Asian Credit Daily

January 25, 2018

Credit Headlines (Page 2 onwards): Nam Cheong Limited, Mapletree Commercial Trust, Capitaland Commercial Trust, Frasers Hospitality Trust

Market Commentary: The SGD swap curve fell yesterday, with swap rates trading 2bps lower across most tenors. Flows in SGD corporates were heavy yesterday, with better buying seen in DBSSP 5.75%-PERPs and BACR 3.75%'30s. 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 narrowed 2bps to 328bps. 10Y UST yields rose 3.34bps to 2.64% yesterday, following Ray Dalio's comment stating that bonds have slipped into bear territory with the Fed set to tightening at a faster rate than it is signaling.

New Issues: Oxley MTN Pte Ltd has priced a SGD150mn 4-year bond (guaranteed by Oxley Holdings Ltd) at 5.7%, tightening from its initial guidance of 5.75%. HanKook Tire Co Ltd has priced a USD300mn 5-year bond at CT5+112.5bps, tightening from its initial guidance of CT5+135bps area. The expected issue ratings are 'BBB/Baa2/NR'. Soechi Capital Pte Ltd has priced a USD200mn 5NC3 bond (guaranteed by PT Soechi Lines Tbk and all subsidiaries) at 8.375% , tightening from its initial guidance of 8.5%. The expected issue ratings are 'NR/B1/B+'. Central Plaza Development Ltd has priced a USD500mn 3-year bond (guaranteed by International Financial Centre Property Ltd) at CT3+187.5bps, tightening from its initial guidance of CT3+220bps area. The expected issuer ratings are 'NR/NR/BBB'. Ronshine China Holdings Ltd is proposing to issue USD senior notes. Daegu Bank Ltd has scheduled for investor meetings from 29 Jan for its potential USD bond issuance. Poly Real Estate Finance Ltd has scheduled for investor meetings from 25 Jan for its potential USD bond issuance. The expected issue ratings are 'BBB-/Baa3/BBB+'

Rating Changes: Fitch has assigned Guangxi Communications Investment Group Ltd's (GCI) senior unsecured notes a final rating of 'BBB'. The outlook is stable. The final rating is in line with the expected rating assigned on 15 Jan 2018. GCI's ratings are equalised with those of its sponsor, Guangxi Zhuang Autonomous Region, reflecting the regional government's strong oversight and

Table 1: Key Financial Indicators

	25-Jan	1W chg (bps)	1M chg (bps)		25-Jan	1W chg	1M chg
iTraxx Asiax IG	64	2	-4	Brent Crude Spot ($/bbl)	70.94	2.35%	8.72%
iTraxx SovX APAC	11	0	-3	Gold Spot ($/oz)	1,365.07	2.87%	7.13%
iTraxx Japan	43	--	-2	CRB	199.51	1.58%	6.19%
iTraxx Australia	55	0	-5	GSCI	461.36	1.82%	7.46%
CDX NA IG	47	-1	-3	VIX	11.47	-3.69%	15.86%
CDX NA HY	109	0	0	CT10 (bp)	2.635%	0.98	15.44
iTraxx Eur Main	44	-1	-1	USD Swap Spread 10Y (bp)	3	1	5
iTraxx Eur XO	231	-1	1	USD Swap Spread 30Y (bp)	-14	2	8
iTraxx Eur Snr Fin				TED Spread (bp)	33	2	-4
iTraxx Sovx WE	42	-1	-2	US Libor-OIS Spread (bp)	22	-3	-4
iTraxx Sovx CEEMEA	0			Euro Libor-OIS Spread (bp)	2	0	1
					25-Jan	1W chg	1M chg
				AUD/USD	0.811	1.36%	5.09%
				USD/CHF	0.941	1.96%	5.26%
				EUR/USD	1.245	1.73%	4.89%
				USD/SGD	1.305	1.23%	3.00%
Korea 5Y CDS	33	1	-2	DJIA	26,252	0.52%	6.05%
China 5Y CDS	46	2	-8	SPX	2,838	1.25%	5.75%
Malaysia 5Y CDS	50	1	-1	MSCI Asiax	769	2.34%	9.12%
Philippines 5Y CDS	55	1	-4	HSI	32,888	2.38%	11.19%
Indonesia 5Y CDS	56	1	-4	STI	3,580	1.67%	5.75%
Thailand 5Y CDS	79	-1	-8	KLCI	1,841	1.05%	4.57%
				JCI	6,600	1.97%	6.09%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
24-Jan-18	Central Plaza Development Ltd	'NR/NR/BBB'	USD500mn	3-year	CT3+187.5bps
24-Jan-18	Soechi Capital Pte Ltd	'NR/B1/B+'	USD200mn	5NC3	8.375%
24-Jan-18	HanKook Tire Co Ltd	'BBB/Baa2/NR'	USD300mn	5-year	CT5+112.5bps
24-Jan-18	Oxley MTN Pte Ltd	Not rated	SGD150mn	4-year	5.7%
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

Source: OCBC, Bloomberg

Rating Changes (cont'd) : supervision, coupled with GCI's strategic importance and close financial integration with Guangxi. Fitch has published Gangtai Group Co Ltd's issuer default rating of 'B'. The outlook is stable. The rating action reflects Guangtai's diversified jewellery brand portfolio, expansion into other business segments and its improving credit profile. Fitch however acknowledged that the ratings are constrained by Gangtai's limited access to the cash at Gangtai Holdings, a short history of operating in the financial investment and cultural and media segments and the company's high leverage. Moody's has upgraded Emeco Holdings Ltd's corporate family rating and senior secured debt rating to 'B3' from 'Caa1'. Moody's has also revised the outlook to stable from positive. The rating actions reflect Moody's expectation that Emeco would continue to benefit from an improving operating environment in Australia, where mining equipment supply has tightened. The rating action is also substantiated by Emeco's improving credit profile, underpinned by increased earnings and margins during the last three quarters. With the successful closing of the Force Equipment acquisitions that were funded completely by an equity raising, Emeco's fleet size, earnings, geographic and commodity diversification are expected to increase further.

Credit Headlines:

Nam Cheong Limited ("NCL"): NCL had announced that during the Scheme Meeting (held on 24/01/18), a majority of 97.047% in number, representing 94.139% of total value of applicable scheme creditors, have approved the Scheme of Arrangement proposed by the Company. Of the 94.139% amount that voted for the scheme, 94.420% had elected to take the Term Loan Option (in summary, an untradeable unsecured 7-year term loan that monetizes from the 4th year onwards and pays 2% cash coupon, 2% stock coupon). The balance have elected the Cash Out Option, and will receive USD0.20 for each USD1 of sustainable debt extinguished. Based on NCL's estimates, ~70% of the MYR50mn deposited in escrow by the major shareholder will be available as working capital post the rights issue. Though creditors have approved both the Singapore and Malaysia Schemes, the effectiveness of the Schemes are still subject to court sanction in their respective regimes. Though NCL has stated that they will file the required applications, there is currently no certainty with regards to timeline. Please refer to our previous report on NCL for more details (OCBC Asia Credit - Nam Cheong Credit Update (6 Dec)). (Company, OCBC)

Mapletree Commercial Trust ("MCT"): MCT reported 3QFY2018 results (ended December 2017), with gross revenue up 0.8% y/y to SGD109.7mn while NPI was up 1.8% y/y to SGD86.0mn. It was a relatively quiet quarter, with revenue growth at VivoCity (+2.5% y/y) and MBC (+2.6% y/y) mitigating weakness at PSAB (-3.2% y/y) and Mapletree Anson (-8.9% y/y). VivoCity continues to perform, enjoying both high committed occupancy of 99.7% and positive rental reversion of 2.3% for 9MFY2018. That said, MCT's retail rental reversions had slowed sharply when compared to FY2017's +13.5%, reflecting that MCT was not immune to the broader slowdown in the retail industry. Retail retention weakened as well to 77.4% (versus 95.3% for FY2017). Finally, we note that Shopper Traffic at VivoCity had also declined 1.2% y/y for 9MFY2018, though tenant sales psf had improved 1.2% during the same period. The AEI at VivoCity to increase NLA in Basement 1 is on track for phased completion by 3QFY2019. MBC had also performed, as though actual occupancy stood at 93.3% due to pre-terminated space at MBC, the space had already been committed to an incoming tenant, and is undergoing fitting out. As such, committed occupancy was strong at 99.4%. We note that MBC had reported very weak rental reversion of -11.4% for the quarter, though if the incoming lease was factored, MBC rental reversion for the quarter would have been +0.7% instead (with management highlighting that the incoming tenant was paying more than 20% higher compared to the previous tenant). As such, in the near-term the new sizable tenant at MBC should support MCT's performance when fully ramped up, though weak rental reversion for leases executed during the quarter is worth monitoring. MCT's office portfolio continued to perform tepidly, with rental reversion for 9MFY2018 down 4.4%. Committed occupancy at Mapletree Anson had remained weaker at 92.9%, while PSAB saw q/q improvements to 97.4%. In our view, to sustain occupancy, MCT had to concede on rental as PSAB is an older asset that is based outside the CBD, while Mapletree Anson may have faced competition due to the ramp up of Tanjong Pagar Centre. In aggregate, portfolio committed occupancy had improved q/q to 98.7% (2QFY2018: 97.6%). WALE for both Retail and Office/Business Park remained relatively stable at 2.0 years and 3.4 years respectively. The lease expiry profile looks manageable, with MCT having 17.5% and 6.3% of gross rental revenue expiring for Retail and Office/Business Park respectively till end FY2019. Aggregate leverage remained flattish q/q at 36.3% with MCT's balance sheet relatively unchanged. MCT's portfolio remains entirely unencumbered, while proportion of fixed debt was unchanged q/q at 78.0%. Near-term borrowings include only SGD264mn in unsecured bank debt due in FY2019 which we

Credit Headlines (cont'd) :

believe will be refinanced. We will retain our Neutral (3) Issuer Profile on MCT, as we don't foresee major near-term changes to MCT's leverage levels unless sizable acquisitions are made (even then, thus far MCT had been prudent with its balance sheet in prior acquisitions). (Company, OCBC)

Capitaland Commercial Trust ("CCT"): CCT had reported 4Q2017 and full-year 2017 results. For 4Q2017, gross revenue fell 3.8% y/y to SGD86.3mn while NPI fell 4.0% y/y to SGD68.0mn. The quarter was impacted by the divestment of Wilkie Edge (on 11/09/17), redevelopment of the Golden Shoe Car Park ("GSCP", from 12/07/17 onwards) as well as the deconsolidation of One George Street ("OGS", due to the 50% stake sale on 19/06/17), though numbers were mitigated in part by the acquisition of Asia Square Tower 2 ("AST", on 01/11/17). Full year trends were stronger with portfolio gross revenue up 13.0% y/y to SGD337.5mn while NPI was up 14.8% y/y to SGD265.5mn. Aside from the factors mentioned earlier, full-year results had also benefitted from the 100% contribution from CapitaGreen (effective 01/09/16). When considering the rest of the portfolio though, revenue from Capital Tower had improved (+3.0%) while Twenty Anson (-11.2%) and Six Battery Park (-1.6%) showed some weakness. In mitigation, CCT had seen its portfolio committed occupancy increasing from 1H2017 to 97.3%, with improvements seen in Twenty Anson and Six Battery Park. CCT's occupancy also remains stronger than CBRE's Singapore core CBD office occupancy of 93.8% for 4Q2017. In terms of lease rates, CCT's portfolio average office rent improved sharply to SGD9.74 psf (3Q2017: SGD9.23 psf) for 4Q2017, though it should be noted that the acquisition of AST would have moved averaging asking rents higher. Rent also remains stronger than CBRE's Grade A office average rents of SGD9.40 psf (which had also increased) for the quarter. With regards to CCT's lease expiry profile, half of 2018's original expiries have already been renewed, with 7% of NLA left for 2018. 2019 is more tricky with 31% of NLA due, though the office supply situation would be tight by that year. As mentioned previously, given the rising rental environment, it would seem that CCT is now less inclined to renew leases ahead of time. As mentioned previously as well, CCT will continue to face negative rental reversion for 2018, due to high expiring rents, even though CCT had been able to achieve above market rents for its assets (the broad market is still recovering from the lows). WALE was fair at 5.9 years (declining q/q due to the addition of AST). Aggregate leverage had worsened distinctly as expected due to the acquisition of AST with aggregate leverage increasing to 37.3% (3Q2017: 33.9%). As mentioned previously, CCT would continue to need to fund the GSCP redevelopment, with management indicating a further SGD238.5mn in borrowings (CCT's pro-rata liability) and SGD42.7mn in equity are needed through 2021. That said, given the long gestation, CCT should be able to handle the capital contributions needed without overtly taxing its balance sheet. Reported interest coverage was flattish at 4.9x, though it may have worsened given the debt drawdown intra-quarter for the AST acquisition. 2018 maturities look manageable with just 150mn in unsecured bank loans due (at the RCS level), while CCT has started to chip at its 2019 maturities of SGD1.4bn via obtaining a SGD600mn loan facility. We will hold CCT's Issuer Profile rating at Neutral (3). (Company, OCBC)

Frasers Hospitality Trust ("FHT"): FHT announced its first quarter numbers for the financial year ended September 2018 ("1QFY2018"). Gross revenue increased 4.8% y/y to SGD41.5mn while net property income ("NPI") increased 3.1% y/y to SGD31.4mn. FHT operates in six different countries and all countries except for the UK saw improvements in NPI. The four properties in Australia contributed 40% of NPI in 1QFY2018 (similar to 1QFY2017). Australia reported a 3% growth y/y in NPI to SGD12.6mn, mainly driven by Novotel Melbourne on Collins (which was acquired in 1QFY2017). Overall Australia portfolio Revenue per Available Room ("RevPAR") declined 1.8% y/y to AUD228 due to the renovation of Novotel Sydney Darling Square (until January 2018, the hotel was known as Novotel Rockford Darling Harbour). Singapore was the second largest NPI contributor at 21%. Singapore saw average RevPAR decline to SGD242 (down 1.0%) due to downward average daily rates at Fraser Suites Singapore (a serviced apartment property) though InterContinental Singapore saw improvements in occupancy, average daily room rates and higher food and beverage revenue. Japan is the third largest market for FHT, contributing 15% in NPI to FHT's portfolio. The sole Japan property, the ANA Crowne Plaza Kobe saw a marginal decline in average RevPAR of 0.3% y/y to JPY 12,218. The UK portfolio saw average RevPAR stable at GBP97, though FHT expects further increases in minimum wages to continue as a drag to NPI. As at 31 December 2017, unadjusted aggregate leverage was 33% (slightly above the 32.1% as at 30 September 2017). Perpetuals at FHT only make up 4.2% of total capital, assuming 50% of perpetuals as debt, we find adjusted aggregate leverage at 35%, manageable in our view. In 1QFY2018, EBITDA/Interest was 5.6x

Credit Headlines (cont'd) :

down from 6.4x as at 1QFY2017. This was driven by higher average borrowings in 1QFY2018 (versus 1QFY2017), refinancing to longer tenure debt and higher market interest rates. Assuming that FHT pays out SGD4.5mn p.a in distribution to perpetual holders, we find EBITDA/(Interest plus 50% perpetual distribution) at 5.0x. As at 31 December 2017, FHT faces SGD134.5mn of short term debt due in the next 12 months (represents only 16% of gross debt). Nonetheless, FHT faces significant debt maturities of SGD449.2mn (representing 55% of gross debt) next year and we expect to see some early refinancing happen in the next few quarters. Secured debt was minimal as a proportion of total assets at SGD31.3mn and FHT's mostly unencumbered asset base continues to provide FHT with high financial flexibility to raise secured debt in need be. We continue to maintain FHT's issuer profile at Neutral(3). (Company, OCBC)

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