

December 13, 2016

**Credit Headlines (Page 2 onwards):** Ezra Holdings Ltd., Soilbuild Business Space REIT, Sabana Shari'ah Compliant Industrial REIT, CITIC Envirotech Ltd.

**Market Commentary:** The SGD swap curve bear-steepened yesterday as swap rates traded 3-12bps higher across all tenors. Flows in the SGD corporates were light with better buying seen in HYFSP 5.75%'49s and TRAFIG 7.5%'49s. In the broader dollar space, the spread on JACI IG corporates remained relatively unchanged at 199bps while the yield on JACI HY corporates increased 3bps to 6.94%. 10y UST yields were steady at 2.47% but traded as high as 2.52% mid-day on the back of higher oil prices that triggered a global bond sell-off.

**New Issues:** BOCOM Financial Leasing priced a two-tranche deal yesterday with the USD150mn 5-year bond priced at 3.5% while the other tranche of USD150mn 7-year bonds were priced at 4.5%. The expected issue ratings are "A2/NR/NR".

**Rating Changes:** S&P downgraded Dalian Wanda Commercial Properties Co. Ltd.'s (Wanda) corporate credit rating to "BBB-" from "BBB" with a negative outlook. At the same time, the corporate credit rating on Wanda Commercial Properties (Hong Kong) Co. Ltd. was downgraded to "BB+" from "BBB-". The outlook is negative. The downgrades reflect the deterioration in Wanda's leverage and expectation that it will remain elevated over the next two years due to slow execution of its asset-light strategy and increased capital expenditure. Moody's affirmed the "Baa2" issue rating on Far East Hospitality Trust and revised its outlook to negative from stable. The revision reflects the weakening of the company's financial profile due to lower earnings.

**Table 1: Key Financial Indicators**

	13-Dec	1W chg (bps)	1M chg (bps)		13-Dec	1W chg	1M chg
iTraxx Asiax IG	120	-2	-15	Brent Crude Spot (\$/bbl)	55.87	3.60%	24.85%
iTraxx SovX APAC	36	-3	-10	Gold Spot (\$/oz)	1,162.06	-0.67%	-4.85%
iTraxx Japan	51	-4	-7	CRB	193.35	-0.07%	5.46%
iTraxx Australia	103	-2	-12	GSCI	396.40	1.59%	12.87%
CDX NA IG	68	-1	-9	VIX	12.64	4.12%	-14.25%
CDX NA HY	106	1	3	CT10 (bp)	2.468%	7.89	31.75
iTraxx Eur Main	72	-2	-7	USD Swap Spread 10Y (bp)	-13	2	0
iTraxx Eur XO	302	-13	-47	USD Swap Spread 30Y (bp)	-50	4	5
iTraxx Eur Snr Fin	94	-7	-9	TED Spread (bp)	42	-6	-3
iTraxx Sovx WE	23	-1	1	US Libor-OIS Spread (bp)	31	-1	-7
iTraxx Sovx CEEMEA	90	-5	-17	Euro Libor-OIS Spread (bp)	3	0	0
					13-Dec	1W chg	1M chg
				AUD/USD	0.749	0.44%	-0.79%
				USD/CHF	1.013	-0.32%	-1.51%
				EUR/USD	1.064	-0.77%	-0.95%
				USD/SGD	1.425	-0.27%	-0.68%
Korea 5Y CDS	41	-5	-14	DJIA	19,796	3.02%	5.03%
China 5Y CDS	114	0	-11	SPX	2,257	2.37%	4.27%
Malaysia 5Y CDS	140	-8	-28	MSCI Asiax	526	0.26%	0.80%
Philippines 5Y CDS	109	-4	-25	HSI	22,433	-1.07%	-0.44%
Indonesia 5Y CDS	159	-7	-38	STI	2,952	0.10%	4.88%
Thailand 5Y CDS	81	-7	-18	KLCI	1,649	1.47%	0.90%
				JCI	5,308	1.19%	1.46%

Source: OCBC, Bloomberg

**Table 2: Recent Asian New Issues**

Date	Issuer	Ratings	Size	Tenor	Pricing
12-Dec-16	BOCOM Financial Leasing	"A2/NR/NR"	USD150mn	5-year	3.5%
12-Dec-16	BOCOM Financial Leasing	"A2/NR/NR"	USD150mn	7-year	4.5%
9-Dec-16	Danyang Investment	"NR/NR/NR"	USD220mn	3-year	5.85%
9-Dec-16	Fujian Zhonglong Group Co. Ltd.	"NR/NR/BB+"	USD150mn	3-year	4.8%
8-Dec-16	Changde Urban Construction & Inv.	"NR/NR/BBB-"	USD250mn	3-year	CT3+280bps
8-Dec-16	China Grand Automotive Services	"NR/NR/B+"	USD300mn	Perp-NC3	9%
8-Dec-16	Tewoo Group Finance No. 2 Ltd.	"NR/NR/BBB-"	USD300mn	3-year	CT3+360bps
7-Dec-16	China Minsheng Banking Corp.	"NR/NR/NR"	USD1.439bn	Perp-NC5	4.95%
7-Dec-16	Country Garden	"NR/Ba1/BB+"	USD350mn	10Put5	5.625%

Source: OCBC, Bloomberg

## Credit Headlines:

**Ezra Holdings Ltd. (“EZRA”):** EZRA’s subsidiary EMAS Offshore (“EMAS”) announced that it has reached an agreement with all its financial lenders to refinance its financial obligations over a period of 5 years from 12/12/16 onwards. The agreement is subject to documentation and conditions that would be set out in definitive terms within 60 days from 12/12/16. As we mentioned in our previous credit update on EZRA (see *OCBC Asia Credit - Ezra Credit Update (25 Oct 2016)*), the most recent consent solicitation was conducted in order to get leeway to restructure EMAS’s loan obligations. We consider the refinancing of EMAS’s loan obligations to be a strong credit positive as 1) the bulk of EZRA’s secured debt (USD830.3mn) sits at the EMAS level (USD519.6mn) and 2) the refinancing highlights lender support for EZRA / EMAS. This, coupled with the resolution to the SJR Marine (L) Ltd put option last week, helps to provide some mitigation given the continued uncertainties generated by the Perisai Petroluem Teknologi (“PPT”) restructuring. We will however keep EZRA’s Issuer Profile at Negative given the high gearing that the company has after its huge asset impairments relating to PPT at end-FY2016. (Company, OCBC)

**Soilbuild Business Space REIT (“SBREIT”):** SBREIT announced that the lease agreement with Technics Offshore Engineering Pte Ltd (“Technics”) has been terminated with effect from 9 December 2016. In May 2016, SBREIT’s trustee had issued a Writ of Summons against Technics pursuant the lease agreement, which was backed by a security deposit of 18 months in the form of a bank guarantee. SBREIT had received in the claim on the bank guarantee amounting to SGD11.8mn and to date SGD3.9mn remains unutilized. The SGD3.9mn represents about 5 months in rent and property operating expenses. SBREIT is still searching for new tenants to lease the property. On a pro-forma basis, assuming the Technics space remains vacant, we estimate SBREIT’s EBITDA/Gross interest at ~4.0x, safely above its covenanted level of 1.5x. The Bukit Batok acquisition has started contributing to rents since 4Q2016. We see the Bukit Batok building as a “replacement asset” to Technics. (Company, OCBC)

**Sabana Shari’ah Compliant Industrial REIT (“SSREIT”):** SSREIT is proposing to acquire 72 Eunos Avenue 7 from Singapore Handicrafts Pte Ltd (“Vendor”) for a cash consideration of SGD20mn (SGD20.9mn inclusive of transaction cost). The property is a light industrial building with a remaining tenure of ~24 years. 71% of the Gross Floor Area (“GFA”) would be leased back to the Vendor while the remaining leases to other sub-tenants (occupying the remaining 29%) will be assigned to SSREIT. The acquisition of 72 Eunos Avenue 7 is subject to HDB approval and targeted to complete in 1H2017. Last week’s proposed divestment of 218 Pandan Loop is expected to release SGD14.8mn in cash and targeted to complete by 1Q2017. We think the proceeds from the divestment of 218 Pandan Loop can be used to fund the new proposed acquisition, with the remaining to be funded by internally generated funds. As at 30 September 2016, SSREIT has a cash balance of SGD8.8mn and generated about SGD5.5mn before taking into account additional borrowings and distributions to unitholders. SSREIT faces SGD128mn in short term borrowings, of which would need to be refinanced. We are maintaining SSREIT’s Negative issuer profile. (Company, OCBC)

**CITIC Envirotech Ltd. (“CEL”):** CEL has secured its first hazardous waste treatment project in Shandong Province. The project has a total investment value of RMB240mn (~SGD50mn). CEL will form a 70:30 joint venture company with Shandong Zhengtian Environmental Protection Technology to undertake the project and funding will come from CEL’s USD perpetuals and bank financing. To recap, CEL was awarded a significant RMB3.2bn project in the Guangdong Province last week. We estimate that phase 1 of the project (investment value of RMB2bn) will raise CEL’s headline gross debt-to-equity to at least 0.5x (30 September 2016: 0.4x). Adjusting for its perpetuals as 100% debt, we estimate net debt-to-equity will rise to 0.9x (30 September 2016: 0.7x). We expect gearing levels to stay unchanged from our 8/12/2016 estimation given the small scale of the most recent project win in Shandong Province. While Chinese state-owned CITIC continues to be the major shareholder with a ~55% stake, CEL’s second largest shareholder holding a ~24% stake is a fund that is backed by China Reform Fund, a state-owned private equity investment company under the direct supervision from the Central Government focused on investing in strategic sectors. We are updating our view that CEL’s financial flexibility have expanded (especially with regards to onshore financing) and see the stronger alignment of CEL with the state as allowing the company to deepen its operating presence in China. Net-net, we think CEL these factors allow CEL to withstand higher levels of gearing, as such keeping our Neutral issuer profile on CEL. (Company, OCBC)

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