

April 24, 2017

**Credit Headlines (Page 2 onwards):** Swissco Holdings Ltd, Nam Cheong Ltd., Rickmers Maritime Trust, CK Hutchison Holdings Ltd, VIVA Industrial Trust

**Market Commentary:** The SGD swap curve traded downwards last Friday, with swap rates trading 1-2bps lower across all tenors. Flows in SGD corporates were heavy, with better buying seen in BAERVX 5.9%'49s, SOCGEN 4.3%'26s, and mixed interest in HRAM 3.2%'21s, NAB 4.15%'28s, FNNSP 3.8%'27s, UOBSP 3.5%'29s. In the broader dollar space, the spread on JACI IG corporates fell 1bps to 204bps, while the yield on JACI HY remained flattish at 6.55%. 10y UST yields inched upwards by 2bps last Friday to 2.25%, as markets worldwide stayed cautious ahead of the French vote.

**New Issues:** Fortune Star (BVI) Ltd. set initial guidance for its USD re-tap of bonds (guaranteed by Fosun International Ltd.) due 2022 at 5.125% area. The expected issue ratings are 'NR/BB/NR'. Korea Water Resources Corp scheduled investor roadshows for potential USD bond issuance from 26 April. The National Highways Authority of India scheduled investor meetings and calls for potential USD bond issuance from 24 April.

**Rating Changes:** S&P upgraded Japan-based regulated electric utility company Shikoku Electric Power Co. Inc.'s (Shikoku Electric) corporate credit and senior secured debt ratings by one notch to 'A-'. The outlook on the corporate credit rating is stable. The rating action reflects Shikoku Electric's progress in the restoration of its provision of a stable electricity supply and stabilization of its profits. Moody's assigned Industrial Bank of Korea's (IBK) USD4bn Certificate of Deposit (CD) Programme a '(P)Aa2' foreign currency long-term rating. The rating action reflects that (1) the instruments issued under the programme will be direct, unconditional, unsecured, and unsubordinated obligations of IBK; and (2) the instruments will rank pari passu with all other direct, unconditional, unsecured and unsubordinated present and future obligations of IBK. Moody's withdrew the long-term rating on DEXUS Finance Pty Ltd.

**Table 1: Key Financial Indicators**

	24-Apr	1W chg (bps)	1M chg (bps)		24-Apr	1W chg	1M chg
iTraxx Asiax IG	99	-1	5	Brent Crude Spot (\$/bbl)	52.24	-5.64%	2.83%
iTraxx SovX APAC	24	0	3	Gold Spot (\$/oz)	1,274.57	-0.79%	2.49%
iTraxx Japan	47	0	2	CRB	181.87	-3.14%	-0.87%
iTraxx Australia	87	-2	-1	GSCI	383.03	-4.08%	1.30%
CDX NA IG	67	-1	0	VIX	14.63	-8.33%	12.89%
CDX NA HY	107	0	0	CT10 (bp)	2.309%	5.91	-10.34
iTraxx Eur Main	74	-2	-1	USD Swap Spread 10Y (bp)	-3	1	-1
iTraxx Eur XO	291	-4	0	USD Swap Spread 30Y (bp)	-44	-2	-6
iTraxx Eur Snr Fin	90	-4	1	TED Spread (bp)	38	3	-3
iTraxx Sovx WE	12	-2	-1	US Libor-OIS Spread (bp)	18	-3	-5
iTraxx Sovx CEEMEA	49	-2	1	Euro Libor-OIS Spread (bp)	3	0	1
					24-Apr	1W chg	1M chg
				AUD/USD	0.755	-0.46%	-0.91%
				USD/CHF	0.997	0.75%	-0.56%
				EUR/USD	1.083	1.77%	0.31%
				USD/SGD	1.394	0.28%	0.35%
Korea 5Y CDS	56	-4	6	DJIA	20,548	0.46%	-0.24%
China 5Y CDS	85	-2	2	SPX	2,349	0.85%	0.20%
Malaysia 5Y CDS	113	-2	8	MSCI Asiax	583	0.07%	-0.24%
Philippines 5Y CDS	84	-2	2	HSI	24,107	-0.64%	-1.03%
Indonesia 5Y CDS	133	-5	3	STI	3,140	0.06%	-0.09%
Thailand 5Y CDS	55	-3	0	KLCI	1,756	1.28%	0.59%
				JCI	5,664	0.36%	1.75%

Source: OCBC, Bloomberg

**Table 2: Recent Asian New Issues**

Date	Issuer	Ratings	Size	Tenor	Pricing
20-Apr-17	Huarong Finance 2017 Co. Ltd.	"NR/Baa1/A"	USD500mn	3-year	3mL+77bps
20-Apr-17	Huarong Finance 2017 Co. Ltd.	"NR/Baa1/A"	USD570mn	5-year	3mL+95bps
20-Apr-17	Huarong Finance 2017 Co. Ltd.	"NR/Baa1/A"	USD1bn	Perp NC2	4.5%
20-Apr-17	Huarong Finance 2017 Co. Ltd.	"NR/Baa1/A"	USD700mn	5NC3	5.75%
20-Apr-17	Huarong Finance 2017 Co. Ltd.	"NR/Baa1/A"	USD200mn	5-year	CT5+130bps
20-Apr-17	Huarong Finance 2017 Co. Ltd.	"NR/Baa1/A"	USD600mn	3-year	CT3+115bps
20-Apr-17	Want Want China Finance Ltd.	"NR/A3/NR"	USD500mn	5-year	CT5+135bps
20-Apr-17	QBE Insurance Group Ltd	"A-/NR/NR"	USD300mn	5.5-year	CT5+125bps
20-Apr-17	China SCE Property Holdings Ltd	"A-/Baa1/NR"	USD300mn	5-year	99.471 (re-tap)

Source: OCBC, Bloomberg

**Rating Changes (Cont'd):** Fitch affirmed Australia-based Woodside Petroleum Ltd's (Woodside) Foreign-Currency Issuer Default Rating and the foreign-currency senior unsecured rating of Woodside Finance Ltd at 'BBB+'. In addition, Fitch revised the outlook on Woodside to stable from negative. The rating action reflects improvements to Woodside's financial risk profile following initiatives undertaken in response to lower oil and gas prices.

## Credit Headlines:

**Swissco Holdings Ltd ("SWCH"):** The Singapore High Court on 21/04/17 granted orders putting SWCH under judicial management. Prior to this, SWCH had been under interim judicial management since 21/11/16. Messrs Ee Meng Yen Angela and Purandar Janampalli Rao, care of Ernst & Young LLP, who had been the interim judicial managers, were appointed as the joint and several judicial managers of SWCH. (Company)

**Nam Cheong Ltd. ("NCL"):** On 23/04/17, NCL has made an announcement regarding group restructuring. As per the filing, NCL disclosed some on-going measures that are currently being taken: A) discussions with principal lenders to address significant debt maturities, which may include refinancing / restructuring of existing loans; B) review of operations as well as discussions on possible transactions with the aim of containing operating costs; and C) stepping up efforts to improve its financial position whilst continuing its cost rationalization measures. It should be noted that subsequent to NCL's earlier announcement on 17/03/17 (refer [OCBC Asian Credit Daily - 20 Mar 2017](#)) pertaining to BDO LLP's emphasis of matter with regards to the material uncertainty relating to NCL as a going concern, as well as due to NCL's on-going restructuring efforts, NCL has received letters of demand as well as reservation of rights letters from its counterparties, including its financial lenders. NCL had also reiterated MYR948,720,000 in current loans and borrowings (which includes MYR278,566,000 in SGD-denominated bonds). NCL had highlighted that no definite agreements with regards to the restructuring has been entered into. NCL had also indicated that in the event the restructuring is not favourably completed in a timely manner, NCL will be faced with a going concern issue. We are reviewing the situation, and currently rate NCL with a Negative Issuer Profile. (Company, OCBC)

**Rickmers Maritime Trust ("RMT"):** As mentioned previously (refer [OCBC Asian Credit Daily - 13 Apr 2017](#)), the Trustee-Manager for RMT had filed for a winding-up petition, and had a potential buyer for RMT's assets. It was subsequently announced on 21/04/17 that the Trustee-Manager had entered into a Master Agreement with Navios Partners Containers Inc, and Navios Partners Containers Finance Inc, for the conditional sale of RMT's entire fleet of 14 vessels, for a consideration of USD113mn. These vessels are currently secured under certain senior secured loan facilities. Subject to certain conditions, the transaction is expected to be completed on and from 15/05/17. The announcement also stated that the sale proceeds will be applied towards the full repayment of the abovementioned senior secured loan facilities, and the remainder will be distributed to RMT's unsecured creditors and used for permitted expenses. Based on RMT's 4Q2016 results, RMT had reported USD270.8mn in bank loans, and USD72.4mn in bonds outstanding. OCBC Credit Research does not currently cover RMT. (Company)

**CK Hutchison Holdings Ltd ("CKHH"):** The Australian Federal Treasurer has approved CKHH's takeover of the DUET Group and that DUET Group's stapled security holders have approved the proposed schemes of arrangement. As a next step, a second court date has been set for 28 April 2017 as part of the scheme's implementation. CKHH will be acquiring DUET Group via a consortium made up of Cheung Kong Infrastructure ("CKI", 76%-owned listed subsidiary of CKHH), Power Assets Holdings Limited ("PAH", 29%-owned listed associate of CKHH via CKI) and Cheung Kong Property (a listed company that is outside the CKHH structure, but controlled by common major shareholders of CKHH). We expect CKHH's net gearing to stay around 0.3x with no change to its credit rating level. We maintain CKHH's issuer rating at Neutral. (Company, OCBC)

## Credit Headlines (cont'd):

**VIVA Industrial Trust ("VIT"):** VIT has announced that it has received a liquidation notice from Jackson International Private Limited ("JIPL"). JIPL was the vendor of Jackson Square building (11 Lorong 3 Toa Payoh) which was sold to VIT in November 2014. As part of the transaction, JIPL had agreed to provide rental income support to VIT in respect of Jackson Square based on an aggregate guaranteed gross rental collection of SGD58mn over a period of 5 years commencing from date of acquisition of Jackson Square (about SGD11.6mn per annum). Under the rental support arrangement, JIPL shall pay VIT a sum equivalent to the shortfall, if the actual gross rental collection falls below the guaranteed gross rental collection. If however, the actual aggregate gross rental income derived from Jackson Square is more than SGD58mn over the rental support period, VIT shall be entitled to the excess amount. In FY2016, rental support paid by JIPL was SGD1.6mn (FY2015: SGD2.6mn). JIPL is currently the integrated facilities manager of Jackson Square where it is responsible for operating, maintaining, managing and marketing the building. Subsidiaries of JIPL contributed monthly gross rental income of SGD161.7k for March 2017. This represents 19% of gross rental collection and 24% of the net lettable area at Jackson Square. As of the date of the announcement, these subsidiaries have not filed for liquidation nor have defaulted on their rental payments. In FY2016, EBITDA/Interest was 2.9x, in line with FY2015 while EBITDA plus rental support over interest was 3.5x (FY2015: 3.8x). On a proforma basis, assuming that rental from Jackson Square decreases by SGD161.7k per month (or SGD1.94mn p.a), EBITDA/Interest will fall to 2.8x. Assuming the lower EBITDA generation and no rental support from Jackson Square, we find EBITDA plus rental support over interest at 3.3x. As at 31 December 2016, Jackson Square in its entirety was valued at SGD80mn (representing 6.6% of VIT's total portfolio as at 31 December 2016 and 6.2% if we include the contribution of 6 Chin Bee Avenue acquired in January 2017). While this is a credit negative event for VIT, we are maintaining VIT at credit neutral for now given the manageable credit impact. (Company, OCBC)

**Andrew Wong**

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

**Nick Wong Liang Mian, CFA**

Treasury Research & Strategy  
Global Treasury, OCBC Bank  
(65) 6530 7348  
[NickWong@ocbc.com](mailto:NickWong@ocbc.com)

**Ezien Hoo, CFA**

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

**Wong Hong Wei**

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

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