

CMBI Credit Commentary

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

- *The recent new MTRC 55s widened 2bps this morning. AVILC Float 30s widened 10bps. TENCNT 30-31s were unchanged to 2bps wider. The new HKIQCL 28 was unchanged from RO at par at noon amid two way flows.*
- **LNGFOR:** *Non-property development segments contributed c70% of GP in FY24. Maintain buy on LNGFORs. LNGFOR 27-32s were down 0.5-0.8pts post results announcement, and were unchanged this morning. See below.*
- **WESCHI:** *Moody's downgraded West China Cement (Weschi) by 1 notch to Caa1 from B3 and maintained negative outlook. Separately, Weschi may issue USD300mn bonds in 2H25 to refinance WESCHI 4.95 07/08/26 of USD600mn and the remaining USD300mn using internal cash. WESCHI 4.95 07/08/26 was down 0.2pts this morning*

❖ Trading desk comments 交易台市场观点

Yesterday, the market tone remained cautious ahead of Trump's tariffs on 2 Apr'25. The new PETMK 31-55s tightened 2-4bps, while the new MTRC 30-55s widened 1-2bps. In Chinese IGs, BABA 27-35s tightened 1-2bps. XIAOMI/MEITUA 30-31s widened 1-4bps. In financials, the front end of AMCs were under better selling. CFAMCI/CCAMCL 25-29s were 1-4bps wider. BBLTB 29s/40s closed unchanged amid mixed two way flows. DBS Float 30s tightened 1bps on AM buying. In AT1s and insurance hybrids, MYLIFE 55s/NIPLIF 54s rebounded 0.2-0.3pt on prop desks buying. However, EU AT1s remained lackluster. BACR/INTNED/LLOYDS Perps were 0.1-0.3pt lower. In HK, REGH 6.5 Perp plunged 20.0pts, closed 22.7pts lower WTD. HYSAN/CKPH Perps were better offered and closed 0.3-0.5pt lower. In Chinese properties, LNGFOR 27-32s (see our comments on Longfor's FY24 results below) and FUTLAN/FTLNHD 25-26s lowered 0.5-0.8pt. S-Enjoy Service, a sister company of Seazen, announced the delay in publication of FY24 results and its shares are suspended from trading. The board of S-Enjoy Service has initiated investigation on related party transactions. Outside properties, WESCHI 26 rebounded 0.9pt after the decline of 0.6pt on Mon despite Moody's downgrade. In Indonesia, MEDCIJ 28s declined 0.4pt. The long end of PLNIIJs/PETRIJs were 0.9-1.2pts higher in light of lower rates.

In LGFVs, HKIQCL priced a 3yr bond of USD750mn (keepwell provided by Qingdao City Construction Ltd) at par to yield 5.4% (IPT at 5.9% area). HZWXSC priced a 3yr bond at par to yield 5.8% (IPT at 6.3% area). CPDEV 28 was up 0.1pt. The higher yielding LGFVs remained sought after by RMs. There were two way interests on recent new USD papers such as ZBZCHD/BCAJIN 28s. In SOE perps, HUANEN/CHPWCN Perps were up 0.1pt. AVILC Perp was 0.1pt lower under heavy selling from AMs following AVIC Industry Finance's proposal of A-shares delisting. As we discussed in

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our daily yesterday, the delisting could mean that AVIC Industry Finance would become a 100% owned subsidiary of AVIC which ranks 4th out 98 central SASAC owned corporations. AVIC's current ownership in AVIC Industry Finance is c51%. Indeed, we consider the delisting credit positive.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
PLNIJ 4 06/30/50	69.8	1.2	REGH 6 1/2 PERP	24.2	-20.0
PLNIJ 4 7/8 07/17/49	80.8	1.2	LNGFOR 4 1/2 01/16/28	85.7	-0.8
TAISEM 3 1/4 10/25/51	74.8	1.2	FTLNHD 4 5/8 10/15/25	95.1	-0.8
PLNIJ 4 3/8 02/05/50	74.7	1.1	FUTLAN 4.45 07/13/25	97.2	-0.7
PERTIJ 4.175 01/21/50	74.3	1.0	FTLNHD 4 1/2 05/02/26	91.6	-0.6

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.38%), Dow (-0.03%) and Nasdaq (+0.87%) were mixed on Tuesday. US Mar'25 S&P Global Manufacturing PMI was 50.2, higher than the market expectation of 49.8. US Feb'25 JOLTS job openings was 7.568mn, lower than the market expectation of 7.690mn. UST yield retreated on Tuesday, 2/5/10/30 yield at 3.87%/3.91%/4.17%/4.52%.

❖ Desk Analyst Comments 分析员市场观点

➤ LNGFOR: Non-property development segments contributed c70% of GP in FY24

Security Name	ISIN	Amt o/s (USD mn)	Ask Px	YTM (Ask)	Issue rating (M/S/F)
LNGFOR 3 ¾ 04/13/27	XS2098539815	250	87.5	10.4%	B1/BB-/BB
LNGFOR 4 ½ 01/16/28	XS1743535491	500	86.1	10.4%	B1/-/BB
LNGFOR 3.95 09/16/29	XS2033262895	850	78.9	9.9%	B1/BB-/BB
LNGFOR 3.85 01/13/32	XS2098650414	400	71.1	9.8%	B1/BB-/BB

Source: Bloomberg.

Despite the weaker FY24 results, we take comfort with Longfor's manageable debt maturity profile, prudent financial management and net debt reduction trend. It has been refinancing its debts with long-term operating loans through making uses of its matured IPs. We take additional comfort with the continued growth of Longfor's non-property development segments, i.e. investment property operation and services, partly offset the impact of notable weaker property sales. The growing contribution from higher-margin non-property development operations continues to support its recurring cash inflow and mitigate the pressure margin from property developments. We continue to consider Longfor a survivor of the sector given its manageable debts maturities, steadily growing recurring revenue and availability of matured IPs for secured financing. We maintain buy on LNGFORs.

RMB mn	FY23	FY24	% change
Revenue	180,736.6	127,474.9	-29.5%
-Property sales	155,857.2	100,766.6	-35.3%
-Non property sales	24,879.4	26,708.3	7.4%
Gross profit	30,583.8	20,411.1	-33.3%
Profit before tax	24,729.3	18,730.5	-24.3%
Recognized GFA (mn sqm)	10.8	7.6	-29.4%
Recognized ASP/sqm (RMB)	14,448.6	13,225.7	-8.5%
Gross margin	16.9%	16.0%	-0.9 pct pt
-Property sales	11.0%	6.1%	-4.9 pct pt
-Non property sales	54.4%	53.4%	-1.0 pct pt

Source: Company fillings.

In FY24, Longfor's revenue decreased 29.5% yoy to RMB127.5bn and gross margin dropped to 16.0% from 16.9% in FY23, mainly dragged by the weak performance of property development segment. During FY24, Longfor's sell-through rate decreased to c51% from c56% in FY23 and attributable contracted sales fell 40.5% yoy to RMB68.3bn from RMB114.8bn in FY23. The revenue of property development segment was down 35.3% yoy to RMB100.8bn and the gross margin down 4.9 pct pt to 6.1%.

On the other hand, Longfor's non-property development segments maintained the growth momentum in FY24. Revenue increased 7.4% yoy to RMB26.7bn with a gross margin of 53.4%. The full-year growth of 7.4% reflected higher growth in the segments during 2H24 compared to 1H24, considering 6.3% yoy revenue growth and gross margin of 45.4% in 1H24. The non-property development segments contributed 69.9% of Longfor's FY24 gross profit, i.e. RMB14.3bn, higher than contribution of 44.1% in FY23. The growing contributions from higher margin non-property segments notably relieved margin pressure for the property development segment of which gross margin in FY24 lowered to 6.1% from 11.0% in FY23. As Longfor is still digesting the more expensive land acquired in 2021 or before, we expect the margin pressure from property developments will continue in FY25. That said, we do not expect sizeable impairment losses required given the size of stabilization of the property market in China and Longfor's relatively stronger liquidity profile, such that it is under less pressure to "fire sell" its developments.

As of Dec'24, Longfor had 89 malls in operation across 23 cities, in which 11 were launched during the year. The occupancy rate was 97%. Longfor expects to open 11 malls in FY25, and 28 malls in 2026 and beyond to reach the goal of 128 shopping malls. We believe the growing contribution from non-property development operations will help support its gross margin to gradually recovery from the current level at 16.0%.

RMB mn	Dec'23	Dec'24	% change
Cash	59,224.4	47,951.6	-19.0%
- Cash in escrow	22,800.0	16,750.0	-26.5%
ST debts	28,507.9	31,785.3	11.5%
LT debts	178,969.9	158,477.8	-11.5%
Net debts	148,253.4	142,311.5	-4.0%
Net gearing	62.7%	58.0%	-7.5 pct pt
Cash/ST debts	2.1x	1.5x	-
Adj. liab/assets	60.4%	57.2%	-5.3 pct pt

Source: Company fillings.

Longfor's credit profiles remained stable. As of Dec'24, Longfor's net debts (incl. lease liabilities) decreased 4.0% yoy to RMB142.3bn from RMB148.2bn in Dec'23. The average debt tenor extended to 10.27 years from 7.85 years in FY23 and average financing cost reduced to 4.0% from 4.24% in FY23. In FY24, Longfor increased the usage of operating property loan with lower funding cost and much longer tenor (10-15 years for operating loans). As at Dec'24, the balance of operating loans increased to RMB77.3bn from RMB47.4bn as of Dec'23. As per Longfor, its targets to refinance debts with additional operating loans of RMB10bn in FY25. The headroom for additional operating loans from FYE24 level is RMB100bn. These should offer a strong financial flexibility for refinancing over the coming 2-3 years.

Longfor's debt maturities are manageable in the near term. As of Dec'24, Longfor had cRMB30.2bn maturities due before Dec'25. YTD, Longfor repaid RMB6.5bn onshore bonds. For the RMB3.6bn onshore bonds due/puttable in Jul-Aug'25, Longfor expects funds to be ready by 30 Jun'25 for the repayment. Meanwhile, Longfor will seek longer-tenor loans backed by the same assets for the repayment of totaled RMB3.5bn CBICL-guaranteed bonds due this year, i.e. RMB1.5bn in Aug'25 and RMB2bn in Nov'25. The company also plans to early repay the RMB8.5bn-equivalent due-Dec'25 syndicated bullet loan gradually starting from 3Q25. We expect that Longfor will continue to tap onshore capital and loan markets for refinancing in view of lower onshore funding costs as well as no imminent offshore bond maturities. The next USD bond maturity will be Apr'27, and the outstanding amount of Longfor's offshore USD bonds are USD2bn. Longfor had repurchased cUSD700mn of USD bonds in 2024. We expect Longfor to conduct more repurchases of its USD bonds.

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

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Hongkong International (Qingdao) Company	750	3yr	5.4%	5.4%	-/-/BBB+
Huzhou Wuxing State-Owned Capital Investment Development Co	105	3yr	5.8%	5.8%	Unrated

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

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Liangshan Development (Holdings)	USD	-	3yr	6.5%	Unrated

➤ **News and market color**

- Regarding onshore primary issuances, there were 47 credit bonds issued yesterday with an amount of RMB47bn. As for Month-to-date, 47 credit bonds were issued with a total amount of RMB47bn raised, representing a 3.9% yoy decrease
- Macau gaming revenue for March rises 0.8% yoy to MOP19.7bn
- **[AVICCP]** AVIC Industry-Finance Holdings plans to reach an agreement with the holders of the bonds and debt instruments to transfer them to an OTC redemption arrangement, and cancel or delist the publicly issued bonds and debt instruments
- **[DHFOLD]** South Korea has launched an audit into the financial accounts of Korea Investment & Securities on allegedly inflated sales and expenses by KRW6tn (cUSD4bn) each
- **[FOSUNI]** Fosun plans to cut interest-bearing debt by a third over next three years

- **[GEELY]** Geely 1Q25 sales volume jumps 48% yoy led by Geely-branded models
- **[GRNKEN]** Greenko founders raise USD800mn private credit loan
- **[GLPSP]** GLP establishes RMB2.6bn AUM maiden data center fund
- **[HPDLF]** S&P downgraded Hopson by 3 notches to CCC from B on nonpayment risk, rating withdrawn at issuer's request
- **[NWDEVL]** New World Development enhances loan terms using prized asset as collateral
- **[SINOPC]** Sinopec discovered more than 140m tons of proven geological reserves of shale oil in eastern China's Shandong province
- **[SOFTBK]** SoftBank in talks for USD16.5bn loan to finance AI expansion, OpenAI investment
- **[WESCHI]** Moody's downgraded West China Cement (Weschi) by 1 notch to Caa1 from B3 and maintained negative outlook; Weschi expects USD20mn cash dividend in Jun'25 from Ethiopian subsidiary, may issue USD300mn bonds in 2H25 to refinance WESCHI 4.95 07/08/26 of USD600mn and the remaining USD300mn using internal cash
- **[XIAOMI]** Xiaomi will cooperate with investigation into EV crash which was the first major accident involving the SU7 sedan

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