

## Asian Credit Daily

3 March 2025

## Market Commentary:

- The SGD SORA OIS curve traded lower last Friday with shorter tenors trading 4-6bps lower, belly tenors and 10Y trading 6bps lower.
- Flows in SGD corporates were heavy, with flows in HSBC 5.25%-PERP, CAPLSP 2.9% '32s, UOBSP 2.55%-PERP.
- According to a statement made to the Shenzhen stock exchange, China Vanke Co Ltd ("VANKE") will repay RMB890mn of its three-year 3.14% onshore bonds, that are set to mature on 4 March.
- Per Bloomberg, Country Garden Holdings Co. is expected to miss its self-imposed deadline for finalizing its restructuring plan due to difficulties in securing creditor support. Disagreements over terms, such as conversion prices and payment dates, exist between the company and its creditors, including an ad-hoc group holding over 30% of its notes. Without creditor backing, the company faces increased pressure, with a judge warning of a possible winding-up hearing if negotiations remain unresolved by the end of February. These bonds will be delisted on the same date.
- Sunac China Holdings Ltd ("Sunac") announced in an HKEX filing that Hong Kong's High Court has approved its application for a validation order regarding the transfer of the company's shares. This follows a winding-up petition filed by China Cinda (HK) Asset Management against the firm, linked to Sunac's failure to repay a USD30mn guaranteed loan in January.
- Bloomberg Asia USD Investment Grade spreads traded flat at 70bps while Bloomberg Asia USD High Yield spreads widened by 6bps to 399bps. (Bloomberg, OCBC)

## Credit Summary:

- **Julius Baer Group Ltd ("JBG"):** JBG's board of directors will be nominating ex-HSBC Holdings PLC Chief Executive Officer Noel Quinn as its next non-executive chairman at the bank's annual general meeting in 10 April. He will replace current chairman Romeo Lacher who is not seeking re-election.
- **City Developments Ltd ("CDL"):** CDL announced the lifting of the trading halt on 3 March 2025, before market trading. Mr Sherman Kwek remains as the Group CEO until there is a Board resolution to change company leadership. No substantive order by the High Court for now.
- **Hotel Properties Ltd ("HPL"):** Mr Ong Beng Seng ("Mr Ong") intends to plead guilty at hearing on 2 April 2025. Business as usual for now and Mr Ong's bail has been extended.
- **StarHub Ltd ("StarHub"):** In an interview with The Straits Times, StarHub CEO Nikhil Eapen highlighted that StarHub is ready to explore acquisitions both locally and within the region.
- **Olam Group Ltd ("OG"):** OG reported its 2H2024 and 2024 financial results. Profitability was dragged by higher financing costs from higher working capital needs which had also pushed up unadjusted net gearing levels.
- **OUE Limited ("OUE"):** OUE reported 2024 results. OUE's results are affected by non-cash losses from GPI and fair value and disposal losses from a disposed asset, Lippo Plaza in Shanghai. Excluding these impacts, overall results are still adequate and well underpinned by OUEREIT and FIRT.

## Credit Headlines

### Julius Baer Group Ltd (“JBG”)

- JBG’s board of directors will be nominating ex-HSBC Holdings PLC Chief Executive Officer Noel Quinn as its next non-executive chairman at the bank’s annual general meeting in 10 April. He will replace current chairman Romeo Lacher who is not seeking re-election.
- Mr Quinn’s appointment follows the recent commencement of Stefan Bollinger in January 2025 as JBG’s new Chief Executive Officer that will signal a total change of senior leadership at JBG following the challenges of 2023 that saw a material drop in net profit from higher loan loss provisions, management changes and regulatory investigations due to JBG’s exposure to the Signa group.
- JBG also announced that it will present a strategy update, including new medium-term targets, on 3 June in London. (Company, OCBC)

### City Developments Ltd (“CDL”)

- **Resumption of trading:** CDL announced the lifting of the trading halt on 3 March 2025, before market trading. Previously, the trading halt was announced in view of the disagreement within its Board concerning the composition and constitution of the Board and the Board committees.
- **Business as usual, for now:** According to CDL, its business operations remain fully functional and unaffected, with Mr Sherman Kwek remaining as the Group CEO until there is a Board resolution to change company leadership.
- **Details on court proceedings reveals four directors pitted against five plus the two new directors:** CDL announced that on 25 February 2025, four directors filed an originating application before the High Court of Singapore against the five original directors plus two new directors.
  - **The four directors who filed the originating application are:** Mr Kwek Leng Beng (Executive Chairman), Mr Philip Yeo Liat Kok (Non-Independent Non-Executive Director), Mr Ong Lian Jin Colin (Independent Non-Executive Director) and Mr Chong Yoon Chou (Independent Non-Executive Director) filed
  - **The five original directors who were filed against are:** Mr Sherman Kwek Eik Tse (Group CEO), Mr Lee Jen Chee Philip (Lead Independent Director), Ms Tang Ai Ai Mrs Wong Ai Ai (Independent Non-Executive Director), Mr Daniel Marie Ghislain Desbaillets (Independent Non-Executive Director) and Ms Chan Swee Liang Carolina (Independent Non-Executive Director)
  - **The two new directors who were filed against are:** Ms Wong Su Yen (Independent Non-Executive Director) and Ms Jennifer Duong Young (Independent Non-Executive Director).
- **No substantive order by the High Court for now, CDL will not comment on news reports:** Court proceedings in relation to the originating application is on-going. CDL will provide updates should there be material developments while not comment on the validity of the allegations made in respect of the disagreement within the Board that have been reported in the news reports. (Company, OCBC)

### Hotel Properties Ltd (“HPL”)

- **Mr Ong Beng Seng (“Mr Ong”) intends to plead guilty at hearing on 2 April 2025:** According to a pre-trial conference, Mr Ong intends to plead guilty to one charge under section 204A of the Penal Code 1871 of Singapore read with section 109 of the Penal Code and consent to the remaining charge to be taken into consideration for the purposes of sentence at the upcoming hearing for the matter on 2 April 2025.
- **Business as usual for now, Mr Ong’s bail extended:** The Nominating Committee has assessed that Mr Ong continues to be suitable to carry out his duties and responsibilities as Managing Director. Mr Ong’s suitability of the continued appointment will be re-assessed as appropriate. According to HPL, it will update on any material developments in respect of the matter. (Company, OCBC)

### StarHub Ltd (“StarHub”)

- **StarHub ready to explore acquisitions locally and abroad:** In an interview with The Straits Times, StarHub CEO Nikhil Eapen highlighted that StarHub is ready to explore acquisitions both locally and within the region.

- **Local market consolidation as win-win:** According to StarHub CEO, consolidation is a win-win for the firm and consumers due to economic value created for market participants which is funnelled into better technology, better innovation, better societal value while retaining a competitive marketplace. A candidate for a takeover would need to provide tangible cost and capital efficiency gains that outweigh the risk of customer attrition speeding up post-takeover, while market structure becomes more sustainable with less “price erosion” by smaller players. However, he mentioned that where consolidation has happened in other markets, it has happened later than people think it would.
- **Potential expansion in Malaysia:** StarHub is also looking to expand its digital infrastructure and managed services business through both organic growth and acquisitions in Malaysia as it sees large-scale, higher margin business which delivers value to smart city environments.
- **Looking to grow revenue market share:** StarHub is looking to grow revenue market share in all of its consumer segments and products, which includes mobile, broadband and entertainment offerings. StarHub notes that in a stabilized market structure, it would be an attractive cash-flow generating, value-creating business. (Straits Times, Company, OCBC)

### Olam Group Ltd (“OG”)

- OG reported its 2H2024 and 2024 financial results. Profitability was dragged by higher financing costs from higher working capital needs which had also pushed up unadjusted net gearing levels.
- **Increased in reported EBITDA y/y:**
  - Reported EBITDA (excluding exceptional items) in 2H2024 was SGD1.43bn, higher by 8.9% y/y while reported EBIT (excluding exceptional items) was SGD1.0bn, increasing by 10.0% y/y in 2H2024. Y/y increase in EBIT was driven by growth at Olam Agri, especially in Fibre, Industrial & Ag Services as well as Food & Feed – Origination & Merchandising segments. Reported EBIT also grew at ofi in both the Ingredients & Solutions segments as well as Global Sourcing.
  - The Remaining Olam Group (which carries the de-prioritised, gestating and incubating businesses and assets) reported a larger loss before interest and tax of SGD59.2 in 2H2024 against a loss before interest and tax of SGD8.4mn in 2H2023. For the full year 2024, Remaining Olam Group reported a wider EBIT loss of SGD158.7mn. Per management, this is mainly due to non-cash foreign exchange revaluation losses on EUR-denominated shareholders loans to Olam Palm Gabon, partially offset by the growth in EBIT from Rusmolco (Russian dairy business transferred from ofi), Packaged Foods and Mindsprint.
- **However, finance cost was much higher y/y, dragging interest coverage and bottom line**
  - 2H2024 finance cost was higher y/y by 36.3% y/y to SGD933.3mn (2H2023: SGD684.9mn, 1H2024: SGD824.6mn), driven by a rise in price-led working capital increases. Resultant reported EBITDA/Interest was lower at 1.5x in 2H2024 versus 1.9x in 2H2023 (1H2024: 1.5x).
  - In 2H2024, share of loss from joint ventures and associates was SGD7.7mn versus a share of profit from joint ventures and associates of SGD1.3mn.
  - OG reported a profit for the period of SGD61.1mn in 2H2024 versus SGD234.3mn in 2H2023 (1H2024: SGD67.2mn).
- **Unadjusted net gearing much higher led by working capital increase, but adjusted net gearing relatively lower**
  - Unadjusted net gearing for OG was 2.79x as at 31 December 2024, increasing further from the 2.60x as at 30 June 2024 (31 December 2023: 1.73x). We note that this continues to exceed historical norms. Adjusted net gearing (also net of readily marketable inventories and secured receivables) was 0.68x as at 31 December 2024, lower than the 1.0x as at 30 June 2024 and relatively stable versus the 0.65x as at 31 December 2023).
  - OG’s working capital was higher y/y driven by sharp price increases in cocoa, coffee (both commodities has seen speculative action per company), higher rice inventory, higher edible oil prices and higher margin deposits on physical inventory hedges. At OG, higher working capital results in higher working capital-related debt, thereby pushing up leverage levels as well as finance cost.

- **Short term debt proportion in line with historical levels**
  - As at 31 December 2024, OG has ~SGD10bn of short-term debt due (including lease liabilities). While the absolute amount is higher than historical norms, this represents ~43% of gross debt (including lease liabilities) and the percentage is in line with historical levels. That said, OG's unutilised bank lines was SGD6.9bn, and whilst lower h/h, these bank lines together with existing cash balance and short-term fixed deposits of SGD3.3bn, are collectively sufficient to cover the short-term debt due. Post financial period end, we note that OG retains access to funding markets, with Olam Agri obtaining two financing facilities totalling USD2bn.
- **Entered into agreement to fully sell remaining stake in Olam Agri**
  - Earlier last week, OG announced the proposed sale of a ~44.58%-stake in Olam Agri Holdings Limited ("Olam Agri") to the Saudi Agricultural & Livestock Investment Company ("SALIC"). This ~44.58% will be Tranche 1 of the transaction. On completion, OG (through its wholly owned subsidiaries) will hold a put option with the right to require SALIC to buy the remaining ~19.99%-stake in Olam Agri (exercisable on the third anniversary of completion of Tranche 1) and SALIC will own a call option to buy the ~19.99%-stake on or before the third anniversary of completion of Tranche 1. This ~19.99%-stake is Tranche 2. Following the transaction and including SALIC's existing stake in Olam Agri, SALIC will own 100% of Olam Agri. The transaction is subject to shareholders approval and targeted to complete in 4Q2025. For more information, please refer to the Asian Credit Daily published on 24 February 2025. (Company, OCBC)

#### OUE Limited ("OUE")

- OUE reported 2024 results. **OUE's results are affected by non-cash losses from GPI and fair value and disposal losses from a disposed asset, Lippo Plaza in Shanghai. Excluding these impacts, overall results are still adequate and well underpinned by OUEREIT and FIRT.**
- **Revenue rose 3.8% y/y to SGD646.5mn amidst better Investment Properties and Hospitality segments.**
  - **Investment Properties rose 1.3% y/y** to SGD207.5mn amidst stable performance from OUE Real Estate Investment Trust's ("OUEREIT") commercial assets (retail and office).
  - **Hospitality rose 12.1% y/y** to SGD230.2mn due to increase in contribution from OUEREIT's Crowne Plaza Changi Airport following the completion of asset enhancement works in December 2023 and improved occupancies and visitor arrivals.
  - **Development Properties fell 4.2% y/y** to SGD9.4mn.
  - **Healthcare fell 6.1% y/y** to SGD152.2mn due primarily to lower contributions from First REIT ("FIRT") amidst weaker IDR and JPY against SGD.
  - **Others rose 15.0% y/y** to SGD47.3mn due to higher contribution from food and beverages operations.
- **Operating profit affected by substantial non-cash losses from an associate in China:** Operating profit fell 78.1% y/y to SGD63.4mn due primarily to SGD176.3mn in losses from share of results, with SGD210.4mn losses from Gemdale Properties and Investment Corporation Limited ("GPI") offset by SGD30.5mn profit contribution by OUE Bayfront. GPI's results suffered substantial impairment losses for its development properties and investment properties amidst the weak property market in China. Operating profit excluding impacts of share of results while including dividend received from associates and JV (**"Adjusted Operating Profit"**) fell 4.5% y/y to SGD249.5mn.
- **Net loss amidst impacts of GPI, fair value and disposal losses from disposed Lippo Plaza, Shanghai:** Net loss in 2024 was -SGD286.8mn (2023 net profit: SGD81.1mn), which was due primarily to (1) SGD176.3mn in losses from the share of results primarily from GPI, (2) SGD163.7mn fair value losses of investment properties and (3) SGD20.3mn loss on disposal of a subsidiary. The latter two losses were incurred primarily from OUEREIT's Lippo Plaza, Shanghai. The commercial plaza was disposed on 27 December 2024 for a sale consideration of ~SGD357mn. Excluding these impacts, OUE would record a net profit of SGD73.5mn.
- **Manageable standalone credit metrics though weakened somewhat:** Based on our calculation, OUE's standalone net debt / standalone EBITDA (excluding OUEREIT and FIRT) plus dividend received ("Adjusted EBITDA") in 2024 was weaker at 5.1x (2023: 3.8x) due to higher net debt of SGD368.5mn as of 31 December

2024 (31 December 2023: SGD295.8mn). Meanwhile, standalone Adjusted EBITDA / interest weakened y/y to 2.2x (2023: 3.4x) due to higher interest expenses and debts.

- **OUE's outlook is still well underpinned by OUEREIT and FIRT.** OUE continues to be underpinned by the stable performance of OUEREIT's premium asset portfolio in Singapore (100% post disposal of Lippo Plaza). Meanwhile, FIRT's credit fundamentals have improved meaningfully as its major tenant, PT Lippo Karawaci Tbk ("LPKR", contributed 33.5% of FIRT's 2024 revenue), has recorded stronger results following divestment of a partial stake in PT Siloam International Hospitals Tbk ("SILOAM") and improved property marketing sales performance. Besides, the potential disposal of FIRT's hospital assets in Indonesia to SILOAM is likely further easing the revenue concentration risks. If needed, OUEREIT still owes OUE SGD212.3mn of Convertible Perpetual Preferred Units ("CPPU", though OUEREIT has the sole right to decide when to redeem the CPPU). (Company, OCBC)

**New Issues:**

Date	Issuer	Description	Currency	Size (mn)	Tenor	Final Pricing
28 Feb	Qingdao Jiaozhou Urban Development & Investment Co Ltd	Green, Fixed	USD	150	3Y	7.00%
28 Feb	Sichuan Xinyao Chancheng Integration Ind Investment & Development Group Co. Ltd. (guarantor: Tianfu Bond Insurance Co.,Ltd)	Fixed	USD	110	3Y	7.00%
28 Feb	Jiangsu Tenghai Investment Holdings Group Co.,Ltd.	Fixed	USD	100	3Y	4.78%
28 Feb	MPACT Treasury Company Pte. Ltd. (guarantor: Mapletree Pan Asia Commercial Trust)	Green, Fixed	SGD	200	7Y	3.104%

**Mandates:**

- There were no notable mandates yesterday.

**Key Market Movements**

	3-Mar	1W chg (bps)	1M chg (bps)		3-Mar	1W chg	1M chg
iTraxx Asiax IG	69	1	-9	Brent Crude Spot (\$/bbl)	73.0	-2.4%	-3.9%
				Gold Spot (\$/oz)	2,862	-3.0%	1.7%
iTraxx Japan	50	0	-2	CRB Commodity Index	302	-3.0%	-2.3%
iTraxx Australia	68	2	-1	S&P Commodity Index - GSCI	554	-2.4%	-2.4%
CDX NA IG	50	1	1	VIX	19.6	7.8%	5.4%
CDX NA HY	108	0	0	US10Y Yield	4.23%	-17bp	-32bp
iTraxx Eur Main	54	1	-1				
iTraxx Eur XO	288	1	-7	AUD/USD	0.622	-2.1%	-0.2%
iTraxx Eur Snr Fin	57	1	-4	EUR/USD	1.041	-0.6%	0.6%
iTraxx Eur Sub Fin	100	1	-8	USD/SGD	1.350	-0.8%	0.8%
				AUD/SGD	0.839	1.3%	1.0%
USD Swap Spread 10Y	-41	-2	4	ASX200	8,246	-0.8%	-1.6%
USD Swap Spread 30Y	-75	-2	6	DJIA	43,841	1.0%	-1.3%
				SPX	5,955	-1.0%	-0.7%
China 5Y CDS	48	2	-9	MSCI Asiax	715	-3.4%	3.1%
Malaysia 5Y CDS	47	4	0	HSI	23,015	-1.4%	13.8%
Indonesia 5Y CDS	79	5	2	STI	3,906	-0.5%	2.1%
Thailand 5Y CDS	44	3	-1	KLCI	1,574	-0.7%	1.3%
Australia 5Y CDS	12	0	-1	JCI	6,565	-2.7%	-6.6%
				EU Stoxx 50	5,464	-0.2%	4.7%

Source: Bloomberg

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