

May 9, 2017

Credit Headlines (Page 2 onwards): ASL Marine Holdings Ltd, Ezion Holdings Ltd., Perennial Real Estate Holdings Ltd, Oxley Holdings Ltd., Fraser and Neave Ltd

Market Commentary: The SGD swap curve bull-flattened yesterday, with swap rates trading 1-3bps lower across all tenors. Flows in SGD corporates were heavy, with better buying seen in OUESP 3.75%'22s, ABNANV 4.75%'26s, FCLSP 4.15%'27s, SOCGEN 4.3%'26s, better selling seen in BAERVX 5.9%'49s, and mixed interest in UOBSP 3.5%'29s, SIASP 3.035%'25s, BNP 3.65%'24s. In the broader dollar space, the spread on JACI IG corporates held steady at 195bps, while the yield on JACI HY corporates fell 2bps to 6.61%. 10y UST yield rose 4bps to 2.39% yesterday, as markets lacked a distinct driver, although expectations of higher Investment Grade (IG) corporate bond issuance in coming weeks appeared to weigh on sentiments.

New Issues: Bank of Communications Co. Ltd. (Hong Kong) priced a USD1bn two-tranche deal; with the USD700mn 3-year piece at 3mL+78bps (tightening from initial guidance of 3mL+100bps) and the USD300mn 5-year piece at 3mL+88bps (tightening from initial guidance of 3mL+110bps). The expected issue ratings are 'A/A2/NR'. Woori Bank priced a USD500mn Perp NC5 at 5.25%, tightening from initial guidance of 5.5%. Oxley MTN Pte. Ltd. priced a tap of its existing 6.375% notes due 2021 raising USD100mn at par. The expected issue ratings are 'BB+/Ba3/NR'. Perusahaan Listrik Negara PT may price a new 10 or 30-year USD bond today. The initial price guidance is set at 4.625% and 5.625%, respectively. The expected issue ratings are 'NR/Baa3/BBB-'. The Bank of East Asia Ltd. scheduled investor meetings from 9 May for potential USD AT1 bond issuance. The expected issue ratings are 'BB/Ba2/NR'. Hyundai Capital Services Inc. scheduled investor meetings over the next two weeks for potential USD bond issuance.

Table 1: Key Financial Indicators

	9-May	1W chg (bps)	1M chg (bps)		9-May	1W chg	1M chg
iTraxx Asiax IG	91	-1	-5	Brent Crude Spot (\$/bbl)	49.33	-2.24%	-10.70%
iTraxx SovX APAC	21	-1	-1	Gold Spot (\$/oz)	1,228.02	-2.29%	-2.12%
iTraxx Japan	42	-1	-2	CRB	178.13	-1.90%	-4.80%
iTraxx Australia	81	0	-3	GSCI	371.10	-1.86%	-6.10%
CDX NA IG	62	-1	-3	VIX	9.77	-3.36%	-24.09%
CDX NA HY	108	0	0	CT10 (bp)	2.380%	9.92	-0.27
iTraxx Eur Main	63	-3	-13	USD Swap Spread 10Y (bp)	-6	-2	-2
iTraxx Eur XO	255	-5	-35	USD Swap Spread 30Y (bp)	-45	1	-5
iTraxx Eur Snr Fin	67	-5	-25	TED Spread (bp)	28	-6	-6
iTraxx Sovx WE	8	-2	-5	US Libor-OIS Spread (bp)	14	-4	-7
iTraxx Sovx CEEMEA	48	4	-5	Euro Libor-OIS Spread (bp)	1	-2	-1
					9-May	1W chg	1M chg
				AUD/USD	0.736	-2.36%	-1.91%
				USD/CHF	0.998	-0.67%	1.04%
				EUR/USD	1.093	-0.02%	3.13%
				USD/SGD	1.407	-0.91%	-0.12%
Korea 5Y CDS	57	0	4	DJIA	21,012	0.47%	1.72%
China 5Y CDS	80	0	-3	SPX	2,399	0.46%	1.86%
Malaysia 5Y CDS	108	2	-2	MSCI Asiax	601	0.28%	2.82%
Philippines 5Y CDS	78	0	-4	HSI	24,565	-0.20%	1.23%
Indonesia 5Y CDS	124	0	-7	STI	3,239	0.88%	1.95%
Thailand 5Y CDS	56	-1	2	KLCI	1,769	-0.51%	1.59%
				JCI	5,730	0.96%	1.36%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
8-May-17	Oxley MTN Pte. Ltd. (re-tap)	Not Rated	USD100mn	4-year	6.375%
8-May-17	Bank of Communications Co. Ltd. (Hong Kong)	"A/A2/NR"	USD700mn	3-year	3mL+78bps
8-May-17	Bank of Communications Co. Ltd. (Hong Kong)	"A/A2/NR"	USD300mn	5-year	3mL+88bps
8-May-17	Woori Bank	"BB+/Ba3/NR"	USD500mn	Perp NC5	5.25%
5-May-17	Bank of China Ltd. (Singapore Branch)	"A/A1/A"	USD600mn	3-year	3mL+77bps
4-May-17	Democratic Socialist Republic of Sri Lanka	"B+/B1/B+"	USD1.5bn	10-year	6.20%
27-Apr-17	China Southern Power Grid International Finance (BVI) Co. Ltd.	Not Rated	USD900mn	10-year	CT10+130bps
27-Apr-17	China Minsheng Banking Corp. Ltd. (Hong Kong Branch)	"BBB/NR/NR"	USD500mn	3-year	CT3+115bps

Source: OCBC, Bloomberg

Rating Changes: Fitch assigned State Development & Investment Corporation's (SDIC) two USD500mn bonds (due 2022 and 2027) final ratings of 'A+'. According to Fitch, SDIC is credit-linked to the Chinese sovereign and the ratings are equalised with the sovereign rating. The rating action reflects the company's state ownership, strong state oversight of SDIC's financials and strategic importance of the entity's operation to the state.

Credit Headlines:

ASL Marine Holdings Ltd ("ASL"): ASL has provided a profit guidance for 3QFY2017 (ending March 2017), indicating that the company expects to report a net loss for the quarter. ASL has attributed the loss to lower operational profit due to the weak environment, increased administrative expenses due to the recent consent solicitation exercise in January 2017, unrealized FX losses as well as higher share of losses from JV/Associates. Results will be released on 15/05/17. We will monitor its performance closely, particularly its EBITDA-to-Interest covenant (required to be at least 2.0x on a trailing 12 month basis). We currently rate ASL with a Negative Issuer Profile. (Company, OCBC)

Ezion Holdings Ltd. ("EZI"): EZI provided a profit guidance for 1Q2017, indicating that the company expects to report a net loss for the quarter. EZI has attributed the loss to the depreciation of USD (against SGD) during 1Q2017, which resulted in material FX losses on EZI's unsecured financial liabilities denominated in SGD (such as EZI's various SGD denominated bonds totalling SGD695mn). Results will be released on 12/05/17. As a reminder, EZI does have a minimum EBITDA-to-Interest covenant of 3.5x, but it is tested only during each financial half and full year. We currently rate EZI with a Negative Issuer Profile. (Company, OCBC)

Perennial Real Estate Holdings Ltd ("PREH"): PREH reported 1Q2017 results for the quarter ending 31 Mar. Revenue fell 31.4% y/y to SGD20.2mn due to lower project management fees and lower rental revenue from TripleOne Somerset. On the other hand, PATMI rose 356.4% y/y to SGD38.7mn due mainly to SGD55.7mn divestment gain from sale of a 20.2% stake and remeasurement gain of the 30% retained stake from TripleOne Somerset. Reported EBIT rose 138.4% y/y to SGD61.4mn, though EBIT (excl TripleOne Somerset) failed to cover the interest expense of SGD19.8mn in 1Q2017. However, we think overall credit metrics has improved slightly with net gearing ratio falling to 0.51x (4Q16: 0.66x) due to deconsolidation of TripleOne Somerset (debt deconsolidated was SGD680mn). We expect net gearing ratio to improve further as we believe PREH has yet to receive the bulk of the proceeds from the SGD101mn divestment in TripleOne Somerset, which resulted in trade and other receivables increasing to SGD590.6mn (4Q16: SGD528mn). While Perennial is appealing against the High Court's decision on Capitol Singapore, as mentioned in our [OCBC Asian Credit Daily on 21 Mar 2017](#), the shareholder's loan to the Capitol Entities (4Q16: SGD368mn), which matured on 31 Mar 17 but forms part of the receivables, may potentially be extended for longer. Meanwhile, PREH is progressing on other fronts, with the completion of the acquisition of 49.9% equity stake in Renshoutang (the largest private eldercare services operator in Shanghai) while AND Maternal and Child Health Centre soft opened in late Mar 2017. Perennial International Health and Medical Hub, Chengdu, is also expected to commence operations while several medical tenants have already begun fitting out. Phase 1 of Chengdu East HSR Integrated Development is also slated for opening in 3Q2017. While SGD666mn in loans are due in 2H17, we expect PREH to manage the refinancing given the improved credit profile. As such, we continue to hold PREH at a Neutral Issuer Profile. (Company, OCBC)

Oxley Holdings Ltd ("OHL"): OHL priced a USD100mn tap of its existing 6.375 '21s at par on the back of a >USD260mn orderbook. The use of proceeds is likely for the refinancing of existing debt and general corporate purposes. As mentioned in our [OCBC Asian Credit Daily – 07 Apr 2017](#), our Neutral Issuer Profile is premised on OHL's commitment to deleverage. With the tap and the previously raised USD200mn, OHL has raised an amount significantly larger than needed to refinance its existing SGD150mn OHLSP '17s. As such, we are currently reviewing OHL's Issuer Profile. (Company, OCBC)

Credit Headlines (cont'd):

Fraser and Neave Ltd (“FNN”): FNN reported 2QFY17 results for the quarter ending 31 Mar. Results appear to be soft, with revenue declining by 5.8% y/y to SGD451.mn. This is due to Beverage revenue declining by 21.5% y/y, mainly due to weaker sales in Singapore and Malaysia. Meanwhile, the Dairies segment continued to perform well with a 2.4% y/y higher revenue at SGD271.6mn. Net profit fell more than revenue at 9.8% y/y to SGD23.4mn, as finance cost increased (mainly due to increased borrowings used to finance the acquisition of Vinamilk, while Vinamilk will only contribute to earnings in 2HFY17). This is because FNN will be equity accounting its investment in Vinamilk by deeming it as an “Investment in Associated Company” going forward, instead of recording the dividend income as profits. Due to the continued acquisition of stakes in Vinamilk (FNN owns 18.74% of Vinamilk @ 8 May 17), FNN has turned from net cash to net debt with a net gearing of 3%. We understand that FNN’s gearing policy is up to 80%. We do not currently cover FNN. (Company, OCBC)

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