

November 14, 2017

**Credit Headlines (Page 2 onwards):** Golden Agri-Resources Ltd, Perennial Real Estate Holdings Ltd, Hong Fok Corp Ltd, Lippo Malls Indonesia Retail Trust, Hotel Properties Ltd

**Market Commentary:** The SGD swap curve bear-steepened yesterday, with swap rates trading 2-8bps higher across all tenors, following the bear-steepening of the UST yield curve last Friday. Flows in SGD corporates were heavy, with better buying seen in HRAM 3.8%'25s, EREIT 4.6%-PERPs. In the broader dollar space, the spread on JACI IG Corp traded little changed at 180bps, while the yield on JACI HY Corp rose 4bps to 6.95%. 10Y UST yields rose 1bps to 2.41%, as UST yields followed the rise in yields in bunds and gilt futures in a day void of any directional catalyst.

**New Issues:** Easy Tactic Ltd has priced a USD500mn 5NC3 bond (guaranteed by R&F Properties (HK) Company Ltd and supported with a keepwell deed and an equity interest purchase undertaking deed by Guangzhou R&F Properties Co) at 5.875%, tightening from initial guidance of low 6% area. The expected issue ratings are 'NR/NR/BB'. Yankuang Group (Cayman) Ltd has scheduled investor meetings for potential USD bond issuance (guaranteed by Yankuang Group Company Ltd) from 14 Nov. Xinyuan Real Estate Co has scheduled investor meetings for potential USD bond issuance from 13 Nov. The expected issue ratings are 'B/NR/B'. DBS Bank Ltd has hired banks for a potential EUR 7-year covered bond issuance. The expected issue ratings are 'NR/Aaa/AAA'. Trafigra Group Pte Ltd has set an initial price guidance for the re-tap of its TRAFIG 6.875%-PERP at 103.625, for a yield to call of 5.91%.

**Rating Changes:** S&P has affirmed Challenger Ltd's 'BBB+' issuer credit rating and Challenger Life Co Ltd's (CLC) 'A' financial strength and issuer credit ratings. The outlook has been revised to positive from stable. The rating action reflects CLC's strengthening business profile, as well as S&P's view that CLC's expansion of its distribution network would help lessen the constraints of its limited diversification. At the same time, S&P has assigned CLC's proposed unsecured subordinated Tier 2 notes a 'BBB' long-term issue credit rating.

**Table 1: Key Financial Indicators**

	14-Nov	1W chg (bps)	1M chg (bps)		14-Nov	1W chg	1M chg
iTraxx Asiax IG	81	2	3	Brent Crude Spot (\$/bbl)	62.93	-1.19%	10.08%
iTraxx SovX APAC	16	1	0	Gold Spot (\$/oz)	1,276.82	0.12%	-1.46%
iTraxx Japan	49	1	-1	CRB	191.45	-0.58%	3.58%
iTraxx Australia	68	3	0	GSCI	428.53	-0.21%	6.39%
CDX NA IG	56	2	2	VIX	11.5	22.34%	19.67%
CDX NA HY	107	-1	-1	CT10 (bp)	2.404%	8.92	13.07
iTraxx Eur Main	52	2	-4	USD Swap Spread 10Y (bp)	-1	1	2
iTraxx Eur XO	245	18	2	USD Swap Spread 30Y (bp)	-25	1	6
iTraxx Eur Snr Fin	52	1	-7	TED Spread (bp)	19	-3	-10
iTraxx Sovx WE	4	0	-1	US Libor-OIS Spread (bp)	10	-1	-3
iTraxx Sovx CEEMEA	54	4	15	Euro Libor-OIS Spread (bp)	3	0	0
					14-Nov	1W chg	1M chg
				AUD/USD	0.763	-0.20%	-2.81%
				USD/CHF	0.996	0.34%	-2.09%
				EUR/USD	1.167	0.73%	-1.06%
				USD/SGD	1.361	0.21%	-0.70%
Korea 5Y CDS	71	-1	1	DJIA	23,440	-0.46%	2.48%
China 5Y CDS	62	4	5	SPX	2,585	-0.24%	1.24%
Malaysia 5Y CDS	70	4	5	MSCI Asiax	701	-0.53%	1.81%
Philippines 5Y CDS	69	3	5	HSI	29,182	0.65%	2.48%
Indonesia 5Y CDS	103	4	3	STI	3,398	-0.45%	2.37%
Thailand 5Y CDS	50	0	1	KLCI	1,739	-0.71%	-0.96%
				JCI	6,021	-0.65%	1.64%

Source: OCBC, Bloomberg

**Table 2: Recent Asian New Issues**

Date	Issuer	Ratings	Size	Tenor	Pricing
13-Nov-17	Easy Tactic Ltd	'NR/NR/BB'	USD500mn	5NC3	5.875%
9-Nov-17	Pacific International Lines (Private) Limited	Not Rated	SGD60mn	3-year	8.50%
9-Nov-17	China Development Bank	'NR/A1/NR'	USD500mn	5-year	CT5+78bps
9-Nov-17	China Development Bank	'NR/A1/NR'	EUR1bn	4-year	MS+43bps
9-Nov-17	China Minsheng Banking Corp (Hong Kong Branch)	'BBB-/NR/NR'	USD450mn	3-year	3mL+92bps
9-Nov-17	China Minsheng Banking Corp (Hong Kong Branch)	'BBB-/NR/NR'	USD250mn	3-year	CT3+115bps
9-Nov-17	Jiayuan International Group Ltd	'NR/B2/NR'	USD300mn	364-day	8.25%
9-Nov-17	Siam Commercial Bank PCL, Cayman Islands Branch	'BBB+/Baa1/BBB+'	USD500mn	5.5-year	CT5.5+92.5bps
9-Nov-17	Telstra Corporation Ltd	'A/A2/NR'	USD500mn	10-year	CT10+95bps
8-Nov-17	Suntec REIT	Not Rated	SGD300mn	7-year	100.0

Source: OCBC, Bloomberg

**Rating Changes (Cont'd):** Moody's has assigned Hunan Xiangjiang New Area Development Group Co Ltd (Hunan Xiangjiang) a 'Baa3' issuer rating. The outlook is stable. The rating reflects Hunan Xiangjiang's 'B1' baseline credit assessment and a four notch uplift as Moody's assess that there is a high likelihood that Hunan Xiangjiang will receive extraordinary support from the Changsha Municipal Government.

## Credit Headlines:

**Golden Agri-Resources Ltd ("GGR"):** GGR announced its 9M2017 results. GGR's revenue increased 10.1% y/y to USD5.6bn while EBITDA (per company's calculation) increased 29.3% to USD508.3mn. This was driven by higher average crude palm oil ("CPO") price and the recovery in palm production. In 9M2017, the plantation and palm oil mills segment saw a 58% growth in EBITDA to USD378.2mn. It was the largest EBITDA contributor, contributing 74% of total EBITDA. In 3Q2017, CPO FOB price was USD663 per MT, which was 1% down versus 2Q2017's USD670 per MT. From a credit perspective we are not overly concerned over the q/q price drop. In our view the lower prices was driven by increase in palm product output rather than induced by weak demand. GGR produced 739,000 MT in palm product output during 3Q2017 (up 15.6% q/q). In 9M2017, CPO FOB price was USD689 per MT (up 6% y/y) while palm product output was 2.07mn MT (up 27%). OCBC's Commodities Economist is projecting CPO prices at MYR3,000 (~USD716 per MT) by end-2017, with prices potentially edging higher into 2018. Driven by higher input costs (ie: CPO prices), the palm and lauric segment saw EBITDA margin declining to 2.5% in 9M2017 from 3.1% in 9M2016. This is still stronger than the EBITDA margin reported in 1H2017 (1.3%) and within company's expectations of this business achieving 2-3% segmental EBITDA margin. The oilseeds segment was weaker, with sales volume declining to 940,000 tonnes in 9M2017 (down 1% y/y). Oilseeds EBITDA was reported at USD8.0mn. Despite higher cost of debt which drove interest expense somewhat higher in 9M2017, strong growth in EBITDA led to an improvement in EBITDA/Interest to 4.9x in 9M2017 (9M2016: 4.1x). As at 30 September 2017, GGR's net gearing was 0.7x, relatively flat against 30 June 2017. In 9M2017, GGR spent a total of USD198.6mn in investing outflows, beyond the USD150mn company guided for FY2017. In 3Q2017, USD62.1mn was invested in financial assets and per company's disclosure this was as investment in a long-term fund. GGR ended the period with a cash balance of USD142.9mn, down from end-June's USD181mn though still higher than the beginning of the year. As at 30 June 2017, GGR's adjusted asset base (excluding intangible assets, bearer plants and long term investments) provided a 2.0x coverage to gross debt. We maintain our issuer profile of GGR at Neutral. (Company, OCBC)

**Perennial Real Estate Holdings Ltd ("PREH"):** PREH announced that in relation to its stake in the Capital Singapore, the Court of Appeal has dismissed PREH's appeals (refer to [OCBC Asian Credit Daily – 21 Mar 2017](#)) for a just and equitable wind up and/or appropriate buy-out orders. As mentioned previously (refer to [OCBC Asian Credit Daily – 6 Mar 2017](#)), we think the impact of Capitol Singapore on PREH's credit profile is limited. (Company, OCBC)

**Hong Fok Corp Ltd ("HFC"):** HFC reported 3Q2017 results. Revenue increased 44.6% y/y to SGD20.2mn, mainly due to the sales of two residential units at Concourse Skyline. However, net loss worsened to SGD5.6mn (3Q2016: SGD2.1mn) as other expenses surged 35.9% y/y to SGD13.7mn due to the expenses incurred in relation to the opening of Yotel Singapore Orchard Road ("Yotel"). In addition, interest expense increased to SGD6.5mn (3Q2016: SGD5.2mn) as interest expense is no longer capitalised when Yotel is completed. Due to the loss and cash outflow of SGD10.0mn from capex on investment properties (which is mainly used for the construction of Yotel), net gearing inched up to 36.5% (2Q17: 35.5%). Though SGD161.5mn will be due within the next 12 months (including SGD100mn from HFCSP '18s), management is confident that these will be refinanced or repaid from its available undrawn facilities. Moving forward, we think that HFC's results may improve gradually as capex and expenses in relation to construction and opening of Yotel tapers off while Yotel has commenced operations on 1 Oct 2017. HFC has also began to move more units at Concourse Skyline. Despite the weak results, we think that HFC's net gearing remains manageable and hence we continue to hold HFC at a Neutral Issuer Profile. (Company, OCBC)

## Credit Headlines (Cont'd):

**Lippo Malls Indonesia Retail Trust ("LMRT"):** LMRT announced that it has obtained SGD80mn in unsecured uncommitted revolving credit facility from CIMB, which will be used for future acquisitions, refinancing of maturing debts and working capital requirements. (Company)

**Hotel Properties Ltd ("HPL"):** HPL reported 3Q2017 results. Revenue increased 17.9% y/y to SGD165.1mn mainly due to the sale of units at Tomlinson Heights development and higher contribution from hotels and resorts in Bali, Indonesia and Maldives. Net profit grew by a larger 34.5% y/y to SGD42.0mn as share of results of associates and jointly controlled entities increased 22.2% y/y to SGD29.6mn due to the recognition of profits from Burlington Gate London upon its completion. Net gearing increased to 0.44x (2Q2017: 0.43x). While HPL registered a strong operating cash inflow of SGD136.4mn (3Q2016: SGD42.5mn), mainly due to SGD61.6mn receipts in receivables and investments and SGD30.0mn from completed properties held for sale, a SGD175.9mn cash outflow was registered for investing activities. This includes SGD66.3mn payments for additional property, plant and equipment and SGD106.7mn payment to associates and jointly controlled entities, which is likely due to the purchase of Four Seasons Resort Langkawai (refer to [OCBC Asian Credit Daily – 14 Jul 2017](#)), freehold property at 2-8 Hanger Lane (refer to [OCBC Asian Credit Daily – 17 Jul 2017](#)) and Hilton London Olympia (refer to [OCBC Asian Credit Daily – 2 Aug 2017](#)). Moving forward, we think HPL may continue to post decent results. HPL expects Holland Park Villas (at Kensington and Chelsea) to attain practical completion in 4Q2017, and we understand that the property is majority pre-sold. With the improvements in the Singapore residential market, HPL will likely benefit with more units sold at Tomlinson Heights, and to a lesser extent the remaining units at d'Leedon and The Interlace. The acquisition of Four Seasons Resort Langkawi, freehold property at 2-8 Hanger Lane and Hilton London Olympia should also contribute to future results. We continue to hold HPL at a Neutral Issuer Profile. (Company, OCBC)

**Andrew Wong**

Treasury Research & Strategy  
Global Treasury, OCBC Bank  
(65) 6530 4736  
[wongVKAM@ocbc.com](mailto:wongVKAM@ocbc.com)

**Nick Wong Liang Mian, CFA**

Treasury Research & Strategy  
Global Treasury, OCBC Bank  
(65) 6530 7348  
[NickWong@ocbc.com](mailto:NickWong@ocbc.com)

**Ezien Hoo, CFA**

Treasury Research & Strategy  
Global Treasury, OCBC Bank  
(65) 6722 2215  
[EzienHoo@ocbc.com](mailto:EzienHoo@ocbc.com)

**Wong Hong Wei**

Treasury Research & Strategy  
Global Treasury, OCBC Bank  
(65) 6722 2533  
[WongHongWei@ocbc.com](mailto:WongHongWei@ocbc.com)

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