List of Entities on Rating Watch for 4th Quarter 2020 (period covering 01.10.2020 – 31.12.2020)

No	Issuer / Entity	Issue size & Instrument	Last rating action	MARCWatch	Subsequent rating action	Chronology on MARCWatch
1	Projek Lebuhraya Usahasama Berhad (PLUS)	RM23.35 billion Sukuk Musharakah Programme	AAA_{IS}	Developing	Rating was first placed on MARCWatch Developing on January 24, 2020 following announcement by the government to reduce and freeze toll rates, and all without government compensation. Modifications to the concession agreement (CA) were expected as a result, which could include extension to the concession period to meet cash flow requirements. The CA was anticipated to be given 20 additional years to 2058 to compensate for the toll cut (18%) and the stop on toll increases. MARC assessment indicated no pressure on PLUS' debt-servicing ability in the immediate term despite the potential of it losing about RM0.5 billion of revenue a year as a result of the toll cut on private vehicles alone. MARC had rated PLUS' sukuk at AAA_{IS}, incorporating a two-notch rating uplift from PLUS' standalone rating. MARC's developing placement in January 2020 took into consideration PLUS' ongoing negotiations with the government relating to the announcement. On April 24, 2020, the rating agency extended its MARCWatch Developing on PLUS. Negotiations with the government	January 24, 2020 - placed on MARCWatch Developing April 24, 2020 – Extension of

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					were still continuing. The change in the government administration in February 2020 and COVID-19 pandemic were some of the challenges faced in finalizing the discussion. Nonetheless, with existing cash balance of RM3.1 billion as at March 31, 2020, PLUS would still be able to support its liquidity position in the near term.	MARCWatch Developing
					On 24 July 2020, MARC further extended its MARCWatch Developing on PLUS as negotiations between the company and the government with regard to the toll restructuring remain ongoing. In the meantime, existing concession and supplemental agreements will continue to subsist and remain in full force. MARC's assessment indicates no immediate pressure on PLUS' debt-servicing ability backed by a strong liquidity position; PLUS has RM3.0 billion in cash, sufficient to meet its profit and principal payments due in 2021.	July 24, 2020 – Extension of MARCWatch Developing
					Rating placement on MARCWatch Developing was further extended pending outcome of PLUS' negotiations with the government, which have dragged on for longer than expected.	**October 23, 2020 – Extension of MARCWatch Developing**

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					Rating reaffirmed at AAA*IS* and concurrently removed from MARCWatch Developing. **MARC assessed that as long as the negotiations remain unresolved, PLUS' rights and benefits under its current concession agreement (CA) remain intact. A letter from MOF to PLUS that MARC had sighted confirmed that pending completion of the negotiations, existing and supplemental CAs between PLUS and the government will continue to subsist and remain in full force. PLUS' credit profile was, therefore, assessed in the context of its existing CA framework and debt structure.** **When the toll restructuring negotiations with the government are completed, MARC will make a full assessment of the impacts on PLUS' credit profile.**	**December 18, 2020 – Rating reaffirmed and removed from MARCWatch Developing**
2	MEX II Sdn Bhd	i) RM1.3 billion Sukuk Murabahah ii) RM150.0 million Junior Bonds	A*IS* BBB	Negative	Placement on MARCWatch Negative was triggered by insufficient progress on the construction of the 16.8-km Lebuhraya Putrajaya-KLIA expressway (MEX Extension) to meet the project milestones since the ratings were downgraded in 2019.	May 22, 2020 - placed on MARCWatch Negative

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					The delay has led to MEX II seeking another extension of time (EOT) to complete construction. As at end-April 2020, completion stood at 86%, just slightly up from 83% as at end-August 2019. The delay has been substantially contributed by stalled works at the critical Bridge 13 following a stop-work order issued by Jabatan Kerja Raya Sepang since April 2019. MEX II has appealed for the stop-work order to be lifted, pending approval. MEX II has applied to Lembaga Lebuhraya Malaysia for an EOT to September 2021. This means that MEX Extension may only be completed 14 months later that the last EOT given (July 2020) and two years late than the initial completion date set by the authority (i.e. October 2019).	
					In June 2020, MEX II received the approval from Lembaga Lebuhraya Malaysia to complete MEX Extension by September 4, 2021. However, there was no further forward in project progress, with completion at end-July 2020 standing stagnant at 86%. MEX II has entered into discussions with certain financial institutions pertaining to a refinancing plan that is expected to be finalised in the next three months. MARC's extension of the MARCWatch	August 21, 2020 – Extension of MARCWatch Negative

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					placement reflects this ongoing restructuring exercise. MEX II could face financial distress in 2021 as there are sukuk principal maturity payment of RM30 million and profit payments of RM77 million in that year. MARC will review and take the appropriate rating action when there is more clarity on the company's debt restructuring plan. The review will consider the analysis of new cash flow under the restructuring arrangement vis-à-vis the concessionaire's financial obligations. The ratings could face multiple-notch downgrades on heightened default risk if the restructuring plan fails to materialise or is significantly delayed, or if measures implemented are insufficient to address liquidity risk. **MARC downgraded the ratings of MEX II's RM1.3 billion Sukuk Murabahah Programme to BBB*IS* from A*IS* and its RM150.0 million Junior Bonds to BB from BBB. The ratings remained on MARCWatch Negative.** **The downgrade and continued placement of the ratings on MARCWatch Negative reflect heightened concerns about the company's ability to meet its debt service in 2021 (i.e. RM68.7 million in April 2021 and RM38.2 million in October 2021). MEX II requires**	 **November 18, 2020 – ratings downgraded to BBB*IS* and BB, and remained on MARCWatch Negative**

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					additional funding to complete the project and meet its near-term financial obligations, which MARC believes carries a significant execution risk. Absent of any additional committed credit lines, MEX II's liquidity is only supported by around RM7.7 million in its Finance Service Reserve Account as at end-October 2020. **MEX II looks to refinance the sukuk, but with uncertain timeline. Thus, given market uncertainty and limited runway to the upcoming RM106.9 million payment obligations due in 2021, MARC has maintained the ratings on MARCWatch Negative. We may take a further negative rating action – which may involve a multi-notch downgrade - if MEX II is unable to put in place a bridge facility to shore up its liquidity and/or there is a lack of progress in the company's refinancing plans by its next review in January/February 2021. However, in the event of a debt restructure, MARC will re-assess MEX II and assign new ratings consistent with our assessment of the company's capital structure, risk profile and prospects post-restructuring.**	