

CMBI Credit Commentary

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

- *New issue KOROIL'27/29 tightened c4bps and KOROIL Float'27 tightened 9bps. HONGQI'25 rose 0.5pt this morning. Market flows skewed to sell and front-end IGs were under better selling.*
- **SHUION:** *Concrete refinancing plan not in place yet. We believe that current valuation of SHUIONs unappealing, especially SHUION'24. SHUIONs down 1-1.2pts post the results. See below.*
- **LNGFOR:** *Media reported that Longfor Group plans to use new bank loans backed by commercial properties to repay two insurance company debts totaled RMB3bn. LNGFORs were unchanged to 0.8pt higher this morning.*

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❖ Trading desk comments 交易台市场观点

Yesterday, overnight UST yield tightened 3-6bps. On the new issues, HONGQI priced a USD300mn 364-day bond at par to yield 7.75%. KOROIL priced a USD300mn 3-yr floating-rate bond at SOFR+83, a USD500mn 3-yr fixed-rate bond at T+70, and a USD600mn 5-yr fixed-rate bond at T+80. On the secondary front, HYUELE/HYMNTR/SAMTOT 27-29s closed unchanged to 2bps wider. JP name SMBCAC 33s were under better selling in light of its upcoming new issues. JP insurance hybrids such as ASAMLI/FUKOKU Perps edged 0.1-0.3pt higher. In Chinese IGs, HAOHUA/TENCNT 30s were unchanged to 1bp wider. The BBB TMTs MEITUAs/XIAOMIs were 1-2bps tighter. In financials, Chinese bank T2s/AMCs/leasing names were mixed. BNKEA 27-28s tightened 2-6bps. ORIEAS 27s tightened 2bps. HRINTHS remained under better selling and its 24s were 10bps wider. BOCAVI '28/AVIILC '27 widened 2bps. AT1s had a relatively upbeat session following the overnight rates tightening. DBSSP/BBLTB Perps were unchanged to 0.2pt higher and the loose papers were well-digested. In EU AT1s, there were PB-centric two-way mixed flows in Asia session. BACR 6.125 Perp/UBS 7 Perp/SWEDA 7.625 Perp were up 0.1-0.2pt. In HK, PRUFIN/FWDGHD Perps were 1.4-2.1pts higher. NWDEVLs/NANFUNs were up 0.2-0.4pt. Chinese properties moved higher. LNGFOR 27-32s rose another 2.2-3.3pts after gaining 2.5-4.1ps last Friday. ROADKG '24 rebounded 2.4pts after falling 7.3pts on last Fri and its 25-26s were also up 0.5-0.6pt. DALWAN 24-26s moved 1.1-2.0pts higher. CHJMAO/COGO 26s were up 0.8-1.0pt. SHUION/GRNCH 25s were 0.6-0.9pt higher. In industrials, AACTEC 26/31 increased another 0.4-0.6pt. In Macau gaming names, MPELs were up 0.2-0.4pt. In Indian space, UPLLIN 28/30/Perp were 0.7-0.9pt lower. AZUPOE 24/26 were down another 0.3-0.6pt. Indonesian name MDLNIJ '25 declined 1.6pts. BUMAIJ '26 was 0.9pt lower. Moody's downgraded the rating of BUMA's senior secured notes by one notch to B1.

In the high beta names/LGFVs/perps spaces, the sentiment was constructive. FRESHK/CWAHK 25-26s were up 0.1-0.3pt. GRPCIN/SUNSHG/ZHONAN 26s moved 0.3-0.5pt higher. The low-yielding LGFVs were under better selling among PBs/AMs. The 5-6% LGFVs SXUCI '26/NJYZSO '27 were down 0.1pt. CPDEV 26/Perp and ZHHFGR 25/Perp were up 0.2-0.3pt. In SOE perps, HUADIA 4 Perp/COFCHK 3.1 Perp were up 0.1pt.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
LNGFOR 3.95 09/16/29	49.9	3.3	MDLNIJ 5 06/30/25	36.3	-1.6
LNGFOR 4 1/2 01/16/28	58.8	3.1	TAISEM 3 1/8 10/25/41	80.4	-1.4
LNGFOR 3.85 01/13/32	45.0	2.7	BUMAIJ 7 3/4 02/10/26	99.3	-0.9
ROADKG 6.7 09/30/24	54.3	2.4	UPLLIN 5 1/4 PERP	67.1	-0.9
LNGFOR 3 3/8 04/13/27	61.9	2.2	UPLLIN 4 1/2 03/08/28	85.0	-0.8

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (-0.14%), Dow (-0.77%) and Nasdaq (+0.16%) were mixed on last Friday, three indices all moved higher in last week and Nasdaq reached historical high. UST yield slightly retreated on last Friday, 2/5/10/30 yield reached 4.59%/4.20%/4.22%/4.39%.

❖ Desk analyst comments 分析员市场观点

➤ SHUION: Concrete refinancing plan not in place yet.

Security Name	ISIN	Amt Out (USD mn)	Ask Price	YTM (Ask)	Rating (M/S/F)
SHUION 6.15 08/24/24	XS2219615957	500	86.3	46.0	-/-
SHUION 5 ½ 03/03/25	XS2113708155	490	67.7	55.9	-/-
SHUION 5 ½ 06/29/26	XS2358225477	400	55.3	36.0	-/-

Source: Bloomberg.

Shui On Land (SOL) reported largely expected weak FY23 results with property sales halved. In view of the slow recovery of property sales and its tighter liquidity, we are concerned on the refinancing risk. We believe that current valuation of SHUIONs unappealing, especially SHUION'24. SHUIONs down 1-1.4pts post the results

RMB mn	FY22	FY23	% change	1H22	1H23	% change
Revenue	15,565	9,752	-37.3%	4,415	6,431	45.7%
-Property sales	11,695	5,898	-49.6%	2,449	4,662	90.4%
-Non property sales	3,870	3,854	-0.4%	1,966	1,769	-10.0%
Gross profit	6,649	5,045	-24.1%	2,821	2,949	4.5%
Profit before tax	3,407	2,699	-20.8%	1,027	1,870	82.1%
Recognized GFA (k sqm)	383.8	350.9	-8.6%	185.3	106.9	-42.3%
Recognized ASP/sqm (RMB)	70,900	29,000	-59.1%	101,000	42,700	-57.7%
Gross margin	42.7%	51.7%		63.9%	45.9%	

Source: Company fillings.

Despite the significantly lower recognized ASP from property sales, SOL posted a higher gross margin, reflected the higher percentage contribution from its IPs amid the sharp decline in property sales. In FY23, the occupancy rate of IP portfolio was 91%, compared with 89% in FY22. In FY23, SOL's contracted sales was RMB11.4bn, dropped 58.1% from RMB27.2bn in FY22. In FY24, SOL has attributable saleable residential resources of

cRMB35.2bn, 14.8% lower compared to that in FY23. SOL did not provide FY24 contracted sales target but sounded out a cautious tone on property sales during the investors' calls.

RMB mn	Dec'22	Dec'23	% change	Dec'22	Jun'23	% change
Cash	11,176	5,745	-48.6%	11,176	9,525	-14.8%
ST debts	12,332	12,632	2.4%	12,332	12,294	-0.3%
LT debts	22,008	15,651	-28.9%	22,008	23,892	8.6%
Net debts	23,164	22,538	-2.7%	23,164	23,947	3.4%
Net gearing	52.2%	51.0%		52.2%	54.2%	
Cash/ST debts	0.9x	0.5x		0.9x	0.8x	
Adj. liab/assets	55.4%	54.5%		55.4%	55.5%	

Source: Company filings.

SOL's credit profile weakened in FY23, its unrestricted cash dropped 48.6% to RMB5.7bn and ST debts increased 2.4% to RMB12.6bn. In FY23, the company repaid RMB11.5bn debts including USD500mn SHUION 5.75 11/12/23. The repayment was funded with its internal resources, partly reflecting the more challenging refinancing environment. In FY24, SOL will have maturing debts of cRMB12.5bn in total and cRMB6bn matured in 1H24. The company did not provide a concrete refinancing plan during the investors' calls.

SOL is turning to onshore for funding, especially operating loans from its IPs. SOL had attributable investment properties of cRMB46.5bn as of Dec'23 and the LTV of portfolio was only c30%. While majority of its IPs are pledged, we estimate that SOL could have a liquidity headroom of cRMB9bn if it raised the LTV on IPs to 50%.

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
China Hongqiao Group	300	364d	7.75%	7.75%	Ba2/BB-/BB+
Korea National Oil Corp	500/600	3/5yr	4.875%/4.875%	T+70/80	Aa2/AA/-
Korea National Oil Corp	300	3yr	6.175%	SOFR+83	Aa2/AA/-

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
AIA Group	USD	-	10yr	T+155	A2/A-/A
Chengdu Tianfu New Area	USD	-	-	-	-/-/BBB
CSL Finance Plc	USD	-	10/30yr	T+115/130	A3/A/-
Indiabulls Housing Finance	USD	-	3.25yr	9.95%	-/B/-
PT Bank Negara Indonesia Persero Tbk	USD	-	5yr	-	-/BBB/BBB-
SMBC Aviation Capital	USD	-	5/10yr	T+135/160	-/A-/BBB+

➤ News and market color

- Regarding onshore primary issuances, there were 126 credit bonds issued yesterday with an amount of RMB107bn. As for month-to-date, 1,917 credit bonds were issued with a total amount of RMB1,777bn raised, representing a 6.3% yoy decrease

- Media reported that China regulator urged banks to expedite new loan approvals to private developers
- **[AGILE]** Moody's downgraded Agile CFR to Caa2 and maintained negative outlook
- **[CAPG]** China Aoyuan announces distribution of scheme consideration entitlements under offshore debt restructuring
- **[CRHZCH]** China Resources Land FY23 revenue rose 21% to USD34.7bn and pre-tax profit rose 19.7% to USD9.2bn
- **[CSCHCN]** China South City expects up to HKD5bn loss for 9M ended Dec'24 due to fair value losses on investment properties
- **[GRNCH]** Media reported that Greentown China will start early to make arrangement for debts due 2025
- **[LNGFOR]** Media reported that Longfor Group plans to use new bank loans backed by commercial properties to repay two insurance company debts totaled RMB3bn
- **[SHIMAO]** Shimao Group formulates restructuring proposal for offshore debt
- **[SHUION]** Shui On Land to sell land use right of Shanghai land parcel, hotel for RMB105mn in leaseback transaction
- **[ZHLGHD]** HK High Court dismissed winding up petition of Zhongliang Holdings Group

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