

## CMBI Credit Commentary

### 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, 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 its operating performance. We take comfort that its adj. net gearing ratio improved to 67.6% in Mar'25 (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), FEC's liquidity profile and leverage 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 sales of perps by the spouse of FEC's chairman are fueling the speculations of coupon deferral and further delay in partial, as well as even talks on a LME. However, these appear to be inconsistent with our expectation of improving liquidity and the environment of lower funding cost. Furthermore, the attributable GDV 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 loans even on a conservative scenario. We also expect to see proceeds of cHKD400mn from sales of Hornsey hotel and town hall expected to be completed early next year.

Another known unknown is whether there will be further write-down on DBC. However, we take comfort that the full year impairment losses on DBC was cHKD250mn, i.e cHKD45mn in 2HFY25, down from cHKD204mn in 1HFY25. FEC does not rule out 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 could 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 willingness to continue the negotiation of asset swap. Hence, we do not assume FEC will receive the refund AUD22.5mn (i.e 50% of AUD45mn) because of the termination of HOA. At the same time, we also expect if CTF and FEC will go ahead with the asset swap, they will be prudent in pursue hotel developments. Another known unknown is the refinancing of AUD1.3bn due

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

**Cyrena Ng, CPA** 吳蒨瑩  
(852) 3900 0801  
[cyrenang@cmbi.com.hk](mailto:cyrenang@cmbi.com.hk)

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

**CMBI Fixed Income**  
[fis@cmbi.com.hk](mailto:fis@cmbi.com.hk)

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

The unknown unknown are whether there will be 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 a 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 PERP moved 10pts lower since FY25 results, reflecting the concerns of 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 lowered. 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%
	<b>Mar'23</b>	<b>Mar'24</b>	<b>Mar'25</b>	<b>Sep'23</b>	<b>Sep'24</b>
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 filing, CMBI Research.

CMB International Global Markets Limited

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.