

CMBI Credit Commentary**Fixed Income Daily Market Update 固定收益部市场日报****The Asset Asian G3 Bond Benchmark Review 2025**

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- *The new KORGAS/NHSESC 28-30s tightened 1-3bps this morning. SHIKON/NSINTW 34-35s tightened another 2-5bps. MYLIFE/NIPLIF 55s and DAIL/ASAMLI Perps were up 0.1-0.2pt. EHICAR 26s lowered 0.9pt.*
- **BABA:** Alibaba raised USD1.5mn from sales of EB.
- **FAEACO:** Revisit the knowns and unknowns. FAEACO 12.814 Perp lowered 0.6pts this morning. See below.

❖ Trading desk comments 交易平台市场观点

Yesterday, on primary, the new CNMDHL 4.875 30 widened 9bps from RO (T+115), the old CNMDHL 26 closed 3bps tighter. See our comments on 3 Jul '25. The new NHSECS 4.625 28/NHSECS 4.75 30 tightened 4-5bps from ROs. The new KORGAS Float 28/KORGAS 4.25 30 were unchanged from ROs. Meanwhile in KR, LGENSO/HYNMTR Float 27-30s closed unchanged to 4bps tighter. In Chinese IGs, BABA 31s/35s were 1-2bps tighter. Alibaba issued HKD12.0bn (cUSD1.5bn) zero coupon exchangeable bond due 2032. In financials, SUMIBK/WSTP Float 29-31s were unchanged to 2bps tighter. In insurance papers, SHIKON 35s/NSINTW 34s tightened 5-15bps. NIPLIF 55s/MYLIFE 54s and SUMILF/FUKOKU Perps were up 0.1-0.4pt. In AT1s, LLOYDS 6.75/SOCGEN 8.125/NWG 7.3 Perps were up 0.2-0.4pt. In HK, FAEACO Perp lowered another 2.4pts and closed 5.8pts lower WTD. See comments below. LASUDE 26 lowered 3.7pts, closed 6.3pts lower WTD. NWDEVL Perps/27-31s were unchanged to 1.0pt lower and closed 0.2-1.2pts lower WTD. In Chinese properties, ROADKG 28-30s/Perps were unchanged to 0.4pt lower, closed 0.1-0.9pt lower WTD. On the other hand, VNKRL 27-29s were up 0.1-0.2pt. SZ Metro granted another loan of RMB6.2bn at 2.34% (LPR-76bps), and SZ Metro has granted Vanke six loans totaled cRMB21.1bn since Feb '25. See our comments on SZ Metro's support to Vanke on 15 May '25. Outside properties, EHICAR 26-27s lowered 0.5-1.9pts. In SE Asia, DELMPI Perp lowered 0.7pt. VEDLN 28-33s were down 0.1-0.3pt.

In LGFVs, the CNH ZHHFGR 4.5 27 rose 1.3pts to 103 thanks to Chinese RM buying. We saw onshore-AAA guaranteed CNH papers such as HSIVEH 6.5 28s/HSNCII 6.5 27s compressed towards sub-6%. We also saw more interests in 364-day LGFVs as some investors were beginning to reassess the risk profile of such structure. There were robust demand on USD names such as HNFARM 6.2 27s/NCCIVG 6.5 28s. In SOE perps, AVIILC Perp was up 0.1pt.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
TAISEM 2 1/2 10/25/31	90.4	1.0	LASUDE 5 07/28/26	52.2	-3.7
TBCBGE 10 1/4 PERP	100.1	0.4	FAEACO 12.814 PERP	53.6	-2.4
SOCGEN 8 1/8 PERP	102.8	0.4	EHICAR 12 09/26/27	63.6	-1.9
LLOYDS 6 3/4 PERP	99.2	0.3	CCAMCL 5 02/08/48	87.3	-1.1
BBVASM 9 3/8 PERP	110.8	0.3	NWDEVL 10.131 PERP	37.4	-1.1

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.83%), Dow (+0.77%) and Nasdaq (+1.02%) were higher on Thursday. President Trump said that the US administration may begin sending out letters to trading partners as soon as Friday setting unilateral tariff rates ahead of a 9 July'25 deadline. The US unemployment rate of Jun'25 was 4.1%, lower than the market expectation of 4.3%. The US Service PMI for Jun'25 was 52.9, lower than the market expectation of 53.1. UST yield was higher on Thursday, 2/5/10/30 yield at 3.88%/3.94%/4.35%/4.86%.

❖ Desk Analyst Comments 分析员市场观点

➤ FAEACO: Revisit the knowns and unknowns

The known knowns

Far East Consortium (FEC) posted weaker FY25 results with a loss before tax of cHKD1bn as expected after the profit warning on 19 Jun'25. Its adj. cash profit, excluding non-cash impairment losses, also lowered to HKD266.0mn in FY25 from HKD780.3mn. That said, compared with the adj. cash profit since 2HFY24, we see signs of stabilization of the operating performance of FEC. We take some comfort that its adj net gearing ratio improved to 67.6% (vs 68.8% in Sep'24 and 68.1% in Mar'24). The net debt reduction more than offset net losses and various impairment losses. Subsequent to the completion of sales of HK mortgage assets and BC investment (1 month earlier than expected), liquidity profile and net debts should further improved. We estimate its liquidity position (cash+investment securities) to increase to cHKD4.7bn from cHKD3.9bn on a pro-forma basis.

The known unknowns

The major known unknown is the rationale of why FEC turned much more cautious in terms of perp coupon payment and the partial call. A few gesture such as skipping the final dividend and sale of perps by the spouse of FEC's chairman are fueling the speculations of coupon deferral and further delay in partial, and even talks on a LME. However, these appears to be inconsistent with our expectation of improving liquidity and the environment of lower funding cost. Furthermore, the attributable GMV for projects to be completed by Mar'26 is HKD12bn and HKD5.1bn was pre-sold. We expect a net cash inflow of HKD2bn after settlement of construction even on a relatively conservative scenario. We also expect the completion of sales of Hornsey hotel and town hall with a proceeds of cHKD400mn early next year.

Another know unknown is whether there will be any further write-down on DBC. However, we take comfort that the full year impairment losses on DBC was cHKD250mn, i.e cHKD45mn in 1HFY25. FEC does not rule out

for further impairment losses. That said, in our sensitized case of 100% write-down of the carrying value of DBC, FEC still has room to start the partial call this year despite the pace of the partial call will be slower.

FEC terminated the HOA on asset swap with Star but we believe that CTF and FEC are still interested in pursuing the asset swap as reflected by Star's willing to continue the negotiation of asset swap. Hence, we do not assume FEC will receive the refund AUD22.5mn (i.e 50% of AUD45mn) but we also expect if CTF and FEC completes the asset swap, they will be prudent in capex on hotel developments in DBC. Another known unknown is the refinancing of UAD1.3bn due Dec'25 at DBC level. The "hiccup" of negotiation with Star will likely slow down the progress of refinancing for the time being.

Unknown unknowns

We believe unknown unknown are any changes in the attitude of banks on FEC's refinancing exercises, even for the supposedly straight-forward rollover of secured financing after the recent refinancing issues for HK corps such as NWD and Emperor. This may partly explain why FEC turned more cautious. There are talks on tender offer at price well below par. However, we are not convinced that an unfriendly proposal like this can be pushed through as FEC's liquidity and maturity profiles are quite manageable, in our view.

Our view

Table 1: Bond profile of FAEACO PERP

Security name	ISIN	Next Call Date	Amt o/s (USD mn)	Ask Px	Ask YTNC	Issue rating (M/S/F)
FAEACO 12.814 PERP	XS2050584866	07/18/2025	360	53.0	3051.9%	-/-/-

Source: Bloomberg.

FAEACO 12.814 PERP moved 10pts lower since FY25 results, reflecting the concerns coupon deferral and further delay in partial calls. While we note the company's more cautious tone on coupon payment and the time table of partial call, we believe that the incentive for FEC to call the perps remains strong, especially HIBOR has significantly. Additionally, our expectation of solid cash receipt from non-core asset sales and deliveries of property developments in The UK and Australia. At 53, we believe that FAEACO 12.814 PERP offers decent risk and return profile and maintain buy on FAEACO 12.814 PERP.

Table 2: Far East Consortium's Financials

HKDmn	FY23	FY24	FY25	1H24	1H25
Revenue	6,479.0	10,203.7	9,572.2	6,362.4	5,171.7
-Property development and investment	3,682.2	6,949.4	6,298.9	4,800.3	3,578.9
-Hotel operations	1,548.0	2,031.1	2,077.2	966.2	976.6
-Car park operations	754.3	731.6	712.6	356.1	380.0
-Gaming operations	390.4	402.4	408.8	194.3	196.1
-Others	104.1	89.2	74.7	45.4	0.0
Gross profit	1,668.5	2,784.8	2,360.7	1,974.7	1,433.7
SG&A	(1,204.9)	(1,721.1)	(1,766.0)	(1,004.1)	(854.7)
Finance cost	(611.0)	(1,182.8)	(1,033.8)	(514.6)	(496.6)
Change in fair value of IPs	39.9	455.0	(236.0)	40.2	(132.6)
Net forex loss	(116.8)	(17.5)	151.9	(4.1)	(166.7)
Share of results of JVs	134.3	19.2	(464.1)	(11.3)	(241.0)
Profit/(loss) before tax	729.7	585.4	(998.8)	537.4	(662.1)
Adj cash profit	575.7	780.3	266.0	617.4	139.2
Adj cash profit margin	8.9%	7.6%	2.8%	9.7%	2.7%
	Mar'23	Mar'24	Mar'25	Sep'23	Sep'24
Cash and cash equivalent	4,431	3,179	2,744	2,699	2,968
Total debt (incl. perps)	35,558	31,031	28,662	32,147	30,914
Net debt (incl. perps)	31,126	27,853	25,919	29,449	27,946
Net debt/LTM EBITDA	17.4	12.2	49.5	15.8	26.4
Adjusted net gearing ratio	73.8%	68.1%	67.6%	73.2%	68.8%

Source: Company filling, CMBI Research.

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Qatar Commercial Bank	300	5yr	SOFR+130	SOFR+130	-/-/A
Zhangzhou Jiulongjiang Group Co., Ltd.	500	3yr	4.55%	4.55%	-/BBB-/BBB-

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Riyad Bank	USD	-	10NC5	-	Baa3/-/-

➤ News and market color

- Regarding onshore primary issuances, there were 86 credit bonds issued yesterday with an amount of RMB95bn. As for Month-to-date, 212 credit bonds were issued with a total amount of RMB233bn raised, representing a 48.5% yoy increase
- [ADANI]** Adani USD1.46bn offer leads bidding for insolvent Jaiprakash Associates
- [BABA]** Alibaba plans to raise HKD12bn (cUSD1.53bn) in zero-coupon exchangeable bonds due 2032
- [FIRPAC]** First Pacific-owned Philippine subsidiary Meralco PowerGen (MGen) aims backdoor listing for renewable arm
- [FTHDGR]** Fantasia further delays offshore restructuring closing to 11 Jul'25
- [GARUDA]** Garuda in discussions to purchase up to 75 Boeing Jets
- [GEELY]** Geely-branded electric SUVs to debut in Italy as company expands European push
- [MUMINA]** Fitch assigns a BBB- rating to Mumbai International Airport for its USD750mn notes of MUMINA 6.6 07/26/29; outlook stable
- [PERTIJ]** Pertamina seeks around USD700mn foreign loan for shipping arm
- [SKONKR]** A US labor union asks US government to investigate SK On-Ford Kentucky JV
- [SOFTBK]** SoftBank Group to raise around USD4.2bn by issuing seven senior notes in USD and EUR
- [VNRKLE]** China Vanke applies for RMB6.25bn (cUSD872.1mn) loan from Shenzhen Metro Group

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