

Market Commentary

- The SGD swap curve steepened yesterday, with the shorter and belly tenors trading 0-1bps lower while the belly and the 20-year traded 5bps higher.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS remained mostly unchanged, while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 8bps to 646bps. The HY-IG Index Spread tightened 8bps to 478bps.
- Flows in SGD corporates were heavy, with flows in UOBSP 4%-PERPs, HSBC 5%-PERPs, OLAMSP 4%'26s, UOBSP 3.58%-PERPs, UBS 4.85%-PERPs, SOCGEN 6.125%-PERPs, STANLN 5.375%-PERPs, STTGDC 3.13%'28s, CATHAY 3.375%'23s, CS 5.625%-PERPs and HSBC 4.7%-PERPs.
- 10Y UST Yields fell 2bps to 0.71% as the momentum from last week's sell-off cooled down and investors were likely buying on dips.

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Credit Summary:

- **[First Real Estate Investment Trust \("FIRT"\)](#) | Issuer Profile: Negative (6):** On 1 June 2020, PT Lippo Karawaci Tbk ("LK") unilaterally announced that LK will be initiating a restructuring process with FIRT with regards to the significant rental support that LK provides to FIRT. On 31 August 2020, FIRT announced that it is anticipating to receive a proposal regarding the rental restructuring from LK and that no agreement has been reached in respect of any rental restructuring. Separately, the settlement discussions in relation to Siloam Hospitals Surabaya road subsistence issue is still on-going.
- **[Keppel Corporation Limited \("KEP"\)](#) | Issuer Profile: Neutral (4):** KEP announced a few recent updates. Firstly, on 21 August 2020, KEP's 40%-owned associate KrisEnergy Ltd's presented an update to its restructuring plan. Secondly, KEP's 50%-owned associate Floatel International Ltd, has announced the extension of the forbearance agreement to 15 September 2020. Lastly, Keppel Land Limited via its wholly-owned subsidiary is forming a joint venture with Emerald Haven Realty Limited to develop a residential project on a 2.4 hectare site in Chennai, India.
- **[Century Sunshine Group Holdings Limited \("CENSUN"\)](#) | Issuer Profile: Unrated:** CENSUN reported its preliminary financials for 1H2020. Revenue was down 47.7% y/y to HKD1.1bn while reported gross profit was down 64.5% y/y to HKD189.8mn. EBITDA (based on our calculation) was HKD140.7m in 1H2020 (1H2019: HKD483.3mn) while finance cost reduced by 9.3% y/y to HKD74.7mn, with resultant EBITDA/Interest of 1.9x against 5.9x in 1H2019. CENSUN's reported profit before tax was HKD8.4mn, markedly down from HKD330.7mn in 1H2019. As at 30 June 2020, unpledged cash balance at CENSUN was HKD116.2mn versus an untenable short term debt due of HKD1.9bn.

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Credit Headlines

First Real Estate Investment Trust ("FIRT") | Issuer Profile: Negative (6)

- On 1 June 2020, PT Lippo Karawaci Tbk ("LK") unilaterally announced that as a result of the COVID-19 outbreak in Indonesia and its material negative impact on PT Siloam International Hospitals Tbk ("Siloam"), a ~55%-owned subsidiary of LK, LK will be initiating a restructuring process with FIRT with regards to the significant rental support that LK provides to FIRT. LK and its subsidiaries contributed ~83.3% of FIRT's rental income in 2019.
- While LK is FIRT's main tenant paying the rent, Siloam is the main operator of the hospital assets owned by FIRT. LK was the sole Sponsor of FIRT at time of IPO until 3Q2018.
- Further to the 1 June 2020 announcement, on 20 July 2020, [FIRT announced that its tenants \(including LK\) would be granted rental relief](#) of two months for May 2020 and June 2020, and it will consider any further rental relief(s) as may be appropriate.
- On 31 August 2020, FIRT announced that it is anticipating to receive a proposal regarding the rental restructuring from LK and that no agreement has been reached in respect of any rental restructuring.
- Separately, the settlement discussions in relation to [Siloam Hospitals Surabaya road subsistence issue](#) is still on-going. (Company, OCBC)

Keppel Corporation Limited ("KEP") | Issuer Profile: Neutral (4)

- KEP announced a few recent updates:
 - On 21 August 2020, KEP's 40%-owned associate KrisEnergy Ltd ("KrisEnergy") presented an update to its restructuring plan. For all unsecured debt, the updated restructuring plan improves the post-restructuring equity share to 46.2% from 35.0% earlier while existing shareholders (including KEP) would see their existing shares diluted to 10% from 7.5% earlier. In contrast, 45% of KrisEnergy's zero coupon notes (of which KEP is a significant holder) would see a lower conversion into 43.8% of post-restructuring equity (from 57.5% in the earlier proposal). On 30 August 2020, KEP announced that it has evaluated the final restructuring proposal and is prepared to support the restructuring. As a next step, KrisEnergy is seeking its fourth moratorium extension application and this would be heard in September 2020.
 - KEP's 50%-owned associate Floatel International Ltd ("Floatel"), has announced the extension of the [forbearance agreement](#) to 15 September 2020.
 - Keppel Land Limited ("Keppel Land", KEP's wholly-owned property subsidiary) via its wholly-owned subsidiary is forming a joint venture with Emerald Haven Realty Limited ("TVS Emerald") to develop a residential project ("Project") on a 2.4 hectare site in Chennai, India. TVS Emerald is an associate company of TVS Motor Company Limited, a motorcycle manufacturer listed on the National Stock Exchange of India. Keppel Land will acquire a 49% stake in the joint venture company at a total consideration of ~INR772mn (~SGD14.1mn). The total development cost is expected to be about INR5.4bn (~SGD98.2mn), with Keppel Land's share estimated to be about INR2.6bn (approximately SGD48.1mn). (Company, OCBC)

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Credit Headlines

Century Sunshine Group Holdings Limited ("CENSUN") | Issuer Profile: Unrated

- CENSUN reported its preliminary financials for 1H2020. Revenue was down 47.7% y/y to HKD1.1bn while reported gross profit was down 64.5% y/y to HKD189.8mn. The fall in revenue was due to declines across all of CENSUN's operating segments, with fertiliser down 46.9% y/y to HKD721.4mn and magnesium down by 49.3% y/y to HKD368.2mn. For 1H2020, fertiliser volume had declined by 39% y/y while average selling price was down 12.9% y/y to HKD2,194 per tonne. For magnesium, volume declined by 34.2% y/y while average selling price was down by 22.9% y/y to HKD19,716 per tonne. Per the company, its operations were negatively impacted by supply chain disruptions as COVID-19 broke out.
- EBITDA (based on our calculation which does not include other income and other expenses) was HKD140.7m in 1H2020 (1H2019: HKD483.3mn) while finance cost reduced by 9.3% y/y to HKD74.7mn, with resultant EBITDA/Interest of 1.9x against 5.9x in 1H2019.
- CENSUN's reported profit before tax was HKD8.4mn, markedly down from HKD330.7mn in 1H2019. While selling and marketing expenses had declined in line with the fall in revenue, administrative expenses were sticky and in fact increased 16.2% y/y. Per company, research & development expenses of its magnesium business increased.
- While the full cash flow statement was not provided, CENSUN reported a net cash outflow from operations of HKD246.0mn in 1H2020 versus a net cash inflow from operations of HKD191.7mn in 1H2019. Despite the significantly curtailed operating cash generation in 1H2020, capex remained high with net investing outflow of HKD228.2mn (1H2019: HKD273.8mn). We observe that trade receivables had stacked up, with trade and bills receivable of HKD687.0mn as at 30 June 2020 versus HKD461.4mn as at end-2019. Further constraining working capital, inventory was HKD555.7mn as at 30 June 2020 versus HKD471.8mn in end-2019.
- On a book value basis, the company's net gearing (taking only unpledged cash) was 0.47x as at 30 June 2020 versus 0.33x as at 31 December 2019 which ordinarily would suggest a manageable level. However we have long posited that CENSUN's net gearing is a lot higher if we used its market value of equity, which is a better reflection of CENSUN's gearing levels.
- As at 30 June 2020, unpledged cash balance at CENSUN was HKD116.2mn versus an untenable short term debt due of HKD1.9bn.
- On July 2020, the company had defaulted on its SGD101.8mn (~HKD581mn) bond due which has caused cross defaults in respect of certain borrowings.
- On 14 July 2020, an order was granted by the Grand Court of the Cayman Islands (where CENSUN, the listed company, is incorporated) for the appointment of representatives from Ernst & Young as joint provisional liquidators for restructuring purposes. The joint provisional liquidators will work alongside CENSUN's management team to implement a group wide restructuring of its debts and liabilities including to maintain the company's listing status on the Hong Kong Stock Exchange. On 28 August 2020, the High Court of Hong Kong has approved the company's application for the recognition of the appointment and powers of the joint provisional liquidators in Hong Kong. The company is actively considering to develop a viable restructuring proposal. As of writing, no restructuring proposal has been presented yet and we continue to monitor the situation. (Company, OCBC)

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Key Market Movements

	1-Sep	1W chg (bps)	1M chg (bps)		1-Sep	1W chg	1M chg
iTraxx Asiax IG	61	-2	-10	Brent Crude Spot (\$/bbl)	45.57	-0.63%	5.24%
iTraxx SovX APAC	33	-1	-7	Gold Spot (\$/oz)	1,969.15	2.12%	-0.40%
iTraxx Japan	60	0	0	CRB	153.21	0.37%	6.63%
iTraxx Australia	64	-1	-11	GSCI	358.21	0.57%	5.41%
CDX NA IG	65	-1	-3	VIX	26.41	18.06%	7.97%
CDX NA HY	106	0	3	CT10 (%)	0.711%	2.78	18.31
iTraxx Eur Main	55	0	-3				
iTraxx Eur XO	324	-5	-35	AUD/USD	0.739	2.67%	3.69%
iTraxx Eur Snr Fin	61	-2	-9	EUR/USD	1.194	0.92%	1.55%
iTraxx Eur Sub Fin	0	-3	-18	USD/SGD	1.360	0.58%	1.18%
iTraxx Sovx WE	14	-1	-3	AUD/SGD	1.005	-2.03%	-2.44%
USD Swap Spread 10Y	0	1	1	ASX 200	5,953	-3.38%	0.43%
USD Swap Spread 30Y	-38	-2	5	DJIA	28,430	0.43%	7.57%
US Libor-OIS Spread	17	-1	-2	SPX	3,500	2.01%	7.01%
Euro Libor-OIS Spread	-1	0	-1	MSCI Asiax	725	-0.95%	3.40%
				HSI	25,177	-1.47%	2.37%
China 5Y CDS	34	-2	-8	STI	2,533	-0.24%	0.11%
Malaysia 5Y CDS	46	-2	-11	KLCI	1,525	-3.29%	-4.90%
Indonesia 5Y CDS	94	-4	-20	JCI	5,238	-0.73%	1.73%
Thailand 5Y CDS	38	-1	-4	EU Stoxx 50	3,273	-1.78%	3.09%
Australia 5Y CDS	15	1	-1				

Source: Bloomberg

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New Issues

- Nan Fung Treasury (III) Ltd. (Guarantor: Nan Fung International Holding Ltd) priced a USD500mn PerpNC3 at 5%, tightening from IPT of 5.4% area.
- ZhongAn Online P&C Insurance Co Ltd priced a USD300mn 5.5-year bond at T+325bps, tightening from IPT of T+345bps area.
- Modern Land (China) Co., Ltd. priced a USD50mn re-tap of its MOLAND 11.5%'22s at 12.375% and another USD50mn re-tap of its MOLAND 11.95%'24s at 12.85%.
- Ahli Bank Q.P.S.C. has mandated banks for its proposed USD bond offering.

Date	Issuer	Size	Tenor	Pricing
31-Aug-20	Nan Fung Treasury (III) Ltd. (Guarantor: Nan Fung International Holding Ltd)	USD500mn	PerpNC3	5%
31-Aug-20	ZhongAn Online P&C Insurance Co Ltd	USD300mn	5.5-year	T+325bps
31-Aug-20	Modern Land (China) Co., Ltd.	USD50mn USD50mn	MOLAND 11.5%'22s MOLAND 11.95%'24s	12.375% 12.85%
28-Aug-20	Korea Development Bank	SGD20mn	1-year	0.43%
27-Aug-20	Emperor International Holdings Ltd.	USD250mn	3-year	4.5%
27-Aug-20	Inventive Global Investments Ltd (Guarantor: ABC International Holdings Ltd)	USD800mn	5-year	T+147.5bps
26-Aug-20	Tencent Music Entertainment Group	USD300mn USD500mn	5-year 10-year	T+110bps T+135bps
26-Aug-20	Elect Global Investments Ltd. (Guarantor: Hysan Development Co Ltd)	USD200mn	HYSAN 4.85%'PerpNC3	101.625%
26-Aug-20	Eureka Investment Company Limited	USD230mn	3-year	3m-US LIBOR+110bps
25-Aug-20	RKPF Overseas 2019 A Ltd (Guarantor: Road King Infrastructure Limited)	USD300mn	5NC3	6.0%
25-Aug-20	Fuyuan Worldwide Ltd (Guarantor: Shandong Commercial Group Co Ltd)	USD180mn	3-year	7%
25-Aug-20	Olam International Limited	SGD100mn	OLAMSP 4.0%'26s	4.0%
24-Aug-20	Boen Investment Limited (Guarantor: Jiangsu Kewei Holding Group Co., Ltd.)	USD100mn	3-year	3.2%

Source: OCBC, Bloomberg

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