Asian Credit Daily

January 24, 2018

Credit Headlines (Page 2 onwards): Mapletree Industrial Trust, Wharf Holdings Ltd, Frasers Centrepoint Trust, Suntec Real Estate Investment Trust, Keppel REIT, City Developments Ltd, Frasers Commercial Trust, Capitaland Mall Trust

Market Commentary: The SGD swap curve bull-steepened yesterday, with swap rates trading 2-4bps lower across most tenors. Flows in SGD corporates were heavy yesterday, with better buying in OLAMSP 5.5%-PERPs and better selling in GEMAU 5.5%'19s. In the broader dollar space, the Bloomberg Barclays Asia USD IG Bond Index average OAS traded little changed at 107bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 4bps to 330bps. 10Y UST yields fell 4bps to 2.60% yesterday, in line with declines in Japanese government bond yields following the BOJ's decision to keep interest rates unchanged.

New Issues: Hongkong Xiangyu Investment Co Ltd has priced a USD500mn 5-year bond (guaranteed by Xiamen Xiangyu Group Corporation) at CT5+225bps, tightening from its initial guidance of CT5+250bps area. The expected issue ratings are 'NR/NR/BBB'. GCL New Energy Holdings Ltd has priced a USD500mn 3-year bond (guaranteed by certain of the issuer's restricted subsidiaries outside the PRC) at 7.1%, tightening from its initial guidance of 7.5%. The expected issue ratings are 'B+/Ba3/NR'. Shimao Property Holdings Ltd has priced a USD500mn 7NC4 bond (guaranteed by certain of the company's restricted subsidiaries outside the PRC) at 5.25%, tightening from its initial guidance of 5.375%. The expected issue ratings are 'NR/NR/BBB-'. Medco Platinum Road Pte Ltd has priced a USD500mn 7NC4 bond (guaranteed by PT Medco Energi Internasional Tbk) at 6.95%, tightening from its initial guidance of 7.375%. The expected issue ratings are 'B/B2/B'. Indonesia has scheduled for investor meetings for its potential USD sukuk bond issuance and USD green sukuk bond issuance.

Rating Changes: Fitch has downgraded Wharf Holdings Ltd's issuer default rating and senior unsecured rating to 'BBB' from 'A-', removing it from Rating Watch Negative. The outlook is stable. The rating action reflects its weaker business profile following the spinoff of the majority of its Hong Kong properties into a separately

Table 1: Key Financial Indicators

	24-Jan	1W chg (bps)	1M chg (bps)		24-Jan	1W chg	1M chg
iTraxx Asiax IG	63	3	-4	Brent Crude Spot ($/bbl)	69.74	0.52%	6.88%
iTraxx SovX APAC	11	0	-3	Gold Spot ($/oz)	1,341.72	1.12%	5.30%
iTraxx Japan	42	-1	-3	CRB	196.94	0.94%	4.82%
iTraxx Australia	55	1	-5	GSCI	455.67	1.06%	6.13%
CDX NA IG	46	-2	-3	VIX	11.1	-4.80%	12.12%
CDX NA HY	109	0	1	CT10 (bp)	2.615%	2.45	13.39
iTraxx Eur Main	44	-1	-1	USD Swap Spread 10Y (bp)	3	2	5
iTraxx Eur XO	229	-4	0	USD Swap Spread 30Y (bp)	-13	3	9
iTraxx Eur Snr Fin				TED Spread (bp)	32	1	-4
iTraxx Sovx WE	42	-1	-2	US Libor-OIS Spread (bp)	24	-2	-3
iTraxx Sovx CEEMEA	0			Euro Libor-OIS Spread (bp)	2	0	1
					24-Jan	1W chg	1M chg
				AUD/USD	0.801	0.50%	3.80%
				USD/CHF	0.956	1.07%	3.59%
				EUR/USD	1.231	1.03%	3.72%
				USD/SGD	1.316	0.68%	2.15%
Korea 5Y CDS	31	-1	-3	DJIA	26,211	1.62%	5.88%
China 5Y CDS	45	2	-8	SPX	2,839	2.26%	5.81%
Malaysia 5Y CDS	50	2	-1	MSCI Asiax	769	2.58%	9.21%
Philippines 5Y CDS	55	2	-4	HSI	32,806	2.57%	10.91%
Indonesia 5Y CDS	56	1	-3	STI	3,587	1.27%	5.94%
Thailand 5Y CDS	80	0	-6	KLCI	1,836	0.41%	4.31%
				JCI	6,621	2.75%	6.44%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
23-Jan-18	Medco Platinum Road Pte Ltd	'B/B2/B'	USD500mn	7NC4	6.95%
23-Jan-18	Shimao Property Holdings Ltd	'NR/NR/BBB-'	USD500mn	7NC4	5.25%
23-Jan-18	GCL New Energy Holdings Ltd	'B+/Ba3/NR'	USD500mn	3-year	7.1%
23-Jan-18	Hongkong Xiangyu Investment Co Ltd	'NR/NR/BBB'	USD500mn	5-year	CT5+225bps
22-Jan-18	Korea Southern Power Co Ltd	'NR/Aa2/AA-'	USD400mn	3-year	CT3+90-95bps
22-Jan-18	Fortune Star (BVI) Ltd	'BB/Ba2/NR'	USD250mn	FOSUNI 5.375%'20	101
22-Jan-18	Fortune Star (BVI) Ltd	'BB/Ba2/NR'	USD450mn	5NC3	5.95%
22-Jan-18	Housing & Development Board	Not rated	SGD15mn	10-year	2.32%
18-Jan-18	Triceratops Capital Co Ltd	'NR/A1/NR'	EUR500mn	3-year	MS+77bps
18-Jan-18	Geely Automobile Holdings Ltd	'BBB-/NR/NR'	USD300mn	5-year	CT5+130bps

Source: OCBC, Bloomberg

Rating Changes (cont'd) : listed company. Fitch recognises that Wharf's ratings are restricted by the size of its remaining investment properties (IPs) following the spinoff, as the IP segment will be reliant on rental income from a single asset – Chengdu IFS mixed-use complex in southwestern China. However, Fitch believes that Wharf has a healthy financial position which gives it operational flexibility to mitigate the high risk profile of its development property business in China. Moody's has assigned a first –time 'B2' corporate family rating to Landsea Green Properties Co Ltd. The outlook is positive. The rating action reflects Landsea's asset-light business model, which allows it to earn service income while requiring limited invested capital and borrowed funds per development project relative to fully-owned projects. Its rating is also supported by its recognised brand in the niche green property market and the good quality investing partners for its property projects. Fitch has assigned Landsea Green Properties Co Ltd an issuer default rating of 'B'. The outlook is positive. The rating action reflects the rapid growth in its business of providing project management services for green-technology homes, and generating healthy EBITDA in excess of interest expenses from 2017. Its rating is also supported by Fitch's expectations that Landsea's attributable contracted sales will rise to above CNY10bn from 2018, lifted by its quality land bank in Tier 2 cities in Yangtze River Delta region and in major cities in the U.S. S&P has assigned a 'B' corporate credit rating to Landsea Green Properties Co Ltd. The outlook is stable. The rating action follows the assessment of the credit profile of its controlling shareholder, Landsea Group Co Ltd, with Landsea Green Properties Co Ltd a core subsidiary, and integral to the group's operation and strategy. S&P expects Landsea Group's profitability to improve slightly, but remain lower than its industry average over the next two years, due to the recognition of some low-margin legacy projects in smaller cities. S&P has affirmed its 'A' counterparty credit rating on Chubb Ltd and its 'AA' financial strength rating on Chubb's operating subsidiaries. The outlook is stable. The rating action reflects S&P's expectations that Chubb will continue to produce peer-leading earnings, maintain its extremely strong capitalisation and is unlikely to experience outsized losses. S&P has withdrawn its 'AA' financial strength rating on Federal Insurance Co Korea, because the company ceased operations effective 29 Aug 2017.

Credit Headlines:

Mapletree Industrial Trust ("MINT"): MINT reported its results for the first nine months of the financial year ended March 2018 ("9MFY2018"). Gross revenue increased 7.9% y/y to SGD272.8mn, this was driven by revenue contribution from the HP building (a redevelopment project which was completed in June 2017) and a one-off compensation of SGD3.1mn (compensation from Johnson & Johnson who have pre-terminated their lease), partly offset by lower portfolio occupancy. MINT's Singapore portfolio recorded an occupancy of 90.1% as at 31 December 2017, slightly down versus the 90.4% as at 30 September 2017. Declines were seen in flatted factories (down 2ppt to 88.7%) and business park was down 13 ppt to 76.6%. As at 31 December 2017, business parks made up 13.4% of portfolio value and we think this could be a signal of re-centralisation of tenants moving out of business parks into buildings located within the central business district. Removing the impact of the Johnson & Johnson compensation, we find EBITDA to have increased 8.5% y/y to SGD184.3mn. Interest expense increased 23.5% y/y to SGD24.8mn largely as interest incurred in relation to HP was expensed instead of being capitalised upon the building obtaining TOP. As a result, we saw EBITDA/Interest decline to 7.4x in 9MFY2018 versus 8.5x in 9MFY2017. In October 2017, MINT announced that it was entering into a joint venture with its Sponsor to acquire a portfolio of 14 data centres in the USA. This transaction was completed in December 2017 and MINT, which has a 40%-stake in the joint venture, recognised SGD0.7mn for 9MFY2018 in share of results from JVs (net of taxes). We assume that MINT receives ~SGD24mn p.a from the JV and that such distribution is steady. Including share of results from JVs into EBITDA, we think MINT's adjusted EBITDA/Interest may rise above 8.0x going forward. As at 31 December 2017, MINT's aggregate leverage had increased to 33.8% (30 September 2017: 30%), driven by the expansion into USA. In addition to new equity raised, MINT had taken on additional debt and on-lent SGD242.4mn to the joint venture, pending onshore debt to be put in place. The onshore financing is being arranged and MINT would be repaid after. Even-though onshore debt at the JV level is unlikely to be consolidated into MINT's balance sheet, MINT's reported aggregate leverage would still reflect the proportionate share of debt taken at the JV, going forward. Net-net, we expect MINT's reported aggregate leverage at ~34%. As at 31 December 2017, short term debt at MINT was SGD217.8mn (representing 15% of gross debt) while cash balance was at SGD47.6mn. All borrowings at MINT remains unsecured and we see low refinancing risk at MINT though expect funding cost on the new debt to be higher. We maintain our Neutral(3) issuer profile on MINT. (Company, OCBC)

Credit Headlines (cont'd):

Wharf Holdings Ltd ("WHARF"): Fitch downgraded WHARF's long-term issuer default rating to "BBB" from "A-" due to the spin-off of the Hong Kong investment properties. We agree that WHARF's credit profile has weakened due to the spin-off (refer to Wharf Holdings Ltd: Credit Update - 28 Aug 2017). Nevertheless, we remain comfortable with WHARF (refer to Singapore Credit Outlook 2018) given recurring income from the Chinese investment properties, a healthy balance sheet that remains net cash and continued property sales in Hong Kong. We continue to hold WHARF at a Neutral (3) issuer profile. (Company, OCBC)

Frasers Centrepoint Trust ("FCT"): FCT reported 1QFY2018 results. Gross revenue increased 8.7% y/y to SGD47.9mn, while NPI was up 9.1% y/y to SGD34.5mn. The biggest driver of performance was Northpoint City North Wing ("Northpoint") which reported 39.5% y/y higher property income and 54.4% y/y higher NPI as it completed its AEI and occupancy ramped back up to 86.6% (compared to the low of 60.7% seen in 2QFY2018). This was consistent with our expectations (refer to OCBC Asian Credit Daily (25 Oct)). With management guiding that 99% of the reconfigured space at Northpoint leased and handed over to tenants, the sustained ramp up in Northpoint occupancy would continue to support FCT's near-term performance. It is also worth noting that FCT ramped up Northpoint's F&B portion from 26% of space before the AEI to 37% of space. FCT's two other larger assets have also performed, with Causeway Point and Changi City Point reporting 1.9% and 5.8% increases in property income respectively. A tax writeback during the prior period at Causeway Point cause NPI to dip for the current quarter. Performance at Bedok Point continues to be disappointing with property income down 24.4% y/y while NPI was down 38.8%. In mitigation, Bedok Point now contributes just 2.1% of portfolio NPI (though valuation wise it forms ~4% of the portfolio). The fall in occupancy at Changi City Point by 2.5ppt to 86.0% is worrisome as it may reverse the improvements seen recently. Management has guided that they expect Bedok Point's occupancy to fall, which is not surprising given the sizable lease expiry at the mall for the balance of FY2018. FCT's average rental reversion of +1.0% for 1QFY2018 (for 8.8% of portfolio NLA) was weaker compared to the +5.1% seen for FY2017. This was largely driven by the -31.2% rental reversion seen at Bedok Point (for ~9% of the space renewed during the quarter). Excluding Bedok Point, portfolio rental reversion would have been more healthy at +3.3%. It is worth noting that for FCT's largest 3 assets (87.1% of NPI) rental reversion remains +2% or higher. This is commendable given the weak retail environment. The balance of FY2018 looks manageable with 17.5% of NLA due for renewal, of which 67% are due from FCT's largest 3 assets. WALE remains stable at 1.87 years (4QFY2017: 1.82 years). Shopper traffic saw 1.4% growth y/y, though these numbers exclude Northpoint. Management had indicated that Northpoint traffic fell 32.6% lower y/y for the quarter due to some entrances being closed for temporary renovation. They have also indicated that traffic at the larger malls help mitigate declines at the smaller malls. Aggregate leverage worsened slightly q/q to 29.4% (3QFY2017: 29.0%) as borrowings increased SGD16mn to SGD814mn due to the SGD70mn 2.77% 2024 bond issue. The bond was used to refinance a SGD60mn bond that matured in December 2017. Balance of FY2018 debt maturities are SGD98mn in unsecured bank borrowings, which we believe will be refinanced given FCT's access to capital markets. Reported EBIT / Interest remains healthy at 6.49x (4QFY2017: 6.8x) though it dipped due to borrowing costs increasing 10bps to 2.4%. With regards to acquisitions, management had given color that they continue to look at both third-party assets in Singapore and overseas (specifically Australia and Malaysia). However, they have not yet commenced conversion with their sponsor regarding pipeline assets, and hence such sponsor transactions will not occur in the near-term. We will retain FCT's Issuer Profile at Neutral (3). (Company, OCBC)

Suntec Real Estate Investment Trust ("SUN"): SUN announced 4Q2017 and full-year 2017 results. For 4Q2017, gross revenue and NPI fell 1.8% and 2.2% y/y to SGD87.3mn and SGD59.4mn respectively. Though the partial divestment of Park Mall had an impact, Suntec Singapore was the bigger driver with property revenue down 4.8% y/y to SGD20.7mn (largely due to declines in convention revenue). Property NPI fell as well by 7.2% y/y to SGD7.8mn, though the Park Mall impact was greater (excluding Park Mall, portfolio NPI would have declined 0.5% instead). For SUN's office JVs, income contribution continued to be soft for the quarter, declining 1.0% y/y to SGD21mn. Looking forward, management had guided that some office leases committed in 4Q2017 will only commence in 2018. For the full year, gross revenue increased 7.8% y/y to SGD354.2mn while NPI increased 8.9% y/y to SGD244.5mn. This was largely driven by the contributions from 177 Pacific Highway, which obtain practical completion on 01/08/16. Excluding the impact of 177 Pacific Highway and

Credit Headlines (cont'd):

Park Mall, portfolio gross revenue for 2017 would have been flat. Applying the same adjustments would drive full year NPI to a 0.5% decline. Based on full year results, retail contribution continues to be soft, declining 2.5% to SGD118.8mn in revenue for the year. For the full year, NPI contributions from JV was flat at SGD89.7mn. This was largely due to the Southgate acquisition (+SGD4.15mn) offsetting weakness at MBFC (-SGD5.24mn) and ORQ (-SGD0.34mn). As mentioned previously, we believe that MBFC and ORQ had faced rental pressure due to Marina One's opening. SUN's average office rentals for 4Q2017 declined further to SGD8.50 psf/mth (3Q2017: SGD8.61 psf/mth, 2Q2017: SGD8.89 psf/mth), and continued to be weaker than CBRE's Grade A office average rents of SGD9.40 psf/mth. Our suspicion is that SUN's average rents are weaker in part due to more Suntec City office space (commands lower rents at SGD8.03 psf/mth for the quarter) being renewed during the quarter compared to at MBFC or ORQ. SUN's total Singapore office occupancy actually improved to 99.7% (3Q2017: 99.0%) and above the overall Singapore CBD Grade A occupancy rate of 89.2% in 4Q2017. The total office occupancy rate for SUN was 99.2%, due to lower % occupancy at SUN's Australian office properties which was primarily driven by the Southgate complex. On the retail front, management had been more sanguine stating that committed retail occupancy stood at 99.0%. They have also stated that both tenant sales per sq ft and footfall have increased 4.8% and 12.8% respectively through 2017. We will monitor to see if the improvements translate into strong retail contribution to results. For both office and retail, the lease maturity profile for 2018 looks manageable at 11.3% of office NLA and 25% of retail NLA respectively. Aggregate leverage had improved slightly to 36.4% (3Q2017: 36.8%) despite the issue of SGD300mn in convertible bonds during the quarter. The sum raised was used to reduce a SGD500mn facility due in 2018 (was SGD400mn drawn) to SGD100mn balance. SUN had also recognized SGD54.6mn in portfolio revaluation gains. Reported interest coverage was flattish at 3.9x (3Q2017: 4.0x). Debt maturity profile now looks trivial at SGD205mn (~7% of total borrowings). One potential acquisition remains, which is the balance of the Southgate complex. We retain our Neutral (4) Issuer Profile on SUN. (Company, OCBC)

Keppel REIT ("KREIT"): KREIT reported 4Q2017 and full-year 2017 results. For 4Q2017, property income increased sharply by 10.9% y/y to SGD44.4mn, while NPI increased in tandem by 15.3% y/y to SGD36.2mn. Ocean Financial Centre was the biggest driver of quarterly performance, reporting a 13.9% increase in property income to SGD30.2mn for the quarter, while property NPI surged 21.6% for the period. There was no disclosure as to what drove this performance, though we note a sizable SGD4.8mn in other income reported in the income statement for the quarter, which could be the reason and unlikely to be recurring. Bugis Junction had also performed during the quarter with property income and NPI up 4.7% and 10.7% respectively, likely due to occupancy recovery (from the lows seen in 4Q2016). Higher contributions from JV and Associates (MBFC and Australian assets) also supported the quarter's performance. For full-year 2017, property income increased by 2.0% to SGD164.5mn while NPI increased 2.2% to SGD131.2mn This was largely driven by the big contribution from Ocean Financial Centre in 4Q2017. 275 George Street and 8 Exhibition Street also performed, mitigating the weakness seen at Bugis Junction Towers. Overall portfolio committed occupancy remains strong at 99.7% (3Q2017: 99.6%), though industry wide occupancy levels of 93.8% (as per CBRE's Singapore core CBD occupancy for 4Q2017) are catching up due to the recovery of the domestic office market. Tenant retention remains very strong at 95%, reflecting KREIT's portfolio of new and well-positioned office assets. 2018 lease expiries looks manageable at just 8.3% of NLA (though it has increased from 6.7% of NLA just one quarter back, implying early lease terminations). With the office supply overhang largely resolved in 2017, office rents have started to pickup with CBRE reporting Average Grade A rents at SGD9.40 psf/mth for 4Q2017, up from SGD9.10 psf/mth in 3Q2017. Though KREIT's signing rents for 2017 was SGD9.80 psf/mth (for Singapore assets), higher than market, KREIT still saw a negative rental reversion of -4%. This is likely driven by the high levels of expiring rent. We believe that rental reversion would remain flattish for 1H2018, if not longer, as the high end of expiring rents is at SGD12.00 psf/mth. WALE for the portfolio remains healthy at 5.5 years. Aggregate leverage remains stable at 38.7% (3Q2017: 38.8%), supported by SGD51.7mn in fair value gains obtain from portfolio revaluation (largely KREIT's Australian assets, which saw cap rate compression). Reported interest coverage remained steady at 4.3x. Proportion of fixed rate debt remained flattish at 77%, with unencumbered assets at 84% of the portfolio. Cost of debt increased slightly to 2.62%. Looking forward, KREIT's aggregate leverage would unlikely deviate from current levels, and would remain comparable with peers. We will retain our Neutral (4) Issuer Profile on KREIT. (Company, OCBC)

Credit Headlines (cont'd):

City Developments Ltd ("CDL"): CDL had announced that it will extending the closing date for the offer for 3 additional days to 26/01/18 for the acquisition of the balance of Millennium & Copthorne Hotels Plc (M&C) that it does not already own. It was reported that CDL had received accepted offers representing 44.2% of shares that they don't already own, versus the required threshold of 50%. The current market price for M&C stands at 560 pence versus CDL's offer of 620 pence. We will monitor the situation closely. (Company)

Frasers Commercial Trust ("FCOT"): FCOT had announced that it will be issuing 67,567,000 new units at SGD1.48 per new unit via a private placement. This would raise ~SGD100mn, with FCOT using SGD98.5mn to fund its acquisition of 50% of Farnborough Business Park (refer to OCBC Asian Credit Daily (23 Jan)). We had previously expressed concern that a fully-debt funded acquisition of the business park would drive FCOT's aggregate leverage. The private placement would help bring pro-forma aggregate leverage back to the ~35.0% range. This would allow us to affirm our Neutral (4) Issuer Profile for FCOT. (Company, OCBC)

Capitaland Mall Trust ("CMT"): CMT announced both 4Q2017 as well as full-year 2017 results. For the quarter, gross revenue was up 1.8% y/y to SGD158.2mn while NPI was up 2.6% y/y to SGD119.3mn. Results were driven by stronger performance at Bugis Junction and The Atrium as well as higher carpark income. This helped offset continued weakness at Bedok Mall. For the full year, gross revenue fell 1.1% to SGD682.5mn, while NPI fell 0.3% to SGD478.2mn. Management had indicated that excluding Funan (which closed for redevelopment in July 2016), gross revenue would have declined 0.6% for the year, while NPI would have increased 1.2%. That said, we note that full year performance for Bedok Mall was weak, with property revenue down 6.4% while property NPI was down 8.0%. Currently, Bedok Mall contributes ~8% of portfolio NPI. Bedok Mall had faced some occupancy dips during the year (though committed occupancy has since recovered to 99.2% as of end-2017) while rental reversion was weak at -6.5% for the year (for 46% of Bedok Mall's NLA). Portfolio statistics continue to show some pressure. Though portfolio occupancy improved q/q to 99.2% (3Q2017: 99.0%), property rental reversion remains -1.7% for 2017, with CMT likely to have conceded on rental in exchange for securing tenants. Specifically, certain troubled malls we highlighted previously continued to have negative rental reversion, such as Bedok Mall (-6.5%) and Westgate (-10.2%), which we had attributed to regional factors as peer malls had also shown signs of weakness. Another mall that is starting to show signs of weakness due to regional factors would be Tampines Mall (-3.2% rental reversion). Tenant's sales per square foot was flat, while shopper traffic turned negative for the year at -0.3%. Aggregate leverage improved slightly to 34.2% (3Q2017: 34.7%), in part due to SGD233mn in portfolio revaluation gains recognized for the year. CMT continues to have sizable maturities due in 2018 of SGD605.2mn, of which the bulk is the USD400mn bond due in March 2018. We believe that CMT would be able to refinance this given its relatively low leverage versus peers as well as total unencumbered assets. Reported interest coverage remained unchanged at 4.8x. Looking forward, though we expect the overall trend of rental pressure to continue, there would be minimum impact on CMT's credit profile in the interim. We will continue to hold CMT's Issuer Profile at Neutral (3) (Company, OCBC)

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