

January 3, 2018

Credit Headlines (Page 2 onwards): Ezion Holdings Ltd, CITIC Envirotech Ltd, Sabana Shari'ah Compliant Industrial REIT

Market Commentary: The SGD swap curve traded mixed yesterday, with swap curves trading 1-2bps lower across most tenors. Flows in SGD corporates were moderate, with better buying seen in CELSP 3.9%-PERPs. In the broader dollar space, the spread on the Itraxx Asia ex-Japan traded 4bps lower to 66bps yesterday. 10y UST yields rose 6bps to 2.46% as PMI data in the US came in higher than expected.

New Issues: Yankuang Group (Cayman) Ltd scheduled for investors meeting in Hong Kong and Singapore. Swire Properties has scheduled investors meeting from 2 Jan. The expected issue ratings are 'NR/A2/A'.

Rating changes: There are no major rating changes in Asia over 2 Jan 2018.

Table 1: Key Financial Indicators

	3-Jan	1W chg (bps)	1M chg (bps)		3-Jan	1W chg	1M chg
iTraxx Asiax IG	66	-1	-6	Brent Crude Spot (\$/bbl)	66.57	-0.67%	4.46%
iTraxx SovX APAC	13	-1	-1	Gold Spot (\$/oz)	1,318.00	2.39%	3.28%
iTraxx Japan	45	0	0	CRB	194.72	3.64%	2.11%
iTraxx Australia	58	-2	-5	GSCI	442.72	3.12%	3.08%
CDX NA IG	48	-1	-3	VIX	9.77	-1.31%	-14.52%
CDX NA HY	108	0	0	CT10 (bp)	2.463%	-1.23	10.18
iTraxx Eur Main	45	0	-2	USD Swap Spread 10Y (bp)	-2	0	-4
iTraxx Eur XO	234	4	6	USD Swap Spread 30Y (bp)	-21	0	-1
iTraxx Eur Shr Fin	44	0	-2	TED Spread (bp)	32	-4	8
iTraxx Sovx WE	4			US Libor-OIS Spread (bp)	26	-1	13
iTraxx Sovx CEEMEA	32	-3	-13	Euro Libor-OIS Spread (bp)	1	-1	-1
					3-Jan	1W chg	1M chg
				AUD/USD	0.782	0.68%	2.94%
				USD/CHF	0.972	1.44%	1.31%
				EUR/USD	1.205	1.36%	1.55%
				USD/SGD	1.330	0.70%	1.30%
Korea 5Y CDS	52	-1	-6	DJIA	24,824	0.28%	2.44%
China 5Y CDS	50	-1	-5	SPX	2,696	0.46%	2.03%
Malaysia 5Y CDS	59	0	-4	MSCI Asiax	725	3.27%	4.51%
Philippines 5Y CDS	59	0	-3	HSI	30,653	3.63%	5.43%
Indonesia 5Y CDS	85	-1	-8	STI	3,439	1.80%	-0.31%
Thailand 5Y CDS	46	0	-2	KLCI	1,790	1.69%	4.19%
				JCI	6,331	1.77%	6.37%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues (Last updated on 15 Dec)

Date	Issuer	Ratings	Size	Tenor	Pricing
15-Dec-17	CFLD (Cayman) Investment Ltd	Not Rated	USD500mn	3-year	6.5%
15-Dec-17	China Shandong International Economic & Technical Finance 1 Ltd	Not Rated	USD400mn	3-year	4%
15-Dec-17	Luso International Banking Ltd	Not Rated	USD250mn	10NC5.5	5.375%
13-Dec-17	Charming Light Investments Ltd	'NR/Baa1/A-'	USD750mn	3-year	3mL+115bps
13-Dec-17	Charming Light Investments Ltd	'NR/Baa1/A-'	USD1bn	10-year	CT10+205bps
13-Dec-17	Charming Light Investments Ltd	'NR/Baa1/A-'	USD250mn	Perp NC5	4.25%
13-Dec-17	Bank of Chongqing Co Ltd	Not Rated	USD750mn	Perp NC5	5.4%
13-Dec-17	Huzhou City Investment Development Group Co Ltd	'NR/NR/BBB-'	USD300mn	3-year	CT3+295bps
12-Dec-17	Yangzhou Urban Construction State-owned Assets Holding (Group) Co Ltd	'BBB/NR/BBB'	USD300mn	3-year	CT3+245bps

Source: OCBC, Bloomberg

Credit Headlines:

Ezion Holdings Ltd (“EZI”): EZI had filed an update regarding its restructuring process. With the consent solicitation for the bonds restructuring approved (refer to [OCBC Asian Credit Daily – 21 Nov 2017](#)), EZI is currently in the process of working with other stakeholders, specifically the secured lenders and shareholders. EZI wished to update bondholders that it is still undergoing discussions with secured lenders regarding the refinancing of existing loans. The EGM for shareholder approval of the dilution / issuance of new shares (resulting from the restructuring) will be held once discussions with secured lenders are finalized. (Company)

CITIC Envirotech Ltd (“CEL”): CEL has announced that it has entered into a placement agreement with New Resources LLC (“New Resources”) where CEL proposes to issue 83.2mn in new ordinary shares to New Resources at a placement price of SGD0.85 per share to raise gross proceeds of ~SGD70.7mn. The proposed new shares represent ~3.7% of CEL’s total number of issued shares as at 30 September 2017 and post transaction, New Resources would be a top five shareholder of CEL. New Resources is an investment holding company whose shareholders are China InnoVision Capital GP Limited (“InnoVision”) and Shandong Hi-speed CE Beijing Investment Fund Management Centre (Limited Partnership) (“Shandong Hi-speed”). InnoVision is a China focused private equity firm founded in 2017 by a former senior executive of KKR who had been involved in KKR’s historical investment in CEL. Shandong Hi-speed was jointly established by a Shandong provincial level state-owned enterprise and China Everbright Limited, an investment and asset management company listed in Hong Kong. As at 30 September 2017, including the SGD225mn bond due in April 2018, CEL’s short term debt was SGD290mn. Short term debt represented 36% of total debt, significant in our view. On the same date, cash balance at CEL was SGD440.0mn, though these are mostly held in Chinese operating entities (against bulk of short term debt assumed at the Singapore holding company level). We expect the pending equity proceeds from New Resources and SGD240mn in perpetual securities (raised earlier in October 2017) to help fund short term debt due at CEL. In our view, CEL’s refinancing risk is manageable. (Company, OCBC)

Sabana Shari’ah Compliant Industrial REIT (“SSREIT”): SSREIT has entered into a financing agreement on 28 December 2017 with one of its existing bank lenders for new facilities of up to SGD100mn. The facilities comprise (1) Up to SGD70mn in a three-year facility and (2) Up to SGD30mn in a three-year revolving facility. The SGD70mn facility would be used to fully refinance SGD50mn in an existing facility and partly refinance the sukuk coming due in March 2018. The revolver of up to SGD30mn will be used for SSREIT’s general investment and corporate funding purposes. This announcement comes on the back of a November 2017 announcement where SGD30mn in secured four-year term loan facility was raised from another bank lender to repay existing borrowings and for working capital purposes. As at 30 September 2017, including the SGD90mn in sukuk due in March 2018, short term debt at SSREIT amounted to SGD132.9mn (representing 38% of total debt), which is significant in our view. Following the recent fundraising from bank lenders, we see refinancing risk of the SSREIT’18s as low. There is no outstanding asset acquisition obligations at SSREIT and we take comfort that despite discussions with ESR REIT falling through, bank lending is still available to SSREIT. We are reviewing SSREIT’s issuer profile for a possible upgrade from Negative. (Company, OCBC)

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