

Jun 21, 2017

Credit Headlines (Page 2 onwards): Nam Cheong Ltd, BreadTalk Group Ltd, Wing Tai Holdings Ltd, UOL Group Ltd/ United Industrial Corp Ltd/ Haw Par Corp Ltd

Market Commentary: The SGD swap curve traded mixed yesterday, with the 1-year swap rate trading lower by 1bps while the 2 to 30-year tenors traded higher by 1-3bps. Flows in SGD corporates were heavy, with better buying seen in STHSP 3.95%-PERP, mixed interest seen in HSBC 4.7%-PERPs and GUOLSP 3.85%'23s. In the broader dollar space, the spread on JACI IG corporates fell 2bps to 195bps, while the yield on JACI HY corporates added 1bps to 6.76%. 10y UST yields fell 3bps to 2.16% yesterday, as oil prices continue to tumble, subduing inflation expectations.

New Issues: Wing Tai Holdings Ltd priced a SGD150mn Perp NC5 at 4.08%, tightening from initial guidance of 4.35%. The Export-Import Bank of Korea priced a USD400mn 5-year bond at 3mL+80bps. The expected issue ratings are 'AA/Aa2/NR'. Gome Electrical Appliances Holdings Ltd priced a USD100mn re-tap of its existing GOME 5%'20s bond at 100.625. Korea Hydro & Nuclear Power & Nuclear Power Co Ltd hired banks for potential USD bond issuance. Skyland Mining (BVI) Ltd. scheduled investor roadshows from 21 Jun for potential USD bond issuance (guaranteed by China Gold International Resources). The expected issue ratings are 'BBB-/NR/NR'.

Rating Changes: Moody's has upgraded ENN Energy Holdings Limited's (ENN) issuer rating and senior unsecured debt rating to 'Baa2' from 'Baa3'. The outlook has been revised to stable from positive. The rating action reflects the continued strengthening in ENN's credit profile, supported by ongoing stability in its business model and strong financial metrics that exceeds Moody's expectation for the previous rating. Fitch affirmed ENN's Issuer Default Rating (IDR) and its senior unsecured rating at 'BBB' with stable outlook.

Table 1: Key Financial Indicators

	21-Jun	1W chg (bps)	1M chg (bps)		21-Jun	1W chg	1M chg
iTraxx Asiax IG	85	3	-5	Brent Crude Spot (\$/bbl)	45.92	-2.30%	-14.34%
iTraxx Sovx APAC	18	1	-2	Gold Spot (\$/oz)	1,245.86	-1.19%	-1.17%
iTraxx Japan	40	0	-3	CRB	169.66	-3.51%	-8.33%
iTraxx Australia	84	2	1	GSCI	357.10	-1.37%	-8.68%
CDX NA IG	61	2	-1	VIX	10.86	4.22%	-9.80%
CDX NA HY	107	-1	0	CT10 (bp)	2.158%	3.26	-7.64
iTraxx Eur Main	56	-1	-7	USD Swap Spread 10Y (bp)	-2	0	4
iTraxx Eur XO	232	-3	-21	USD Swap Spread 30Y (bp)	-33	4	14
iTraxx Eur Snr Fin	61	0	-7	TED Spread (bp)	26	1	0
iTraxx Sovx WE	7	0	-3	US Libor-OIS Spread (bp)	12	3	-2
iTraxx Sovx CEEMEA	55	8	9	Euro Libor-OIS Spread (bp)	3	0	0
					21-Jun	1W chg	1M chg
				AUD/USD	0.757	-0.16%	1.28%
				USD/CHF	0.974	-0.34%	-0.10%
				EUR/USD	1.113	-0.75%	-0.92%
				USD/SGD	1.389	-0.94%	-0.22%
Korea 5Y CDS	51	2	-6	DJIA	21,467	0.65%	3.18%
China 5Y CDS	67	3	-12	SPX	2,437	-0.14%	2.32%
Malaysia 5Y CDS	84	4	-18	MSCI Asiax	627	0.24%	2.90%
Philippines 5Y CDS	76	5	-3	HSI	25,695	-0.70%	2.07%
Indonesia 5Y CDS	116	6	-9	STI	3,205	-1.50%	-0.38%
Thailand 5Y CDS	60	3	4	KLCI	1,777	-0.83%	0.52%
				JCI	5,789	-0.07%	-0.06%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
20-Jun-17	Wing Tai Holdings Ltd.	Not Rated	SGD150mn	Perp NC5	4.08%
20-Jun-17	Export-Import Bank of Korea	'AA/Aa2/NR'	USD400mn	5-year	3mL+80bps
20-Jun-17	Gome Electrical Appliances Holdings Ltd	'BB-/NR/NR'	USD100mn	GOME 5%'20	100.625
19-Jun-17	Industrial & Commercial Bank of China Ltd	"NR/A1/NR"	USD300mn	3-year	3mL+77bps
19-Jun-17	Industrial & Commercial Bank of China Ltd	"NR/A1/NR"	USD400mn	5-year	3mL+90bps
19-Jun-17	Road King Infrastructure	Not Rated	USD300mn	Perp NC5	7%
15-Jun-17	Greenland Global Investment Ltd	Not Rated	USD500mn	1-year	4.0%
15-Jun-17	Hainan Airlines (Hong Kong) Co., Ltd	Not Rated	USD300mn	1-year	5.5%
14-Jun-17	Sembcorp Industries Ltd	Not Rated	SGD200mn	Perp NC3	3.7%

Source: OCBC, Bloomberg

Rating Changes (cont'd): Moody's affirmed Reward Science and Technology Industry Group Co. Ltd.'s (Reward) 'B1' corporate family rating and assigned a definitive 'B1' rating to its senior unsecured notes. In addition, Moody's has revised Reward's rating outlook to negative from stable. The rating action reflects the higher-than-expected volatility in Reward's operating performance, which raises uncertainty over the company's ability to manage down its debt leverage to a level appropriate for its 'B1' corporate family rating. Fitch downgraded Reward's Foreign-Currency IDR to 'B' from 'B+', with stable outlook. Moody's withdrew Suncorp Insurance Funding 2007 Ltd.'s Long-Term Rating.

Credit Headlines:

Nam Cheong Ltd. ("NCL"): NCL reported that on 19/06/17, NCL had received a write of summons dated 02/06/17 and a statement of claim dated 26/05/17 by one of its principal lenders in the High Court of Labuan, Malaysia. The facility in question had a sum of USD10.0mn (as at end-April 2017). As mentioned previously (Refer to [OCBC Asia Credit – Nam Cheong Credit Update 9 May](#)), NCL is currently reviewing steps to consider its options to restructure its business, operations and balance sheet. Given weak 1Q2017 results reflecting NCL's continued operating cash burn as well as weak EBITDA generation, it is highly unlikely that NCL would be able to persist without some form of debt restructuring. As a reference, NCL reported ~MYR260mn in cash balance as of the end of 1Q2017. NCL's board is of the view that NCL would be able to operate as a going concern (as of the date of this announcement). We currently rate NCL with a Negative Issuer Profile. (Company, OCBC)

BreadTalk Group Ltd ("BGL"): BGL has appointed Mr Chu Heng Hwee ("Mr Chu") as its Group CEO, who will take over from Mr Oh Eng Lock. Mr Chu is not new to BGL as he was the CEO of the bakery division between May 2010 and Apr 2012. Between May 2012 to Sep 2016, Mr Chu was the General Manager of Maxim's Caterers Ltd before rejoining BGL in Oct 2016 as its managing director. We note that Mr Chu has led all of BGL's F&B-related investments as its managing director. (Company, Business Times, Straits Times, OCBC)

Wing Tai Holdings Ltd ("WINGTA"): WINGTA priced a SGD150mn Perp NC5 at 4.08%. The pricing of the perp appears fair, given that the WINGTA curve is about 10bps inside the HPL curve while the HPL perp is trading around 4.2%. We had preferred the WINGTA curve (WINGTA '22s, '23s and '24s are Overweight while WINGTA '21s is Neutral) over the HPL curve (HPLSP '18s and '19s rated Underweight while HPLSP '20s and '21s are Neutral) because of the large difference in net gearing (WINGTA: 6.3%, HPL: 51%). However, we are surprised that WINGTA has issued this perp because WINGTA 1) already holds ample cash, which should grow from SGD748mn as of 3QFY17 to SGD924mn after paying SGD94mn to privatise Wing Tai Malaysia and selling a plot at Shanghai for SGD270mn and 2) recently offered to repurchase SGD84mn of its existing bonds (though only SGD47.5mn was redeemed). The use of proceeds is not specific, as it can be used for the furtherance of WINGTA's business activities, including the financing of the business expansion and general working capital. As such, we think there is potential for event risks, including 1) replenishment of landbank though we note that WINGTA had been more quiet on this front, 2) significant acquisitions (e.g. companies) to further WINGTA's business, 3) potential for privatisation, which remains a possibility as i) a partial offer was made in 2012 which boosted the Cheung family stake over 50% and WINGTA had undertaken share buybacks in the recent years, ii) the equity trades below book at 0.5x, iii) there is no delisting put. Although we like WINGTA's healthy balance sheet and the rebounding property market should help WINGTA move more units, we cannot exclude the potential for event risks, which are credit negative in our view. As such, we downgrade WINGTA '22s, '23s and '24s from Overweight to Neutral and rate the new perpetual at Neutral. We continue to hold WINGTA at a Neutral Issuer Profile. (Company, OCBC)

UOL Group Ltd ("UOL") / United Industrial Corp Ltd ("UIC") / Haw Par Corp Ltd ("HPC"): UOL, UIC and HPC requested for trading halt. We note that UOL had been increasing its stake in UIC, with Wee Cho Yaw's ("Mr Wee") deemed stake increasing to 49.76%. We will not rule out the potential for general offer/privatisation if Mr Wee's stake crosses 50%. We do not currently cover UOL, UIC and HPC. (Company, OCBC)

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