

Market Commentary

- The SGD swap curve bull-flattened yesterday, with the shorter tenors trading 4-8bps lower, while the belly and the longer tenors traded 9-10bps lower.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 3bps to 123bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 18bps to 497bps. The HY-IG Index Spread widened 15bps to 374bps.
- Flows in SGD corporates were heavy, with flows in OHLSP 5.7%'22s, ESRCA 5.1%'25s, SOCGEN 6.125%-PERPs, CMZB 4.2%'28s, KITSP 4.75%-PERPs and UBS 4.85%-PERPs.
- Reflecting further risk-off sentiments, 10Y UST Yields fell 10bps to 1.37%, approaching record low in the past 5 years as COVID-19 continued spreading outside of China while the S&P Index fell 3.4% overnight. Reported cases of the COVID-19 in Europe, South Korea and Japan have increased while new cases have appeared across the Middle East.

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Credit Summary:

- [BreadTalk Group Ltd \(“BGL”\)](#) | **Issuer Profile: Neutral (5)**: While BGL is on trading halt, a voluntary conditional cash offer was announced with an intention to privatise the company by a consortium. We think there is a good chance that BGL will be eventually privatised as the consortium parties already hold a very sizeable stake and the offer price is 19.4% higher than the closing share price last Friday. In the event of a privatisation, this will trigger the delisting put at par plus accrued interest for holders of BREAD 4% '23s. Separately, BGL reported a technical breach of its financial covenant. BGL affirms that it is in a position to pay interest payments on BREAD 4% '23s and is evaluating options (e.g. waivers, amendments) with respect to the breach. In addition, following the [negative profit guidance](#), BGL reported loss of SGD9.1mn (from 4Q2018 profit of SGD7.8mn). With BGL's profitability in the doldrums amidst a weak outlook while the key management has resigned (CEO) or resigning (CFO), we will likely downgrade BGL's Issuer Profile while we continue to go through the results in further details.
- [Aspial Corp Ltd \(“Aspial”\)](#) | **Issuer Profile: Negative (6)**: Aspial reported 2019 results. Reported EBIT fell 22.7% y/y mainly due to decline in contributions from Real Estate while Financial and Jewellery performed better. Aside from lacklustre results, liquidity remains the primary concern. SGD867.0mn debt will be coming due in 2019, including SGD182.3mn ASPSP 5.3% '20s and SGD150mn ASPSP 5.25% '20s. Aspial (as a group) holds just SGD146.2mn of cash and will need to rely on the successful handover of Australia 108. While net gearing improved q/q to 2.36x (3Q2019: 2.51x), we remain cautious on Aspial's credit profile due to the very tight liquidity situation. The COVID-19 outbreak does not help the situation as Aspial's Jewellery business will be impacted and a risk-off environment may dampen the appetite in extending financing to Aspial.

Asian Credit Daily**Credit Headlines****BreadTalk Group Ltd (“BGL”) | Issuer Profile: Neutral (5)**

- While BGL is on trading halt, a voluntary conditional cash offer was announced with an intention to privatise the company by a consortium. This overshadows the impact from its negative results.
- The consortium parties looking to privatise BGL currently hold 70.53% of the stakes in BGL. Members include co-founders Dr George Quek Meng Tong (33.99%-stake) and Ms Katherine Lee Lih Leng (18.62%), as well as Primacy Investment Ltd (14.20%) and Square Investment Pte Ltd (3.73%).
- The offer price is S\$0.77 per share. We think there is a good chance that BGL will be eventually privatised as the consortium parties already hold a very sizeable stake and the offer price is 19.4% higher than the closing share price of S\$0.645 last Friday.
- In the event of a privatisation, this will trigger the delisting put at par plus accrued interest for holders of BREAD 4% '23s.
- Separately, BGL reported a technical breach of its financial covenant, with its consolidated tangible net worth falling to SGD53.3mn, which is below the threshold of SGD75mn. BGL affirms that it is in a position to pay interest payments on BREAD 4% '23s and is evaluating options (e.g. waivers, amendments) with respect to the breach.
- Unsurprisingly following the [negative profit guidance](#), BGL reported loss of SGD9.1mn (from 4Q2018 profit of SGD7.8mn). Part of this is due to net one-off impact of ~SGD3.1mn, including write-offs of SGD4.8mn of inventories and property, plant and equipment, net impairment loss on receivables of SGD0.8mn, impairment of goodwill of SGD3.9mn though mitigated by SSGD6.4mn fair value gain on investment securities.
- 4Q2019 results were mainly dragged down by Bakery with loss before tax of SGD10.1mn (from 4Q2018 profit of SGD0.4mn) while other segments also saw declines including Food Atrium (-61% y/y to SGD2.5mn) and Restaurant (-21.7% y/y to SGD3.9mn).
- While operating cashflow is positive at SGD72.2mn, this is insufficient to cover SGD85.6mn from acquisition of subsidiaries, SGD43.4mn repayment of lease obligations and SGD4.1mn in interest expense.
- The outlook of BGL looks challenging with COVID-19 adding pressure to the business while the uncertainty in Hong Kong may continue to impact the Food Atrium and Bakery business.
- Reported net gearing rose y/y to 1.28x (2018: 0.31x) though reported EBITDA/Interest expense for 2019 look healthy at 9.46x (2018: 8.71x).
- With BGL's profitability in the doldrums amidst a weak outlook while the key management has resigned (CEO) or resigning (CFO), we will likely downgrade BGL's Issuer Profile while we continue to go through the results in further details. (Company, OCBC)

Asian Credit Daily**Credit Headlines****Aspial Corp Ltd (“Aspial”) | Issuer Profile: Negative (6)**

- Aspial reported 2019 results. Reported EBIT fell 22.7% y/y to SGD60.9mn mainly due to decline in contributions from Real Estate (-59.4% y/y to SGD22.3mn) due to fewer development projects in 2019 while Financial Service (+41.2% y/y to SGD30.8mn) and Jewellery (SGD2.4mn profit in 2019, from 2018’s loss of SGD2.4mn) performed better.
- In particular, 4Q2019 recorded SGD9.3mn loss before tax, mainly due to SGD5.5mn impairment loss, SGD3.3mn fair value loss on investment properties though Aspial recorded net foreign exchange gain of SGD4.6mn in 4Q2019.
- Aside from lacklustre results, liquidity remains the primary concern. SGD867.0mn debt will be coming due in 2019, including SGD182.3mn ASPSP 5.3% ‘20s and SGD150mn ASPSP 5.25% ‘20s. Even after excluding Maxi-Cash’s SGD251.9mn short term debt which is consolidated on Aspial’s balance sheet, SGD615.1mn debt remains. Aspial (as a group) holds just SGD146.2mn of cash and will need to rely on the successful handover of Australia 108, which should realise AUD357m (~SGD330mn) in proceeds according to Aspial. The balance which is still short looks substantial at SGD139mn.
- As cashflow solely from non real-estate segment looks insufficient (e.g. Financial service reported 2019 EBIT: SGD30.8mn), other potential sources of liquidity include asset divestment. This includes SGD60.8mn of investment properties, SGD9.7mn of investment securities and 64.7%-stake in Maxi-Cash worth SGD93.8mn though it is unclear if these assets can be easily divested. Aspial may turn to external financing though we believe that it may be cost prohibitive to raise a bond.
- While net gearing improved q/q to 2.36x (3Q2019: 2.51x), we remain cautious on Aspial’s credit profile due to the very tight liquidity situation. The COVID-19 outbreak does not help the situation as Aspial’s Jewellery business will be impacted and a risk-off environment may dampen the appetite in extending financing to Aspial. (Company, OCBC)

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Key Market Movements

	25-Feb	1W chg (bps)	1M chg (bps)		25-Feb	1W chg	1M chg
iTraxx Asiax IG	55	6	-3	Brent Crude Spot (\$/bbl)	56.60	-1.99%	-6.74%
iTraxx SovX APAC	30	2	0	Gold Spot (\$/oz)	1,655.38	3.36%	4.63%
iTraxx Japan	43	0	-3	CRB	170.57	-1.38%	-2.95%
iTraxx Australia	54	6	4	GSCI	389.26	-1.76%	-4.18%
CDX NA IG	53	8	4	VIX	25.03	82.97%	71.91%
CDX NA HY	107	-2	-1	CT10 (%)	1.399%	-16.21	-28.50
iTraxx Eur Main	48	6	2				
iTraxx Eur XO	243	29	14	AUD/USD	0.661	-1.09%	-2.19%
iTraxx Eur Snr Fin	56	9	1	EUR/USD	1.086	0.63%	-1.44%
iTraxx Eur Sub Fin	115	17	0	USD/SGD	1.397	-0.31%	-2.81%
iTraxx Sovx WE	11	1	-1	AUD/SGD	0.924	0.79%	-0.63%
USD Swap Spread 10Y	-7	-1	-1	ASX 200	6,892	-3.11%	-2.79%
USD Swap Spread 30Y	-37	-3	-5	DJIA	27,961	-4.89%	-3.55%
US Libor-OIS Spread	14	1	-7	SPX	3,226	-4.56%	-2.11%
Euro Libor-OIS Spread	5	-1	-2	MSCI Asiax	659	-3.65%	-5.06%
				HSI	26,772	-2.75%	-4.21%
China 5Y CDS	40	5	-3	STI	3,166	-0.95%	-2.27%
Malaysia 5Y CDS	44	8	1	KLCI	1,497	-2.58%	-4.79%
Indonesia 5Y CDS	65	5	-3	JCI	5,792	-1.61%	-7.24%
Thailand 5Y CDS	29	3	7	EU Stoxx 50	3,648	-5.33%	-3.47%
Australia 5Y CDS	17	1	1				

Source: Bloomberg

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New Issues

- China Overseas Finance (Cayman) VIII Ltd. (Guarantor: China Overseas Land & Investment Ltd.) priced a USD300mn 5-year bond at T+123bps, a USD500mn 10-year bond at T+145bps and a USD200mn 15-year bond at T+175bps, tightening from IPT of T+150bps and T+172bps area for the 5-year bond and 10-year bond respectively.
- Hong Seng Limited (Parent Guarantor: Hong Yang Group Company Limited, Subsidiary Guarantor: Redsun Properties Group (Holdings) Limited) priced a USD275mn 2.5-year bond at 10.875%, tightening from IPT of 11.25% area.
- Bocom Leasing Management Hong Kong Co. (Keepwell and asset purchase deed provider: Bank of Communications Financial Leasing Co.) priced a USD300mn 3-year bond at T+83bps and a USD500mn 5-year bond at T+95bps, tightening from IPT of T+115bps and T+125bps area respectively.
- BPHL Capital Management Limited (Guarantor: Beijing Properties (Holdings) Limited) priced a USD600mn 3-year bond at 5.95%, tightening from IPT of 6.125% area.
- Greenland Global Investment Limited (Guarantor: Greenland Holding Group Co Ltd) priced a USD300mn 4-year bond at 6.75%.
- Oxley MTN Pte. Ltd. (Guarantor: Oxley Holdings Ltd) priced a SGD75mn 3-year bond at 6.5%, tightening from IPT of 6.75% area.
- Petroliam Nasional Bhd has mandated banks for its potential USD bond offering.
- Geely Finance (Hong Kong) Limited and its Guarantor Zhejiang Geely Holding Group Company Limited arranged investor calls commencing 24 Feb for their proposed USD bond offering.
- REC Ltd arranged investor meetings commencing 24 Feb for its proposed USD bond offering.
- Minmetals Bounteous Finance (BVI) Limited and its Guarantor China Minmetals Corporation arranged investor calls commencing 24 Feb for their proposed USD bond offering.
- Sinic Holdings (Group) Company Limited arranged investor calls commencing 24 Feb for its proposed USD bond offering.
- Shuifa International Holdings (BVI) Co., Ltd and its Guarantor Shuifa Group Co., Ltd. arranged investor calls commencing 24 Feb for their proposed USD bond offering.
- Hysan Development Company Ltd arranged investor calls commencing 24 Feb for its proposed USD bond offering.

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New Issues

Date	Issuer	Size	Tenor	Pricing
24-Feb-20	China Overseas Finance (Cayman) VIII Ltd. (Guarantor: China Overseas Land & Investment Ltd.)	USD300mn USD500mn USD200mn	5-year 10-year 15-year	T+123bps T+145bps T+175bps
24-Feb-20	Hong Seng Limited (Parent Guarantor: Hong Yang Group Company Limited)	USD275mn	2.5-year	10.875%
24-Feb-20	Bocom Leasing Management Hong Kong Co. (Keepwell and asset purchase deed provider: Bank of Communications Financial Leasing Co.)	USD300mn USD500mn	3-year 5-year	T+83bps T+95bps
24-Feb-20	BPHL Capital Management Limited (Guarantor: Beijing Properties (Holdings) Limited)	USD600mn	3-year	5.95%
24-Feb-20	Greenland Global Investment Limited (Guarantor: Greenland Holding Group Co Ltd)	USD300mn	4-year	6.75%
24-Feb-20	Oxley MTN Pte. Ltd. (Guarantor: Oxley Holdings Ltd)	SGD75mn	3-year	6.5%
21-Feb-20	Yango Cayman Investment Ltd (Guarantor: Fujian Yango Group Co Ltd)	USD88mn	YANGOG 12.5%'21s	12.5%
20-Feb-20	Shui On Development (Holding) Limited (Guarantor: Shui On Land Limited)	USD400mn	5NC3	5.5%
20-Feb-20	Semiconductor Manufacturing International Corp.	USD600mn	5-year	T+133bps
20-Feb-20	Kunming Municipal Urban Construction Investment & Development Co., Ltd.	USD200mn	KMCONS 5.8%'22s	5.95%
20-Feb-20	DBS Group Holdings Ltd.	USD1bn	PERPNC5	3.3%
20-Feb-20	UPL Corporation Limited	USD400mn	PERPNC5.25	5.25%
20-Feb-20	Muthoot Finance Ltd	USD550mn	3.5-year	4.4%

Source: OCBC, Bloomberg

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