts	123,953	138,541	11.8%
Total debts	256,624	265,897	3.6%
Net debts	237,771	242,951	2.2%
Gearing ratio	83.62%	83.67%	5bps
Special mention loan ratio	5.97%	5.81%	-16bps
Non-performing loan ratio	1.04%	1.04%	-
Provision coverage	227.59%	227.21%	-38bps
Assets at risk to equity ratio			
-International Far Eastern Financial Leasing	4.58x	4.34x	-
-Far Eastern Horizon (Tianjin) Financial Leasing	3.49x	4.25x	-
-Far Eastern Horizon Financial Leasing	1.57x	1.79x	-
-Far East Horizon Financial Leasing (Guangdong)	4.34x	5.15x	-

Source: Company's filling.

### ➤ Chinese properties: The recovery of primary sales remains toddling

In Jul'24, 33 developers under our radar reported contracted sales totaled RMB152.3bn, decreased 22.9% yoy from RMB197.6bn in Jul'23. The yoy decline in Jul'24 widened from a decline of 17.4% in Jun'24. This reflected the recovery of primary sales remains toddling even after a series of supportive measures launched since May'24.

In 7M24, the cumulative contracted sales of the 33 developers dropped 38.7% yoy to RMB1,275.3bn from RMB2,081.2bn 7M23.

All developers under our radar posted yoy decrease in cumulative contracted sales in 7M24. In 7M24, GRNCH (RMB147.5bn) remains to be a better performer with a small yoy contracted sales decline of 3%. The distressed developers continued to underperform. The contracted sales of COGARD (RMB29.4bn), CHINSC (RMB6.1bn) and KWGPRO (RMB6.4bn) dropped 79%, 73% and 68% yoy in 7M24, respectively.

In Aug'24, the recovery of real estate market remained weak. As of 12 Aug'24, the inventory month of four tier-1 cities, e.g. Beijing, Shanghai, Guangzhou and Shenzhen rebounded to 19, 8, 23 and 18 from 18, 6, 13 and 15 in mid-Jul'24 when the inventory levels were lower post supportive measures launched in May'24. On the other hand, Chinese government continued to issue new policies to support real estate market. In last week, Shenzhen Anju Group, a LGFV controlled by Shenzhen municipal government, announced to purchase unsold commercial housings for use of affordable apartments. Following Guangzhou, Shenzhen is the second tier-1 city that the government announced to repurchase unsold commercial housings. Given the moderating recovery pace of real estate market, we expect to see more supportive measures from governments, including further LPR cut in 2H24.

Company	CN Name	BBG Ticker	Jan	Feb	Mar	Apr	May	Jun	Jul	Trend	Jul'24 MoM Growth	Jul'24 YoY Growth	Jul'24 YTD Sales	Jul'24 YTD Sales Growth
Greentown	绿城	GRNCH	12,000	12,900	28,300	22,300	23,300	27,700	21,000		-24%	15%	147,500	-3%
China Overseas	中国海外发展	CHIOLI	10,504	8,491	41,211	21,795	19,700	46,677	13,192		-72%	10%	161,570	-16%
Poly Real Estate	保利地产	POLYRE	20,323	15,624	27,036	33,024	35,314	42,014	25,318		-40%	-18%	198,653	-26%
China Resources Land	华润置地	CRHZCH	11,420	9,190	30,110	21,280	20,700	19,460	15,500		-20%	-10%	127,660	-32%
Yuexiu Property	越秀地产	YUEXIU	6,545	3,815	11,341	8,312	10,078	15,308	5,028		-67%	-41%	60,427	-34%
China Vanke	万科企业*	VNKRLE	19,450	14,000	24,510	20,890	23,330	25,130	19,200		-24%	-13%	146,510	-35%
Shimao	世茂房产	SHIMAO	2,110	2,240	3,900	2,610	2,920	3,310	2,720		-18%	-11%	19,810	-36%
Radiance*	金辉控股*	JNHUIG/RDHGCL	1,450	610	1,840	870	1,430	2,160	1,290		-40%	-21%	9,650	-39%
Hopson	合生创展	HPDLF	1,286	630	1,978	1,510	1,665	1,781	1,488		-16%	-39%	10,338	-40%
Greenland Holding*	绿地控股集团*	GRNLGR	4,500	4,000	5,500	3,800	6,130	7,940	5,770		-27%	-16%	37,640	-43%
Future Land	新城控股	FUTLAN/FTLNHD	3,692	4,020	4,236	3,704	4,102	3,801	3,487		-8%	-42%	27,042	-44%
Times Property	时代中国控股	TPHL	532	841	685	1,055	1,005	705	855		21%	5%	5,678	-45%
Yanlord*	仁恒置地*	YLLGSP	1,480	2,060	990	1,870	2,950	1,850	1,470		-21%	-10%	12,670	-45%
Longfor (Attributable)	龙湖集团	LNGFOR	4,660	3,680	7,440	6,230	5,980	6,780	5,250		-23%	-31%	40,020	-45%
China Jinmao	中国金茂	CHJMAO	6,400	4,150	6,970	6,500	7,220	13,300	5,660		-57%	-11%	50,200	-46%
Sino-Ocean	远洋集团*	SINOCE	1,200	820	2,300	2,800	2,440	8,770	1,700		-81%	-32%	20,030	-47%
Central China Real Estate	建业地产	CENCHI	710	680	440	750	950	960	620		-35%	-4%	5,110	-51%
Sunac China	融创中国	SUNAC	3,760	2,730	3,510	12,450	2,270	1,560	1,410		-10%	-72%	27,690	-52%
CIFI Holdings	旭辉集团	CIFIHG	3,720	2,240	4,180	3,980	3,340	2,850	1,860		-35%	-60%	22,170	-52%
Zhongliang	中梁控股	ZHLGHD	2,010	1,730	1,500	1,370	1,450	1,600	1,360		-15%	-38%	11,020	-53%
Guangzhou R&F	富力地产*	GZRFPR	980	650	1,080	770	970	1,150	1,110		-3%	11%	6,710	-54%
Jingrui Holdings	景瑞控股	JINGRU	206	112	170	167	131	130	287		121%	8%	1,203	-56%
Gemdale	金地集团	GEMDAL	5,510	5,100	6,130	6,240	6,510	6,630	6,100		-8%	-42%	42,220	-56%
Powerlong	宝龙地产	PWRLNG	1,121	1,177	1,548	1,134	1,208	1,142	1,056		-8%	-48%	8,386	-57%
Yuzhou Properties	禹洲地产	YUZHOU	803	503	902	802	703	632	465		-26%	-64%	4,810	-63%
Ronshine China	融信中国	RONXIN	448	543	742	542	544	543	602		11%	-36%	3,963	-63%
Redsun	弘阳地产	REDSUN/HONGSL	982	862	831	702	723	711	680		-4%	-66%	5,491	-63%
Zhenro Properties	正荣地产	ZHPRHK	619	471	554	591	596	594	468		-21%	-54%	3,893	-64%
Logan Property*	龙光地产*	LOGPH	800	760	400	520	790	1,270	1,030		-19%	-47%	5,570	-65%
Agile	雅居乐	AGILE	2,390	1,530	1,430	1,190	1,650	800	810		1%	-64%	9,800	-68%
KWG Property	合景泰富集团	KWGPRO	830	620	1,070	970	1,180	990	760		-23%	-33%	6,420	-68%
China SCE*	中骏集团控股*	CHINSC	850	820	1,010	630	1,110	350	1,350		286%	-41%	6,120	-73%
Country Garden (Attributable)	碧桂园	COGARD	5,490	3,720	4,300	3,850	4,290	4,300	3,410		-21%	-72%	29,360	-79%

Note: \* represents the data was collected from CRIC.

Source: Company filings, CRIC.



## ➤ 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)
Agricultural Bank of China	USD	-	3yr	SOFR+105	A1/-/-
Zhuji State-owned Assets Management Co., Ltd.	USD	-	3yr	6.0%	-/-/-

## ➤ News and market color

- Regarding onshore primary issuances, there were 54 credit bonds issued yesterday with an amount of RMB43bn. As for month-to-date, 658 credit bonds were issued with a total amount of RMB688bn raised, representing a 25.8% yoy increase
- [CGRNEG]** Fitch affirmed Continuum Green Energy affirmed at B+ with positive rating outlook
- [DALWAN]** Media reported that Dalian Wanda Group sold Xinghua Wanda Plaza; Dalian Wanda Group's RMB100mn shares in Beijing Wanda Culture and Tourism frozen by court
- [GALCLD]** Media reported that Bohai Leasing signed USD1bn private loan agreement with RRJ Capital for refinancing
- [GLPSP]** GLP unit scheduled interest payment for 21GLP11 bonds on 23 Aug'24
- [KAISAG]** Kaisa Group winding-up petition hearing adjourned to 9 Sep'24
- [TPHL]** Times China HK winding-up case adjourned to 21 Oct'24; the company said to publish RSA in Aug'24
- [ZHPRHK]** Zhenro deferred long-stop date of RSA to 15 Aug'24

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