

## Asian Credit Daily

11 March 2025

**Market Commentary:**

- The SGD SORA OIS curve traded slightly mixed yesterday with shorter tenors trading 1bps lower to flat, belly tenors trading 2-3bps lower and 10Y trading 2bps lower.
- Flows in SGD corporates were heavy, with flows in HSBC 5.25%-PERP, GUOLSP 4.35%-PERP, UOBSP 2.55%-PERP, ARASP 5.65%-PERP, STANLN 5.3%-PERP, TD 5.7%-PERP, ARASP 5.6%-PERP.
- US credit market volatility is rising with credit spreads widening and credit default swaps rising to their highest levels since around August and September of 2024 on fears of slower economic growth. Per Bloomberg, around 10 companies postponed planned bond sales yesterday in the US investment-grade bond market. Meanwhile in Asia, credit spreads and credit default swaps are also widening, and this is likely driving a building pipeline as issuers look to issue before further credit spread widening.
- Bloomberg Asia USD Investment Grade spreads widened by 3bps to 74bps while Bloomberg Asia USD High Yield spreads widened by 11bps to 399bps.
- A Hong Kong court dismissed winding-up petitions against entities related to Chinese builder Helenbergh, providing the company with some relief. The petitions, filed in July 2023 against Helenbergh China and its two units, Broad Pleasant Ltd. and Key Advantage Global Ltd., followed the company's default on USD14.85mn in interest on a dollar bond after missing a 30-day grace period in November 2022. (Bloomberg, OCBC)

**Credit Summary:**

- **Industry Outlook – Singapore Retail:** British health and wellness retailer Holland & Barrett has closed all 12 of its outlets in Singapore, marking an exit for the brand after more than 15 years.
- **Hongkong Land Holdings Ltd (“HKL”) and The Hongkong Land Company Ltd (“HKCL”):** HKL released 2024 results. Overall underlying results fell somewhat y/y amidst weak HKSAR office markets.

## Credit Headlines

### Industry Outlook – Singapore Retail

- British health and wellness retailer Holland & Barrett has closed all 12 of its outlets in Singapore, marking an exit for the brand after more than 15 years. Some of the locations include Takashimaya Shopping Centre, 313@somerset and Suntec City which are owned by Singapore Retail REITs, although likely to be a small percentage contribution to the REITs. (Business Times, OCBC)

### Hongkong Land Holdings Ltd (“HKL”) and The Hongkong Land Company Ltd (“HKCL”)

- HKL released 2024 results. Overall underlying results fell somewhat y/y amidst weak HKSAR office markets. Meanwhile, credit metrics weakened amidst weaker earnings though net debt / equity ratio remained healthy at 17% as of 31 December 2024. We believe the credit outlook is still well underpinned by stable recurring income, strong investment properties pipeline ahead, new strategy and conservative financial policies.**
- Widened net losses amidst fair value and impairment losses:** Statutory net losses widened by 138% y/y to USD1.38bn due primarily to USD1.89bn fair value losses on investment properties (HKSAR office) and USD314mn impairment losses from existing inventory of development properties (mainland China with slow-moving inventory, mostly in non-prime locations).
- Moderate fall on underlying net profit due primarily to weak HKSAR office:** 2024 reported underlying profit attributable to shareholders (primarily excluding the fair value and impairment losses of above) fell 12% y/y to USD724mn.
  - Prime Properties Investments (formerly Investment Properties) segment fell 5% y/y to USD930mn due to weaker HKSAR office and retail, partially offset by better Singapore office.
  - Build to Sell (formerly Development Properties) segment rose 29% y/y to USD477mn as (1) the first residential property component of West Bund, a mega project in Shanghai, was completed in 2024 and (2) accelerated sales of existing inventory in mainland China.
- HKSAR office gross rental income fell 5% y/y to USD674mn** amidst challenging environment and high vacancy rates in HKSAR. HKL’s HKSAR office physical vacancy was stable y/y at 7.3% as of 31 December 2024 (2023: 7.4%). Average office rent fell 5% y/y to HKD101 per sqf. HKL expects rental reversions to remain negative in 2025 amidst high supply and still challenging environments.
- HKSAR retail gross rental income fell 9% y/y to USD192mn** due to lower contribution amidst planned tenant movements from Tomorrow’s Central asset enhancement initiatives. HKSAR retail office average retail rent increased 3% y/y to HKD210 per sqf. Vacancy rate weakened y/y to 3.0% (2023: 1.5%), partly affected by tenant relocations because of renovation. Meanwhile, tenant sales fell 8% y/y amidst weaker retail sales. HKL expects rental in 2025 to be affected by the USD1bn (HKL’s portion is USD400mn) asset enhancement initiatives.
- Singapore office gross rental income rose 4% y/y to USD170mn** amidst low vacancies and tight supply in the market.
- China retail gross rental income rose 11% y/y to USD140mn** amidst higher contributions from (1) WF Central mall in Beijing, (2) The Ring, Chongqing and (3) opening of The Ring, Chengdu.
- Hospitality & others gross rental income fell 1% y/y to USD196mn** with primary contributions from (1) the hotels operations, (2) One Central Macau and (3) Jakarta office.
- Valuation of investment properties (including JV and associates) fell 6% y/y to USD30.6bn**, driven by:
  - HKSAR office fell 11% y/y to USD18.7bn due to decline in rentals
  - HKSAR retail rose 16% y/y to USD4.1bn due to higher expected rents post enhancement
  - Singapore office rose 1% y/y to USD3.7bn
  - Mainland China & Macau retail rose 9% to USD1.8bn
  - Others fell 12% to USD2.3bn
- Credit metrics worsened amidst weaker earnings:** Net debt as of 31 December 2024 fell 5% y/y to USD5.1bn. Based on our calculations, net debt / underlying EBITDA plus dividend from associates and JVs (“Adjusted EBITDA”) ratio worsened y/y to 7.3x (2023: 5.7x) amidst weaker earnings. Net debt / equity remained low and

stable y/y at 17.0% (2023: 16.8%). Meanwhile, Adjusted EBITDA / interest ratio weakened y/y to 2.7x (2023: 3.4x).

- **New strategy is credit positive to bondholders:** As part of the new strategy, HKL will stop new investment on development properties. HKL will focus on recurring income from premium commercial investment properties. Besides, HKL will actively recycle assets from development properties. HKL aims to divest up to USD10bn over the next 10 years (by 2027: USD4bn to USD6bn) from existing residential development properties, non-core commercial assets and recycling mature prime property assets into REITs and other third-party capital vehicles. HKL estimates 80% of the proceeds from asset recycling will be used to reduce net debt and buy investment properties while the remaining 20% will be used for share buybacks.
- **Credit outlook underpinned by stable recurring income, strong investment properties pipeline, new strategy and conservative financial policies:** Though strong headwinds persist in HKSAR office and development properties in mainland China, we believe the outlook is still well underpinned by (1) the strong investment properties pipeline with 150% more net leasable area opening by 2028 and beyond from mainland China retail (most will complete by 2027 and mostly funded at the point of land acquisition), (2) the new strategy to exit Development Properties and focus on recurring incomes, (3) conservative financial policies (December 2024 net debt to equity ratio: 17.0%), (4) largely stable investment properties underlying operating profit and (5) debt reduction plans after asset recycling. (Company, OCBC)

**New Issues:**

Date	Issuer	Description	Currency	Size (mn)	Tenor	Final Pricing
10 Mar	Changsha Jinxia New District City Development Co., Ltd (guarantor: Hunan Jinxia Development Group Co Ltd)	Fixed	USD	145	3Y	5.30%
10 Mar	Industrial & Commercial Bank of China Ltd of London	FRN	USD	150	3Y	SOFRIX+50bps
10 Mar	AIMS APAC REIT Management Limited	Subordinated, Perpetual	SGD	125	PerpNC5	4.70%

**Mandates:**

- LG Energy Solution, Ltd. may issue USD denominated Senior Unsecured FX/FRN notes with expected tenors of 3Y, 5Y or 10Y.
- Tata Capital Ltd. may issue a USD denominated Senior Unsecured bond with expected tenor of 3Y.
- Marubeni Corp may issue USD denominated 10Y bonds.
- PT Bank Tabungan Negara may issue USD denominated Tier 2 Social notes with a tenor of 5Y.
- Yangzhou Economic and Technological Development Zone Development Group Co. Ltd. may issue USD denominated 3Y Transition bonds.

**Key Market Movements**

	11-Mar	1W chg (bps)	1M chg (bps)		11-Mar	1W chg	1M chg
iTraxx Asiax IG	71	1	-4	Brent Crude Spot (\$/bbl)	69.5	-2.2%	-9.8%
				Gold Spot (\$/oz)	2,902	-0.6%	0.1%
iTraxx Japan	50	0	-1	CRB Commodity Index	302	0.7%	-3.5%
iTraxx Australia	72	2	6	S&P Commodity Index - GSCI	548	-0.2%	-4.5%
CDX NA IG	55	5	7	VIX	27.9	22.3%	73.9%
CDX NA HY	106	-1	-2	US10Y Yield	4.19%	-5bp	-34bp
iTraxx Eur Main	56	1	3				
iTraxx Eur XO	304	9	15	AUD/USD	0.627	0.0%	-0.4%
iTraxx Eur Snr Fin	60	1	1	EUR/USD	1.087	2.2%	4.9%
iTraxx Eur Sub Fin	104	2	1	USD/SGD	1.334	0.4%	1.5%
				AUD/SGD	0.836	0.4%	1.9%
USD Swap Spread 10Y	-45	-2	-3	ASX200	7,890	-3.8%	-7.0%
USD Swap Spread 30Y	-79	-1	-4	DJIA	41,912	-3.0%	-6.0%
				SPX	5,615	-4.0%	-7.5%
China 5Y CDS	49	2	-3	MSCI Asiax	727	2.0%	1.9%
Malaysia 5Y CDS	48	0	3	HSI	23,647	3.1%	11.0%
Indonesia 5Y CDS	78	-1	2	STI	3,820	-1.8%	-1.1%
Thailand 5Y CDS	44	-1	1	KLCI	1,521	-2.3%	-4.4%
Australia 5Y CDS	13	1	1	JCI	6,538	2.5%	0.1%
				EU Stoxx 50	5,387	-2.8%	-0.1%

Source: Bloomberg

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