

Asian Credit Daily

13 May 2024

Market Commentary:

- The SGD SORA curve traded lower last Friday, with short tenors trading 2-4bps lower, belly tenors trading 4-5bps lower and 10Y trading 5bps lower.
- Flows in SGD corporates were light, with flows in HSBC 4.75% '34s.
- After failing to meet the initial deadline earlier this week, Chinese developer Country Garden Holdings Co. ("COGARD") managed to make interest payments of RMB66mn (USD9.1mn) for two bonds within a grace period. The financially constrained developer paid approximately 36 million yuan for the coupon on its RMB900mn 3.95% bond due in 2025, and RMB30.4mn for an RMB800mn 3.8% bond due in 2025. These payments were confirmed by the National Interbank Funding Centre. The two securities were issued by Country Garden's main domestic unit and were guaranteed by China Bond Insurance.
- Bloomberg Asia USD Investment Grade spreads tightened by 1bps to 79bps while Asia USD High Yield spreads tightened by 10bps to 552bps. (Bloomberg, OCBC)
- There were no notable bond issuers in the Asiadollar and Singdollar market last Friday.

Credit Summary:

- **Mapletree Logistics Trust ("MLT"):** MLT announced that it has entered into a purchase agreement with an unrelated third party for the proposed divestment of 30 Tuas South Avenue 8 in Singapore at a sale price of SGD10.5mn (10.5% higher than the valuation as at 31 March 2024).
- **ESR Group Ltd ("ESR"):** ESR is on trading halt, pending the release of an announcement in relation to inside information of the company, pursuant to the Hong Kong Code on Takeovers and Mergers. (Company)
- **Keppel Ltd ("KEP"):** KEP announced that its wholly-owned subsidiary KepInvest Holdings Pte Ltd has divested ~23.9% of the issued share capital in Dyna-Mac Holdings Ltd ("Dyna-Mac") which is listed on the Singapore Exchange Securities Limited to Hanwha Aerospace Co Ltd and Hanwha Ocean Co., Ltd for an aggregate cash consideration of SGD100mn.
- **Lippo Malls Indonesia Retail Trust ("LMRT"):** PT Lippo Karawaci Tbk ("LK", the major shareholder of LMRT) is selling 1.35bn shares (~10.4% of total outstanding shares) of Siloam International Hospitals Tbk ("SILOAM").
- **Lendlease Group ("LLC"):** LLC received a tax bill of AUD112.1mn from the Australian Taxation Office ("ATO"), of which AUD62.4mn capital gains tax arising from the exit of the Retirement Living trust from LLC which was a one-off event that only applies to the 2018 transaction; AUD25.2mn additional tax from the sale of 25% of the units in the joint venture trust; and AUD24.5mn of interest.
- **Frasers Property Ltd's ("FPL")** reported 1HFY2024 results. Overall results and credit metrics are overall weaker y/y.

Key Market Movements

	13-May	1W chg (bps)	1M chg (bps)		13-May	1W chg	1M chg
iTraxx Asiax IG	102	1	-10	Brent Crude Spot (\$/bbl)	82.6	-0.9%	-8.7%
				Gold Spot (\$/oz)	2,355	1.4%	-1.2%
iTraxx Japan	52	-1	2	CRB Commodity Index	289	1.0%	-2.8%
iTraxx Australia	65	-1	-3	S&P Commodity Index - GSCI	577	0.0%	-3.5%
CDX NA IG	50	0	-7	VIX	12.6	-7.0%	-27.5%
CDX NA HY	107	0	1	US10Y Yield	4.49%	1bp	-3bp
iTraxx Eur Main	53	-1	-7				
iTraxx Eur XO	299	-9	-37	AUD/USD	0.659	-0.5%	2.4%
iTraxx Eur Snr Fin	60	-1	-8	EUR/USD	1.077	0.0%	1.4%
iTraxx Eur Sub Fin	109	-2	-15	USD/SGD	1.355	-0.3%	0.6%
				AUD/SGD	0.893	0.2%	-1.7%
USD Swap Spread 10Y	-37	1	-6	ASX200	7,725	0.6%	-0.8%
USD Swap Spread 30Y	-75	1	-8	DJIA	39,513	2.2%	4.0%
				SPX	5,223	1.9%	1.9%
China 5Y CDS	65	1	-8	MSCI Asiax	681	0.6%	4.2%
Malaysia 5Y CDS	46	2	-1	HSI	19,052	2.6%	13.9%
Indonesia 5Y CDS	73	2	-7	STI	3,298	-0.2%	2.5%
Thailand 5Y CDS	44	2	-2	KLCI	1,603	0.4%	3.4%
Australia 5Y CDS	13	0	-1	JCI	7,089	-0.4%	-2.7%
				EU Stoxx 50	5,085	3.3%	2.6%

Source: Bloomberg

Credit Headlines:**Mapletree Logistics Trust (“MLT”)**

- MLT announced that it has entered into a purchase agreement with an unrelated third party for the proposed divestment of 30 Tuas South Avenue 8 in Singapore at a sale price of SGD10.5mn (10.5% higher than the valuation as at 31 March 2024).
- The proposed divestment is in line with MLT’s efforts to rejuvenate its portfolio through selective divestments. (Company)

ESR Group Ltd (“ESR”)

- ESR is on trading halt, pending the release of an announcement in relation to inside information of the company, pursuant to the Hong Kong Code on Takeovers and Mergers. (Company)

Keppel Ltd (“KEP”)

- KEP announced that its wholly-owned subsidiary KepInvest Holdings Pte Ltd has divested ~23.9% of the issued share capital in Dyna-Mac Holdings Ltd (“Dyna-Mac”) which is listed on the Singapore Exchange Securities Limited to Hanwha Aerospace Co Ltd and Hanwha Ocean Co., Ltd for an aggregate cash consideration of SGD100mn.
- The market value for the shares as at 9 May 2024 was ~SGD90mn. Following the divestment, KEP has fully divested its shareholding interest in Dyna-Mac.
- Per the Singapore Business Review, Keppel Offshore & Marine Limited (“KOM”), through a wholly-owned subsidiary, acquired a ~28%-stake in Dyna-Mac in 2011, around the time of Dyna-Mac’s initial public offering for SGD87.5mn.
- We see KEP’s exit of Dyna-Mac as in line with KEP’s broader sell down of its interest in the offshore & marine business as it transitions into becoming a global real asset manager and operator.
- Separately, on 8 May 2024, KEP issued EUR70mn of floating rates notes due in 2031. (Company, Singapore Business Review)

Lippo Malls Indonesia Retail Trust (“LMRT”)

- PT Lippo Karawaci Tbk (“LK”, the major shareholder of LMRT) is selling 1.35bn shares (~10.4% of total outstanding shares) of Siloam International Hospitals Tbk (“SILOAM”) to Sight Investment Company Pte. Limited, which we estimate is an unrelated third party.
- LK is expected to receive IDR3.85 trillion (SGD325mn) from the transaction.
- Per SI LOAM’s Annual Report 2023, LK owned a 58.09% stake of SILOAM. Post the transaction, LK’s stake on SILOAM is expected to reduce to 47.69%.
- The proceed from the divestment is expected to be used for redemption of LK’s USD Bonds. LK invited USD bondholders of LPKRIJ 8.125% ‘25s (outstanding: USD237.1mn) and LPKRIJ 6.75% ‘26s (USD194.7mn) to tender.
 - LPKRIJ 8.125% ‘25s will be tendered at USD965 (including USD5 consent fee for a waiver to certain provisions of the bond) per USD1,000 in principal.
 - LPKRIJ 6.75% ‘26s will be tendered at USD895 (including USD5 consent fee for a waiver to certain provisions of the bond) per USD1,000 in principal. (Company, OCBC)

Lendlease Group (“LLC”):

- **LLC received a tax bill of AUD112.1mn** from the Australian Taxation Office (“ATO”), of which:
 - AUD62.4mn capital gains tax arising from the exit of the Retirement Living trust from LLC which was a one-off event that only applies to the 2018 transaction;
 - AUD25.2mn additional tax from the sale of 25% of the units in the joint venture trust; and
 - AUD24.5mn of interest.
- LLC intends to request remission of the AUD24.5mn interest in full based on the ATO’s previous written undertaking 5 February 2020 that no interest or penalties would be applied to the FY2018 (June financial year end).
- LLC claimed that it calculated the gain on sale by including the value of liabilities for which LLC assumed the responsibility for at the time of the purchase of the relevant assets in its tax cost base. The ATO’s position now is that certain liabilities assumed by LLC should be excluded from the tax cost base when calculating the gain.
- **Potentially additional AUD50mn tax bill from the other 50% stakes sold in FY2021 and FY2022:** Since the partial sale of the Retirement Living business in 2018, LLC has sold down two further tranches (25% each tranche) of the units in the joint venture trust in the 2021 and 2022 financial years, totalling 50%. The ATO has not issued amended assessments in respect of those subsequent sales. Should the ATO apply the same treatment to both these partial sales, LLC estimate this may give rise to additional tax of approximately AUD50mn, excluding any interest. (Company, OCBC)

Frasers Property Ltd (“FPL”)

- FPL reported 1HFY2024 results for the half year ended 31 March 2024. **Results are overall weaker y/y with credit metrics somewhat weaker h/h.**
- Revenue fell 20.4% y/y to SGD1.55bn while reported PBIT fell 15.7% y/y to SGD577.6mn mainly due to lower contributions from Singapore, Thailand and Hospitality, cushioned by stronger contribution from Industrial, China and Australia.

Segments which reported declines include:

- **Singapore:** Revenue decreased by 63% y/y to SGD266mn while reported PBIT fell 39% y/y to SGD202mn. The decline in reported PBIT is mostly due to (1) Singapore residential properties (-94% y/y to SGD8mn) due to absence of contribution from Rivière which obtained Temporary Occupation Permit in January 2023, (2) Singapore retail properties (-4% y/y to SGD182mn) due to lower contributions from Tampines 1 which is undergoing asset enhancement initiative works and Changi City Point (divested in October 2023) and (3) Singapore commercial property (-14% y/y to SGD19mn) due to lower share of profits from Frasers Tower.
- **Hospitality:** Even while revenue increased 3% y/y to SGD371mn, reported PBIT fell 17% y/y to SGD53mn due to lower RevPAR, with lower contributions from non-REIT properties in Singapore following the end of quarantine contracts and softening of long-stay travel and relocation demand.
- **Thailand and Vietnam:** Revenue decreased 13% y/y to SGD243mn while reported PBIT fell 24% y/y to SGD62mn. The decline in reported PBIT was mainly due to decline in contribution from Thailand (-25% y/y to SGD61mn) due to lower level of residential settlements.

Segments which performed better include:

- **Industrial:** Revenue increased 1% y/y to SGD313mn and reported PBIT increased 13% y/y to SGD204mn, largely due to newly completed investment properties and share of net fair value gains from investment properties.
- **Australia:** Revenue increased by SGD30mn y/y to SGD209mn while reported PBIT increased by SGD21mn y/y to SGD29mn, due to higher level of residential settlements and gain on disposal of partial development rights to a third-party capital partner.
- **Refocusing on property development:** While residential represents only 13% of FPL’s total assets, FPL is looking to increase development exposure over the medium to long term. The increase will be through both

the residential segment that offers better risk-adjusted returns and selected non-residential markets. As of 31 March 2024, residential pre-sold revenue totals SGD2.3bn, comprising mainly Singapore (SGD0.9bn), Australia (SGD0.7bn) and China (SGD0.7bn), while 17,500 units remain in the pipeline. FPL is likely to continue replenishing land in Singapore, Australia, Thailand and China. FPL would adopt the build-to-core approach for its non-residential asset portfolio, with 1.1mn sqm of pipeline projects under development, mainly represented by industrial & logistics, while 356k sqm of non-residential portfolio were completed in 1HFY2024.

- **Looking to become more capital efficient:** FPL has recycled SGD1.1bn capital in 1HFY2024, including divestment of stakes in NEX to Frasers Centrepoint Trust (“FCT”), four Germany Industrial & Logistics properties to Frasers Logistics & Commercial Trust, and divestment of Changi City Point (under FCT) to unrelated third parties. We note that FPL has not put in individual bids for residential projects in Singapore, for example FPL holds only 25% effective interest in Lorong 1 Toa Payoh (which FPL bided with City Developments Ltd and Sekisui House for SGD968mn in the Government Land Sales) and has partnered with Mitsui Fudosan for an ongoing residential development project in Australia. FPL expects the sale of Capri by Fraser, Changi City, to complete by end of FY2024.
- **Credit metrics somewhat weaker:** Reported net debt to total equity rose h/h to 79.6% (30 September 2023: 75.8%) due to capex in Australia and Thailand with net investments in joint ventures and associates of SGD310mn in 1HFY2024 while total equity fell (-1.1% h/h to SGD18.0bn), noting FPL took SGD196.9mn loss from changes in fair value of cash flow hedges under other comprehensive income. Meanwhile, reported net interest cover fell 1.2x y/y to 2.3x. Net debt to total equity has likely risen further post 1HFY2024 results with the redemption of SGD600mn FPLSP 4.98% PERP in April 2024. (Company, OCBC)

Mandates:

- There are no Asiadollar mandates for today.
-

Macro Research

Selena Ling
Head of Strategy & Research
LingSSSelena@ocbc.com

Tommy Xie Dongming
Head of Greater China Research
XieD@ocbc.com

Keung Ching (Cindy)
Hong Kong & Macau
Cindyckeung@ocbcwh.com

Herbert Wong
Hong Kong & Macau
HerberhtWong@ocbc.com

Lavanya Venkateswaran
Senior ASEAN Economist
LavanyaVenkateswaran@ocbc.com

Ahmad A Enver
ASEAN Economist
Ahmad.Enver@ocbc.com

Jonathan Ng
ASEAN Economist
JonathanNg4@ocbc.com

Ong Shu Yi
ESG Analyst
ShuyiOng1@ocbc.com

FX/Rates Strategy

Frances Cheung, CFA
Rates Strategist
FrancesCheung@ocbc.com

Christopher Wong
FX Strategist
ChristopherWong@ocbc.com

Credit Research

Andrew Wong
Credit Research Analyst
WongVKAM@ocbc.com

Ezien Hoo, CFA
Credit Research Analyst
EzienHoo@ocbc.com

Wong Hong Wei, CFA
Credit Research Analyst
WongHongWei@ocbc.com

Chin Meng Tee, CFA
Credit Research Analyst
MengTeeChin@ocbc.com

This publication is solely for information purposes only and may not be published, circulated, reproduced, or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to, and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation, or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products. This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).