Asian Credit Daily

February 28, 2018

Credit Headlines: Standard Chartered Bank PLC, Keppel Corp, Banyan Tree Holdings Limited, Suntec Real Estate Investment Trust, ESR-REIT, UOL Group Ltd, City Developments Ltd, Citic Envirotech Ltd

Market Commentary: The SGD swap curve steepened yesterday, with swap rates for the shorter tenors trading 1-3bps higher while the longer tenors traded 1bps lower. Flows in SGD corporates were heavy yesterday, with better buying seen in FPLSP 4.88%-PERPs, OLAMSP 5.8%'19s and HSBC 4.7%-PERPs. In the broader dollar space, the Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 112bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 6bps to 337bps. 10Y UST yields rose 3bps to 2.89%, after Fed chairman Jay Powell commented that his personal economic outlook had strengthened since December on the back of strong growth, rising inflation and a tight labour market. He opened the door to raising rates four times this year which sent Treauries lower.

New issues: Guorui Properties Ltd has priced a USD250mn 364-day bond (guaranteed by certain of issuer's restricted subsidiairies outside the PRC) at 10.2%. Modern Land (China) Co Ltd has priced a USD350mn 3-year green bond (guaranteed by certain non-PRC subsidiaries of issuer) at 7.95%, tightening from its initial guidance of 8%. The expected issue ratings are 'NR/B3/B+'. Yuzhou Properties Co Ltd has priced a USD375mn 3NC2 bond (guaranteed by certain non-PRC subsidiaries of issuer and share pledges over all outstanding shares of subsidiary guarantors) at 6.375%, tightening from its initial guidance of 6.625%. The expected issue ratings are 'B+/NR/BB-'. Coastal Emerald Ltd has priced a USD400mn 363-day bond (guaranteed by China Shandong Hi-speed Financial Group Ltd, keepwell provider: Shandong Hi-speed Group Co Ltd) at 4%, tightening from its initial guidance of 4.125%. Korean Air Lines Co Ltd has priced a USD300mn 3-year bond at 6%, tightening from its initial guidance of 6.25%. Agile Group Holdings Ltd has scheduled for investor meetings on 27 Feb for its USD perpetual bond issuance. The expected issue ratings are 'NR/B1/NR'. Shandong Hi-tech Innovation Construction Investment Group Co Ltd has scheduled

Table 1: Key Financial Indicators

	28-Feb	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	68	-1	4
iTraxx SovX APAC	13	0	2
iTraxx Japan	48	1	5
iTraxx Australia	59	-3	3
CDX NA IG	55	1	9
CDX NA HY	107	0	-2
iTraxx Eur Main	53	0	9
iTraxx Eur XO	264	-6	30
iTraxx Eur Snr Fin	53	-2	12
iTraxx Sovx WE	20	0	1
iTraxx Sovx CEEMEA	32	-1	-2
Korea 5Y CDS	50	-1	4
China 5Y CDS	55	-3	4
Malaysia 5Y CDS	61	-2	5
Philippines 5Y CDS	63	-1	6
Indonesia 5Y CDS	85	-2	5
Thailand 5Y CDS	40	-1	-1

	28-Feb	1W chg	1M chg
Brent Crude Spot ($/bbl)	66.27	1.30%	-4.03%
Gold Spot ($/oz)	1,318.31	-0.48%	-1.99%
CRB	195.39	0.89%	-1.00%
GSCI	450.09	1.32%	-1.41%
VIX	18.59	-9.76%	37.30%
CT10 (bp)	2.895%	-5.48	23.53
USD Swap Spread 10Y (bp)	2	-1	-1
USD Swap Spread 30Y (bp)	-18	-1	-5
TED Spread (bp)	33	2	-3
US Libor-OIS Spread (bp)	37	4	12
Euro Libor-OIS Spread (bp)	3	1	2

	28-Feb	1W chg	1M chg
AUD/USD	0.779	-0.17%	-3.28%
USD/CHF	0.939	-0.01%	-0.83%
EUR/USD	1.223	-0.42%	-1.46%
USD/SGD	1.325	-0.08%	-0.95%
DJIA	25,410	1.78%	-2.83%
SPX	2,744	1.03%	-2.82%
MSCI Asiax	737	0.36%	-3.95%
HSI	31,269	-0.52%	-4.92%
STI	3,553	1.05%	0.55%
KLCI	1,872	0.74%	0.18%
JCI	6,599	-0.96%	-0.10%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
27-Feb-18	Korean Air Lines Co Ltd	Not rated	USD300mn	3-year	6%
27-Feb-18	Coastal Emerald Ltd	Not rated	USD400mn	363-day	4%
27-Feb-18	Yuzhou Properties Co Ltd	'B+/NR/BB-'	USD375mn	3NC2	6.375%
27-Feb-18	Modern Land (China) Co Ltd	'NR/B3/B+'	USD350mn	3-year	7.95%
27-Feb-18	Guorui Properties Ltd	Not rated	USD250mn	364-day	10.2%
26-Feb-18	Shui On Development (Holding) Ltd	Not rated	CNH1.6bn	3NC2	6.875%
26-Feb-18	Bank of China Ltd (Macau Branch)	'A/A1/A'	CNH2.5bn	3-year	4.65%
26-Feb-18	Bank of China Ltd (Macau Branch)	'A/A1/A'	CNH1.5bn	1-year	4.45%
26-Feb-18	Hyundai Capital Services Inc	'A-/Baa1/NR'	USD500mn	5-year	CT5+120bps
26-Feb-18	Hubei Science & Technology Investment Group (HK) Co Ltd	Not rated	USD300mn	3-year	CT3+205bps

Source: OCBC, Bloomberg

Rating Changes: for investor meetings from 28 Feb for its USD bond issuance. The expected issue ratings are 'NR/NR/BB'. Clifford Capital has hired banks for its potential USD 10-year bond issuance, guaranteed by the Government of Singapore. The expected issue ratings are 'AAA/NR/NR'. S&P has placed Arab Bank Australia Ltd's (ABA) 'BB+' long-term rating on CreditWatch with developing implications. It has also placed ABA's 'B' short-term rating on CreditWatch positive. The rating action stems from Arab Bank PLC's plans for a potential sale of ABA, whereby ABA will no longer be regarded as a core subsidiary to Arab Bank PLC if the sale goes ahead. Moody's has withdrawn Sime Darby Bhd's ratings for its own business reasons. Moody's has affirmed John Deere Financial Ltd's (Deere) 'A2'long term rating. The outlook has been revised to stable from negative. The rating action reflects Moody's expectation that the company will maintain its strong position in the global farm equipment sector with financial performance expected to benefit from improving conditions in agriculture markets. Moody's has affirmed Hitachi Construction Machinery Co Ltd's (HCM) 'Baa1' issuer rating. The outlook has been revised to stable from negative. The rating action reflects HCM's improved earnings from higher sales of construction machinery as demand recovered in North America, Australia and China and incremental income from acquisitions.

Credit Headlines:

Standard Chartered Bank PLC ("StanChart"): Standard Chartered PLC reported its FY2017 results with underlying operating income rising 3% y/y to USD14.3bn from USD13.8bn as growth were seen in most of StanChart's key operating income metrics; net interest income (+5%), net fee and commission (+9%), and other operating income (+5%). Net trading income though was down 19% y/y due to low market volatility. Net interest margin improved marginally to 1.55% from 1.53%. The rise in operating income was underpinned by growth in Retail Banking (+3.5% y/y), Commercial Banking (+3% y/y) and Central & other items (+29% y/y). Improvement in Retail Banking (particularly in Greater China & North Asia where income grew 10% y/y) was driven by strong momentum in Wealth Management and Deposits, offsetting continued margin compression across asset products. Commercial Banking performance was boosted by positive momentum primarily in ASEAN & South Asia, led by Cash Management and Financial Markets products. Income from Central & other items, on the other hand, were lifted by lower interest expense relative to FY2016. Operating expenses inched up marginally by 1% due to an increase in regulatory cost, higher variable pay from improved financials, as well as UK bank levy incurred. Despite higher expenses incurred, statutory PBT (after taking into restructuring and other items) still shot up to USD2.4bn from USD0.4bn due to a significant reduction (-50%) in impairment losses (FY2017: USD1.2bn vs FY2016: USD2.4bn) coupled with higher profits from associates and joint ventures. Loan impairments were reduced particularly in Corporate & Institutional Banking as asset quality improved with the bank shifting its focus towards better quality origination with a shrinkage in risk appetite. StanChart's balance sheet continues to be sound with total assets up 3% to USD6.6bn, largely driven by broad-based growth across a range of products. Loans and advances to customers were up 12% y/y while customer deposits rose 9% y/y as the bank seeks to improve the quality and mix of its liabilities. Capital ratios remained broadly unchanged y/y with StanChart's CET1/CAR ratios for FY2017 at 13.6%/21.0% (FY2016: 13.6%/21.3%), as gains from profits after a deduction of a dividend were partially offset by a 4% y/y increase in risk-weighted assets. The rise in risk-weighted assets were due to application of loss given default (LGD) floors for certain exposures to financial institutions. The bank, however, remains above our estimate of its current minimum Supervisory Review and Evaluation Process CET1 requirements of 10%. StanChart also disclosed that it estimates its minimum requirement for own funds and eligible liabilities (MREL) position as at 31 December 2017 was ~25.5%, above the Bank of England's estimated MREL requirement of 16.0 per cent in 2019. With its capital ratios and earnings momentum providing support to current fundamentals, we maintain StanChart's Neutral (4) issuer profile. (Company, OCBC)

Keppel Corp ("KEP"): KEP announced that it has signed a letter of intent ("LOI") with Awilco Drilling PLC ("Awilco") to construct a semisubmersible drilling rig spec for harsh environment use. The LOI includes the option to build up to a further three units. The details and terms of the agreement have not yet been finalized. In a separate news report, Bloomberg reported that Awilco is contemplating a private placement of new shares with gross proceeds of USD65mn, to partly finance the equity requirement for building the new rig. The news report stated that the rig contract was worth USD425mn and will be delivered in 2021. In our view, it is commendable that KEP was able to bring in potential orders for drilling assets given the still oversupply situation for the drilling rig market. The one area we will monitor on would be how these rig sales are financed, as other yards have provided financing for their rig sales, which brings on other risks (such as counterparty risk). We currently hold KEP at Neutral (3) Issuer Profile.

Credit Headlines (cont'd) :

Banyan Tree Holdings Limited ("BTH"): BTH reported its 4Q2017 and FY2017 results. Revenue for FY2017 increased 2.6% y/y to SGD317.5mn driven by stronger revenue generation from the Hotel Investments and Fee-based segments (particularly the Design and Others sub-segment). Taking away the hotel management fees attributed for hotels managed and owned, reported operating profit for Hotel Investments - Thailand was SGD18.7mn in FY2017 (up 47% y/y). Property Sales was relatively flat y/y, with stronger property sales at Laguna offsetting weaker Hotel Residences sales. EBITDA (based on our calculation which does not include other income and other expenses) was SGD23.7mn (up 7.7% y/y). Due to the seasonality prevalent in BTH's business, the fourth quarter and first quarter of the calendar year typically reports stronger performance. In 4Q2017 alone, EBITDA was SGD12mn, up 20% y/y and reversing the losses before tax, interest, depreciation and appreciation in 2Q2017 and 3Q2017. Finance cost was 4.9% lower y/y, driven by the reduction in interest as SGD50mn in bonds was repaid in mid-2017 while there were lower bank fees during the year. The combination of a higher EBITDA and lower interest resulted in a slightly higher (though still precarious) full year EBITDA/Interest coverage of 0.8x (FY2016: 0.7x). In August 2017, BTH completed the partial sale of Banyan Tree-branded hotels and assets in China resulting in the deconsolidation of certain entities and reclassification of BTH's remaining stake as joint ventures and associates. These amounted to a loss of joint venture and associates of SGD1.3mn in FY2017. Other income was high at SGD50.9mn (FY2016: SGD29.7mn) mainly arising from the divestment gains from China (SGD40.4mn recognised) and fair value gain on debentures issued to Accor S.A as debentures were converted into straight equity in December 2017. BTH reported a profit after tax of SGD14.9mn versus an after tax loss of SGD7.0mn though absent the other income items (which are one-off in nature), BTH would have reported a loss for the year. With cash flow from operations (before interest and tax paid) still tight at SGD36.6mn, investing outflows (SGD12.6mn spent on capex) and financing outflows were partly funded by cash proceeds from disposals (total of SGD69mn) and investments from Accor S.A and China Vanke Co. Ltd ("VANKE"). Collectively, these two strategic investors invested SGD48.0mn in BTH. Accor S.A is now also an equity holder following conversion of debenture while VANKE's investment was in the form of straight equity at the outset. BTH ended the financial year with a higher cash balance of SGD159.0mn and comfortingly lower gross debt of SGD565.9mn (end-2016: SGD616.6mn). As at 31 December 2017, net gearing at BTH reduced to a healthier 0.5x (end-2016: 0.7x). Nonetheless, short term cash demands at BTH is significant with short term debt due of SGD190.6mn (including SGD70mn of bonds due in July and SGD50mn due in November). Additionally, BTH had announced the proposed acquisition of a 34.25%-stake in Laguna Resorts & Hotels (refer to OCBC Asian Credit Daily (26 Feb 2018) which may cost BTH ~SGD95.5mn assuming all the stakes held by minority investors is acquired. The transaction is expected to be fully debt-funded and we expect some weakening in BTH's credit profile from the increase in acquisition debt, reduction in book value equity (from reduction in minority interest) as well as higher interest expense to SGD33mn per annum (we estimate up by SGD4.5mn p.a). Notwithstanding the strong performance from Thailand, we find it hard pressed to see the benefit of acquiring more stakes in a company which BTH already controls (and consolidate in its books) at this juncture. This is especially more so given the stretched liquidity at the company and halts BTH's deleveraging trend. Net-net though, BTH would still fall within our parameters of an issuer profile at Neutral(5) and we continue to hold it as such, albeit precariously. (Company, OCBC)

Suntec Real Estate Investment Trust ("SUN"): SUN had announced that the vendor holding the balance 50% of the Southgate complex in Melbourne, Australia, had exercised their put option to put the balance 50% stake to that Southgate Trust (50% owned by SUN, 50% owned by a property fund managed by Ara Fund Management, a related corporation of SUN's REIT manager). The earlier transaction was announced more than a year ago (refer to OCBC Asian Credit Daily (8 Aug 2016)) and it had been our expectation that SUN would eventually acquire the balance effective 25% stake in the Southgate (refer to OCBC Asian Credit Daily (24 Jan 2018)). The transaction would cost SUN ~SGD160mn (inclusive of related costs), with SUN indicating that the transaction would be financed with borrowings. We estimate that this would increase aggregate leverage from 36.4% (as at end-4Q2017) to ~37.5%. As we had previously anticipated this, the transaction does not have an impact on our Neutral (4) Issuer Profile rating. (Company, OCBC)

Credit Headlines (cont'd) :

ESR-REIT ("EREIT"): EREIT has announced a pro rata and non-renounceable preferential offering of up to 262.8mn new units in EREIT on the basis of 199 new units for every 1,000 existing units in EREIT at an issue price of SGD0.54 per unit to raise total gross proceeds of up to ~SGD141.9mn. In December 2017, EREIT indicated that it will be pursuing an equity fundraising to help fund the 80%-stake acquisition of 7000 Ang Mo Kio Avenue 5, Singapore ("7000 AMK") (refer to OCBC Asian Credit Daily - 14 Dec 2017). Bulk of gross proceeds from this proposed preferential offering will go towards reducing the debt that was drawn down to partly fund the acquisition, with the remaining to pay for transaction fees incurred for the preferential offering. The Sponsor, namely ESR Cayman Limited ("ESR"), has provided an irrevocable undertaking to EREIT's REIT Manager ("EREITM") that it will accept (or procure the acceptance) in full its allocation of new units from the preferential offering. ESR would also take up excess units (to the excess these are not taken up by non-Sponsor unitholders), provided that collectively ESR's total subscription under the preferential offering will not exceed SGD125.0mn. ESR owns an 80%-stake in EREITM and 12.4% in EREIT itself. Mitsui & Co., Ltd ("Mitsui") which owns the remaining 20%-stake in EREITM and 1.6% of EREIT itself has also provided a commitment letter that it will accept (or procure to accept) its entitlement units. Given the commitments from ESR and Mitsui, the minimum gross process which will be raised is ~SGD127.3mn (90% of the total). Factoring the proposed sale of 9 Bukit Batok Street 22 for SGD23.9mn and assuming that SGD127.3mn is raised in equity, we expect aggregate leverage of EREIT to decline to ~32% (31 December 2017: 39.6%). Pertaining to a possible merger between EREIT and VIT, EREIT announced that both parties are still in exclusive negotiations. We maintain EREIT's issuer profile at Neutral(4).

UOL Group Ltd ("UOL"): UOL reported 2017 results. 2017's figures look exceptionally strong (revenue rose 46% y/y to SGD2.1bn) as it consolidates the contribution from the UIC group while 2016's figures do not. The largest contributor to overall revenue (SGD2.1bn) remains property development (SGD1.2bn), followed by hotel operations (SGD526.2mn) and property investments (SGD331.7mn). Excluding the effects of the consolidation of UIC, 2017's revenue from property development would have still increased by 14% y/y to ~SGD740mn, mainly due to higher progressive revenue from Principal Garden. Net profit rose by a larger 223% y/y to SGD987.0mn. In addition to consolidation of UIC, this was largely attributable to fair value gain of SGD535.1mn, which was mainly due to negative goodwill as UOL accounted for the fair valuation of UIC's assets and liabilities upon consolidation. Post-consolidation, property investments continue to anchor the portfolio, contributing 48.0% (2016: 56.5%) of the total reported adjusted EBITDA of SGD684.4mn. The average occupancy for UOL's Singapore commercial property portfolio remains above 90%, increasing ~1pp on average y/y. Hotel operations segment is the next largest contributor to reported adjusted EBITDA at 21.5% (2016: 23.9%). RevPAR surged in North America (+15.8% y/y), lifting total hotel portfolio RevPAR by 3.6% y/y. With a sizeable gain in equity (due to fair value gains), net gearing improved to 0.21x (3Q2017: 0.24x) due to an estimated SGD742mn operating cashflows generated during 4Q2017 as UOL moved more development properties with progressive billings of development properties, as well as receipt of TOP for Riverbank@Fernvale (100% sold). Meanwhile, interest cover remains strong, with reported adjusted EBITDA/Total Interest cover of 10.5x (2016: 8.3x). In 2018, UOL expects to obtain TOP for Park Eleven in Shanghai (2Q2018) and Principal Garden (4Q2018), while Amber 45 and Potong Pasir Ave 1 site are expected to be launched in 2Q2018 and 2H2018 respectively. With recurring cashflows from commercial property and hotel operations, as well as a moderate net gearing, we continue to hold UOL at a Neutral (3) Issuer Profile. (Company, OCBC)

Credit Headlines (cont'd) :

City Developments Ltd ("CDL"): CDL reported 4Q2017 / full-year 2017 results. For the full-year, revenue declined slightly by 2.0% to SGD3.83bn. This was driven by lower property development revenue (-5.3% y/y to SGD1.65bn), which had been affected by the absence of new residential launches in 2017 impacting 9M2017 segment performance. Rental property revenue had also fallen for the year (-5.5% y/y to SGD347mn), driven by the divestment of Exchange Tower in the prior year as well as the impact of renovation at Le Grove Serviced Apartments. The hospitality segment was the mitigating factor (+3.7% y/y to SGD1.69bn), with revenue supported by FX gains as well as the incremental revenue from the reopening of a hotel in New York (at the UN) as well as the acquisition of the Grand Millennium Auckland. For the full year, CDL reported SGD780mn in PBT, down 14.6% y/y to SGD780.4mn. This was driven by lower PBT at property development (-14.4% y/y to SGD445mn) as well as at rental properties (-18.9% y/y to SGD168mn), though mitigated by gains seen at hospitality (+27.6% y/y to SGD148mn). In aggregate, full-year reported EBITDA fell 12.7% to SGD1061mn. For 4Q2017 results, revenue was up 13.8% y/y to SGD1.33bn, with the property development segment surging 27.1% y/y to SGD760mn. This was largely driven by the TOP of the Brownstone EC (70% owned by CDL, 99% sold), which received its TOP in October 2017 (and hence the full revenue was recognized during the quarter). More units of Gramercy Park were also sold (15 units moved compared to during 3Q2017 results) with the development 97% sold. Average selling price was also higher at more than SGD2,800 psf (was previously SGD2,761 psf). The Criterion EC (TOP in February 2018) also sold well with a further 69 units moved during the quarter. For the international development business, Hong Leong City Center ("HLCC") in Suzhou also did well, with Phase 2 increasing to 87% sold compared to 49% a quarter ago. Phase 2 is expected to be completed in 2Q2018, and has presales of RMB928mn. Aside from this, there are no other sizable developments completing in 2018. For the Battersea project in the UK, site demolition remains targeted for 1Q2018. Looking forward, CDL looks well positioned for its domestic residential business. For the full-year, though CDL sold 1,171 units in Singapore (+15% y/y), the sales value of SGD1.93bn was up 54.8% y/y due to the shift in product mix to luxury condominiums such as Gramercy Park. In terms of units sold, CDL capture 11% of the market (out of 10,566 units of developer sales in Singapore for 2017). The pipeline looks healthy with 2,750 units available for launch. This excludes the New Futura project (which already achieved TOP in August 2017, and soft launched in January 2018). The New Futura was already 39% sold out its 124 units within the first month of launch, with only the South Tower (64 units) previewed as part of the soft launch. Average selling price was SGD3,200 psf. These sales could be recognized in 1Q2018. For 2018, three developments are targeted for launch: The Tapestry at Tampines Avenue 10 (861 units, March 2018 launch), South Beach Residences (50.1% stake, 190 units, 2Q / 3Q 2018 launch, already achieved TOP) and West Coast Vale site (~730 units, 4Q2018 / 1Q2019 launch). For the property development segment, PBT for 4Q2017 was weaker at SGD193mn (-20.6% y/y) as 4Q2016 benefitted from the completion and delivery of HLCC Phase 1. For rental properties, revenue fell slightly for the quarter to SGD86mn. This was largely driven by revenue declines at office rental properties (estimated to have fallen to SGD30mn from SGD36mn y/y) likely due to high-profile tenant exits, followed by subsequent AEI at Republic Plaza as well as the impact of the Le Grove Serviced Apartment renovation (on track for 2Q2018 completion). The rental properties PBT for 4Q2017 had worsened sharply from SGD101mn to SGD40mn y/y, as the gain recognized on the divestment of Exchange Tower in 4Q2016 was absent. Finally, for 4Q2017, the hospitality segment (includes Millennium & Copthorne Hotels ("M&C")) saw revenue increase 1.4% y/y to SGD450mn. M&C had reported a 0.4% decline in total revenue to GBP260mn. That said, on a constant currency basis revenue was actually up 1.6% y/y from GBP256mn. RevPAR on a constant currency basis had also increased by 1.2% to GBP83.9mn. PBT had also jumped to GBP29mn (4Q2016: GBP6mn). In terms of geographical operations, RevPAR growth on a constant currency basis for 4Q2017 y/y in the US was up 2.3%, down 2.9% in Europe (largely due to London), up 2.4% in Asia (though Singapore remains soft) and up 4.8% for Australasia. In aggregate, CDL reported a PBT of SGD239.1mn for 4Q2017, down 27.9%. Operating cash flow (including interest service) was strong at SGD951.7mn though weaker than the SGD1.04bn generated in 2016. This was largely driven by CDL monetizing several development properties. Comparatively, CDL spent SGD154.2mn on capex, implying ~SGD800mn in free cash flow generated. In addition, CDL had also received ~SGD200mn for its divestment to China Vanke Co as well as ~SGD64mn for the divestment of the Osaka office building during 3Q2017. This is balanced against ~SGD250mn spent on the acquiring of Pullman Hotel Munich as well as The Lowry Hotel Ltd. This resulted in an investing cash outflow of SGD91.0mn for the year. In terms of financing cash flows, CDL-HT had completed a rights issue during 3Q2017 with net proceeds of ~SGD160mn. This is balanced against CDL paying down ~SGD595mn in net debt as well as ~SGD244mn in dividends. In aggregate, total cash increased slightly to SGD3.78bn.

Credit Headlines (cont'd) :

This caused net gearing to fall further to 11% (3Q2017: 13%). Looking forward, we expect CDL's credit profile to worsen due to various land banking commitments which include 1) ~SGD723mn expected payments for their stake in Amber Park and 2) SGD212.2mn for Handy Road GLS 3) SGD472.4mn for West Coast Vale GLS 4) SGD305mn for Sumang Walk EC GLS. These commitments are estimated to push CDL's net gearing higher to ~25% (and this is before factoring development cost). That said, despite the expected deterioration, CDL's credit profile remains more conservative compared to its peers. In addition, 2018 would likely see CDL monetize several sizable developments on its balance sheet, such as the New Futura, South Beach Residences and HLCC. As such, we will retain our Positive (2) Issuer Profile. (Company, OCBC)

Citic Envirotech Ltd ("CEL"): CEL reported its 4Q2017 and FY2017 financial results. Revenue increased 66.9% y/y to SGD908.8mn, driven by the Engineering segment which increased 115.3% to SGD686.5mn and Treatment which increased 16.1% to SGD192.5mn. Membrane (excluding internal sales) fell 50.3% y/y to SGD29.8mn. The Engineering segment contributed 76% to total revenue while per company's reported numbers, the Engineering segment contributed 44% to segmental results. Growth of Engineering segment follows the large and numerous project wins that CEL has been awarded since 2016 where upfront revenue is recorded during the construction phase of the project. EBITDA (based on our calculation which does not include other operating expenses and other income) improved 20.6% y/y to SGD257.3mn. CEL's high cost SGD bond (issued before CEL's change in shareholding) matured in September 2016, and in our view this helped drive interest expense lower for FY2017 by 14.2% y/y to SGD34.0mn. Resultant EBITDA/Interest was thus higher at 7.6x (FY2016: 5.4x). As at 31 December 2017, perpetuals outstanding at CEL had spiked to SGD717.6mn (representing 27% of total capital), following the SGD240mn SGD-denominated perpetual raised in 4Q2017. Assuming SGD34.0mn in perpetual distribution is paid out per annum and taking half of that as interest, we find adjusted EBITDA/Interest at 5.0x. As at 31 December 2017, we find CEL's unadjusted net gearing at 0.1x (31 December 2016: 0.04x) though reduced from last quarter's 0.2x following the cash raised. Adjusting net debt upwards for the perpetuals, which in our view is more debt-like, we find adjusted net gearing at 0.8x (31 December 2016: 0.5x). Cash balance stood at SGD631.3mn as at 31 December 2017 against SGD421.6mn in short term debt (including SGD225mn in SGD bonds due in April 2018). We see little repayment risk for this SGD bond. As at 31 December 2017, SGD259.1mn of cash is held at the CEL listed company level in Singapore which should be available to go towards the repayment. The remaining short term debt of SGD197.1mn relates to bank loans assumed at onshore Chinese operating entities. Further strengthening its cash balance, on 28 December 2017, CEL announced that it has entered into an agreement to place 83.2mn in new shares (amounting to ~SGD70.7mn in gross proceeds) to a group of China based investors. Since September 2017 to end-2017, CEL had won projects with a total investment value of SGD1.1bn (all located in China), of which we expect 70% to be debt-funded at the project level with the rest largely funded by perpetuals. Notwithstanding the manageable near term credit profile of CEL, we expect CEL's leverage to increase over the medium term, with unadjusted net gearing increasing to at least 1.0x as the company progresses construction works on the contracts won. We maintain CEL's issuer profile of Neutral(4) for now. (Company, OCBC)

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