Asian Credit Daily

February 13, 2018

Credit Headlines: OUE Limited, CapitaLand Ltd, Wing Tai Holdings Ltd

Market Commentary: The SGD swap curve bear-steepened yesterday, with swap rates for the shorter tenors trading 1-4bps lower while the longer tenors traded 3-4bps higher. Flows in SGD corporates were heavy yesterday, with better buying seen in GEMAU 5.5%'19s. In the broader dollar space, the Bloomberg Barclays Asia USD IG Bond Index average OAS traded little changed at 112bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS narrowed 3bps to 357bps. 10Y UST yield started near four-year high of 2.89%, though after a day of big swings 10Y UST yields ended 2bps lower to 2.86%.

New Issues: Ronshine China Holdings Ltd has priced a USD100mn re-tap of its 2021 bond (guaranteed by certain of the company's restricted subsidiaries incorporated outside the PRC) at 9%, in line with its initial guidance of 9%. The expected issue ratings are 'NR/NR/B+'.

Credit Headlines:

OUE Limited ("OUE"): OUE Lippo Healthcare Limited ("OLH", formerly International Healthway Corporation, 86.2%-owned subsidiary of OUE) reported its 4Q2017 results. Revenue was largely unchanged y/y at SGD10.6mn. OLH had however reported a loss after tax of SGD54.5mn. Though this was an improvement over the loss after tax of SGD86.2mn, the losses would be a drag on OUE's consolidated performance as mentioned previous (refer to OCBC Asian Credit Daily (7 Feb 2018)). Reviewing the numbers, the biggest driver of the loss would be SGD46.0mn in other operating loss due to provisions for legal and related expenses of SGD46.0mn. This could potentially be related to the on-going lawsuit over the former Australian assets which were foreclosed by the banks and sold late 2016 (before OUE acquired OLH). Though the provisions are likely to be non-recurring, OLH's loss after tax of SGD54.5mn would actually wipe out the SGD54.5mn in accumulated net profit which OUE had reported for 9M2017. OUE has not previously reported standalone 4Q results, but even then full-year 2017 results would likely be negatively affected on a y/y basis. In mitigation, we had previously mentioned ITOCHU's announced SGD78.75mn investment into OLH (for new

Table 1: Key Financial Indicators

	13-Feb	1W chg (bps)	1M chg (bps)		13-Feb	1W chg	1M chg
iTraxx Asiax IG	74	7	14	Brent Crude Spot ($/bbl)	62.59	-7.44%	-10.42%
iTraxx SovX APAC	13	2	3	Gold Spot ($/oz)	1,322.92	-0.09%	-1.27%
iTraxx Japan	52	8	9	CRB	189.08	-3.37%	-3.56%
iTraxx Australia	66	7	12	GSCI	430.50	-4.67%	-5.02%
CDX NA IG	58	4	11	VIX	25.61	-31.38%	152.07%
CDX NA HY	107	0	-2	CT10 (bp)	2.855%	5.32	30.86
iTraxx Eur Main	54	7	10	USD Swap Spread 10Y (bp)	1	-1	2
iTraxx Eur XO	270	19	41	USD Swap Spread 30Y (bp)	-17	-2	3
iTraxx Eur Snr Fin	54	9	12	TED Spread (bp)	27	-5	-2
iTraxx Sovx WE	20	1	-1	US Libor-OIS Spread (bp)	27	-1	2
iTraxx Sovx CEEMEA	36	1	4	Euro Libor-OIS Spread (bp)	3	0	2
					13-Feb	1W chg	1M chg
				AUD/USD	0.786	-0.63%	-1.37%
				USD/CHF	0.938	-0.27%	2.63%
				EUR/USD	1.230	-0.66%	0.25%
				USD/SGD	1.324	-0.39%	-0.21%
Korea 5Y CDS	56	5	13	DJIA	24,601	1.05%	-4.66%
China 5Y CDS	64	7	17	SPX	2,656	0.27%	-4.67%
Malaysia 5Y CDS	67	6	14	MSCI Asiax	702	-2.02%	-5.58%
Philippines 5Y CDS	68	6	14	HSI	29,460	-8.64%	-6.22%
Indonesia 5Y CDS	93	9	15	STI	3,385	-2.81%	-3.85%
Thailand 5Y CDS	43	1	2	KLCI	1,830	-1.24%	0.41%
				JCI	6,523	-1.00%	2.41%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
13-Feb-18	Ronshine China Holdings Ltd	'NR/NR/B+'	USD100mn	RONXIN 8.25%'21s	9%
09-Feb-18	Golden Energy and Resources Ltd	'NR/B1/B+'	USD150mn	5NC3	9.375%
09-Feb-18	Fantasia Holdings Group Co Ltd	Not rated	USD300mn	1-year	7.25%
07-Feb-18	Full Dragon (Hong Kong) International Development Ltd	'NR/NR/BB+'	USD300mn	3-year	5.85%
07-Feb-18	Shangrao Investment Holdings International Co Ltd	Not rated	USD200mn	3-year	6.4%
07-Feb-18	Daegu Bank Ltd	'A-/A2/NR'	USD300mn	5.5-year	CT5+135bps
06-Feb-18	Sunshine 100 China Holdings	Not rated	USD165mn	SUNCH 8.5%'20s	8.5%
2-Feb-18	Greenland Global Investment Ltd	'NR/Ba2/NR'	USD400mn	3-year	5.25%

Source: OCBC, Bloomberg

Credit Headlines (cont'd) :

shares accounting for a 25.3% stake post dilution, refer to [OCBC Asian Credit Daily (11 Jan 2018)]) which would be a credit positive for both OUE and OLH (though it will only be reflected in 1Q2018 results). We will monitor OUE's 4Q2017 results closely. (Company, OCBC)

CapitaLand Ltd ("CAPL"): CAPL reported 4Q2017 / full-year 2017 results. As a reminder, during 3Q2017, CAPL had decided to consolidate CapitaLand Mall Trust ("CMT") as well as CapitaLand Retail China Trust ("CRCT") effective August 2017. This accounting change had material impacts on CAPL's balance sheet and income statement. Specifically, CAPL saw its total assets surge from SGD45.7bn (end-2016) to SGD61.4bn (end-2017), while its total equity increased from SGD24.3bn (end-2016) to SGD32.1bn (end-2017). For the income statement, revenue increased SGD425.6mn while EBIT increased SGD278.2mn y/y, largely reported in the CapitaLand Mall Asia segment. With this in mind, full-year 2017 results are as follows: Total revenue fell 12.2% y/y to SGD4.61bn, largely due to the drag from lower completion rates for China residential properties. Specifically, only 5,973 units were delivered in China during the year compared to 12,191 units in 2016. The biggest hit was in the 4th quarter, with CAPL delivering just 2,064 units versus 6,507 units before. This was also the reason why CAPL's 4Q2017 revenue fell 34.6% y/y to SGD1.21bn. In mitigation, the decline in total value sold was not as sharp, with CAPL realizing RMB11.6bn in China residential revenue (-27.1% y/y). Like 3Q2017, the stable Singapore performance and REIT consolidation helped mitigate weaker results in China. Specifically, revenue from CapitaLand Singapore was flattish at +0.1% to SGD1190.5mn while revenue from CapitaLand China slumped 42.9% to SGD1356.2mn. CapitaLand Singapore segment revenue was boosted by the inclusion of RCST. Even for Singapore units, there was a slow down with 407 units sold in 2016 versus 571 units in 2016. This was largely driven by lower inventory in Singapore to be cleared. It could also be driven by CAPL delaying the sales of its remaining inventory given the rising home prices. That said, CAPL's Singapore pipeline remains a concern, and hence the announcement today that CAPL acquired Pearl Banks Apartments for SGD728mn (or SGD1,515 psf ppr include tenure top-up) was not surprisingly. Looking forward, we believe that CAPL could continue to increase its Singapore land bank via land acquisitions or redevelopments. For China, things are more healthy with CAPL forecasting ~RMB10.3bn in pre-sales to be recognized over 2018 upon project completion. The challenges for China are further in the future, with 2016 sales weak (as mentioned earlier). CAPL guided 6,243 launch-ready units in China for 2018, though it remains weaker than 2016 levels. We note that the bulk of China launches are in Xi'an (3,069 units). For 2017, CAPL's Singapore and China revenue contribution are roughly balanced at ~SGD1.8bn each. For CapitaLand Mall Asia, revenue jumped 75.9% to SGD1.03bn, largely due to the consolidation of CMT. The segment also benefited from recent acquisitions (four office and retail properties in Japan acquired in February 2017) as well as additions in owned or managed malls in China. That said, we are aware that CAPL entered into agreements with third parties (this was reported to be China Vanke) to divest equity stakes in entities that hold 20 retail assets in China. The assets have an agreed value of RMB8.37bn (~SGD1.71bn). The transaction is expected to close in 2Q2018, with CAPL receiving SGD660.0mn in net proceeds, and booking SGD75.0mn in divestment gains. This would cause revenue to fall post divestment, though it may be mitigated by the acquisition of Rock Square, Guangzhou. Ascott revenue saw fell slightly by 3.1% y/y to SGD1.00bn, despite various acquired properties as well as investments, likely due to 1H2017 drag as 2H2017 results are firm. In aggregate, operating PATMI (which excludes divestments, revaluation and impairments) was flattish at 5% y/y to SGD908.3mn, with increased contributions from investment properties offsetting fewer deliveries in CapitaLand China. CFO (including interest service) was weaker at SGD698.3mn compared to the SGD1.24bn generated in 2016. This was largely driven by the slower monetization of the development properties on its balance sheet. As a result of the consolidation of CMT and CRCT, as the REITs had higher leverage compared to CAPL, as well as the Asia Square Tower 2 acquisition, reported net gearing drifted higher to 49% (2016: 41%). This was mitigated in part by the SGD700mn raised by CCT via a rights issue. In general, we expect CAPL to run at a higher net gearing of ~50% compared to previous years with CAPL likely to continue to invest in both investment properties as well as to increase its residential land inventory. We are holding our Neutral (3) issuer profile on CAPL. (Company, OCBC)

Credit Headlines (cont'd) :

Wing Tai Holdings Ltd ("WINGTA"): WINGTA reported 2QFY2018 results for the quarter ending 31 Dec. Revenue rose 113% y/y to SGD130.0mn, with contribution from Le Nouvel Ardmore in Singapore (2 units sold for SGD32.5mn, according to URA caveats), Le Nouvel KLCC in Kuala Lumpur and BM Mahkota in Penang (with TOP obtained in Nov 2017). Meanwhile, contribution from associates and JVs (which includes Wing Tai Properties ("WTP") and Uniqlo) declined 5.1% y/y to SGD17.6mn, which is likely due to lower contribution from WTP due to WTP's strong results in 2HCY2016. Overall, net profit rose 132% y/y to SGD9.8mn. While WINGTA is in a net cash position, we expect net gearing to reach around 5.0% when the SGD446.3mn site (under the Keppel Land-Wing Tai Land JV) at Serangoon North Avenue 1 is settled. If we account the perpetuals as debt, the pro forma net gearing for 2QFY2018 would be 2.9% (around 10% after settlement of Serangoon North Avenue 1). Near-term liquidity remains healthy with SGD840.0mn in cash and no borrowings maturing within 12 months while bonds are well termed out into FY2021-2024. Going forward, we expect revenues to remain supported as WINGTA looks to release more units for sale, possibly due to the distinct improvements in the Singapore residential market. However, WINGTA has now explicitly guided that it is looking for investment opportunities in Singapore and overseas markets. As such, we can expect net gearing levels to increase, noting that WINGTA's net gearing had ranged between 32%-37% in FY2008-FY2011. We continue to hold WINGTA at a Neutral (4) Issuer Profile. (Company, OCBC)

Asian Credit Daily

Andrew Wong
Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6530 4736
wongVKAM@ocbc.com

Nick Wong Liang Mian, CFA
Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6530 7348
NickWong@ocbc.com

Ezien Hoo, CFA
Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6722 2215
EzienHoo@ocbc.com

Wong Hong Wei
Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6722 2533
WongHongWei@ocbc.com