

Aug 23, 2017

**Credit Headlines (Page 2 onwards):** Koh Brothers Group Limited, Henderson Land Development Co Ltd, Fraser and Neave Ltd

**Market Commentary:** The SGD swap curve traded upwards yesterday, with swap rates trading 1-3bps higher across all tenors. Flows in SGD corporates were heavy, with better buying seen in SIASP 3.13%'27s, WINGTA 4.35%-PERPs and better selling seen in GALVSP 7%'18s. In the broader dollar space, the spread on JACI IG Corporates fell 1bps to 189bps, while the yield on JACI HY Corp traded little changed at 6.96%. 10y UST yields rose 3bps to 2.21%, as risk-on sentiment was ignited after the release of a report from Politico which stated that Trump's team have made progress on tax reforms.

**New Issues:** LS Finance (2017) Ltd has scheduled investor meetings for potential USD bond issuance (guaranteed by Lifestyle International Holdings Ltd) from 24 Aug. Keong Hong Holdings Limited has announced that it intends to offer at least SGD50mn under its Medium Term Note Programme, following its invitation to purchase its outstanding KEONGH 6%'18s.

**Rating Changes:** S&P has affirmed Beijing Automotive Group Co Ltd's (BAG) 'A-' corporate credit rating, while revising its outlook to negative from stable. The rating action reflects BAG's weakened competitive advantage as seen through its lower sales due to increased competition in the Chinese passenger market. S&P has affirmed Weichai Power Co Ltd's (Weichai) 'BBB' corporate credit rating and the issue rating of the bond it guarantees. The outlook has been revised to stable from negative. The rating action reflects S&P's expectation that Weichai's debt leverage will improve on the back of good business performance and strong revenue growth as it would benefit from tightening regulations in China. Fitch has upgraded West China Cement Limited's (WCC) Issuer Default Rating (IDR) and senior unsecured rating to 'BB-' from 'B+'. The Outlook on the IDR is Stable. The rating action reflects WCC's increased profitability due to a rise in average selling price, and limited capex spending in the near term.

**Table 1: Key Financial Indicators**

	23-Aug	1W chg (bps)	1M chg (bps)		23-Aug	1W chg	1M chg
iTraxx Asiax IG	81	0	-3	Brent Crude Spot (\$/bbl)	51.74	2.92%	7.66%
iTraxx Sovx APAC	21	0	0	Gold Spot (\$/oz)	1,284.13	0.08%	2.30%
iTraxx Japan	44	1	4	CRB	176.73	0.24%	0.04%
iTraxx Australia	75	-1	-3	GSCI	377.45	0.84%	1.69%
CDX NA IG	60	1	4	VIX	11.35	-5.73%	21.26%
CDX NA HY	107	0	-1	CT10 (bp)	2.213%	-0.89	-2.44
iTraxx Eur Main	57	2	5	USD Swap Spread 10Y (bp)	-6	-1	-2
iTraxx Eur XO	247	7	10	USD Swap Spread 30Y (bp)	-35	-1	-3
iTraxx Eur Snr Fin	55	3	5	TED Spread (bp)	32	2	17
iTraxx Sovx WE	6	0	0	US Libor-OIS Spread (bp)	15	0	0
iTraxx Sovx CEEMEA	46	3	-8	Euro Libor-OIS Spread (bp)	3	0	0
					<b>23-Aug</b>	<b>1W chg</b>	<b>1M chg</b>
				AUD/USD	0.790	-0.34%	-0.33%
				USD/CHF	0.969	-0.30%	-2.33%
				EUR/USD	1.176	-0.04%	1.03%
				USD/SGD	1.362	0.04%	0.01%
Korea 5Y CDS	64	0	7	DJIA	21,900	-0.45%	1.48%
China 5Y CDS	63	-1	-3	SPX	2,453	-0.49%	-0.81%
Malaysia 5Y CDS	76	-3	-9	MSCI Asiax	654	0.83%	0.57%
Philippines 5Y CDS	66	-2	-7	HSI	27,402	0.83%	2.60%
Indonesia 5Y CDS	108	-1	-9	STI	3,270	-0.28%	-1.34%
Thailand 5Y CDS	57	-3	-8	KLCI	1,774	0.04%	0.87%
				JCI	5,894	1.02%	2.24%

Source: OCBC, Bloomberg

**Table 2: Recent Asian New Issues**

Date	Issuer	Ratings	Size	Tenor	Pricing
21-Aug-17	Olam International Limited	Not Rated	USD50mn	5-year	3.65%
21-Aug-17	Hyundai Capital Services Inc	'A-/Baa1/NR'	USD600mn	5-year	CT5+135bps
17-Aug-17	Zhongtai International Bond 2017 (BVI) Company Ltd	Not Rated	USD300mn	3-year	4.25%
16-Aug-17	Mapletree Commercial Trust Treasury Company Pte Ltd	Not Rated	SGD100mn	10-year	3.045%
16-Aug-17	Phoenix Lead Ltd	'BBB/NR/NR'	USD500mn	Perp NC5	4.85%
16-Aug-17	Medco Strait Services Pte Ltd (re-tap)	'B/B2/B'	USD100mn	MEDCIJ 8.5%'22s	99.005
16-Aug-17	Singtel Optus Pty Ltd	Not Rated	AUD400mn	5-year	3.2825%
15-Aug-17	Wing Tai Properties (Finance) Ltd	Not Rated	SGD160mn	Perp NC3	4.35%

Source: OCBC, Bloomberg

## Credit Headlines:

**Koh Brothers Group Limited (“KOH”):** Koh Brothers has announced a tender offer of its outstanding SGD50mn KOHSP 4.8%’18. KOH will be paying cash for notes tendered. The last date for noteholders to submit a tender application form to the tender agent is 06/09/2017 and settlement date is 11/09/2017. This is the sole bond at the company. We do not cover KOH. (Company)

**Henderson Land Development Co Ltd (“HLD”):** HLD reported 1H2017 results. Revenue increased 31.1% y/y to HKD12.8bn mainly due to the surge in property sales (+51% y/y to HKD8.9bn). The surge in property sales was due to higher revenue from Hong Kong properties, with completions in 1H2017 comprising “AXIS”, “PARKER 33”, “The Zutton” and “Eltanin·Square Mile” which contributed HKD5.2bn, as well as sales from completed projects, namely, “Double Cove”, “Jones Hive” and “Global Gateway Tower” amounting to HKD2.4bn. The higher sales from Hong Kong properties more than mitigated the fall in revenue from China, which fell 23% y/y to HKD1.4bn. Meanwhile, HLD’s China contracted pre-sales and sales also fell 7.6% y/y to HKD5.. The property leasing segment remained relatively stable (+1.5% y/y to HKD2.8bn). Including the share of results from associates and JVs, Hong Kong investment properties delivered 3.1% higher rental income y/y to HKD3.3bn though contribution from Mainland China declined 3.3% y/y to HKD828mn mainly due to 5% depreciation of RMB against HKD. In particular, HLD’s IFC project continued to deliver growth of 2.1% y/y to HKD973mn. Overall, portfolio occupancy in Hong Kong remained healthy at 96% (end 2016: 97%). HLD’s 41.53%-owned Hong Kong & China Gas (“HKCG”) continued to deliver steady results, with HLD’s share of net profit after tax up 1.1% y/y to HKD1.6bn. Excluding fair value change on investment properties, underlying profit surged 124% y/y to HKD10.7bn. This is mainly due to increased contributions from property development (+166% y/y to HKD3.2bn) as well as sale of property interest which contributed HKD2.3bn. The contribution from the sale of property interest (below the line) is mainly due to sale of Beijing Henderson Centre for HKD3.3bn which realized a gain of HKD1.0bn, sale of land site in Fangchun, Guangzhou for HKD1.9bn which realized a gain of HKD1.0bn and certain transactions in Hong Kong. Going forward, HLD is expected to recognise further gains from the sale of Newton Place Hotel for HKD2.2bn (undisclosed gain), Newton Inn for HKD1.0bn (HKD699mn gain), certain commercial shops at Fairview Height for HKD506mn (HKD473mn gain), 9 property development projects in Anshan, Dalian, Guangzhou, Tieling & Shenyang for HKD8.6bn (undisclosed gain). Despite the gains, due to settlement of HKD23.3bn for the land premium at Murray, net debt to equity increased by 6.6pp to 19.3%. HLD expects to complete the Murray development around 2022. With decent results and gearing levels remaining manageable and credit profile underpinned by recurring income from investment properties and contribution from HKCG, we continue to hold HLD at a Neutral Issuer Profile. (Company, OCBC)

**Fraser and Neave Ltd (“FNN”):** 7 companies, including FNN, pledged to remove by 2020 drinks that contain more than 12% sugar from their portfolio of beverages. According to FNN, it is already in full compliance as none of the beverages in its portfolio currently exceeds 12% sugar content. (Business Times, Company)

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