

Oct 3, 2018

**Credit Headlines:** Hyflux Ltd, Sembcorp Industries Ltd, Ezra Holdings Ltd, Aspial Corp Ltd, Oxley Holdings Ltd

## **Market Commentary**

- The SGD swap curve flattened yesterday, with swap rates trading 1-2bps lower across most tenors.
- Flows in SGD corporates were heavy yesterday, with better buying seen in HSBC 5.0%-PERPs, DBSSP 3.98%-PERPs and OCBCSP 4.0%-PERPs.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS was unchanged at 138bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 1bps to 467bps.
- Overall, 10Y UST yields fell 2bps to close at 3.06% on the back of safe haven demand from the Italian bond selloff after an Italian lawmaker cast doubt over Italy's membership in the euro.

## **Credit Headlines:**

**Hyflux Ltd ("HFY") | Issuer Profile: Unrated and Sembcorp Industries Ltd ("SCI") | Issuer Profile: Neutral (4)**

- Bloomberg has reported that Sembcorp Industries Ltd ("SCI") is the only final bidder for HFY's Tuaspring Integrated Water and Power Plant ("Tuaspring IWPP") project. The offer is reportedly below the book value of SGD1.47bn and also insufficient to pay back Malayan Banking Berhad ("Maybank"), the sole secured creditor at Tuaspring IWPP. As at March 31, 2018 liabilities at Tuaspring was SGD567.5mn.
- Given the strategic nature of Tuaspring IWPP, bidders for the asset must first obtain regulatory approval from the Public Utilities Board before sharing of detailed project information. Sembcorp Industries Ltd ("SCI") and Keppel Corp Ltd ("KEP") were the only bidders who received such approval however KEP did not submit a binding bid by the October 1 deadline.
- HFY is running concurrent exercises with regards its Financial Re-organization Exercise - in conjunction with court orders granting a six-month moratorium over HFY and four of its subsidiaries (aside from Tuaspring Pte Ltd ("Tuaspring"), HFY submitted to the court an affidavit updating on the progress of the reorganisation [on 21 Sept](#). The affidavit will be made available after it is formally submitted into evidence at the status conference on 8 October in Singapore's High Court.
- Separately, HFY [reached an agreement](#) with Maybank as sole secured creditor at Tuaspring IWPP on its proposed divestment. As a reminder, HFY is to execute a binding agreement with a successful bidder/investor for Tuaspring IWPP by 15 October 2018.
- As we previously mentioned, given the status of the sales process, we think HFY would need to renegotiate with its sole secured lender on a timing extension to avoid the start of enforcement proceedings by Maybank against Tuaspring (including over Tuaspring IWPP).
- We will wait for further announcements and update as necessary – we expect further details earliest by 8 October following the status conference and latest by 15 October. As at 30 June 2018, SCI has SGD1.59bn of cash while unadjusted net gearing was 1.0x. Assuming SCI pays SGD520mn to SGD585mn for the asset, (which factors in a control premium), it should have the financial wherewithal to complete the deal, with net gearing rising to 1.1x. We will review SCI's issuer profile when there is more certainty if a transaction would happen and in conjunction with the release of its 3Q2018 results. (Company, OCBC)

## **Credit Headlines (cont'd):**

### **Ezra Holdings Ltd (“Ezra”) | Issuer Profile: Unrated**

- On 16 July 2018, Ezra and two of its wholly-owned subsidiaries Ezra Marine Services Pte Ltd and EMAS IT Solutions Pte Ltd (collectively, the “Ezra Debtors”) filed a proposed First Amended Chapter 11 Plan and Disclosure Statement in the US Bankruptcy Court. Subsequently on 30 August 2018, the Ezra Debtors filed a proposed Modified First Amended Chapter 11 Plan (the “Plan”) and Disclosure Statement in the US Bankruptcy Court. On 7 September 2018, a subsequent Modified Disclosure Statement was approved by the US Bankruptcy Court.
- Per the latest filings, creditors (including the SGD bondholders of EZRASP 4.875% ‘18s) should note that the last date to vote on the Plan is 9 October 2018 at 5pm (Eastern Time). Any objections to the confirmation of the Plan must be filed, together with proof of service, with the US Bankruptcy Court and served so as to be actually received prior to 4pm (Eastern Time) on 9 October 2018. The Confirmation Hearing will be held on 16 October 2018 at 10am (Eastern Time).
- The Plan is a Chapter 11 liquidating plan (a sub-type of Chapter 11) which we think is aimed at facilitating the orderly liquidation of assets and subsequent distribution of assets to creditors. Upon effective date of the Plan, the Ezra Debtors shall continue in existence, subject to final determination by the Ezra Debtors’ Representative and/or through Judicial Management Proceedings. After the effective date, the Ezra Debtors’ Representative, in consultation with the independent directors may take all actions reasonably necessary to use/sell/assign/transfer/abandon/dispose of Ezra Debtors’ assets in a public or private sale to convert such assets into cash. The Ezra Debtors’ Representative is also authorised to wind-up/dissolve Ezra Marine Services Pte Ltd and EMAS IT Solutions Pte Ltd under Singapore law and to pay all reasonable costs. The Ezra Debtor’s Representative shall be selected by the Ezra Debtors, in consultation with the independent directors.
- In a nutshell, while the ultimate aim is for Ezra Debtors to go out-of-business eventually, Ezra will continue as a going-concern upon effective date of the Plan. The estimated recovery values under a Chapter 11 could be higher versus an immediate liquidation where liquidators typically try to sell assets in the quickest manner.
- HSBC Trustee on behalf of bondholders (Class 6) are asserting a secured claim where the claim is secured to the extent of monies in an interest service account containing ~USD5.5mn. On ~USD109.3mn of outstanding bonds issued, this represents a 5% recovery.
- Bondholders may vote on the remaining ~USD103.9mn as Allowed Class 10 General Unsecured Claim (Class 10). Per Ezra Debtor’s estimated plan recovery and liquidation, under the Chapter 11 Plan, Bondholder’s recovery for the remaining ~USD103.9mn was ~0.4% to ~1.8%. Under Chapter 7, the estimate recovery on the remaining ~USD103.9mn is negligible. There can be no assurance that the estimated recoveries would be realised if the Plan were to become effective. (Company, OCBC)

### **Aspial Corp Ltd (“Aspial”) | Issuer Profile: Negative (6)**

- Aspial priced an additional SGD20.75mn for its new ASPSP 6.25% ‘21s.
- While the upsized amount is small, we are cautious if Aspial continues to raise debt as the elevated debt position (net gearing: 3.4x) may worsen. (Company, OCBC)

## Credit Headlines (cont'd):

### **Oxley Holdings Ltd ("OHL") | Issuer Profile: Negative (6)**

- OHL released an update on the sales of its Singapore residential projects. Encouragingly, we find that the recent launches have done very well. For example, Phase 1 of Affinity at Serangoon is 67% sold (202 out of 300 units), Phase 1 of Riverfront Residences is 92% sold (735 out of 800 units) and Mayfair Gardens is 40% sold (87 out of 215 units). Total revenue attained from sales of its Singapore projects has reached SGD1.39bn.
- We continue to monitor OHL's projects and reiterate that continued strong execution to move the pipeline of units will be crucial. In the pipeline, Oxley has yet to launch Kent Ridge Hill Residences (previously Vista Park), Ampas Apartment and One Balestier. Thus far, the Singapore property market remains somewhat supportive despite of the property cooling measures in July 2018, with 3Q2018 URA flash estimates posting a rise in property prices by 0.5% q/q. (Company, OCBC)

**Table 1: Key Financial Indicators**

	3-Oct	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	81	0	-3
iTraxx SovX APAC	9	0	-2
iTraxx Japan	56	-2	0
iTraxx Australia	74	-1	0
CDX NA IG	59	-1	-1
CDX NA HY	107	0	0
iTraxx Eur Main	69	2	1
iTraxx Eur XO	279	10	-19
iTraxx Eur Snr Fin	88	9	4
iTraxx Sovx WE	25	3	-3
AUD/USD	0.719	-1.01%	-0.40%
EUR/USD	1.155	-1.61%	-0.59%
USD/SGD	1.373	-0.56%	-0.11%
China 5Y CDS	57	0	-3
Malaysia 5Y CDS	94	1	0
Indonesia 5Y CDS	135	2	4
Thailand 5Y CDS	41	0	-2

	3-Oct	1W chg	1M chg
Brent Crude Spot (\$/bbl)	84.80	3.58%	9.53%
Gold Spot (\$/oz)	1,205.92	0.96%	0.39%
CRB	199.97	2.48%	3.64%
GSCI	497.94	3.20%	6.24%
VIX	12.05	-2.98%	-6.30%
CT10 (bp)	3.061%	1.33	20.09
USD Swap Spread 10Y (bp)	6	-1	-2
USD Swap Spread 30Y (bp)	-8	-2	-2
TED Spread (bp)	20	2	-3
US Libor-OIS Spread (bp)	17	0	-4
Euro Libor-OIS Spread (bp)	4	0	0
DJIA	26,774	1.06%	3.12%
SPX	2,923	0.27%	0.76%
MSCI Asiax	643	-1.96%	-2.78%
HSI	27,126	-2.96%	-2.12%
STI	3,243	0.20%	1.11%
KLCI	1,798	0.21%	-0.85%
JCI	5,876	0.02%	-1.54%

## New issues

- Shandong Gold Mining Co Ltd has hired banks for its potential USD bond issuance.
- Beijing Environmental (BVI) Co Ltd has hired banks for its potential USD bond issuance.

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
2-Oct-18	Aspial Corp Ltd	SGD20.75mn	3-year	6.25%
2-Oct-18	Unibail-Rodamco-Westfield SE	USD500mn	10-year	4.125%
2-Oct-18	Unibail-Rodamco-Westfield SE	USD500mn	10-year	4.625%
27-Sept-18	The Independent State of Papua New Guinea	USD500mn	10-year	8.375%
26-Sept-18	CIFIC Holdings (Group) Co Ltd	USD300mn	CIFIHG 5.5%'22s	8.625% + accrued interest
26-Sept-18	Surbana Jurong Pte Ltd	SGD350mn	7-year	4.11%
24-Sept-18	CFLD (Cayman) Investment Ltd	USD100mn	CHFOTN 9.0%'21s	8.991% + accrued interest
21-Sept-18	Lum Chang Holdings Limited	SGD40mn	3-year	5.8%
20-Sept-18	Soilbuild Business Space REIT	SGD65mn	Perp NC3	6.0%
19-Sept-18	ICICI Bank UK PLC	SGD100mn	10-year	5.375%
19-Sept-18	BOC Aviation Ltd	USD500mn	5-year	3mL+112.5bps
19-Sept-18	Country Garden Holdings Company Ltd	USD425mn	3-year	7.125%
19-Sept-18	Country Garden Holdings Company Ltd	USD550mn	5-year	8.0%
19-Sept-18	Zhenro Properties Group Ltd	USD280mn	2.25-year	13.70%

Source: OCBC, Bloomberg

**Andrew Wong**

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

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

**Seow Zhi Qi**

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