

## CMBI Credit Commentary – HONGQI

### HONGQI - 9 months' raw material inventory in Shandong to weather political turmoil in Guinea

Regarding political turmoil in Guinea, management shared to us that Hongqiao currently has 9 months of Bauxite inventory in Shandong. Hence its current production is not affected. Also alternatively, Hongqiao can procure bauxite/alumina from Australia, Indonesia, India and Malaysia as back-up plan, albeit potentially at higher cost.

According to management, its Guinea's production capacity is still in normal operation, and local government owns 10% stake in these production capacity shall give incentive to ensure its operation to continue subsequently.

We currently have an OW on HONGQI 2024s (mid-price 102, mid-yield: 5.4). [Please see our note on 23 August, 21](#)

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