

Feb 26, 2019

Credit Headlines: Aspial Corp Ltd

Market Commentary

- The SGD swap curve flattened yesterday, with swap rates trading 1bps lower across most tenors.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 1bps to 143bps and 512bps respectively.
- Flows in SGD corporates were heavy, with flows seen in UBS 5.875%-PERPs, SINTEC 5.0%-PERPs, LLCAU 3.9%'27s and HSBC 4.7%-PERPs.
- 10Y UST rose 1bps to 2.66%, as President Donald Trump postponed an increase in tariffs on China and the US Treasury Department is set to sell a new USD168bn supply of notes.

Credit Headlines

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

- Aspial announced 2018 results. Revenue rose 84% y/y to SGD898.5mn mainly due to higher revenues from Real Estate (+209.2% y/y to SGD185.7mn) with the recognition of sales from CityGate which obtained TOP in Nov 2018 and settlement and handover of completed residential units for Avant and Australia 108 projects in Melbourne, Australia.
- The other segments also saw growth, with Financial Services (+5.6% y/y to SGD10.8mn) recording higher interest income from sales from retailing and trading of jewellery and branded merchandise while Jewellery (+12.8% y/y to SGD133.5mn) recognised sales from its Niessing operations and increase in sales from its gold bullion business.
- Pre-tax profits for 2018 rose 279.9% y/y to SGD56.6mn, though 9M2018's pre-tax profit was already SGD57.4mn which implies a small loss in 4Q2018. This is due to (1) pre-tax loss in Jewellery which deepened to SGD3.4mn in 2018 (9M2018 loss: SGD2.8mn) though improved from 2017's loss of SGD8.3mn due to maiden profit from its Niessing operations and (2) decline in share of results of associates and JV to SGD0.2mn (9M2018: SGD1.5mn) due to losses incurred by Aspial's 50-50 JV company AF Corp Pte Ltd, which holds 83.49% of AF Global Ltd. Meanwhile, the real estate business pre-tax profit rose 493.7% y/y to SGD56.4mn, mainly due to revenue growth though financial service pre-tax profit fell to SGD12.1mn (2017: SGD15.0mn) due to higher finance cost and foreign exchange loss.
- Net gearing declined significantly q/q to 2.47x (3Q2018: 2.77x) mainly due to repayment of loans for CityGate, Avant and Australia 108 projects with the handover of a number of units. Aspial continues to expect its debt position to improve as it expects to receive SGD615mn from the settlement and handover of units for Avant and Australia 108. We also note a net disposal of SGD44.5mn in investment securities.
- SGD544.4mn of debt will be due within the coming 12 months. Out of the total, SGD222.7mn is consolidated from Maxi-Cash hence Aspial faces SGD321.7mn of current debts to be repaid, which is more than SGD59.0mn cash and SGD97.0mn in investment securities. This will be contingent on the cashflows that Aspial will receive (e.g. from the settlement and handover of units).

Credit Headlines

Aspial Corp Ltd (“Aspial”) | Issuer Profile: Negative (6) (cont’d)

- We turn cautious over settlement risks, which could impact the actual cashflows that Aspial will receive. For Australia 108, proportion of sold units fell q/q to 89% (3Q2018: 95%) – we note that in 1Q2018 the proportion of sold units was 98%. We infer that as settlement and handover date come, some buyers have been walking away.
- Separately, we note that despite having already restated 2017’s financials since 1Q2018 by adopting SFRS(I) 1 and SFRS(I) 9, more restatement was made in 4Q2018 which resulted in equity for 1 Jan 2018 falling to SGD410.0mn from SGD425.0mn. SGD15.2mn of revaluation surplus on property, plant and equipment was reversed though the sudden cause of reversal in 4Q2018 is unexplained. Together with a net loss of SGD4.0mn in 4Q2018, below the net income line of (1) foreign currency translation loss of SGD6.9mn and (2) change in fair value of debt and equity instruments of -SGD2.8mn, net assets fell to SGD409.8mn in 4Q2018 (3Q3018: SGD445.6mn). We continue to review Aspial’s Issuer Profile pending 2018’s audited figures. (Company, OCBC)

Table 1: Key Financial Indicators

	<u>26-Feb</u>	<u>1W chg (bps)</u>	<u>1M chg (bps)</u>
iTraxx Asiax IG	69	-4	-15
iTraxx SovX APAC	55	-2	-8
iTraxx Japan	59	0	-8
iTraxx Australia	69	-3	-14
CDX NA IG	61	0	-12
CDX NA HY	106	0	1
iTraxx Eur Main	64	-2	-12
iTraxx Eur XO	282	-9	-45
iTraxx Eur Snr Fin	78	-4	-14
iTraxx Sovx WE	23	-1	-1
AUD/USD	0.717	0.01%	0.00%
EUR/USD	1.136	0.19%	-0.57%
USD/SGD	1.350	0.19%	0.19%
China 5Y CDS	49	-4	-10
Malaysia 5Y CDS	67	-6	-20
Indonesia 5Y CDS	106	-5	-14
Thailand 5Y CDS	46	-2	4

	<u>26-Feb</u>	<u>1W chg</u>	<u>1M chg</u>
Brent Crude Spot (\$/bbl)	64.73	-2.59%	5.01%
Gold Spot (\$/oz)	1,329.13	-0.88%	1.98%
CRB	181.75	0.23%	0.59%
GSCI	420.53	-0.87%	2.65%
VIX	14.85	-0.40%	-14.75%
CT10 (bp)	2.648%	1.44	-11.02
USD Swap Spread 10Y (bp)	1	-2	-2
USD Swap Spread 30Y (bp)	-20	-2	-2
US Libor-OIS Spread (bp)	24	0	-10
Euro Libor-OIS Spread (bp)	5	0	0
DJIA	26,092	0.81%	5.48%
SPX	2,796	0.74%	4.93%
MSCI Asiax	662	3.28%	4.93%
HSI	28,778	1.95%	4.39%
STI	3,261	0.03%	1.83%
KLCI	1,718	0.64%	0.97%
JCI	6,501	0.09%	0.28%

New issues

- Ronshine China Holdings Ltd has priced a USD300mn 3-year bond (subsidiary guarantors: certain of company's restricted subsidiaries incorporated outside the PRC) at 10.5%, tightening from IPT of 10.875% area.
- Redsun Properties Group Ltd has priced a USD300mn 2-year bond (subsidiary guarantors: certain of company's restricted subsidiaries incorporated outside the PRC) at 12.625%, tightening from IPT of 13.0% area.
- Guorui Properties Ltd has priced a USD160mn 3-year bond at 14.5% (13.5% at 97.0 reoffer).
- Golden Wheel Tiandi Holdings Co Ltd has priced a USD160mn re-tap of its existing GWTH 7.0%'21s (subsidiary guarantors: certain of company's restricted subsidiaries incorporated outside the PRC) at 13.85%, tightening from IPT of 14.0% area.
- Woodside Finance Ltd has priced a USD1.5bn 10-year bond (guarantors: Woodside Petroleum Ltd and Woodside Energy Ltd) at CT10+185bps, tightening from IPT of +205bps area.
- Commonwealth Bank of Australia has priced a USD1.25bn 2-tranche deal, with the USD750mn 5.25-year bond priced at CT5+88bps (tightening from IPT of +100bps area) and the USD500mn 5.25-year FRN priced at 3-month LIBOR +82bps (in line with IPT).
- Jubilant Life Sciences Ltd has scheduled investor meetings from 26 Feb for its potential USD bond issuance.
- China Bright (Hong Kong) Ltd (guarantor: Beijing Easyhome Investment Holding Group Co Ltd) has scheduled investor meetings from 26 Feb for its potential USD bond issuance.
- Delta Merlin Dunia Tekstil PT has scheduled investor meetings from 26 Feb for its potential USD bond issuance.
- Industrial & Commercial Bank of China Ltd has mandated banks for its potential USD bond issuance.
- Far East Horizon Ltd has mandated banks for its potential USD bond issuance.
- AMP Group Finance Services Ltd has scheduled investor meeting ending 27 Feb for its potential USD bond issuance.

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
25-Feb-19	Ronshine China Holdings Ltd	USD300mn	3-year	10.5%
25-Feb-19	Redsun Properties Group Ltd	USD300mn	2-year	12.625%
25-Feb-19	Guorui Properties Ltd	USD160mn	3-year	14.5%
25-Feb-19	Golden Wheel Tiandi Holdings Co Ltd	USD160mn	GWTH 7.0%'21s	13.85%
25-Feb-19	Woodside Finance Ltd	USD1.5bn	10-year	CT10+185bps
25-Feb-19	Commonwealth Bank of Australia	USD750mn USD500mn	5.25-year 5.25-year	CT5+88bps 3M-LIBOR+82bps
21-Feb-19	The Chugoku Electric Power Co	USD300mn	5-year	CT5+100bps
21-Feb-19	Shui On Development (Holding) Ltd	USD500mn	2-year, 9-month	6.25%

Andrew Wong

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

Ezien Hoo, CFA

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

Wong Hong Wei, CFA

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

Seow Zhi Qi

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6530 7348
zhiqiseow@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).