

January 27, 2017

**Credit Headlines (Page 2 onwards):** Industry Outlook – Singapore Industrial, Sabana Shari'ah Compliant Industrial REIT, Frasers Hospitality Trust, Gallant Venture Ltd., Tuan Sing Holdings Ltd., Starhill Global REIT, Ascendas Hospitality Trust, Mapletree Greater China Commercial Trust, Keppel Corp Ltd.

**Market Commentary:** The SGD swap curve bear-steepened yesterday, with swap rates increasing by 1-5bps across all tenors. Flows in SGD corporates were heavy, with better buying seen in MAPLSP 4.5%'49s, BAERVX 5.9%'49s, GUOLSP 4%'22s, GESP 4.6%'26s, better selling seen in GLPSP 5.5%'49s, GUOLSP 4%'22s, and mixed interest in GENSSP 5.13%'49s, OCBC 3.8%'49s. In the broader dollar space, the spread on JACI IG Corporates fell 2bps to 194bps, while the yield on JACI HY Corporates rose 3bps to 6.84%. 10y UST yield fell 1bps yesterday to 2.50%, as Treasuries rallied after the 7y UST auction drew a record amount of buying from indirect bidders.

**Rating Changes:** Moody's upgraded Nissan Motor Co. Ltd.'s (Nissan) long-term ratings to 'A2' from 'A3', with a stable outlook. The rating changes applies to its supported subsidiaries, Nissan Motor Acceptance Corporation and Nissan Canada Financial Services Inc. as well. The rating action reflects the continuous improvements in Nissan's profitability over the past several years, along with a sustained recovery in its brand strength and the benefits the company has achieved through its strategic alliance with Renault S.A. (Baa3 stable). Moody's withdrew its Long Term Rating on LS Finance 2017 Ltd. (subsidiary of Lifestyle International Holdings Ltd.). Fitch assigned Xinyi City Investment & Development Co. Ltd. (XCID) a 'BB-' Issuer Default Rating (IDR), with a stable outlook. In addition, Fitch assigned a 'BB-' rating to the USD110mn 5.8% senior unsecured notes issued by XCID. The rating actions are credit-linked to Fitch's internal assessment of the creditworthiness of Xinyi City. This is based on XCID's 100% ownership by the city, strong city oversight of its financial and operational activities, strategic importance of XCID to the city and strong fiscal support to the city.

**Table 1: Key Financial Indicators**

	27-Jan	1W chg (bps)	1M chg (bps)		27-Jan	1W chg	1M chg
iTraxx Asiax IG	111	-4	-10	Brent Crude Spot (\$/bbl)	56.21	1.30%	0.21%
iTraxx SovX APAC	33	-2	-5	Gold Spot (\$/oz)	1,186.05	-2.01%	4.15%
iTraxx Japan	55	-1	6	CRB	194.26	0.67%	0.78%
iTraxx Australia	92	-6	-10	GSCI	400.68	1.45%	0.62%
CDX NA IG	64	-2	-2	VIX	10.63	-16.82%	-11.34%
CDX NA HY	107	0	0	CT10 (bp)	2.512%	4.49	-4.79
iTraxx Eur Main	70	0	0	USD Swap Spread 10Y (bp)	-10	1	1
iTraxx Eur XO	290	4	7	USD Swap Spread 30Y (bp)	-41	4	3
iTraxx Eur Snr Fin	86	0	-6	TED Spread (bp)	55	4	6
iTraxx Sovx WE	21	1	1	US Libor-OIS Spread (bp)	34	-2	0
iTraxx Sovx CEEMEA	78	-1	-4	Euro Libor-OIS Spread (bp)	3	0	0
					27-Jan	1W chg	1M chg
				AUD/USD	0.754	-0.24%	4.90%
				USD/CHF	1.000	0.18%	2.82%
				EUR/USD	1.069	-0.17%	2.18%
				USD/SGD	1.425	0.06%	1.70%
Korea 5Y CDS	46	-1	1	DJIA	20,101	1.87%	0.78%
China 5Y CDS	109	-4	-10	SPX	2,297	1.46%	1.23%
Malaysia 5Y CDS	127	-2	-12	MSCI Asiax	549	2.44%	8.27%
Philippines 5Y CDS	98	-3	-14	HSI	23,353	2.04%	8.24%
Indonesia 5Y CDS	146	-2	-12	STI	3,060	1.62%	6.04%
Thailand 5Y CDS	73	-1	-7	KLCI	1,693	1.67%	4.51%
				JCI	5,308	1.02%	4.02%

Source: OCBC, Bloomberg

**Table 2: Recent Asian New Issues**

Date	Issuer	Ratings	Size	Tenor	Pricing
25-Jan-17	China Water Affairs Group Ltd.	"BB+/Ba1/NR"	USD300mn	5NC3	5.5%
25-Jan-17	Jain International Trading BV	"B+/NR/B+"	USD200mn	5NC3	7.375%
24-Jan-17	Vedanta Resources Plc	"B+/B3/NR"	USD1bn	5.5-year	6.375%
24-Jan-17	Fujian Zhanglong Group Co. Ltd. (re-tap)	"NR/NR/BB+"	USD150mn	3-year	4.8%
23-Jan-17	Industrial Bank of Korea	"AA-/Aa2/AA-"	USD300mn	3-year	CT3+85bps
23-Jan-17	Shui On Development (Holding) Ltd.	"NR/NR/NR"	USD500mn	4-year	5.875%
23-Jan-17	Siam Commercial Bank PCL	"BBB+/Baa1/BBB+"	USD400mn	5.5-year	CT5+150bps
23-Jan-17	Biostime International Holdings Ltd. (retap)	"BB-/Ba3/NR"	USD200mn	5-year	104.50

Source: OCBC, Bloomberg

## Rating Changes (Cont'd):

Fitch assigned Chengdu Xingcheng Investment Group Co. Ltd.'s (CXIG) USD300mn 3.25% senior unsecured notes a final rating of 'BBB+'. The rating actions reflect Fitch's view that the bonds were issued directly by CXIG and hence, they are rated at the same level as its Issuer Default Rating (BBB+/Stable), as CXIG will constitute direct, unconditional, unsubordinated and unsecured obligations of CXIG and rank pari passu with all its other senior unsecured obligations.

## Credit Headlines:

**Industry Outlook – Singapore Industrial:** JTC issued its 4Q2016 industrial property market report. Price index is now 95.4 (fell 3.0% against the previous quarter) and represents the 7th consecutive quarter where prices have softened. Despite the relatively large quarterly decline in price index, the rental index only fell 0.5% Q-on-Q, lower than the 2% seen in 3Q2016 against 2Q2016. For the full year 2016, rental index has fallen 6.8%. We take it as encouraging signs that the two hard hit sub-segments, namely multiple-user factories and warehouses has seen flatter decline in rents. Multiple-user factories fell 0.5% while warehouses fell 0.2% Q-on-Q (against negative 1.3% and 4.4% respectively between 2Q2016 and 3Q2016). Vacancy rate was 10.5% in 4Q2016, improving from 10.9% in 3Q2016. We continue to expect further rental rate declines in 2017, given the still high onslaught of supply in 2017 of 2.4mn sqm though expect supply-demand imbalances to improve from 2018 onwards. (JTC, OCBC)

**Sabana Shari'ah Compliant Industrial REIT ("SSREIT"):** According to the latest SGX filings, substantial unitholder Tong Jinquan's stake fell from 8.79% to 6.19% after the rights issue while continuing to hold 65mn shares in SSREIT – indicating that the rights issue was not subscribed. In the latest news from Straits Times, the manager has reached out to the unhappy unitholders and made plans to meet them. This follows news yesterday that a group of investors have come together to campaign for the removal of the manager. (Company, Straits Times, OCBC)

**Frasers Hospitality Trust ("FHT"):** FHT announced its financial results for the quarter ended December 2016 ("1Q2017"). Gross revenue was up 26.1% to SGD39.6mn compared to 1Q2016 while net property income ("NPI") grew 15.9% to SGD30.5mn. This was largely on the back of contributions from newly acquired Novotel Melbourne on Collins (in October 2016) and Maritim Hotel Dresden (in June 2016), better performance of properties in Sydney and the ANA Crowne Plaza Kobe which helped offset weaker performance in Singapore, UK and Malaysia. Despite the stronger gross revenue performance, NPI margin was lower at 77.1% against 83.8% in 1Q2016. NPI margin on Novotel Melbourne on Collins was lower as this property is not on Master Lease. EBITDA/Interest coverage was 5.3x in 1Q2017. Adjusting for 50% of perpetual distribution, we find EBITDA/(Interest plus perp distribution) to be 4.3x. This is some improvement from FY2016's adjusted EBITDA/(Interest plus perp distribution) of 4.1x. As at 31 December 2016, secured debt remained at ~4% of total debt. FHT faces SGD114.8mn in short term debt while cash balances stood at SGD62.4mn. We see low refinancing risk at the REIT. Headline aggregate leverage was 33.7% as at 31 December 2016 against 38.8% as at 30 September 2016, driven by a combination of lower debt levels and a higher asset base of SGD2.36bn (30 September 2016: SGD2.16bn). The acquisition of Novotel Melbourne on Collins was fully equity funded via a rights issue. Adjusting 50% of the perp as debt, adjusted aggregate leverage improved to 36% from 40% as at 30 September 2016. This is in line with our expectations when we first raised FHT's issuer profile to Positive on 11 November 2016 as we viewed FHT's credit profile to be improving within a 6 month time-frame. While we think there is now limited upside for further credit profile improvements (stronger credit metrics having materialised), we are keeping our Positive issuer profile given its stronger credit profile against its closest hospitality REIT peer Ascott Residence Trust. (Company, OCBC)

**Gallant Venture Ltd. ("GALV"):** In line with its prior announcement, GALV completed the repurchase of 20% of its two bonds due in 2017 with SGD30mn of the GALVSP 5.9% '17s due in May 2017 and SGD13.25mn of GALVSP 7.0% '17s due in August 2017 repurchased. This lowers the principal on the bonds to SGD120mn and SGD61.75mn respectively. We are Underweight all three GALV bonds (including the '18s). (Company, OCBC)

## Credit Headlines (cont'd):

**Tuan Sing Holdings Ltd ("TSH"):** TSH announced its FY2016 results. For FY2016, revenue fell 40% y/y to SGD404mn while net profit fell 51% y/y to SGD33.8mn. This is mainly due to the decline in revenue from the property segment to SGD130mn (FY2015: SGD404mn) as it runs down its inventories in development properties. Meanwhile, the other segments posted overall flattish results. Rental income from investment properties remains stable at SGD17mn. The hotel investment segment in Australia was lacklustre, posting 3% decline in revenue to SGD140.6mn, which we believe may have been weighed down by Hyatt Regency Perth Australia located in East Perth. The industrial services segment, which involves trading and marketing of industrial commodities, recorded 5% higher y/y revenue of SGD134.1mn. On a positive note, TSH's investments in GulTech (a printed circuit boards manufacturer) appears to be doing well, with its profits increasing 28% y/y to USD28.8mn (of which TSH's share of profit is SGD13.6mn). We also note improvements in net gearing to 0.92x (FY2015: 1.09x) while refinancing risks is contained in the near-term with minimal debt (SGD3.4mn) expiring over the next 12 months. The management expects TSH to remain profitable in 2017. We do not cover TSH. (Company, OCBC)

**Starhill Global REIT ("SGREIT"):** 2QFY2017 results (for the quarter ending December 2016) reported that gross revenue declined 2.8% y/y to SGD54.1mn. Weakness was broad-based, with only Ngee Ann City's Retail segment, and SGREIT's Malaysia assets showing y/y gains. SGREIT's Singapore Office assets at Wisma Atria and Ngee Ann City continued to be pressured by vacancies driven by the challenging office market, with revenue for the former and latter declining 7.0% y/y and 4.0% y/y respectively. Wisma Atria's Retail segment revenue declined 5.6% y/y, driven by lower average rents post the remixing of its tenant base. Ngee Ann City's Retail as well as SGREIT's Malaysian assets have benefitted from the increase of their respective Master Leases' positive rental reversions. Though the underlying performance for SGREIT's Australian assets are weaker due to vacancies at the Myer Centre Adelaide Office and planned lease terminations due to the looming Plaza Arcade AEI, the segment benefitted from the stronger AUD. Portfolio NPI declined even more sharply by 5.4% y/y to SGD41.4mn, driven by higher property expenses at Wisma Atria as well as higher property tax for Ngee Ann City and Myer Centre Adelaide. A big hit to NPI was also the mall repositioning and related expenses at SGREIT's Chengdu mall (the asset ceased operations in preparation to be handed over to Markor International Home Furnishings, the new long-term anchor tenant). On a q/q basis, numbers were also weaker with gross revenue down 2.2%, while NPI was down 3.5%. This was mainly driven by lower contribution from Wisma Atria and the Chengdu mall. On the bright side, the Singapore office portfolio saw occupancy pick up from 94.7% to 95.9% q/q. The Singapore retail occupancy also remained healthy at 99.6% despite the challenging environment. SGREIT likely prioritized filling vacancies versus defending lease rates given the challenging environment for domestic office and retail real estate assets. The Japanese assets occupancy also improved sharply q/q from 87.8% to 95.7%. As such, portfolio occupancy improved to 95.4% q/q (1QFY2017: 93.8%). WALE by NLA remains decent at 6.9 years, though we note that numbers are skewed by the relatively longer lease on the Toshin master lease as well as on Australian assets. Aggregate leverage remained stable at 35.2% (end-1QFY2017: 35.1%). Reported interest coverage fell to 4.0x (1QFY2017: 4.4x), as average cost of debt increased by 10bps. Though SGREIT has no further debt due in FY2017, we note that FY2018's maturity profile is heavy with SGD250mn term loan and AUD145mn loan due. That said, we expect SGREIT to be able to continue tapping capital markets as it just recently issued SGD70mn in bonds in October 2016, and has 73% of its assets remaining unencumbered. Looking forward, SGREIT will continued to be pressured by the challenging environment faced by its domestic assets, as well as by transitional issues for its overseas assets. We will reiterate SGREIT's Neutral Issuer Profile. (Company, OCBC)

**Ascendas Hospitality Trust ("AHT"):** AHT reported 3QFY2017 results. 3QFY2017 revenue rose 8.0% y/y to SGD59.2mn, with NPI increasing by 12.9% y/y to SGD26.4mn. This is helped by the better performance in Australia and China, with RevPAR increasing 2.6% and 2.7% y/y respectively, while the stronger JPY and AUD against the SGD boosted figures in SGD terms. Looking ahead, Australia inbound tourism may continue to grow and AHT's hotels in Sydney and Melbourne are expected to be beneficiaries, though the softness in Brisbane remains. Japan's hotel market is also expected to remain healthy, though headwinds are expected to persist in Singapore. Overall, AHT offers a stable profile with moderate NPI growth while asset leverage remains manageable at 33.3% (2QFY2017: 32.4%). We do not cover AHT. (Company, OCBC)

## Credit Headlines (cont'd):

**Mapletree Greater China Commercial Trust ("MAGIC"):** MAGIC reported 3QFY2017 results yesterday. 3QFY2017 revenue inched lower by 0.5% y/y to SGD87.8mn, with NPI falling 1.5% y/y to SGD71.4mn. The fall is mainly due to the weaker results at Gateway Plaza as its revenue declined 11.0% y/y to SGD18.6mn as a result of VAT implementation (effective May 2016) while NPI took a further hit with a decline of 24% y/y to SGD14.3mn due to additional property tax of SGD3.2mn from the change in property tax basis (effective July 2016), with the weaker RMB exacerbating the decline. On the positive note, results have improved q/q as occupancy at Gateway Plaza improved to 96.9% (2QFY2017: 90.5%), with overall portfolio occupancy at 98.6%. However, we believe MAGIC's will remain focused on improving occupancy level at Gateway Plaza as 48% of the occupancy by gross rental income will expire by FY2018. Overall, we think that MAGIC still offers a resilient profile as Festival Walk continued to record healthy rental reversions (+14%) despite the retail headwinds in Hong Kong. While asset leverage increased to 40.5% (2QFY2017: 39.6%), MAGIC has refinanced most of its near-term borrowings, with the next maturing debt of HKD400mn due in Mar 18, which makes up only 3.7% of total borrowings. We retain our Neutral issuer profile on MAGIC. (Company, OCBC)

**Keppel Corp Ltd. ("KEP"):** KEP reported full-year 2016 results, with total revenue down 34.3% y/y to SGD6.77bn. This was sharply lower than KEP's peak revenue of SGD13.28bn for 2014. The largest driver of weakness continues to be the offshore marine ("O&M") segment, which saw revenue decline 54.3% y/y to SGD2.85bn, contributing just 42% of KEP's total revenue. Comparatively, the property segment increased 11% y/y to SGD2.04bn, now 30% of KEP's total revenue. 4Q2016 numbers seem to paint a picture of stabilization, with total revenue down 21.8% y/y to SGD1.94bn, compared to the 40.2% y/y decline seen for 3Q2016. Though the O&M segment revenue fell 39.5% y/y for 4Q2016, it was actually 55.1% higher q/q to SGD799.8mn, the first increase seen for some time. Management indicated that the strong performance was largely driven by repair projects though, with favorable timing of revenue recognition supportive for the quarter. Demand for drilling assets remained weak even though energy prices rallied in 4Q2016. With more newbuild drilling assets entering supply, we expect it to remain difficult for KEP to win new orders for drilling assets for 2017. Management had indicated a focus on production related assets, as well as non-O&G work. KEP's O&M net order book (excluding the Sete Brasil orders) have shrunk further q/q to SGD3.7bn (3Q2016: SGD4.1bn). A few client delays were also announced, with Falcon Energy delaying its rig delivery to 2Q2017 (from 4Q2016) and BOT Lease Co delaying its rig delivery to January 2019 (from 2017). In general, we expect the outlook for KEP's O&M segment to remain weak, particularly with net contract value left at just SGD525mn for 2017 and SGD229mn for 2018. Net profit for the segment swung to a net loss of SGD138mn, driven by both impairments taken on some of KEP's yards, as well as provisions on WIP. Management has continued to cut costs, which includes the reduction of 2620 of its direct workforce (1930 in Singapore). The cost cutting measures through the year allowed KEP to sustain its O&M operating margin at 14.4% for 2016 (before factoring impairments). The property segment saw revenue fall 12.4% y/y to SGD575.5mn, but up 19.4% q/q with KEP selling 2210 homes during the quarter. For 2016, 5720 homes were sold in all, 25.2% higher than 2015. ~3800 of the homes sold were in China (~66%), 1520 in Vietnam (~27%) and 380 in Singapore. The homes sold overseas will be recognized over the next three years when they are delivered. Looking forward, KEP's launch-ready home pipeline (till end-2019) stood at 18,710 (as of end-2016), with the bulk of the homes in China (8,802) and Vietnam (4,654). The total sales value of the launch-ready pipeline stands at SGD2.3bn. Segment net income declined 27% (but up 71% q/q) to SGD269mn, dragged lower by lower revaluation gains in investment property as well as due to the absence of cost reversals seen for the Reflections in 2015. Indonesia seems to offer new opportunities for KEP, with KEP forming a JV with Metland for landed homes in Indonesia. The infrastructure segment continues to see its revenue improve (up 20% q/q, 12% y/y) driven by higher power and gas revenue. Net margins for the segment remain tight though at 3.7%. In aggregate, it should be noted that management announced SGD313mn in impairments and provisions for the quarter, of which ~SGD87mn relates to impairments of KEP's yards (they are closing two overseas yards), ~SGD81mn in provisions on WIP (largely relating to O&M) and SGD121mn impairments on investments (likely to be the impairment of KEP's stake in KrisEnergy). Management reported EBITDA for the year stood at SGD1032mn, declining 41% y/y. Cash flow generation for the quarter was fair with SGD193.7mn in operating cash flow. Free cash flow however was negative SGD84.3mn due to capex. Net debt inched up slightly q/q to SGD7.0bn (3Q2016: SGD6.8bn), but profits made allowed net gearing to remain stable at 56%. Interest coverage for the year stood at 4.6x. We will review KEP's results further and will adjust KEP's current Neutral Issuer Profile if required. (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)

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC and/or its related and affiliated corporations may at any time make markets in the securities/instruments mentioned in this publication and together with their respective directors and officers, may have or take positions in the securities/instruments mentioned in this publication and may be engaged in purchasing or selling the same for themselves or their clients, and may also perform or seek to perform broking and other investment or securities-related services for the corporations whose securities are mentioned in this publication as well as other parties generally.

Co.Reg.no.:193200032W