

March 24, 2017

Credit Headlines (Page 2 onwards): Wing Tai Properties Ltd

**Market Commentary:** The SGD swap curve was relatively flattish yesterday, with swap rates inching downwards slightly by around 1bps lower. Flows in SGD corporates were heavy, with better buying seen in BNP 3.65%'24s, UOBSP 3.5%'29s, better selling seen in GUOLSP 4%'22s, ABNANV 4.7%'22s, and mixed interests in OLAMSP 6%'22s, GEMAU 5.5%'19s. In the broader dollar space, the spread on JACI IG corporates fell 1bps to 195bps while the yield on JACI HY corporates fell 1bps to 6.66%. 10y UST yields changed little, inching upwards by 1bps yesterday to 2.42%, mirroring the shifting odds and uncertainties in the outcome of the Republicans reaching an agreement on the healthcare bill. Yields had reached session lows concurrently with U.S. equities after House Republicans postponed a planned meeting on the bill, and then began to rebound after the Ways and Means Committee Chairman said the party was near agreement, and retreated anew after the House Freedom Caucus left a White House meeting without reaching an accord.

**New Issues:** PT Japfa Comfeed Indonesia Tbk priced a USD150mn 5NC3 bond at 5.625%, tightening from initial guidance of 5.875%. The expected issue ratings are 'BB-/NR/BB-'. Emperor International Holdings Ltd. (Emperor) priced a USD200mn 5-year bond at 5%, tightening from initial guidance of 5.25%. Emperor also priced another HKD800mn 5-year bond. Xinjiang Guanghui Industry Investment (Group) Co. Ltd. set final guidance for its potential USD 3-year bond issuance at 8.2%. The expected issue ratings are 'B/B3/NR'. Indonesia Eximbank scheduled investor roadshows from 27 March for potential USD bond issuance. The expected issue ratings are 'NR/Baa3/BBB-'.

**Rating Changes:** S&P affirmed Australian mining services provider Ausdrill Ltd.'s (Ausdrill) 'B+' issuer credit rating and issue rating on Ausdrill Finance Pty Ltd.'s senior unsecured notes yesterday. In addition, S&P revised the rating outlook to positive from stable. The rating actions reflect Ausdrill's proactive management of costs, reduced leverage, and recent new contract wins which have improved the company's credit metrics.

Table 1: Key Financial Indicators

	24-Mar	1W chg (bps)	1M chg (bps)		24-Mar	1W chg	1M chg
iTraxx Asiax IG	96	11	-1	Brent Crude Spot (\$/bbl)	50.66	-2.13%	-9.52%
iTraxx SovX APAC	21	-4	-4	Gold Spot (\$/oz)	1,243.61	1.17%	-1.08%
iTraxx Japan	45	-6	-7	CRB	183.64	-0.22%	-3.82%
iTraxx Australia	89	9	4	GSCI	377.44	-1.26%	-6.07%
CDX NA IG	68	7	5	VIX	13.12	17.04%	14.39%
CDX NA HY	107	0	-1	CT10 (bp)	2.430%	-7.03	11.85
iTraxx Eur Main	76	7	1	USD Swap Spread 10Y (bp)	-2	1	1
iTraxx Eur XO	294	18	-2	USD Swap Spread 30Y (bp)	-38	0	1
iTraxx Eur Snr Fin	90	5	-5	TED Spread (bp)	39	-3	-15
iTraxx Sovx WE	12	-3	-11	US Libor-OIS Spread (bp)	24	0	-7
iTraxx Sovx CEEMEA	49	-13	-17	Euro Libor-OIS Spread (bp)	0	-2	-2
					24-Mar	1W chg	1M chg
				AUD/USD	0.763	-0.93%	-0.57%
				USD/CHF	0.995	0.34%	1.28%
				EUR/USD	1.077	0.28%	1.94%
				USD/SGD	1.401	0.09%	0.31%
Korea 5Y CDS	50	8	4	DJIA	20,657	-1.33%	-0.79%
China 5Y CDS	83	6	-9	SPX	2,346	-1.49%	-0.90%
Malaysia 5Y CDS	106	8	-3	MSCI Asiax	585	0.25%	3.17%
Philippines 5Y CDS	83	6	-1	HSI	24,417	0.44%	1.88%
Indonesia 5Y CDS	130	11	2	STI	3,131	-1.21%	0.45%
Thailand 5Y CDS	56	7	2	KLCI	1,747	0.09%	2.85%
				JCI	5,564	0.82%	3.30%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
23-Mar-17	PT Japfa Comfeed Indonesia Tbk	"BB-/NR/BB-"	USD150mn	5NC3	5.625%
23-Mar-17	Emperor International Holdings Ltd.	Not Rated	USD200mn	5-year	5%
22-Mar-17	The Republic of Indonesia	"NR/Baa3/BBB-"	USD2bn	5-year	3.40%
22-Mar-17	The Republic of Indonesia	"NR/Baa3/BBB-"	USD1bn	10-year	4.15%
22-Mar-17	China Zheshang Bank Co. Ltd..	"NR/Ba1/NR"	USD2.175bn	Perp NC5	5.45%
21-Mar-17	Shinhan Bank	"A+/Aa3/NR"	USD500mn	5-year	CT5+120bps
21-Mar-17	ING Groep N.V.	"A-/Baa1/A+"	USD1.5bn	5-year	CT5+100bps
21-Mar-17	ING Groep N.V.	"A-/Baa1/A+"	USD1.0bn	5-year	3mL+115bps
21-Mar-17	ING Groep N.V.	"A-/Baa1/A+"	USD1.5bn	10-year	CT10+155bps

Source: OCBC, Bloomberg

**Rating Changes:** S&P placed Australian Barmenco Holdings Pty Ltd.'s (Barmenco) 'B-' issuer credit rating and issue rating on the company's senior unsecured notes on CreditWatch with positive implications. The rating action reflects S&P's view that the company is proactively managing its refinancing task, having advanced its preparations and clearly defined its refinancing options. S&P affirmed Indonesia-based port operator Pelabuhan Indonesia III Persero PT's (Pelindo III) 'BB+' corporate credit rating and issue rating on the senior unsecured notes. In addition, S&P revised the ratings outlook to developing from positive. The rating action reflects the uncertain rating direction; an upgrade of Indonesia would likely lead S&P to raise the rating on Pelindo III, while prospects for a weaker balance sheet and higher leverage at the company over the next 12-18 months could translate into a lower rating level if the sovereign credit rating on Indonesia stays at 'BB+' over the period. Moody's affirmed Guangzhou R&F Properties Co. Ltd.'s (Guangzhou R&F) 'Ba3' and its wholly owned subsidiary's, R&F Properties (HK) Company Limited (R&F HK), 'B1' corporate family ratings. In addition, Moody's revised the ratings outlook to negative from stable. The rating action reflects Moody's concern that Guangzhou R&F's higher financial risk because of its high debt leverage will continue in the near term. Fitch assigned PT Sri Rejeki Isman Tbk's (Sritex) USD150mn senior unsecured notes (issued by wholly owned subsidiary Golden Legacy Pte. Ltd.) a final rating of 'BB-'.

## Credit Headlines:

**Wing Tai Properties Ltd ("WTP"):** WTP reported FY16 results. Revenue rose 9.3% y/y to HKD1.1bn, mainly driven by stronger sale of properties and project management income, which increased 43% y/y to HKD213.2mn. On the back of a stronger 2H2016 property market, WTP moved most of the remaining units at its completed properties, which include Homantin Hillside, The Pierre, The Warren, Providence Bay, Providence Peak and The Graces. Meanwhile, rental income and property management income delivered 3.6% higher y/y revenue to HKD867.9mn, anchored by good performance from WTP's investment properties in Hong Kong which comprise 1.5mn sq ft of Grade A office buildings and 0.7mn sq ft of industrial buildings. While WTP's flagship property, Landmark East, which comprise 1.3mn sq ft of office space, may face increasing competition from an increase in office supply, we are not overly worried as it recorded 30% upward rental reversion for the leases renewed in 2016. In fact, the 21% of leases expiring in 2017 may present upside risks, with the company guiding that the property will continue to enjoy positive rental growth upon rent review or lease renewals. Meanwhile, net profit (before tax and before fair value changes) increased 15% y/y to HKD550.8mn. In addition to higher revenues, the losses from hospitality investment and management narrowed to HKD3mn (FY15: HKD22.1mn) while finance costs were reduced to HKD65.1mn (FY15: HKD106.5mn), which may be due to capitalisation of interest expense. In the short-medium term, WTP expects to complete 3 developments. They are low-density residential projects in Kau To, Shatin (2017), a prime harbour-front residential site at Shau Kei Wan (2018) and a low-density residential project at Siu Sau (2019). Due to settlement for land purchases as WTP won a land sale tender at Castle Peak Road, net gearing increased to 14% (2015: 7%). With a still healthy balance sheet and strong recurring income from investment properties, we continue to hold WTP at a Positive 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)

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 and/or its related and affiliated corporations may at any time make markets in the securities/instruments mentioned in this publication and together with their respective directors and officers, may have or take positions in the securities/instruments mentioned in this publication and may be engaged in purchasing or selling the same for themselves or their clients, and may also perform or seek to perform broking and other investment or securities-related services for the corporations whose securities are mentioned in this publication as well as other parties generally.

Co.Reg.no.:193200032W