

## 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!

- *New BCLMHK Floater'27 widened c6bps, BCLMHK 4.5'27 was unchanged. LGFV/SOE PERP were stable with light flows. FUTLAN/FTLNHKs were unchanged this morning despite 1H24 profit warning.*
- *TENCNT: Strong growth in net profit in 1H24 driven by advertising revenue and lower cost of sales. See comments below.*
- *VEDLN: Sold 1.51% stake in Hindustan Zinc for INR32bn. Maintain neutral on VEDLNs. VEDLNs were unchanged this morning. See comments below.*

#### ❖ Trading desk comments 交易台市场观点

Asian market was mixed on Monday. The high-beta JP names RAKUTN/SUMILF/SUMIBK was down 0.25 to 0.9pt. AU and EU AT1s were well bid and were up to 0.25pt higher. In Chinese IG space, CHGRID'25-26 widened 1-3bps while SINOPE'26-30 tightened 1bps. HAOHUAs were unchanged. In TMT, TENCNTs moved -2 to +2bps. MEITUA/WB widened 2bps. China AMC space was largely stable, CCAMCL/ORIEAS widened 1bps while cash prices were unchanged. GRWALL/HRINTH were unchanged to 0.1pt higher. China real estate space was mixed, CHJMAOs edged up to 0.5pt after the positive profit alert for 1H24 results. SOE developers CHIOLIs/YUEXIUs were unchanged to 0.25pt higher while VNKRLs/LNGFORs down 0.3-1pt. HK names were mixed, NWDEVLs rebounded 0.5-1pt and NWSZFs were unchanged. HYSANs moved -0.5 to +0.2pt. In Macau gaming sector, SANLTDs were unchanged to 0.3pt lower. Indian and Indonesian names were mixed, Adani complex moved -0.3 to +0.2pt. MEDCIJs/INDYIJs/ VEDLNs were unchanged to 0.1pt lower.

LGFVs were firm with demand following RMB/USD appreciated. The high quality names such as GZINFUs/ZHHFGRs were unchanged to 0.25pt higher. The new issue HENINV'27 rose c0.1pt. CPDEVs were unchanged to 0.5pt lower. SOE perps performed strong, CHPWCN Perps rose 0.2-0.3pt and SPICPT/HUADIA Perps rose c0.1pt.

**Glenn Ko, CFA 高志和**  
 (852) 3657 6235  
 glennko@cmbi.com.hk

**Cyrena Ng, CPA 吳倩瑩**  
 (852) 3900 0801  
 cyrenang@cmbi.com.hk

**Jerry Wang 王世超**  
 (852) 3761 8919  
 jerrywang@cmbi.com.hk

## ❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
SHFLIN Float 09/29/26	100.3	1.5	HCELEC 4.65 12/29/26	48.1	-1.7
TSIVMG 0.15 12/17/26	76.3	1.4	RAKUTN 11 1/4 02/15/27	108.6	-0.9
EDU 2 1/8 07/02/25	97.1	0.8	PINGRE 3.45 07/29/26	89.5	-0.6
ICBPIJ 3.541 04/27/32	89.1	0.8	IDASAL 5.8 05/15/50	95.8	-0.5
ICBPIJ 4.805 04/27/52	85.4	0.8	CHGRID 4 05/04/47	89.8	-0.5

## ❖ Marco News Recap 宏观新闻回顾

**Macro** – S&P (+0.97%), Dow (+0.58%) and Nasdaq (+1.39%) were firm on Monday. PBOC kept 1/5yr LPR unchanged at 3.35%/3.85% as expected. UST yields continued to retreat yesterday, 2/5/10/30 yield reached 4.06%/3.75%/3.86%/4.11%.

## ❖ Desk analyst comments 分析员市场观点

➤ **TENCNT: Strong growth in net profit in 1H24 driven by advertising revenue and lower cost of sales**

Amongst A-rated Chinese TMT, we prefer TENCNT 2.39 06/03/30 and TENCNT 2.88 04/22/31 as we favor the belly of the TENCNT curve, factoring into our expectation of the US rate cut and normalization of the yield curve. At 89.1 and 90.0, TENCNT 2.39 06/03/30 and TENCNT 2.88 04/22/31 are trading at Z-spread of 113 bps and 124bps, and YTM of 4.57% and 4.65%, respectively. In Chinese TMT space, we also have buy recommendations in MEITUA CBs, MEITUA 3.05 10/28/30, WB 3.375 07/08/30, XIAOMI CB and XIAOMI 3.375'30.

In 1H24, Tencent delivered 7% yoy increase in revenue to RMB321bn, with higher revenue from three major segments: value added services (VAS), online advertising and Fintech and business service. Out of the three major segments, online advertising was the largest contributor for the revenue growth. During 1H24, revenue from online advertising increased 23% yoy, supported by increase in total user time spent on video accounts with enhanced recommendation algorithms. FinTech and business services segment reported 6% yoy increase in revenue, driven by higher wealth management fee income as well as fee income from cloud services, partly offset by lower loan services revenue under more cautious credit policies. Meanwhile, the revenue growth in VAS segment is relatively modest at 3% yoy, the growth in revenue from domestic and international games are somewhat offset by lower revenue from music and games related living streaming services.

On the other hand, Tencent is in discussion with Apple to share revenue on Mini Games on WeChat platform via Apple's iOS payment system. Apple charges 30% commission on all the transactions performed on its iOS system. Per Bloomberg report, Apple may reject updates for WeChat app if the bypass from iOS payment remain. In 2Q24, Tencent's total gross receipts of Mini Games increased by 30% yoy. Tencent has over 140 Mini Games each achieved over RMB10mn gross receipts in 2Q24 totaled more than RMB1.4bn, represented 0.9% of revenue in the quarter. Currently, Tencent pays the third-party game developers a pre-determined % of the gross receipt from the users on the virtual items sold, the net receipt from Mini Games by Tencent is therefore only a portion of RMB1.4bn, i.e. a portion of 0.9% of its revenue.. Our base case is Tencent to pass on part of the Apple's charge to the third-party game developers, and the financial impact on Tencent should be immaterial.

Tencent gross profit margin increased 6.48 pct pts to 52.9%, thanks to the lower long-form video content costs and live streaming revenue sharing costs. EBITDA rose 22% yoy to RMB128bn and net profit edged up 70% yoy to RMB91bn. During 1H24, Tencent generated strong free cash flow of RMB103bn after capex of RMB23bn.

Tencent expects to self-fund its investments through recycling of capital unlocked from divestments. In 2Q24, Tencent's divested listed shares in its portfolio totaled cRMB1bn. As of Jun'24, Tencent's investments in listed entities totaled RMB245bn. The needs of external financing for new investments should be limited following the self-fund strategy. We expect Tencent to continue to maintain a solid credit profile in line with its credit ratings of A1/A+, with low total debt/EBITDA ratio of 1.4x at Jun'24, improving gross profit margin and strong free cash flow generation.

**Table 1: Tencent's key financials**

RMB mn	1H23	1H24	Change
Revenue	299,194	320,618	7.2%
- Value added services (VAS)	153,548	157,451	2.5%
- Online advertising	45,967	56,377	22.6%
- Fintech and business services	97,336	102,742	5.6%
- Others	2,343	4,048	72.8%
Gross profit	139,022	169,765	22.1%
EBITDA	104,574	127,996	22.4%
Net profit	53,417	91,017	70.4%
Operating cash flow	102,983	126,458	22.8%
Capex	8,364	23,088	176.0%
Gross margin	46.5%	52.9%	648bps
EBITDA margin	35.0%	39.9%	497bps
Net profit margin	17.9%	28.4%	1,053bps
			-
	Mar'24	Jun'24	Change
Cash and cash equivalent	161,023	153,511	-4.7%
Short term deposit and investment	252,078	209,804	-16.8%
Cash and short term investment	413,101	363,315	-12.1%
ST debts	74,611	64,871	-13.1%
LT debts	299,397	299,500	0.0%
Total debts	374,008	364,371	-2.6%
Net debt/ (net cash)	(39,093)	1,056	-
Cash/ST debts	2.2	2.4	-

Source: Company filling, CMBI Research.

➤ **VEDLN: Sold 1.51% stake in Hindustan Zinc for INR32bn. Maintain neutral on VEDLNs**

Vedanta Ltd (VEDL) sold 1.51% stake or 63.6mn shares in its subsidiary Hindustan Zinc via and offer for sale (OFS) with a floor price at INR486 (cUSD5.8) per share. VEDL realized INR32bn (cUSD381mn) from the stakes sale, and VEDL's shareholdings in Hindustan Zinc dropped to 63.42%.

Recalled that VEDL has net debts of INR613.2bn at Jun'24 and net debt/EBITDA was 1.5x. As at Jul'24, VEDL's net debt/EBITDA was down to 1.2x after raising INR85bn from qualified institutional placement (QIP). The proceeds of INR32bn from OFS will help VEDL to reduce debts and lower the leverage ratio further.

We maintain neutral on VEDLNs on valuation. The improvement of profitability in VEDL during 1QFY25 should help to maintain the stability of dividend upstream to VRL, which in turns, ensure the funding stability for VRL to fulfill its debt obligations. We take additional comfort on VEDL and VRL on their good access to different funding channels onshore and offshore.

Bond	ISIN	o/s amt (USDmn)	Ask px	YTM (ask, %)	Issue rating
VEDLN 9.25 04/23/26	US92243XAA90	600	99.91	9.29	Ca/B/-
VEDLN 13.875 01/21/27	US92243XAD30	470	100.64	13.54	-/B/-
VEDLN 13.875 12/09/28	US92243XAE13	1,008	100.44	13.74	-/B/-
VEDLN 13.875 12/09/28	US92241TAM45	894	100.58	13.67	Ca/B/-
Total		2,972			

Source: Bloomberg.

## ➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Bocom Financial Leasing	400/250	3yr	6.106%/4.5%	SOFR+75/T+65	A3/-/A

## ➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Avic International Leasing	USD	-	3yr	T+125	Baa1/-/-
Bank of China Dubai	USD	-	3yr	SOFR+105	A1/A/A
Huzhou Wuxing City Investment&Development Group (SBLC by Bank of Shanghai)	USD	-	3yr	5.5%	-/-/-
Yibin Emerging Industry Investment Group (SBLC by Bank of Chengdu)	USD	-	3yr	5.9%	-/-/-

## ➤ News and market color

- Regarding onshore primary issuances, there were 64 credit bonds issued yesterday with an amount of RMB52bn. As for month-to-date, 1,138 credit bonds were issued with a total amount of RMB1,136bn raised, representing a 10.3% yoy increase
- [ADEIN]** Media reported that Adani Group said it has adequate cash to meet its debt payments for more than 30 months
- [AGILE]** Agile Group has two residential project sites in HK put up for sale by receiver
- [AZUPOE]** Azure Power completed tender offer for 3.575% notes due 2026, updates amortization schedule
- [FTLNHD/FUTLAN]** Seazen Group expected 1H24 profit to drop to RMB0.9-1.1bn in 1H24 from RMB1.43bn in 1H23
- [GZRFPR]** Guangzhou R&F Properties subsidiary R&F Properties (HK) receives winding-up petition due to non-repayment of loan
- [NWSZF]** Media reported that NWS is looking to issue up to RMB1.4bn panda bonds as soon as next month
- [SINOCE]** Media reported that Sino-Ocean Group creditors may fail in pressuring China Life to provide credit enhancement for overseas debt restructuring
- [VNRKLE]** Media reported that the providers of China Vanke's HKD5.2bn loan agreed to roll over debt for 2.5 years
- [WESCHI]** West China Cement 1H24 revenue down 15.8% yoy to RMB3.7bn and EBITDA down 15.4% yoy to RMB1.3bn

- **[ZHHFGR]** Zhuhai Huafa completes redemption, withdrawal of listing of USD350mn ZHHFGR 4.25 PERP
- **[ZHPRHK]** Zhenro Properties expected 1H24 loss to widen to RMB2.2-2.4bn from RMB1.5bn in 1H23

*Fixed Income Department*

*Tel: 852 3657 6235/ 852 3900 0801*

[fis@cmbi.com.hk](mailto:fis@cmbi.com.hk)

CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

## 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.