

Sep 5, 2017

**Credit Headlines (Page 2 onwards):** Ezra Holdings Ltd, CITIC Envirotech Ltd, First Real Estate Investment Trust, Wharf Holdings Ltd

**Market Commentary:** The SGD swap curve traded downwards on Monday, with swap rates trading 2-6bps lower across all tenors, with the exception of the 1-year tenor, which traded little changed. Flows in SGD corporates were heavy, with better buying seen in OUECT 3.03%'20s, WINGTA 4.35%-PERPs, and mixed interest seen in FCLSP 4.15%'27s, HSBC 4.7%-PERPs. In the broader dollar space, the spread on JACI IG Corp rose 1bps to 190bps, while the yield on JACI HY Corp traded little changed at 6.8%. 10Y UST yields were unchanged as US markets were closed for the Labour Day Holiday.

**New Issues:** Komatsu Finance America Inc has scheduled investor meetings for potential USD 3-year and 5-year bond issuance (guaranteed by Komatsu Ltd). The expected ratings are 'NR/A2/NR'.

**Rating Changes:** S&P has downgraded National Wealth Management Holdings Ltd's (NWMH) issuer credit rating to 'A' from 'A+'. The outlook is negative. At the same time, S&P downgraded its rating on NWMH's senior debt to 'A' from 'A+' and removed the ratings from CreditWatch, where they were placed with negative implications. The rating action reflects S&P's view that the strategic importance of NWMH group to the National Australia Bank Ltd (NAB) group has decreased following the sale of 80% of MLC Ltd, which was the largest operating subsidiary of NWMH. S&P has assigned Zhongrong Xinda Group Co Ltd (Zhongrong Xinda) a corporate credit rating of 'BB-'. The outlook is stable. The rating action reflects S&P's view that Zhongrong Xinda will maintain its leading position in China's coking industry over the next 12 months. Fitch has also assigned Zhongrong Xinda a 'BB' long term issuer default rating with a stable outlook. Moody's has downgraded Quintis Ltd's corporate family rating and senior secured debt rating to 'C' from 'Ca'. The outlook is stable. The rating action follows Quintis's announcement that it has failed to make an interest payment due 1 August 2017.

**Table 1: Key Financial Indicators**

	5-Sep	1W chg (bps)	1M chg (bps)		5-Sep	1W chg	1M chg
iTraxx Asiax IG	77	-2	-2	Brent Crude Spot (\$/bbl)	52.16	0.31%	-0.50%
iTraxx SovX APAC	18	0	-1	Gold Spot (\$/oz)	1,336.06	2.05%	6.22%
iTraxx Japan	45	1	4	CRB	180.95	1.75%	0.15%
iTraxx Australia	70	-4	-5	GSCI	386.38	2.50%	0.49%
CDX NA IG	57	-3	-1	VIX	10.13	-10.20%	1.00%
CDX NA HY	107	1	0	CT10 (bp)	2.133%	0.33	-12.95
iTraxx Eur Main	55	-3	3	USD Swap Spread 10Y (bp)	-5	1	-1
iTraxx Eur XO	237	-9	5	USD Swap Spread 30Y (bp)	-34	2	-2
iTraxx Eur Snr Fin	53	-4	1	TED Spread (bp)	31	0	7
iTraxx Sovx WE	6	0	0	US Libor-OIS Spread (bp)	16	0	1
iTraxx Sovx CEE/MEA	40	-5	-2	Euro Libor-OIS Spread (bp)	3	0	0
					5-Sep	1W chg	1M chg
				AUD/USD	0.797	0.19%	0.68%
				USD/CHF	0.956	-0.01%	1.79%
				EUR/USD	1.191	-0.54%	0.95%
				USD/SGD	1.355	-0.01%	0.57%
Korea 5Y CDS	66	3	9	DJIA	21,988	0.80%	-0.48%
China 5Y CDS	58	-2	-5	SPX	2,477	1.37%	-0.01%
Malaysia 5Y CDS	71	-3	-8	MSCI Asiax	659	0.20%	0.29%
Philippines 5Y CDS	62	-3	-7	HSI	27,791	0.09%	0.83%
Indonesia 5Y CDS	102	-4	-8	STI	3,243	-0.75%	-2.50%
Thailand 5Y CDS	53	-3	-6	KLCI	1,769	0.01%	-0.30%
				JCI	5,799	-1.77%	0.37%

Source: OCBC, Bloomberg

**Table 2: Recent Asian New Issues**

Date	Issuer	Ratings	Size	Tenor	Pricing
31-Aug-17	Sun Hung Kai & Co	Not Rated	USD400mn	5-year	4.65%
31-Aug-17	KEB Hana Bank	'A+/NR/NR'	USD350mn	5-year	3mL+87.5bps
31-Aug-17	Mitsubishi UFJ Financial Group Inc	'NR/A1/A'	EUR750mn	7-year	CT7+45bps
30-Aug-17	Lotte Shopping Business Management (Hong Kong) Ltd	'NR/Aa2/NR'	USD300mn	3-year	CT3+105bps
28-Aug-17	Keppel Land Limited	Not Rated	SGD150mn	6-year	2.843%
25-Aug-17	Keppel Telecommunications & Transportation Ltd	Not Rated	SGD100mn	7NC5	2.85%
24-Aug-17	OUE CT Treasury Pte Ltd	Not Rated	SGD150mn	3-year	3.03%
24-Aug-17	Franshion Brilliant Ltd	'NR/Baa3/NR'	USD200mn	CHJMAO 4%-PERP	100.09

Source: OCBC, Bloomberg

**Rating Changes (Cont'd):** Moody's has assigned the Postal Savings Bank of China Co Ltd (PSBC) an 'A2' long-term deposit rating with a positive outlook, a 'Baa3' baseline credit assessment, and an 'A2' counterparty risk assessment. The rating action reflects PSBC's improved financial performance, strong funding profile, good asset quality, weaker-than-peer capital adequacy and relatively modest profitability.

## Credit Headlines:

**Ezra Holdings Ltd ("Ezra"):** EMAS Offshore Ltd ("EMAS", 75%-owned by Ezra) announced that they have entered into a binding term sheet with two potential investors: a subsidiary of Baker Technology Limited ("BTI") and Point Hope Pte Ltd ("Point Hope"), which the Business Times reported as a Singapore-based private equity firm. EMAS intends to undertake a proposed restructuring of its existing secured and unsecured liabilities, as well as any outstanding obligations, to substantially deleverage EMAS's balance sheet and strengthen its working capital position so that EMAS would be able to continue as a going concern. The potential investors intend to invest USD50mn in aggregate and would receive a majority of the share capital of EMAS on a fully diluted basis. The potential investors have also indicated that they intend to retain existing key management of EMAS to ensure that operations of EMAS will not be affected during and after the restructuring. EMAS intends to first enter into a Scheme of Arrangement to manage its existing debts, before the issuance of new shares to BTI and Point Hope. The term sheet may be terminated by mutual consent between the parties, or if the restructuring is not under way or if the scheme of arrangement has not been filed by 30/10/17. In the event that the restructuring of EMAS proceeds as planned, it is highly likely that EZRA's 75% stake would be diluted significantly, which could have a negative impact on recoveries for EZRA'S creditors (including bondholders). That said, the restructuring of EMAS is likely to be inevitable given the current distressed situation faced by the EZRA group of companies as a whole, and the successful restructuring of EMAS may be the only way to preserve value. (OCBC, Company)

**CITIC Envirotech Ltd ("CEL"):** CEL has announced that it has secured a RMB315mn (~SGD65.4mn) hazardous waste treatment project in Binzhou City, Shandong Province. CEL would acquire 100% shareholding in a company which owns the licenses and land required for the waste treatment facility for RMB55mn (~SGD11.4mn). The additional RMB260mn (~SGD54mn) would be invested for the construction and completion of the facility. Funding is targeted to come from perpetual issues and bank financing. This transaction only represents 4.4% of CEL's net asset as at 30 June 2017 and we see it as credit neutral. (Company, OCBC)

**First Real Estate Investment Trust ("FIRT"):** FIRT's hospitals are leased by its Sponsor PT Lippo Karawaci Tbk ("LK") under Master Lessee agreements and sub-leased to PT Siloam International Hospital ("Siloam"), a hospital operator listed on the Jakarta Stock Exchange and 62%-owned by LK. Further to our credit headline on [OCBC Asian Credit Daily - 21 Aug 2017](#) Siloam has received shareholders' approval yesterday to raise up to IDR3.09 trillion (~SGD311.4mn) in a rights issue. Up to 325.2mn new shares at IDR9,500 per share is expected to be issued, representing 25% of Siloam's current share capital. We expect the rights issue to be completed in 4Q2017. Our base case assumes that LK would remain a supportive shareholder of Siloam and would take up its proportionate stake in the rights issue. In the downside case where LK gets diluted by 25%, LK's stake in Siloam would fall to only 46.5%, reducing the economic rationale for LK shareholders to continue subsidising Siloam's rental payments to FIRT. We will continue to monitor the situation. (BeritaSatu, OCBC)

**Wharf Holdings Ltd ("Wharf"):** Following the proposed spin-off of Wharf REIC (refer to [Wharf Holdings Ltd: Credit Update](#) on 28 Aug 2017) Wharf has submitted the listing of Wharf REIC together with the pro forma financials of the remaining Wharf Group (less Wharf REIC). Based on the pro forma, post the spin-off, Wharf would turn net cash (1H2017 net gearing: 6%). This is different from our previous expectations (0.20x-0.25x region) as Wharf will be taking back HKD37.4bn in intercompany loans that was lent to Wharf REIC (Wharf REIC to borrow via bank loans to repay). While net gearing would improve, we continue to hold the view that the credit profile of Wharf will weaken post spin-off as Wharf's recurrent income stream would be shrunk significantly. Based on the pro-forma figures, net assets will also fall to HKD122.8bn (1H2017: HKD333.1mn). As such, we continue to hold Wharf at a Neutral Issuer Profile. (Company, OCBC)

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