Asian Credit Daily

May 12, 2017

Credit Headlines (Page 2 onwards): Wing Tai Holdings Ltd, City Developments Ltd., Ezion Holdings Ltd, Ascendas Hospitality Trust, Banyan Tree Holdings Ltd, Gallant Venture Ltd

Market Commentary: The SGD swap curve was relatively flattish yesterday. Flows in SGD corporates were heavy, with better buying seen in FCLSP 4.15%'27s, mixed interest in FNNSP 3.8%'27s, TATAIN 4.95%'23s. In the broader dollar space, the spread on JACI IG corporates fell 1bps to 193bps yesterday, while the yield on JACI HY corporates added 3bps to 6.66%. 10y UST yields fell 3bps to 2.39% yesterday, following the fall in stocks yesterday, although supported by a soft 30y Treasuries auction which weighed on the long-end of the curve.

New Issues: The Bank of East Asia Ltd. priced a USD500mn AT1 Perp NC5 at 5.625%, tightening from initial guidance of 6%. The expected issue ratings are 'BB/Ba2/NR'. Radiant Access Ltd. priced a USD1.5bn Perp NC3 (guaranteed by Cheung Kong Property Holdings Ltd.) at 4.60%, tightening from initial guidance of 5%. The expected issue ratings are 'NR/A2/NR'. Huachen Energy Co. Ltd. priced a USD500mn 3-year bond at 6.625%, tightening from initial guidance of 7%. The expected issue ratings are 'NR/B2/NR'. Zhong Hai Sheng Rong (Beijing) Capital Management Ltd. scheduled investor meetings from 16 May for potential USD bond issuance. The expected issue ratings are 'B/NR/NR'.

Rating Changes: S&P assigned Zhong Hai Sheng Rong (Beijing) Capital Management Ltd. Co. (ZHSR) a 'B' corporate credit rating and issue rating to the senior unsecured notes (guaranteed by ZHSR) that Mighty Ocean I Ltd., a special purpose vehicle, proposes to issue. The rating action reflects S&P's expectation for ZHSR to maintain high debt leverage over the next 12 months at least, due to its short track record and very heavy reliance on debt funding for new investments. Fitch withdrew its 'A' Issuer Default Rating and 'A-' subordinated debt rating on Industrial & Commercial Bank of China Asia Ltd.

Table 1: Key Financial Indicators

	12-May	1W chg (bps)	1M chg (bps)		12-May	1W chg	1M chg
iTraxx Asiax IG	88	-4	-11	Brent Crude Spot ($/bbl)	50.92	3.71%	-8.84%
iTraxx SovX APAC	20	-1	-2	Gold Spot ($/oz)	1,226.81	-0.10%	-4.66%
iTraxx Japan	43	-1	-4	CRB	180.44	1.94%	-3.70%
iTraxx Australia	81	-1	-7	GSCI	378.29	1.86%	-5.44%
CDX NA IG	62	0	-5	VIX	10.6	1.34%	-32.78%
CDX NA HY	108	0	1	CT10 (bp)	2.375%	2.63	13.58
iTraxx Eur Main	62	-1	-14	USD Swap Spread 10Y (bp)	-8	-2	-4
iTraxx Eur XO	255	-1	-41	USD Swap Spread 30Y (bp)	-46	0	-5
iTraxx Eur Snr Fin	67	-2	-25	TED Spread (bp)	30	0	-5
iTraxx Sovx WE	7	0	-5	US Libor-OIS Spread (bp)	14	-2	-8
iTraxx Sovx CEEMEA	47	0	-6	Euro Libor-OIS Spread (bp)	3	0	1
					12-May	1W chg	1M chg
				AUD/USD	0.738	-0.65%	-1.94%
				USD/CHF	1.007	-1.95%	-0.45%
				EUR/USD	1.087	-1.15%	1.94%
				USD/SGD	1.409	-0.30%	-0.99%
Korea 5Y CDS	55	-3	-3	DJIA	20,919	-0.15%	1.59%
China 5Y CDS	78	-2	-8	SPX	2,394	0.21%	2.11%
Malaysia 5Y CDS	103	-4	-10	MSCI Asiax	608	2.25%	4.36%
Philippines 5Y CDS	77	-2	-8	HSI	25,148	2.75%	3.43%
Indonesia 5Y CDS	129	2	-8	STI	3,263	1.06%	2.41%
Thailand 5Y CDS	56	-2	-1	KLCI	1,775	0.96%	1.80%
				JCI	5,688	0.32%	1.06%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
12-May-17	The Bank of East Asia Ltd.	"BB/Ba2/NR"	USD500mn	Perp NC5	5.625%
11-May-17	Radiant Access Ltd.	"NR/A2/NR"	USD1.5bn	Perp NC3	4.60%
11-May-17	Huachen Energy Co. Ltd.	"NR/B2/NR"	USD500mn	3-year	6.625%
10-May-17	Global Prime Capital Pte. Ltd. (re-tap)	"NR/Ba3/BB-"	USD70mn	5.5%'23s	101.625+accr.
9-May-17	FMG Resources (August 2006) Pty Ltd.	"BB+/Ba2/BB+"	USD750mn	5-year	4.75%
9-May-17	FMG Resources (August 2006) Pty Ltd.	"BB+/NR/BB+"	USD750mn	7-year	5.125%
9-May-17	CK Hutchison Capital Securities (17) Ltd.	"BBB/Baa2/BBB"	USD1bn	Perp NC5	5.25%
8-May-17	Oxley MTN Pte. Ltd. (re-tap)	Not Rated	USD100mn	6.375%'21	100+accr.

Source: OCBC, Bloomberg

Credit Headlines:

Wing Tai Holdings Ltd ("WINGTA"): WINGTA reported 3QFY17 results for the quarter ended 31 Mar. Revenue was lower by 35% y/y to SGD73.5mn due to lower revenue contributions from development properties. However, net profit rose 248% y/y to SGD8.6mn due to an increase in the share of profits of associated and JV companies (+24% y/y to SGD16.9mn) due to better performance at Wing Tai Properties and Uniqlo. Net gearing rose to 6% (from 3% in 2Q) due to cash outflows from working capital changes as well as loans made to JVs, while the equity base was smaller because of translational losses of SGD59.5mn (from WINGTA's stake in Wing Tai Properties) as HKD weakened against the SGD. As mentioned in our Singapore Property Sector Update on 3 May 2017, we think that a turnaround may be in sight for the Singapore residential market, which should support Wing Tai Holdings moving more unsold units at The Crest. With a healthy balance sheet, we continue to hold WINGTA at a Neutral Issuer Profile. (Company, OCBC)

City Developments Ltd. ("CDL"): CDL reported 1Q2017 results, with revenue up 8.4% y/y to SGD783.8mn. Like the previous quarters, CDL benefited from strong contributions from its property development segment, with revenues up 33.9% y/y to SGD299.1mn. Segment PBT was up 7.1% y/y to SGD81.9mn, lacking the contribution from two JV projects in 1Q2016. Segment results were supported by the progressive handover of units in Suzhou Hong Leong City Center (Phase 1), and sales of units at Gramercy Park. In Singapore, CDL sold 293 units, up from 145 units y/y, with a sales value of SGD477.1mn (inclusive of JV projects). Sales of Gramercy Park have been strong, with 90 units out of 174 units sold (as of 07/05/17), or 84% of units launched. CDL had soft launched the development in 3Q2016, and hence gradually released units in the market. On 11/04/17, CDL had announced that of the 81 units sold then, 76% were Singapore Permanent Residents and foreigners. This was a supportive signal for Singapore's high-end property market, which had historically seen sizable foreign participation. Furthermore, Gramercy Park's North Tower, which launched earlier, sold at an average of over SGD2,600 psf. Comparatively the South Tower, which launched end-March 2017, had an average selling price of over SGD2,800 psf (for the 16 units sold of 20 units launched). Gramercy Park's total sale value is worth ~SGD1bn (it had received TOP end-May 2016), and the balance unsold 84 units could be supportive of near-term revenue. That said, market reports have indicated that CDL may be utilizing deferred payment schemes to move units at Gramercy Park, and as such revenue recognition (which can only be done at completion) may be delayed. With the domestic market firming up, CDL has indicated that it may launch the New Futura project at Leonie Hill (2017 TOP, 124 units) in 2H2017. In aggregate, CDL still has 598 units in unsold inventory for the Singapore market (launched units only) versus 737 units in 4Q2016. With the consumption of CDL's domestic inventory, CDL has resumed stocking up on land, winning a GLS bid at SGD370.1mn in May 2017 at Tampines, paying SGD566 psf gfa. For the international property development side, there are no sizable projects (that had meaningful percentage sold) due for completion for the balance of 2017, and hence contributions would be lower. It is worth noting that CDL is currently reviewing its Ransomes Wharf site in Battersea, London. The site was purchased at GBP58mn, with GDV of GBP222mn for the current luxury residential development plan. The hospitality segment (includes Millennium & Copthorne Hotels ("M&C")) was flattish, with revenue increasing 2.0% y/y to SGD366.5mn. In GBP terms, M&C saw revenue increase 16.1% y/y to GBP223mn, driven by higher contributions from London and New Zealand assets. Global RevPar was up 4.6% to GBP70.66. In Singapore and the rest of Asia however, RevPar trends remain weak. Segment PBT fell 55.6% y/y to just SGD4.8mn, largely due to FX losses. Rental property revenue slumped 8.8% y/y to SGD85.2mn. This was driven by the sale of Exchange Tower, as well as Le Grove Serviced Apartments being closed for renovations. CDL's office portfolio occupancy continues to slip, falling to 95.3% (4Q2016: 95.9%). We note that BTMU (occupying 150,000sqft currently of Republic Plaza) was reported to be moving to Marina One mid-2017. CDL had indicated that it is utilizing the market lull to explore AEI for assets such as Republic Plaza, to position its assets for when new office supply declines in 2018 and 2019. In aggregate, CDL reported SGD186mn in EBITDA, down 9.1% y/y. 44% was generated overseas (lower than previous periods). Net gearing remains strong at 16%. We don't expect to see material improvements to CDL's credit profile, given the declines in overseas contribution, mitigated by domestic strengthening. We will however keep CDL at Positive Issuer Profile, reflecting its low leverage levels as well as strong recurring EBITDA generation. (Company, OCBC)

Credit Headlines (cont'd):

Ezion Holdings Ltd. ("EZI"): 1Q2017 results showed continued revenue pressure, falling 16.4% y/y to USD68.6mn. This was also 5.5% lower q/q. The market environment for offshore marine asset owners such as EZI remains challenging, with offshore upstream activity remaining muted, while excess capacity drives utilization and charter rates lower. The same industry pressures continue to weigh on EZI. In addition, EZI had two of its rigs undergoing Class Survey and repairs during the quarter. COGS remained relatively sticky y/y, causing gross profits to plunge 57.7% y/y to USD8.7mn. Lacking the boost from asset disposal (on a liftboat sale in 1Q2016) as well as an unrealized FX loss of USD13.3mn, EZI generated an operating loss and net loss of USD8.9mn and USD12.8mn respectively. Operating cash flow (including interest service) remains positive at USD16.5mn, though sharply lower than USD37.2mn generated in 1Q2016. Free cash flow was USD5.8mn, due to USD10.6mn in capex. EZI had paid down USD21.7mn in borrowings during the period as well (largely utilizing its cash balance). As such, cash balance fell to USD187.0mn, compared to USD331.8mn in short-term borrowings (USD238.3mn are secured borrowings, likely to be vessel financing). EZI's next bond maturing is SGD60mn due 20/08/18. Given the difficulty for offshore marine players to access capital markets, as well as the weak market for offshore marine asset sales, EZI would likely be reliant on bank funding to meet its short-term obligations. We note that EZI had previously announced (on 23/02/17) that it has completed discussions with all its bankers to reduce its annual principle repayment as well as extend its loan facilities, subject to the completion of legal documentation. As such, we may see some reduction in EZI's short-term debt burden when 2Q2017 results are released. Net gearing has inched higher to 100% (4Q2016: 98%) due to the decline in cash balance. We note that EZI is undergoing a transaction over its JV with Swissco Holdings ("SWCH"). Specifically, the acquisition of 50% remaining equity stakes in Strategic Offshore Ltd ("SOL") and Strategic Excellence Ltd ("SEL") from SWCH (refer OCBC Asian Credit Daily - 28 Mar 2017) was completed on 05/05/17. In a related transaction, EZI will be divesting 50% of its interests in the wholly-owned subsidiaries SOL, SEL as well as Teras Cargo Logistics Ltd ("TCL") to a Malaysian business partner in the offshore and marine sector. The sales consideration will be USD70mn in cash, and is expected to be completed during 2Q2017. Though the monetization of the JVs are a credit positive, in our view, SOL and SEL remain a source of uncertainty until the transaction is completed. Though the sale consideration of USD70mn was indicated to be close to EZI's book value on the stake, it should be noted that EZI had made USD77.3mn in shareholder loans to its JVs (as of end-2016, up from USD55.5mn as of end-2015), with SOL being the only material JV (as disclosed in AR2016). Swissco had previously disclosed that the 3 jackup rigs held in SOL were on charter, but the charterer had not been making payments. For now, we will continue to hold EZI's Issuer Profile at Negative. (Company, OCBC)

Ascendas Hospitality Trust ("AHT"): AHT reported 4QFY17 results for the quarter ended 31 Mar. This looks to be a good set of results with gross revenue and NPI increasing 7.5% and 10.1% y/y to SGD57.4mn and SGD25.8mn respectively. This is mainly driven by a 6% RevPAR increase (4Q17: AUD159) due to better performance of its hotels in Australia on the back of higher occupancy rates and higher average daily rates, while the stronger AUD and JPY against SGD further lifted results. In particular, the strong performance was due to 2 of its hotels in Sydney (Pullman Sydney Hyde Park, Novotel Sydney Central) and 1 hotel in Brisbane (Brisbane Hotel). Asset leverage fell to 32.2% (from 3Q16's 33.3%) as its asset base increased mainly due to valuation gains on its portfolio. While AHT has a sizeable SGD64mn of debt due in 2017 and SGD207mn due in 2018, we expect AHT to be able to refinance (the last time AHT came into the bond market was in Sep 2016 with a SGD70mn issuance). Overall, the tourism outlook continues to be healthy in Australia as more air routes were added between cities in China and Australia, though the new supply entering Brisbane and Sydney may cap AHT's performance. We continue to hold AHT at a Neutral Issuer Profile. (Company, OCBC)

Credit Headlines (cont'd):

Banyan Tree Holdings Ltd ("BTH"): BTH reported its 1Q2017 results. Revenue was down 9% to SGD90.4mn largely due to lower revenue from BTH's property sales segment. This was partially offset by higher revenue from fee-based and hotel investment segments (especially stronger performance from Thailand). We find EBITDA at SGD18.1mn (based on our calculation which does not take into account other income), up 5% from 1Q2016. This was driven by write-back of provision for doubtful debts following payments by several hotel owners in China and lower non-employee related overheads which helped offset a SGD1.4mn increase in salaries and related expenses. Finance cost was somewhat lower at SGD7.0mn (1Q2016: SGD7.4mn) due to lower interest rates, which helped improve EBITDA/Interest to 2.6x (1Q2016: 2.3x). BTH reported a profit after tax of SGD2.8mn, of which SGD1.2mn was attributable to owners of the company. Nonetheless, translational impact from foreign exchange was negative SGD9.4mn (1Q2016: negative SGD9.6mn), resulting in a comprehensive loss for the period of SGD6.6mn, reducing book value equity to SGD726.3mn (31 December 2016: SGD732.8mn). Cash flows generated from operations (before interest and tax) was SGD12.2mn, lower than 1Q2016's SGD19.8mn as progressive development costs were incurred on property projects in Thailand and Bintan. Cash outflow from investing activities was low at SGD2.2mn against SGD5.3mn incurred in 1Q2016 though we think the low capex will eventually need to reverse. As at 31 March 2017, gross debt at BTH increased by 3.4% to SGD637.6mn (largely kept as cash as at 31 March 2017). Gearing was 0.9x as at 31 March 2017 (end-Dec 2016: 0.8x) while net gearing stayed relatively constant at 0.7x. As at 31 March 2017, BTH faces short term debt of SGD147.6mn against cash balances of SGD133.9mn. With new strategic partners coming into the business, we think BTH is on a deleveraging trend. On 27 April 2017, Accor S.A entered into definitive agreements on an alliance with BTH as well as subscribe to a SGD24mn mandatory convertible debenture (conversion price into equity at SGD0.60 per share). The definitive agreement with China Vanke Co. Ltd ("VNKRLE") is expected to be signed around mid-2017 with the proposed disposal of certain Chinese assets from BTH into its joint venture with VNKRLE recognised upon completion (likely by end-2017). Overall, we expect the deal with VNKRLE to bring about SGD25mn in new equity and at least SGD80mn from the asset sell down (ie: half of the net assets held for sale as at 31 March 2017). We maintain BTH's Neutral issuer profile. (Company, OCBC)

Credit Headlines (cont'd):

Gallant Venture Ltd ("GALV"): GALV reported its unaudited results for 1Q2017 (as a reminder for context, the independent auditors of GALV had previously given a disclaimer opinion on its financial statements for FY2016 as well as a disclaimer opinion on the restated and re-audited financial statements for FY2015 and FY2014). In 1Q2017, revenue was down 7% y/y to SGD436.9mn largely due to the weaker revenues at Indomobil Sukses International Tbk ("IMAS"), 72%-owned by GALV. GALV's non-IMAS businesses reported marginally higher revenue of SGD38.8mn (up SGD0.3mn from 1Q2016) mainly due to higher revenue from its utilities and resort segment but was partially offset by lower revenue from the industrial parks. Nonetheless, headline gross profit from the non-IMAS segments was only SGD6.0mn in 1Q2017 against SGD6.9mn in 1Q2016. EBITDA (based on our calculation which does not include other income and other expenses) was down 3% to SGD66.6mn. In 1Q2017, GALV reported a loss before taxation of SGD37.3mn (1Q2016: loss before taxation of SGD12.3mn) as a result of weaker operating results and a SGD15.0mn loss from share of associated companies. Per company's disclosure, material associates are involved in the automobile distribution, manufacturing and financing businesses. Driven by the lower operating profit generation and higher working capital needs, cash flow from operations (before tax and interest) was marginal at only SGD0.1mn (1Q2016: SGD36.6mn). In 1Q2017, the cash needs from working capital changes was SGD38.1mn (1Q2016: SGD24.9mn). Increases in operating receivables was significant at SGD128.3mn versus SGD76.3mn in 1Q2016. The company does not provide the breakdown of trade receivables versus other receivables within its quarterly numbers though amount owing by related parties made up 29% of total trade and other receivables as at 31 December 2016 (31 Dec 2015: 8.5%). Interest and tax payments was slightly lower, collectively at SGD86.1mn (1Q2016: SGD89.7mn). These rendered GALV to report negative cash from operations of SGD86.0mn during 1Q2017 (1Q2016: negative SGD53.1mn). Investing outflows was somewhat higher at SGD28.8mn (1Q2016: SGD24.8mn) and the cash gap was funded via using existing cash balance and additional debt. As at 31 March 2017, cash balance was SGD342.3mn (end-Dec 2016: SGD425.4mn) and 36% of this is held by GALV (versus its operating entities). Gross debt was SGD2.4bn, at similar levels to end-Dec 2016. About 46% of its debt relates to IMAS' car rental and financial services business. As at 31 March 2017: GALV's net gearing was 1.2x (end-Dec 2016: 1.1x). Assuming GALV pays down the SGD120mn bond due today, GALV's cash balance will fall to SGD222mn. We see GALV's standalone liquidity situation as stretched, with IMAS unable to meaningfully upstream dividends to the holding company given debt obligations at the IMAS level. Whilst GALV has assets that can be monetized (eg: land inventories held at operating entities in Indonesia recorded at SGD615.4mn on its balance sheet), land as an asset class is relatively illiquid by nature. We continue to hold GALV's issuer profile at Negative and are Underweight both the GALVSP 7.0%'17s and GALVSP 7.0%'18s. (Company, OCBC)

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