Asia Credit Research

OCBC Bank

Singapore Mid-Year 2015 Credit Outlook

Wednesday, 01 July 2015

- **Total new issuances in the SGD bond market in 1H2015 were down 14% y/y predominantly due to the lack of issuance by HDB. We expect new issuances in 2H2015 to continue to be muted given the impending interest hikes by US Federal Reserve and prevailing global economic uncertainties which has seen more selective investor behaviour.**

- **In 2H2015, we continue to advocate that investors be selective and focus on shorter-dated corporate names with sound credit fundamentals. This should provide some cushion given the rising rate environment. We believe that market volatility will continue to provide opportunities to establish positions in mispriced high yield names.**

- **Operating environment remains challenging for Singapore REITs going forward, with some forms of headwinds facing each subsector. Nonetheless, credit metrics of the REITs under our coverage remain largely stable, with extended debt maturity schedule (~3.8 years on average) and limited interest rate risks (~84.6% hedged).**

- **Given the supply-demand imbalance and rising interest rate outlook, we expect private residential home prices to fall by 5%-15% over 2015-2016 as buying sentiments remain weak. In particular, interest coverage ratios of Singapore developers have deteriorated due to weaker residential sales and lumpy recognition of earnings from property development.**

- **In the China property market, we expect a further recovery in sales in 2H2015 engineered by looser monetary and regulatory policies. Recent data on inventory levels, new home prices and sales volumes point to the early innings of the bottoming of the physical property market. We remain positive on the sector.**

- **Credit profiles of Hong Kong developers under our coverage continue to be supported by diversified operations and recurring cash flows from investment properties.**

- **The credit profiles of our offshore marine coverage have deteriorated given the challenging environment. These issuers have largely reoriented themselves, preserving liquidity and managing their balance sheets. Recent developments have reduced event risk in the sector.**

- **The inaugural issuance of covered bonds in Singapore in 2H2015 should open up a valuable new source of investors for Singapore banks. Although interest has been rising for this asset class in Asia Pacific, the inaugural issuance will likely be in USD or EUR to tap a wider investor pool. Together with sufficient liquidity and still strong access to unsecured debt at competitive rates, we do not expect issuance under covered bond programs to be significant despite a large anticipated total size of Singapore's covered bond market.**

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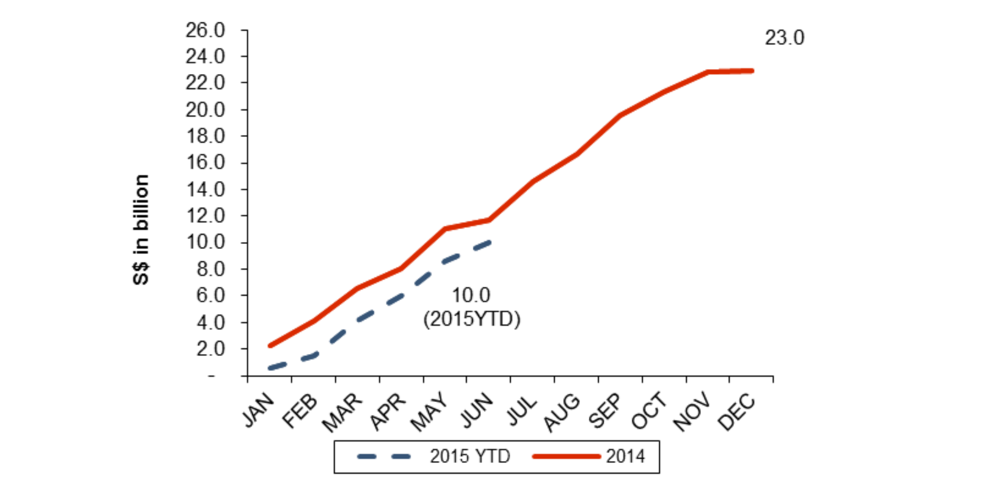
1H2015 Singapore Corporates Bond Market Review

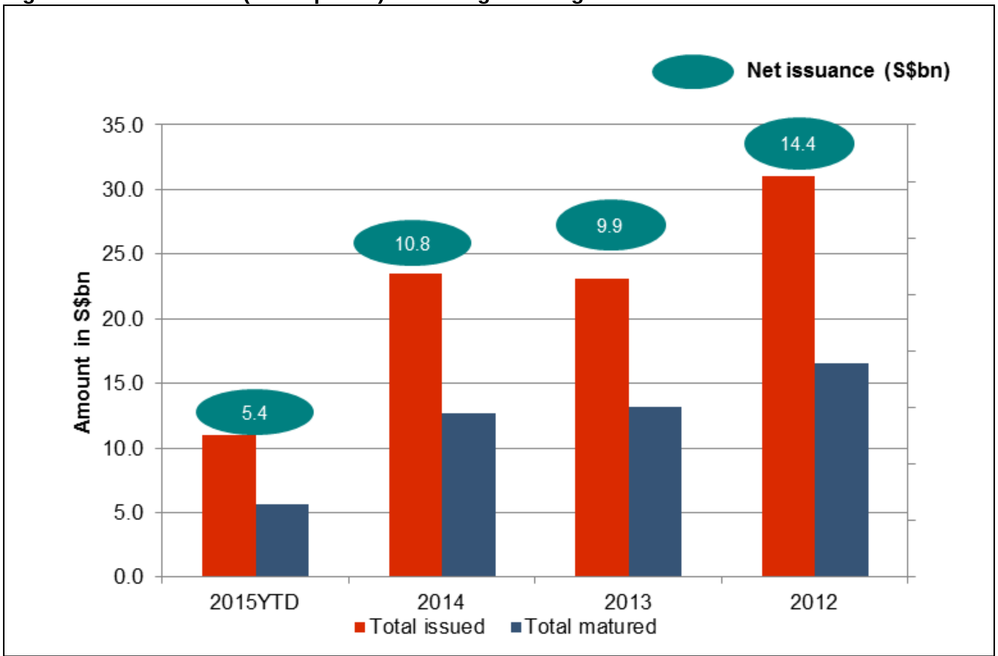
New issuance volume in the SGD bond market was in line with our expectations with total issuance down ~14% to SGD10.0bn for 1H2015 ended June 26th. Of interest is that the total number of issues was higher in 1H2015 but the size per transaction was lower by 26%. This was primarily due to the lack of issuance by Housing & Development Board ("HDB"), which accounts for the majority of lower volume year on year. New issuances from corporates however continued to outpace total maturities at almost the same pace as the 1H2014. This indicates the likely front loading of issuance ahead of the anticipated US interest rate hike in 2H2015.

Figure 1:SGD bond issuances monthly volume (cumulative)



Sources: OCBC, Bloomberg

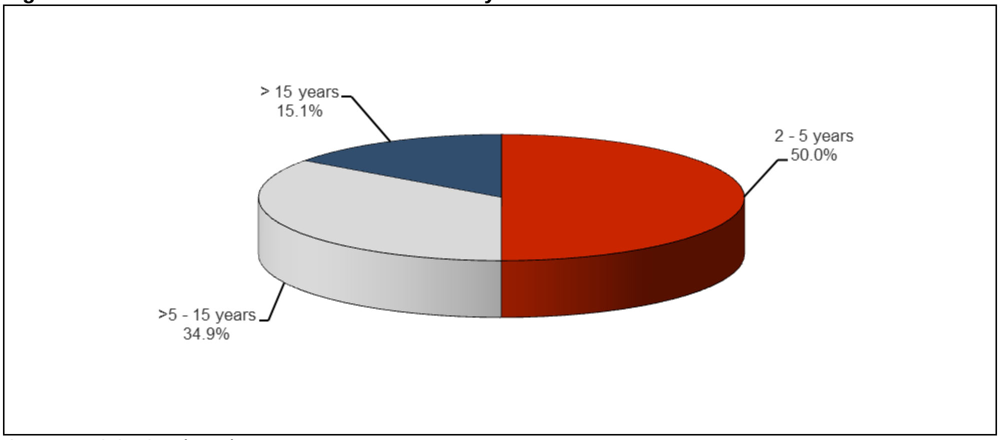
Figure 2: Net issuance/ (redemptions) excluding sovereigns



Sources: OCBC, Bloomberg

The trend in tenor was also consistent with our expectations with shorter dated tenors continuing to prove popular. Average tenor of first half issuances was 4.3 years against 4.9 years in 1H2014. Issuers mainly printed shorter-dated paper (2-5 years) in 1H2015, accounting for 50.0% of total new issuance. The >5-15 years tenor comprised 34.9% and the >15 years tenor was 15.1% of total issuance following the broad trend of FY2014. Three companies successfully issued large perpetual bonds in 1H2015. Sembcorp Industries (SGD600mn), Frasers Centrepoint (SGD700mn) and most recently Ascott Residence Trust (SGD250mn) raised a total of SGD1.55bn to meet liquidity needs and finance acquisitions whilst improving gearing levels and locking in lower rates.

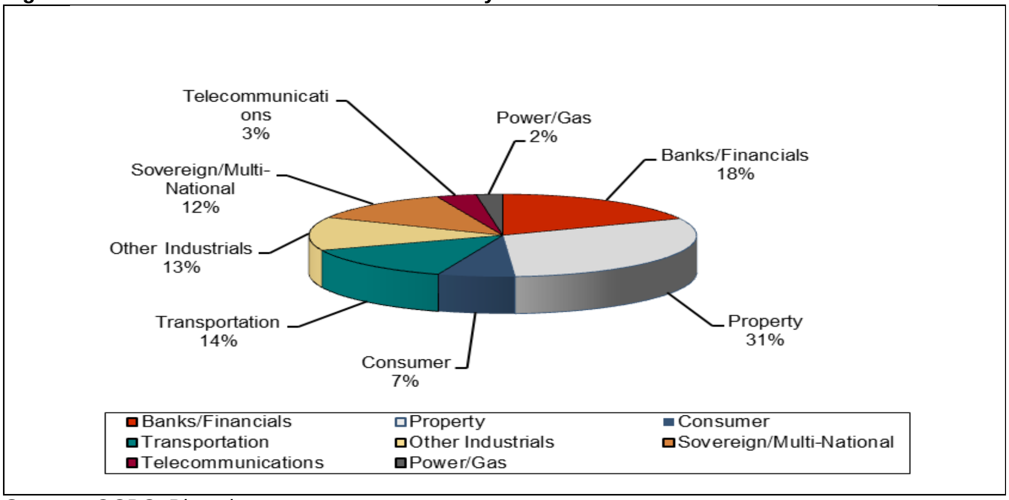
Figure 3: Breakdown of 1H2015 issuance size by tenor



Sources: OCBC, Bloomberg

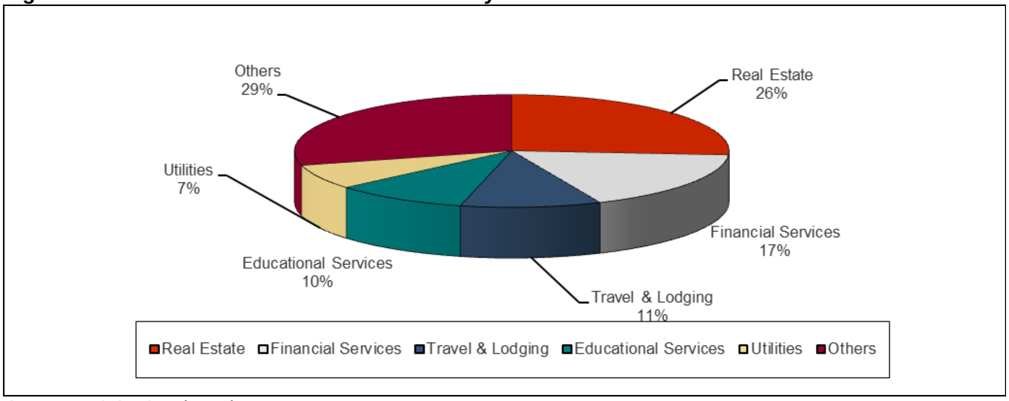
Issuance by sector continues to show a solid spread. The highest issuance continues to come from the property sector. Issuance from the consumer related, power/gas and transportation (mainly offshore related) sectors lag YTD trends compared to 1H2014 reflecting respective industry dynamics due to Singapore's slowing economic growth and weaker oil prices.

Figure 4: Breakdown of 1H2015 issuance size by sector



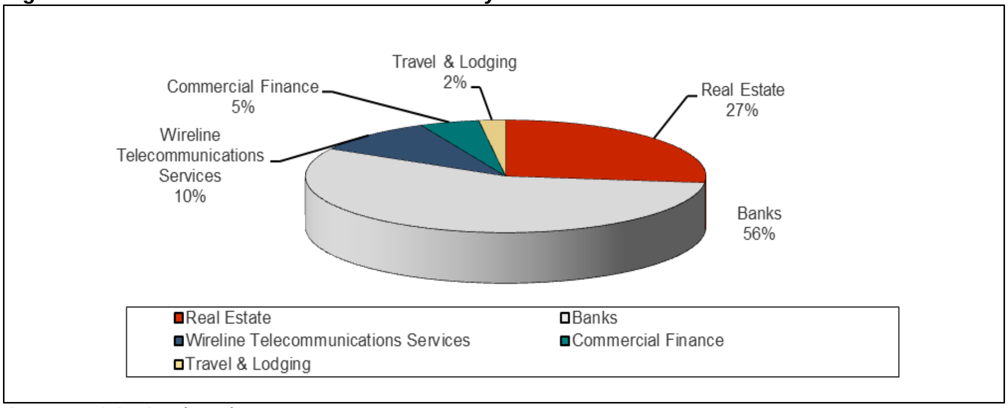
Sources: OCBC, Bloomberg

Figure 5: Breakdown of 1H2015 issuance size by sector for 2Y-5Y tenor



Sources: OCBC, Bloomberg

Figure 6: Breakdown of 1H2015 issuance size by sector for >5Y-15Y tenor

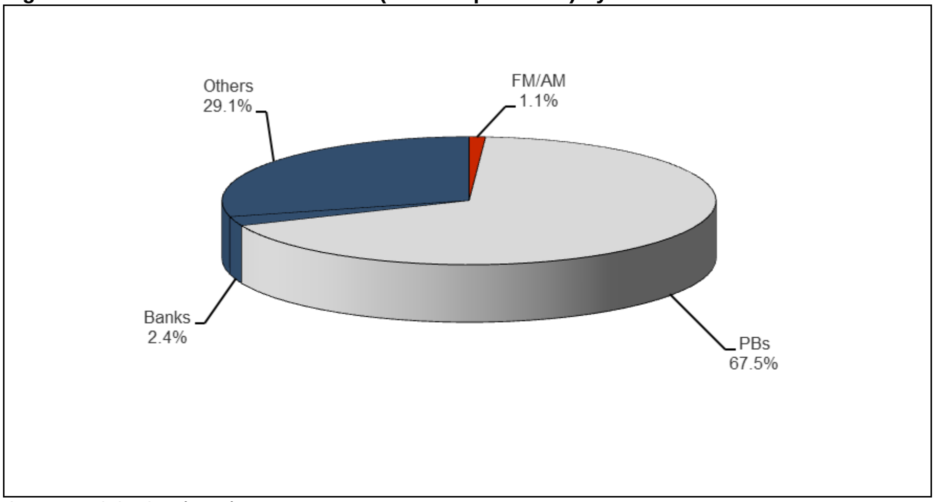


Sources: OCBC, Bloomberg

Issuers in the 2-5 years tenor bracket mainly came from real estate (26.0%), financial services (17%), travel and lodging (11%) and education services (10%). On the other hand, Banks (50%) and real estate (27%) comprised over 80% of issuance in the >5-15 years maturity bucket.

In 1H2015 we saw demand for higher yielding papers slowing compared to 2014 with 17% of new issuances in 1H2015 offering coupons >5%. This compares with 30% in 2014 and reflects investor's risk-off appetite which has impacted fundamental views in the credit space and driven a stronger desire for paper from issuers with fundamentally stronger credit profiles. Demand from private banks has also fallen as investors become more selective on issuers credit profiles with private bank demand for new high yield paper falling to 67.5% in 1H2015 from 77.9% in 2014.

Figure 7: Breakdown of HY Issuance (>5% coupon rates) by demand



Sources: OCBC, Bloomberg

2H2015 credit outlook

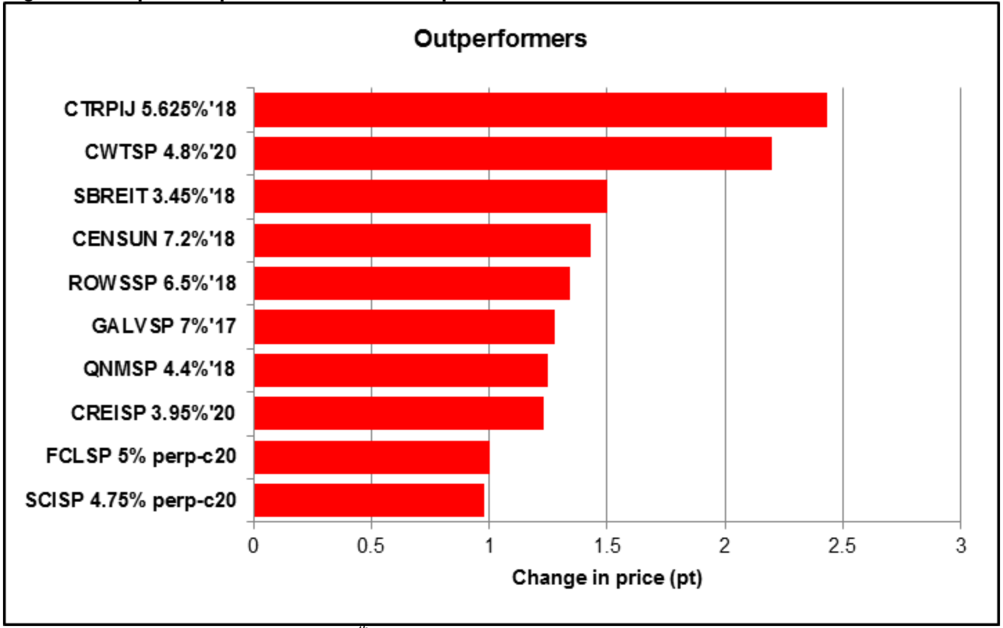
Credit fundamentals will continue to be driven by overall macro sentiment with the Chinese economy expected to grow slower than prior years. In China, growth data continues to be soft despite monetary stimulus. This is due to a relatively tight fiscal policy stance and a slow-down in both fiscal revenue generation and fiscal funds use slowing down fixed investments. Despite some turn-around in fiscal policy, we expect the Chinese economy to dip and bottom out at below 7% in the second quarter before improving in 2H2015.

In Singapore, we expect 2015 GDP growth at 2.5% y/y, which is at the lower bound of official expectations of 2-4% despite a better than expected performance in

1Q2015 with growth of 2.6%. April and May's trade figures has since come out relatively weak pointing to a weak second quarter performance for the economy. As such, we maintain muted expectations for Singapore's economy in 2H2015 given recent economic indicators, on-going economic uncertainty and potential downside risks from foreign and financial developments, especially China's on-going economic slowdown and Eurozone developments with Greece.

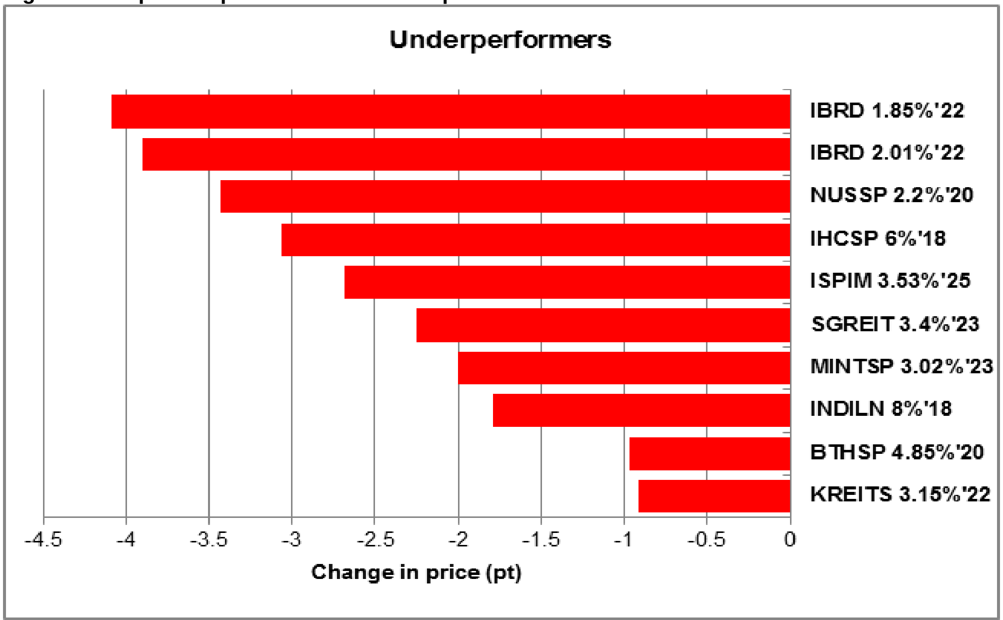
We expect new issuances in 2H2015 to continue to be muted given the impending interest hikes by US Federal Reserve and prevailing global economic uncertainties which has seen more selective investor behaviour. Relative to 2H2014, we expect issuance volumes to be lower given the likely lack of HDB issuance, continued weak sentiment regarding the offshore marine sector and REITS being mostly done with their refinancing activities.

Figure 8a: Top 10 outperformers and underperformers from the 1H2015 new issues



Sources: OCBC, Bloomberg, as at 30th June 15

Figure 8b: Top 10 outperformers and underperformers from the 1H2015 new issues



Sources: OCBC, Bloomberg , as at 30th June 15

Headwinds for Singapore REITs, but credit metrics remain stable

We think that operating environment remains challenging for Singapore REITs going forward, with some forms of headwinds facing each subsector.

For instance, although leasing demand remains firm for office REITs, we note that rental growth is slowing in 1Q2015 and it may soften further in 2016 on the back of large office space supply coming on-stream. Given signs of peaking office rentals, landlords may look into divesting their office properties. It was reported by the media that BlackRock Inc may look to sell Asia Square Tower 1 for more than SGD4.0bn, while OUE Ltd is in the process of injecting its stake in One Raffles Place (Tower 1, Tower 2 and the shopping mall) to OUE Commercial REIT for a consideration of between SGD1.03bn to SGD1.14bn.

Meanwhile, the outlook for retail REITs remains tough going forward given issues such as manpower shortages, supply of retail space coming on-stream, and competition from e-commerce, capping upside for rental growth. In addition, visitor arrivals to Singapore continued to fall (-5.4% y/y for 4M2015), vs. Singapore Tourism Board's expectation of 0-3% y/y growth for visitor arrivals in 2015. On a positive note, retail REITs have embarked on proactive lease management and asset enhancement initiatives ("AEIs") to counter the downturn, and we continue to see positive rental reversions and stable occupancy rates in their latest results.

On the other hand, industrial REITs may see lacklustre rental growth due to the oversupply of industrial space in the next few years. In addition, given that most industrial REITs are undergoing a transition period of converting some of their single-tenanted buildings ("STB") to multi-tenanted buildings ("MTB"), these trusts will likely incur higher property expenses and experience lower occupancy rates in the near term.

Despite the challenges ahead, credit metrics for the REITs under our coverage are healthy in general. We note that in February 2015, Moody's has upgraded CapitaLand Commercial Trust's issuer rating to "A3" from "Baa1" with a stable outlook, while the outlook of Frasers Centrepoint Trust's Baa1 issuer rating was raised to positive from stable. We continue to see limited liquidity issues as debt maturity schedules and interest rate risks have been well-managed. REITs remain active in refinancing their debt and managed to extend their debt tenure to about 3.8 years on average (from 3.7 years as at end-3Q2014). Meanwhile, about 84.6% of their debt are either on fixed rates or have been hedged in anticipation of the interest rate hikes (vs. 80.2% as at end-3Q2014). Nonetheless, average debt cost has increased to 2.9% from 2.7% as at end-3Q2014, albeit this still remains manageable.

Figure 9: Debt profile and statistics of S-REITs under coverage (as at 30 March 15)

	Aggregate leverage (%)	Debt duration (years)	Debt cost (%)	Proportion of debt fixed/hedged
OFFICE				
CapitaCommercial Trust	29.9	4.1	2.4	83.0
Mapletree Commercial Trust	36.4	4.3	2.3	73.9
Suntec REIT	35.7	3.4	2.5	65.0
Average:	**34.0**	**3.9**	**2.4**	**74.0**
RETAIL				
CapitaMall Trust	33.8	5.1	3.4	99.7
Frasers Centrepoint Trust	28.6	2.1	2.8	87.0
Starhill Global REIT	28.7	3.1	3.1	100.0
Average:	**30.4**	**3.4**	**3.1**	**95.6**
INDUSTRIAL				
Ascendas REIT	33.5	3.6	2.7	68.2
Mapletree Industrial Trust	30.6	3.7	2.3	87.0
Mapletree Logistics Trust	34.3	3.6	2.1	80.0
Average:	**32.8**	**3.6**	**2.4**	**78.4**

HOSPITALITY				
Ascott Residence Trust	38.7	4.3	2.9	80.0
Average:	**38.7**	**4.3**	**2.9**	**80.0**
HEALTHCARE				
First REIT	32.6	3.5	3.9	95.0
Average:	**32.6**	**3.5**	**3.9**	**95.0**
Average:	**33.7**	**3.8**	**2.9**	**84.6**

*Sources: Companies, OCBC estimates *Gross debt/Total asset*

The table below shows that SGD674.0mn of bonds issued by REITs will be maturing in 2H2015. We note that Starhill Global REIT and Lippo Malls Indonesia Retail Trust have already issued bonds and arranged term loan facility to refinance their maturing bonds, respectively. Meanwhile, CapitaLand Commercial Trust has sufficient standby facilities to refinance the SGD200.0mn medium term notes due 4Q2015 and Ascott Residence Trust have issued SGD250.0mn of perpetual securities in June 2015.

Figure 10: Maturing SGD bonds in 2H2015 - REITs

Issuers	Bond	Maturity Date	Amount (SGD mn)
Lippo Malls Indonesia Retail Trust	LMRTSP 4.88% ’15	06-Jul-15	200
Starhill Global REIT	SGREIT 3.405% ’15	13-Jul-15	124
CapitaLand Commercial Trust	CCTSP 3.25% ’15	15-Dec-15	200
Ascott Residence Trust	ARTSP 3.8% ’15	16-Dec-15	150

Source: Bloomberg

The stamp duty concession for REITs expired in March 2015 and this means that REITs acquiring properties in Singapore will now have to pay 3.0% stamp duties. While this will cause acquisition costs to be higher and make accretive acquisitions harder to find, we believe it will not have a significant impact on the sector and going forward, REITs will likely focus more on overseas acquisitions.

No light at the end of the tunnel yet for Singapore property developers

Singapore’s property market continues to be affected by the government’s cooling measures, with the private residential property index falling by 4.0% y/y in 2014 and 1.0% q/q in 1Q2015. The private residential price index has been falling for 6 consecutive quarters and the last prolonged period of falling home prices happened during the Global Financial Crisis period, with the sharpest fall of 14.1% q/q in 1Q2009.

Given that the government cooling measures are still in place, it is likely that demand for residential property will remain lacklustre. Although the vacancy rate of completed private residential units (excluding Executive Condominiums) decreased to 7.2% in 1Q2015, from 7.8% in 4Q2014, it is still relatively high compared to a few years ago.

As at end-2015, there was a total supply of 68,201 uncompleted private residential units (excluding ECs) in the pipeline. Of this number, 27,061 units remained unsold. For 2014, developers sold 7,316 units of private residential units, significantly lower than the 14,948 units sold in 2013. Assuming average annual sales of 15,331 units (from 2010 to 2014), it will take 1.8 years to clear the unsold units in the pipeline. For 1Q2015, total sales of private residential units were ~1,311 units (vs. ~1,744 units in 1Q2014).

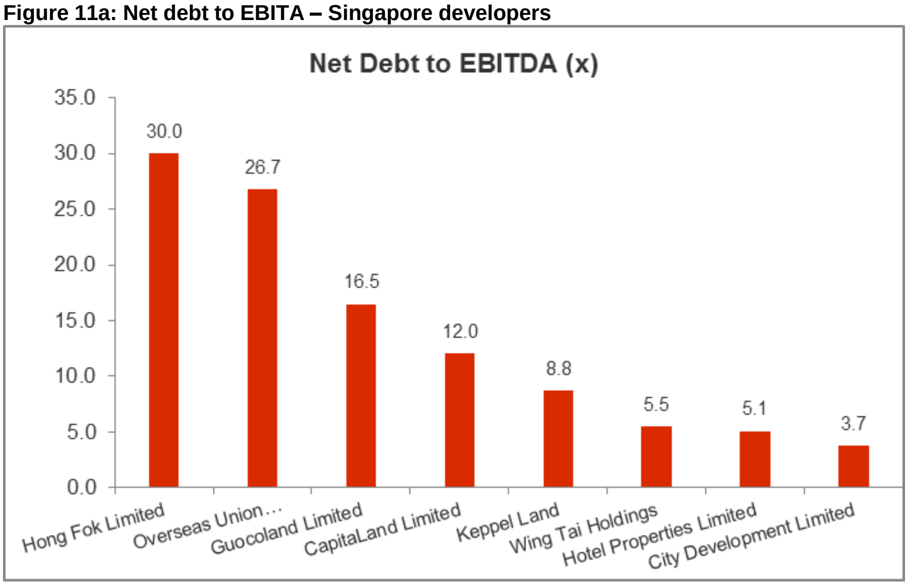
Given the supply-demand imbalance and rising interest rate outlook, we expect private residential home prices to fall by another 5%-15% over 2015-2016 as buying sentiments remain weak. Taking into account the weak market conditions, we note that CapitaLand Ltd took an impairment charge of SGD77.4mn in 2014 for its Singapore residential portfolio (by assuming a double digit decline from the selling prices).

According to reports from various consultancies based on selected basket of high-end projects, prices in the high-end residential market have fallen by up to 20% from its peak in 2011. As such, it is not surprising that there are revived buying interests in the luxury housing segment. It was reported that Blackstone paid about SGD164.0mn for the 34-unit 21 Anderson Royal Oak Residence and SGD83.0mn for the 18 units at Paterson Suites in late 2014, betting on the Singapore's luxury property market. Both projects are located within a short distance from Orchard Road. In April 2015, Wing Tai Holdings sold the penthouse unit of the completed Le Nouvel Ardmore condo for SGD51.0mn. That said, we believe that the better sentiment will not flow through to the mass market segment.

With no recovery in sight for Singapore's residential market in the near term, developers have remained focused on expanding their businesses overseas, as well as ramping up for their investment properties portfolio to generate recurring income to sustain their earnings. For example, Hotel Properties Ltd has joined with Temasek Holdings, Amcorp Properties from Malaysia and UK developer, Native Land to acquire a project located on London's South Bank for GBP308mn in March 2015. The 5.3 acres site will be redevelop into a residential mix development complete with offices, retail and leisure facilities with an estimated gross development value of more than GBP1.0bn. Meanwhile, Frasers Centrepoint Limited has acquired a UK boutique hotel operator in June 2015 for GBP363.4mn to grow its recurring income base.

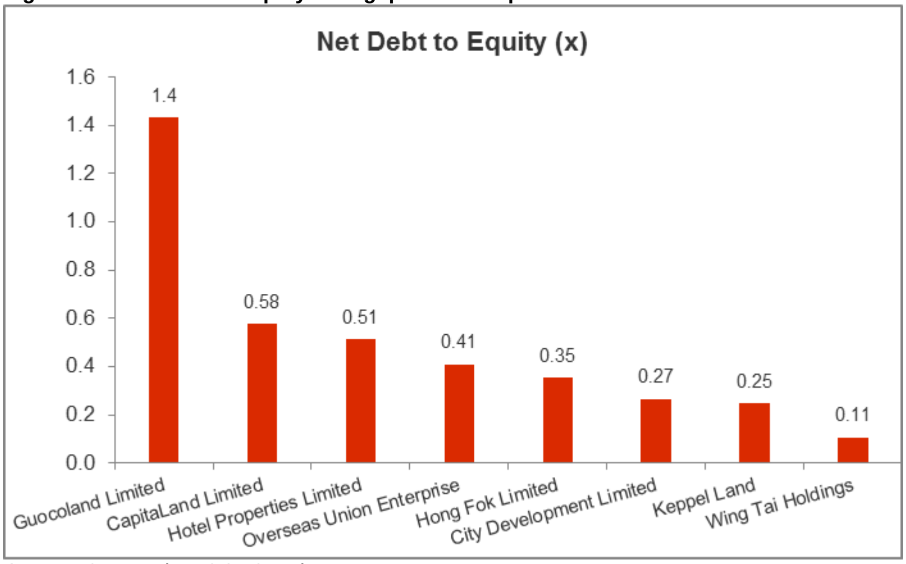
Overall, gearing levels for Singapore property developers under our coverage remain manageable with net gearing ratios kept below 60%, with the exception of GuocoLand Ltd. Nonetheless, their interest coverage ratios have declined, partly due to weaker sales from residential projects and the lumpy nature of revenue recognition in property development.

Figure 11a: Net debt to EBITA – Singapore developers



Source: Companies, OCBC estimates

Figure 11b: Net debt to Equity – Singapore developers



Source: Companies, OCBC estimates

Limited upside for Hong Kong residential and retail from here, but office looks positive

Residential

Hong Kong home prices have continued their ascent in 2015 with the overall market up 6.7% YTD as of April 2015. The mass residential segment (units less than 100 sqm) outperformed, with prices up 6.9% YTD while the prices in the luxury segment (units larger than 100 sqm) are up 4.4% YTD. Momentum has spilled over from a strong 2014 where prices in the mass segment rose 13.8% while luxury prices rose 6.1% as the double stamp duty adjustment in May 2014 boosted sentiment.

The HKMA imposed additional tightening measures on 27 Feb 2015 to curb the increase in home prices and prevent buyers from overleveraging. However, the tightening measures have not dampened enthusiasm in the property market. Home sales grew 5.1% m/m in March and 13.6% m/m in April while prices continue to bubble upwards following the measures. This might create potential policy risk in 2H2015 if the HKMA decides to step in again. In the absence of policy intervention, prices will probably stay elevated and stable.

Figure 12: HK residential price growth (y/y)

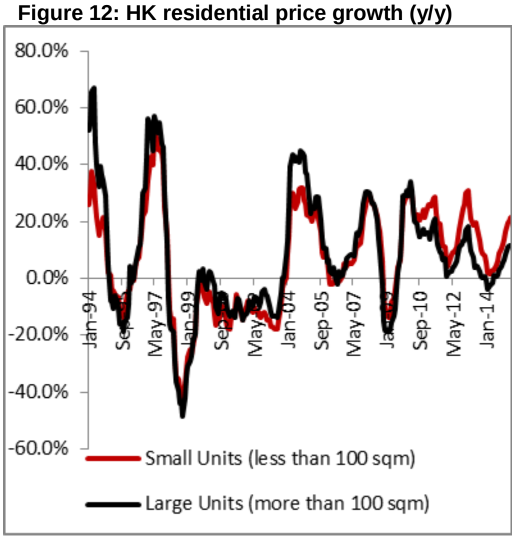
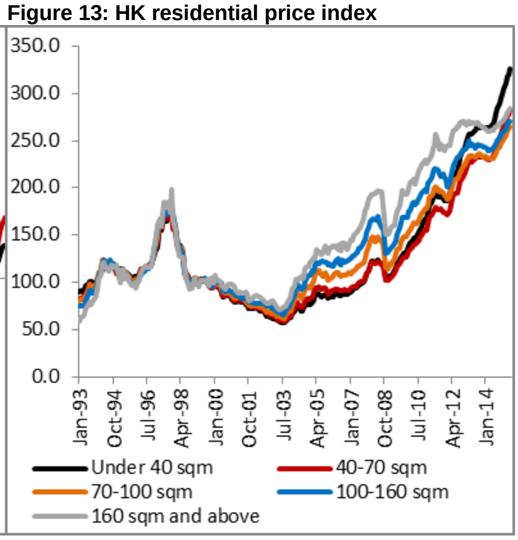


Figure 13: HK residential price index



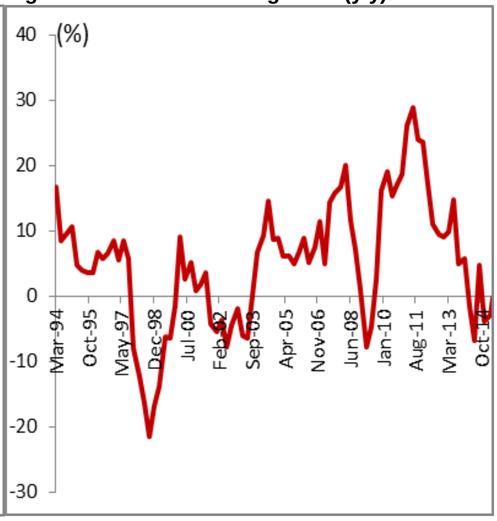
Source: Rating and Valuation Department Hong Kong

Retail

Hong Kong's retail sector continues to be buffeted by multiple headwinds with retail sales expected to remain sluggish in 2015. Retail sales were down 2.1% y/y in 5M2015, led by declines in luxury products (14.9% y/y in May). This was symptomatic of the on-going anti-graft drive in China crimping demand for luxury goods. Tourism in Hong Kong has also been hit by a strong HKD which reduced the attractiveness of Hong Kong compared to destinations such as Europe, Japan and Australia. Visitor arrivals were down 8.7% y/y in 1Q2015 after the strong growth since 2010. On top of that, China stopped issuing unlimited multiple-entry visas to Shenzhen residents on 13 Apr 2015 to crack down on parallel traders. Landlords are starting to feel the pinch with retail rent growth moderating from above 10% y/y in 2012 and 2013 to 6.2% y/y in March 2015. Street shop rents were hit harder in 2014, down 8.5% on the year while shopping center rents remained resilient, up 6.4%. In 2015, average retail rents have come off slightly from HKD1,649/sqm in December 2014 to HKD1,597/sqm in March 2015. Looking ahead we expect this trend to continue, although we still see some albeit limited upside to shopping center rents, especially at malls with a good tenant mix and not just a luxury focus.

Figure 14: HK retail rent growth (y/y)

Figure 15: HK retail sales growth (y/y)

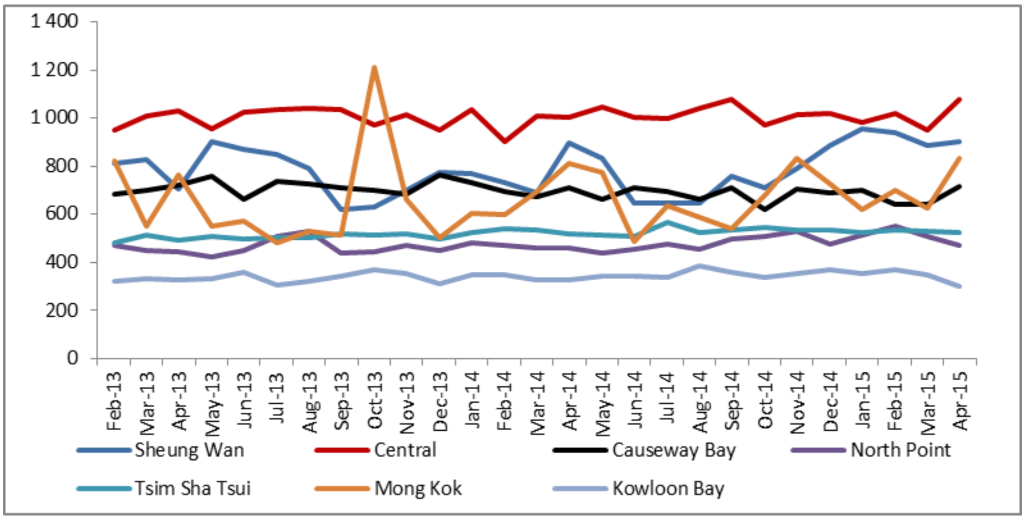


Source: Rating and Valuation Department Hong Kong

Office

Overall Grade A office rents are up 2.8% YTD as of April 2015 across the core districts of Central (1%), Causeway Bay (1.9%) and Tsim Sha Tsui (3.5%). New office supply remains insignificant, with only 219,200 sqm (1.9% of existing space) and 169,700 sqm (1.5% of forecasted space) of office space coming online in 2015 and 2016, respectively. In contrast demand is expected to pick up slightly with Savills reporting an increase in take-up from financial firms due to the boom in stock market activity from the Shanghai-Hong Kong Stock Connect. This could potentially increase with the Shenzhen-Hong Kong Stock Connect in 2H2015.

Figure 16: HK office rents (HKD/sqm per month)



Source: Rating and Valuation Department Hong Kong

China property bottoming out amid favourable policy environment

After a sluggish 1Q2015 where residential sales fell 9.2% y/y, China's property market took off with sales up 16.1% y/y and 30.4% y/y in April and May, respectively. Prices are also showing nascent signs of recovery with new home prices up 0.6% m/m in May, the first m/m increase in a year. The disparity between housing markets in the higher tier cities and the lower tier ones continued with Tier 1 cities registering price increases of 2.8% m/m, Tier 2 cities were flat y/y while Tier 3 cities saw 0.2% declines. The oversupply of housing inventory has moderated as well from 18 months in March 2015 to 12 months in May 2015. All these indicators point to a bottoming of the property market as interest rate cuts, RRR cuts and the reversal of property curbs start to filter through to the physical market.

The PBOC has now cut interest rates 4 times since November last year and the benchmark one-year lending rate is now 4.85% while there have been 3 RRR cuts. Despite this, there is still scope for further policy easing given deflationary pressure and we expect the policy environment to remain favorable with more interest rate and RRR cuts expected. Sector-specific property easing measures have also been unveiled to complement the broader monetary stimuli as the gradual unwinding of property curbs since mid-2014 continues. The latest set was announced on 30 March 2015 as lower down-payment ratios and tax savings were announced to support the flagging property market after the poor first quarter. This is in addition to easing measures announced in 2014 (HPR easing, loosening mortgage policy and reopening of onshore debt market for property developers).

In conclusion, we expect a further recovery in sales engineered by looser monetary and regulatory policies for 2H 2015. This will alleviate the oversupply situation and provide some support to selling prices. In addition the funding environment is becoming supportive with developers having access to multiple channels of financing with the gradual reopening of onshore bond markets at cheaper costs compared to the offshore markets and buoyant equity prices encouraging equity issuances to recapitalize and bolster balance sheets.

Figure 18: China new home prices y/y (%)

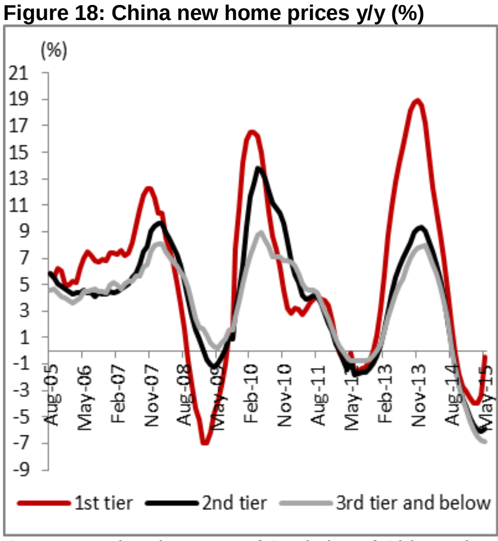
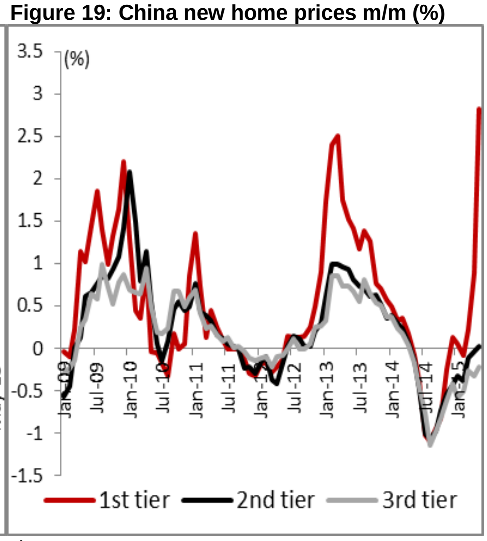


Figure 19: China new home prices m/m (%)



Source: National Bureau of Statistics of China, Bloomberg

Figure 20: China residential sales y/y (%)

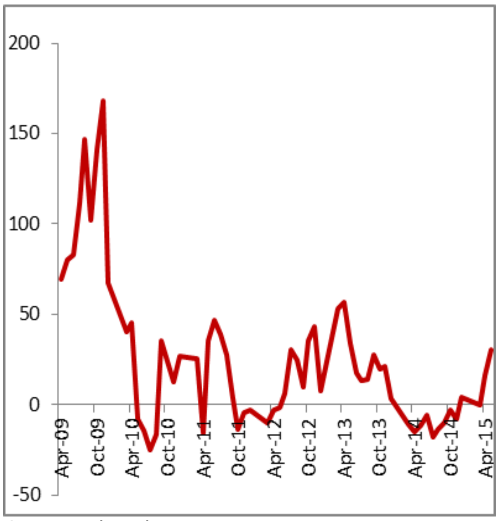
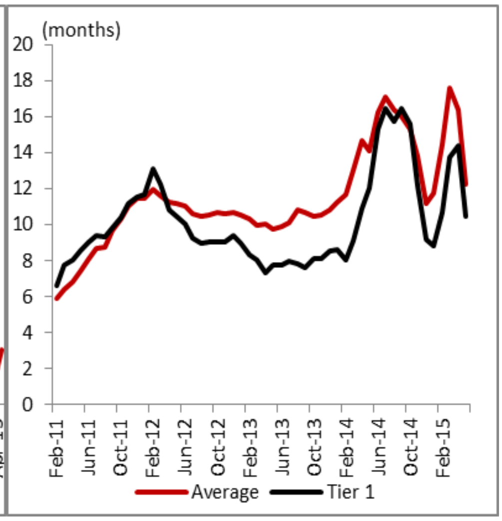


Figure 21: China residential inventories in months to clear



Source: Bloomberg

<u>Idiosyncratic risks continue to drive the offshore marine sector</u>

Environment to remain soft

1Q2015 earnings results reflect the painful new reality that offshore marine players are now facing. Upstream activity, specifically exploration and development, has decelerated sharply due to soft crude prices. Upstream and integrated oil players have slashed 2015 planned capex by roughly a quarter relative to 2014 levels. These cuts have directly impacted the revenue of offshore marine players, as well as stunted their order books. We expect 2H2015's environment to remain challenging, though industry players have opined that 1H2015 may have been the worst of the decline.

Revenue and earnings both affected

Already, the revenue for some issuers plunged more than 50% y/y. Earnings were even more badly affected, given the significant fixed costs that some of these players have (shipyards, OSV fleet). In some ways, the sharp souring of the market was just as detrimental as the quantum of the capex cuts by end customers. Issuers had minimal time to react and orientate their firms to the new environment. Many players in the industry were actually poised for expansion given the previous bull market, and had invested into growth capex.

This has exacerbated the situation, with oversupply seen in jack-up rigs as well as certain OSV types. As such, charterers are pressured both by lower utilization as well as lower day rates for their assets. Shipyards, rig builders and EPC contractors have a bit more breathing room, as they entered the downturn with sizable order backlogs to help support revenue over the near term. However, they face the risk of order cancellations as well as the slump in demand for deep water assets (such as orders for semi-submersibles and drillships) as well as subsea services. Already, we have seen customers making requests to delay the delivery of their orders. Shipyards / rig builders are typically compensated in such situations. A potential risk would be order cancellations due to financial distress by end-customers. This has not yet occurred. In particular, the rig builders and EPC contractors tend to have a strong client base.

Figure 22: Revenue and earnings – Offshore Marine

Issuer	1Q2015 Revenue (mn)	y/y change	q/q change		1Q2015 Net Profit (mn)	y/y change	q/q change
I) Rig Builders							
Keppel Corp Ltd	2,814.1	-6.1%	28.3%		374.2	-5.2%	-63.5%
Sembcorp Industries Ltd	2,338.1	-11.0%	-12.2%		187.7	-23.3%	-43.6%
II) OSV Charterers							
Otto Marine Services Pte Ltd	148.1	91.8%	111.7%		-13.3	-11.0%	-71.3%
Pacific Radiance Ltd	31.5	-24.8%	-15.2%		1.1	-93.7%	-82.4%
III) Rig Charterers							
Ezion Holdings Ltd	90.1	-4.6%	-13.8%		41.0	-9.4%	-51.0%
Swissco Holdings Ltd	19.1	39.0%	-48.9%		21.9	484.1%	N.M
IV) Shipyards							
ASL Marine Holdings Ltd	63.4	-56.2%	N.M		2.1	-57.5%	48.3%
Nam Cheong Ltd	326.3	-19.9%	-37.7%		39.3	-44.9%	-6.7%
V) Offshore EPC Contractors							
Ezra Holdings Ltd	302.0	0.5%	-5.9%		4.7	-78.7%	-92.2%

Source: OCBC, Company **Calendar quarter 1Q2015, except Ezra (quarter ending Feb 2015)*

Poorly positioned balance sheets

As mentioned earlier, offshore marine players have invested for growth. Several players have issued bonds in 2013 and 2014 to fund this growth. Some of these players also have significant committed capex to meet in 2015 (due to orders previously made). Examples include OSV charterers such as Pacific Radiance continuing to receive newbuilds and struggling to find charters to support these. The rig builders under our coverage have also had increasing working capital needs due to their large Brazil order.

A few players, specifically Otto Marine, ASL Marine and Ezra Holdings, entered the downturn with high levels of leverage. On a positive note, these issuers are cognizant of the weak environment, and have been actively managing their balance sheet. As such, on a net gearing basis, their leverage stabilized q/q. Given the pressure on their earnings, as well as committed capex needs, we believe that issuers in the sector are unlikely to be able to deleverage and improve their credit profile through 2015.

Figure 23: Credit profile – Offshore Marine

Issuer	Net Gearing				Net Debt / EBITDA		
	2013	2014	1Q15		2013	2014	1Q15
I) Rig Builders							
Keppel Corp Ltd	0.11	0.11	0.37		0.7x	0.7x	2.1x
Sembcorp Industries Ltd	-0.05	0.44	0.51		-0.2x	2.3x	3.4x
II) OSV Charterers							
Otto Marine Services Pte Ltd	1.95	1.95	1.97		N/A	39.2x	49.7x
Pacific Radiance Ltd	0.60	0.52	0.59		3.7x	4.4x	5.5x
III) Rig Charterers							
Ezion Holdings Ltd	1.15	0.86	0.84		5.7x	4.0x	4.2x
Swissco Holdings Ltd	N/A	0.83	0.70		N/A	10.0x	3.7x
IV) Shipyards							
ASL Marine Holdings Ltd (3QFY15)	0.92	1.12	1.13		4.7x	7.4x	9.9x
Nam Cheong Ltd	0.52	0.42	0.45		2.3x	1.7x	3.1x
V) Offshore EPC Contractors							
Ezra Holdings Ltd (2QFY15)	0.98	1.16	1.15		17.6x	9.7x	15.2x

Source: OCBC, Company **Calendar quarter 1Q2015, except Ezra (quarter ending Feb 2015)*

Technical factors are improving

The market was focused on a few looming maturities as well as call dates in the sector. Swiber Holdings had SGD95mn in bonds maturing in early June 2015. They have managed to successfully repay these bonds. Next would be Ezra Holdings SGD225mn in bonds maturing in September 2015, as well as SGD80mn, SGD125mn and SGD150mn in perpetual securities issued by Swiber Holdings, Ezion Holdings and Ezra Holdings respectively reaching their first call date during the same month.

For the issuers we cover, Ezion Holdings and Ezra Holdings, we believe that Ezion has enough cash on its balance sheet to call its perpetual securities, if it chooses to do so. For Ezra Holdings, the situation was originally more challenging. It had USD193mn in cash on its balance sheet at the end of February 2015, but needed SGD375mn to redeem its bonds as well as call its perpetual securities in September.

Since then, towards the end of May, Ezra Holdings announced USD150mn rights issue as well as SGD200mn convertible bond issue. These have been approved by shareholders during the EGM held in June. The capital raising efforts would greatly improve Ezra Holdings' liquidity situation, allowing the firm to redeem its bond as well as call its perpetual securities (if it chooses to do so).

With this, event risk for the domestic offshore marine sector will be reduced. The sector will also see some respite till June 2016, when Swiber Holdings has SGD205mn in bonds due in roughly a month. In all, the offshore marine sector will see SGD1.44bn in bonds maturity till end 2016.

We believe that idiosyncratic factors will drive dispersion in the sector, with the more highly geared issuers, such as Otto Marine and Swiber Holdings, facing more volatility. That said, we are inclined to be cautiously optimistic, as come March 2016, when Ezra Holding's SGD95mn in bonds come due, players in the sector would have had 1.5 years to reposition since 4Q2014 when crude prices started plunging.

Figure 24: Maturity schedule – Offshore Marine

Issuer Name	Ticker	Cpn	Maturity Date	Amount Issued	Curr	ISIN
Ezra Holdings Ltd	EZRASP	5	07/09/2015	225,000,000	SGD	SG6W28985177
Nam Cheong Ltd	NCLSP	6	05/11/2015	110,000,000	SGD	SG6X27986712
Ezra Holdings Ltd	EZRASP	4.75	21/03/2016	95,000,000	SGD	SG6PC1000008
Vallianz Holdings Ltd	VALZSP	7.2	01/04/2016	100,000,000	SGD	SG6PD8000009
Swiber Holdings Ltd	SWIBSP	5.125	06/06/2016	130,000,000	SGD	SG6RD1000002
Swiber Holdings Ltd	SWIBSP	7	06/07/2016	75,000,000	SGD	SG6V59983340
Otto Marine Services Pte Ltd	OTMLSP	7	01/08/2016	70,000,000	SGD	SG6SC2000001
Perisai Capital Labuan Inc	PPTMK	6.875	03/10/2016	125,000,000	SGD	SG57J6997255
Swiber Holdings Ltd	SWIBSP	5.55	10/10/2016	100,000,000	SGD	SG6PF2000000
United Energy Financing Bermuda Ltd	UNIENE	6.85	17/10/2016	100,000,000	SGD	SG6TE1000006
Marco Polo Marine Ltd	MPMSP	5.75	18/10/2016	50,000,000	SGD	SG58C9997636
Vallianz Holdings Ltd	VALZSP	7.25	22/11/2016	60,000,000	SGD	SG6QD8000007
Miclyn Express Offshore Ltd	MIOAU	8.5	12/12/2016	200,000,000	SGD	SG59J4999952

Source: OCBC, Bloomberg

Singapore's long awaited foray into covered bonds

One market development of interest in the 2H of 2015 is the inaugural issuance of covered bonds in Singapore. In mid-June, DBS announced the setting up of a USD10bn global covered bond program. UOB is also expected to launch a covered bond program in the second half of the year. These announcements follow the recent release of the MAS response to feedback received on the proposed amendments to MAS Notice 648 on covered bond issuance by Singapore incorporated banks and structural clarification of collateral that is being funded with Central Provident Fund (CPF) monies .

Covered bonds attract higher ratings than unsecured debt given the bonds are secured with recourse to both a select pool of assets as well as to the issuer itself. This provides a strong prospect of recovery, particularly as bank regulators set minimum requirements for collateralization coverage, and, in the case of the MAS, a minimum quality for the assets that are to be classified as collateral (defined as a maximum LTV). Both Moody's and Fitch have already assigned 'AAA' ratings to DBS' proposed issuance.

Covered bond markets are well established in developed markets, particularly Europe where the market is mature. Issuance in Asia-Pacific is expected to rise with South Korea enacting covered bond legislation effective April 2014 and Kookmin planning to sell covered bonds in 2015. Kookmin's and DBS's proposed issues would add to previous covered bond issues out of South Korea by Korea Housing Finance Corp. and multiple banks in Australia and New Zealand. Issuance volume will be supported by strong demand for Asia-Pacific covered bond issues, particularly from Europe given their familiarity with the asset class and low supply from redemptions and the ECB's asset purchase program. Yields in Asia-Pacific could also be attractive given European yields remain low.

Covered bond characteristics benefit many market participants. For the regulator, it ensures banks have access to a relatively stable, long term source of external capital with rates fixed through economic cycles. This ensures banks have the required low cost capital to fund further asset growth in tough times. For investors, it provides high quality paper backed by collateral and supported by specific regulations/regulatory oversight. This is especially important for other banks that must hold liquid assets under Basel III rules. Finally for issuers, it allows them to diversify their investor base and lower their cost of funds given the collateralized nature of the bonds and strong demand by both fund managers and banks through cycles for this paper by covered bond investors.

The total size of Singapore's covered bond market is estimated to be around SGD25-30bn (based on the MAS' limit for covered bond issuance to 4% of the issuing banks' total assets) and issuance is expected to be in USD or EUR to tap a wider investor pool/enhance investor demand. Although the market is nascent in Singapore and Singapore banks have sufficient liquidity and access to unsecured debt at competitive rates, issuance under covered bond programs could be in a sweet spot in the second half of 2015 particularly given investor's risk off position and the current low supply. This should drive yields down given Singapore banks' strong and stable credit characteristics, the paper's strong ratings and the high demand for these liquid papers in both Europe and Asia-Pacific.

Top Trade Ideas

Top Picks

Company	Ticker	S&P / Moody's / Fitch	Coupon	Maturity/ Call Date	Amount	Offer Price	Offer YTM	Rationale
Ezra Holdings Ltd	EZRASP	NR/NR/NR	4.875%	24-Apr-18	SGD150mn	91.00	8.55%	The announced rights issue / convertible bond issue would greatly reduce the refinancing risk faced by the issuer. Though the sector remains challenged, EZRA's strong order book, coupled with declining capex needs, help to mitigate downside risk. As such, the ~690bps above swaps for short-dated paper is highly attractive.
Frasers Centrepoint Trust	FCTSP	BBB+/Stable, Baa1/Positive, NR	2.900%	10-Apr-19	SGD60mn	99.75	2.97%	We like FCT's healthy credit metrics and defensive portfolio of suburban malls. We prefer FCTSP'19 and FCTSP'20 given the yield pickups (vs. peers' papers such as MCTSP and SUNSP with similar maturity profile) despite a shorter maturity.
			3.000%	21-Jan-20	SGD70mn	99.25	3.18%	
Genting Singapore PLC	GENSSP	NR, Baa3/Stable, BBB-/Stable	5.125%	'49-c'17	SGD1800mn	99.40	5.42% (YTC)	Despite facing near-term pressure, GENSSP continues to generate significant amounts of free cash flow, and is now currently net cash, even after assuming that the perpetuals are called. The pivot towards mass market versus VIP casino customers would also reduce credit provisions. We believe that the close call date would help mitigate duration risk.
United Envirotech	UENVSP	NR/NR/NR	7.250%	2-Sep-16	SGD100mn	103.3	4.31%	Strong strategic shareholder, recurring income from the water treatment business and leverage covenants help to mitigate potentially aggressive expansion plans. We like the UENVSP'16 over the UENVSP'18, but these may be hard to find.
			4.700%	29-Apr-18	SGD225mn	101.0	4.32%	

Pans

Company	Ticker	S&P / Moody's / Fitch	Coupon	Maturity/ Call Date	Amount	Offer Price	Offer YTM	Rationale
Golden Agri-Resources Ltd	GGRSP	NR, Ba2/Negative, NR	5.500%	27-Apr-18	SGD200mn	100.2	5.42%	El Nino looks to be a wildcard on GGR's near-term performance. Technical factors will likely pressure the bond as well rating overhang by Moody's, tight liquidity profile, and likely continued supply due to refinancing needs for the convertible bonds. Given that GGRSP'17 is already trading below par and is shorter-dated, GGRSP'18 may face more pressure in the interim.
Mapletree Industrial Trust	MINTSP	NR, NR, BBB+/Stable	3.020%	11-May-23	SGD75mn	100.00	3.02%	MINT's portfolio occupancy rate continues to fall but this is mitigated by the trust's improving WALE and credit metrics. However, we think MINTSP'23 is expensive given its tight spread of 39bps over swap, especially vs. its shorter dated papers (MINT'19 and MINT'22 are trading at 47bps and 65bps over swap, respectively).
Singapore Post Ltd	SPOST	A-/Stable, NR, NR	4.250%	'49-c'22	SGD350mn	105.35	3.34% (YTC)	The sustained push towards e-commerce as well as recent acquisitions invite execution risk. The shift in product mix also means revenue growth at the expense of margins. With the SPOST'49c22 is trading at 3.34% YTC, we see better value with GENSSP'49c17 offering 5.42% YTC.
Suntec REIT	SUNSP	NR, Baa2/Stable, NR	3.350%	10-Feb-20	SGD310mn	102.00	2.88%	SUN's credit metrics will continue to improve following completion of Suntec City Mall's AEIs. However, we see limited upside in SUNSP'20, with spread of 76bps over swap. We think FCTSP'20 offers more value given the 30bps yield pickup.

Source: OCBC estimates, Bloomberg (as of market close 30th June 2015)

Contents

Company Outlooks

Credit Outlook – Despite industry headwinds, we think AREIT's financial strength and diversified portfolio should allow it to weather such challenges. Meanwhile, we think the AREIT complex is relatively rich with low spread levels of ~60bps.

Issuer Rating: Overweight

S&P: Not rated

Moody's: A3/Stable

Fitch: Not rated

Ticker: **AREIT**

Company Profile

Listed in 2002, Ascendas REIT ("AREIT") is the first and largest business space and industrial REIT in Singapore, with total assets of about SGD8.2bn as at 31 Mar 15. AREIT owns a diversified portfolio of 104 properties in Singapore spanning business and science parks, hi-specs industrial and light industrial properties and logistics & distribution centers, as well as 2 business park properties in China. Its key shareholder is Ascendas Pte Ltd, which owns 17.1% of the trust.

Ascendas Real Estate Investment Trust

Key credit considerations

- **Solid FY2015 (end-Mar) results achieved:** Benefitting from full year contribution of Nexus@one-north and A-REIT City@Jinqiao, as well as contributions from the newly acquired Aperia & Hyflux Innovation Centre, AREIT reported gross revenue and net property income ("NPI") of SGD673.5mn (+9.8% y/y) and SGD462.7mn (+6.1% y/y) respectively.

- **Improvement seen in portfolio occupancy:** AREIT's portfolio occupancy improved to 87.7% in 4QFY2015 (3QFY2015: 86.8%) due to higher occupancies at Aperia, 21 Jalan Buroh and A-REIT City@Jinqiao, the second straight quarter of improvement after several quarters of falling portfolio occupancy on the back of increased net lettable area ("NLA") and conversion of single tenanted buildings ("STBs") to multi-tenanted buildings ("MTBs"). Although AREIT has ten STB leases expiring in FY2016, management believes most of these leases would be renewed and there will be less pressure on AREIT's portfolio occupancy going forward.

- **Industry headwinds still persist:** Management cautioned that there may still be short term volatility in occupancy rates due to stringent government policies, and conversion of STBs to MTBs. However, we take comfort that management is expecting moderate positive rental reversion for expiring leases in FY2016 as average passing rents are lower than current market rents. AREIT has achieved positive average rental reversion of 8.3% in FY2015.

- **Ongoing projects to improve portfolio quality:** AREIT continues to actively manage its portfolio and there are currently ~SGD97.7mn worth of ongoing development and asset enhancement initiatives, which are scheduled to be completed by 4Q2015 till 1Q2016. Although relatively small in size, AREIT has increased its exposure to China by acquiring a 57,513 sq m plot of land in Jiashan, China for ~SGD23.7mn in March 2015 to develop a logistics property as there is high demand for modern logistics facilities in China.

- **Well-managed portfolio and diversified tenant base provide earnings stability:** As at 31 Mar 15, AREIT continues to have a healthy weighted average lease to expiry of about 3.8 years, with ~18.1% of property income due for renewal in FY2016. The trust is well-diversified in terms of rental income as no single property accounts for more than 4.8% of AREIT's monthly gross revenue. Besides, the top 10 tenants only accounted for ~19.2% of AREIT's total portfolio income. We also note that only 14.0% of AREIT's NLA is exposed to conventional manufacturing activities.

- **Credit metrics remain manageable:** AREIT's aggregate leverage (gross debt/total assets) improved slightly to 33.5% as at end-1Q2015 vs. 33.6% as at end-2014. Meanwhile, EBITDA/gross interest ratio stood at 5.8x (FY2014: 6.0x). Management believe that the trust has sufficient financial flexibility to pursue accretive acquisitions as AREIT still has debt headroom of ~SGD1.7bn before aggregate leverage reaches 45.0%.

- **Limited refinancing and interest rate risks:** AREIT's cash balance of SGD41.6mn is insufficient to cover SGD285.5mn of debt repayable within one year. However, we believe that AREIT can comfortably refinance the debt given its existing undrawn credit facilities, strong access to capital markets and association with Ascendas Pte Ltd. AREIT's debt maturity profile is well-termed with weighted average debt expiry of 3.6 years. In addition, AREIT's interest rate risk is manageable as 68.2% of the trust's borrowings is hedged. In May 2015, AREIT has successfully issued SGD150.0mn of 7-year fixed rate notes at 3.20%.

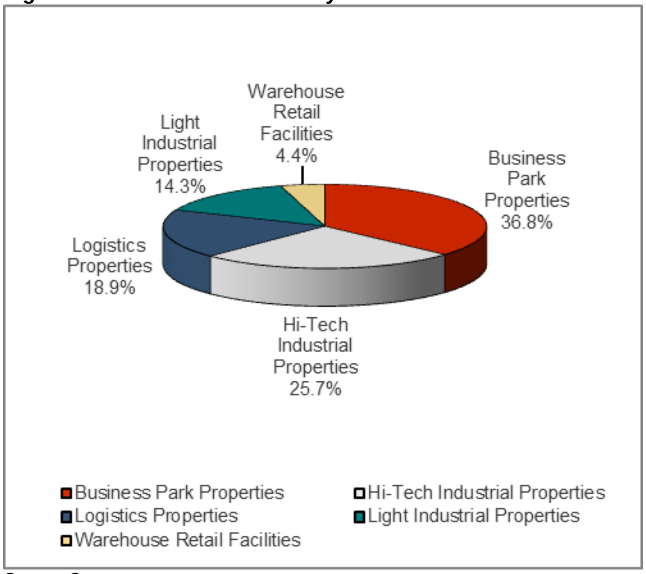
Ascendas Real Estate Investment Trust

Table 1: Summary financials

Year ended 31st March	FY2013	FY2014	FY2015
Income statement (SGD mn)			
Revenue	575.8	613.6	673.5
EBITDA	364.5	395.9	419.3
EBIT	363.7	395.2	419.0
Gross interest expense	73.4	66.4	72.2
Profit before tax	337.1	505.2	404.3
Net income	336.3	482.0	397.6
Balance sheet (SGD mn)			
Cash and equivalents	19.5	65.9	41.6
Total assets	6,959.0	7,357.5	8,160.3
Gross debt	1,979.1	2,177.0	2,727.7
Net debt	1,959.5	2,111.0	2,686.1
Total equity	4,661.1	4,848.6	5,013.6
Total capitalization	6,640.2	7,025.5	7,741.3
Net capitalization	6,620.7	6,959.6	7,699.7
Cash flow (SGD mn)			
Funds from operations (FFO)	337.1	482.7	398.0
CFO	375.3	407.0	362.4
Capex	59.8	102.3	98.7
Acquisitions	176.9	62.4	557.0
Disposals	0.0	70.0	12.6
Dividends	309.4	325.8	260.8
Free Cash Flow (FCF)	315.5	304.8	263.7
Adjusted FCF*	-170.7	-13.5	-541.4
Key ratios			
EBITDA margin (%)	63.3	64.5	62.3
Net margin (%)	58.4	78.5	59.0
Gross debt/EBITDA (x)	5.4	5.5	6.5
Net debt/EBITDA (x)	5.4	5.3	6.4
Gross debt/equity (x)	0.42	0.45	0.54
Net debt/equity (x)	0.42	0.44	0.54
Gross debt/total capitalization (%)	29.8	31.0	35.2
Net debt/net capitalization (%)	29.6	30.3	34.9
Cash/current borrowings (x)	0.08	0.07	0.15
EBITDA/gross interest (x)	5.0	6.0	5.8

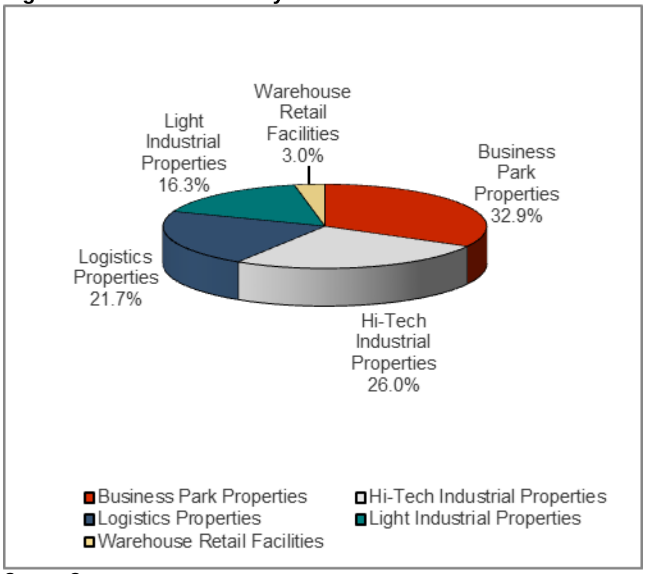
Source: Company, OCBC estimates
**Adjusted FCF = FCF –Acquisitions – Dividends + Disposals*

Figure 1: Revenue breakdown by business– FY2015



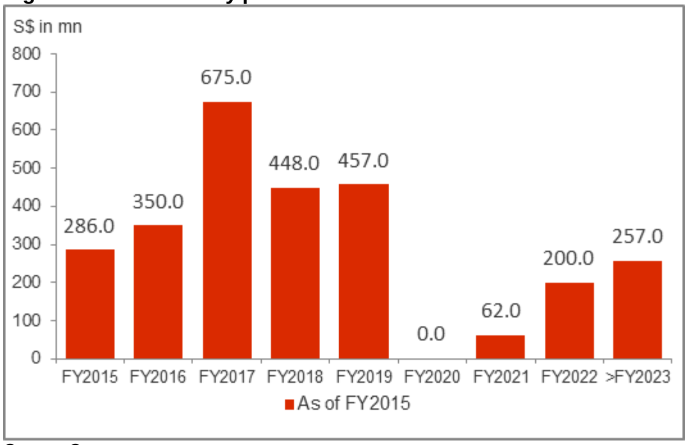
Source: Company

Figure 2: NPI breakdown by business– FY2015



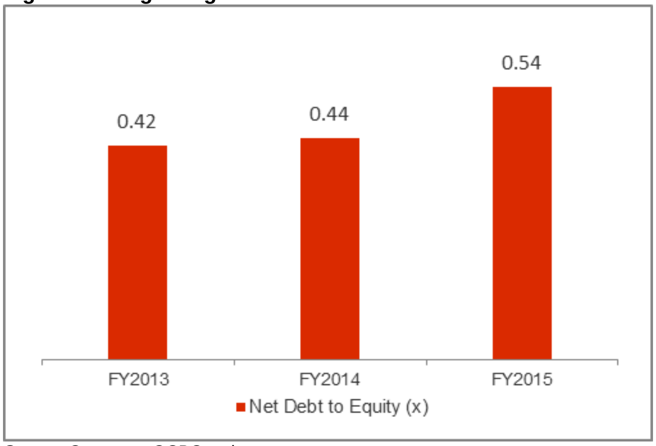
Source: Company

Figure 3: Debt maturity profile



Source: Company

Figure 4: Net gearing



Source: Company, OCBC estimates

Credit Outlook – ART's ambitious acquisition target will continue to pressure its credit metrics but this is partly mitigated by its diversified portfolio which has stable master leases and management contracts with minimum guaranteed income. We think switching into ARTSP perp-c20 (from ARTSP perp-c19) may make sense for investors that prefer to cash out, given that ARTSP perp-c19 is trading above par at 102.30 (bid).

Issuer Rating: Neutral

S&P: Not rated

Moody's: Baa3/Stable

Fitch: Not rated

Ticker: **ARTSP**

Company profile

Ascott Residence Trust ("ART") invests primarily in serviced residences and rental housing properties. It is the largest hospitality trust listed on SGX, as asset size quadrupled to ~SGD4.1bn (as at end-March 2015) since listing in 2006. As at 31 Mar 15, its portfolio consists of 90 properties with 10,500 apartment units in 37 cities across 13 countries in Asia-Pacific and Europe. CapitaLand Ltd has a 46.0% stake in ART.

Ascott Residence Trust

Key credit considerations

- **1Q2015 results aided by acquisitions:** Revenue rose 12.0% y/y to SGD90.0mn on the back of additional incomes from new properties acquired in 2014. However, these were partly mitigated by lower contribution from existing properties and expiry of the deed of yield protection for Somerset West Lake Hanoi. Due to the enlarged portfolio, direct expenses grew 13.8% y/y to SGD46.9mn. As a result, we saw slower growth for gross profit (+10.1% y/y to SGD43.1mn). On a same store basis (excluding the acquisitions), gross profit decreased by 3.0% y/y, in line with the weaker revenue per available unit ("RevPAU", -2.0% y/y) due to softer performance from Singapore and Vietnam properties.

- **Strongest growth from Japan:** Japan is ART's second largest market by asset value (15.2% of total assets) and it was the best performing market in 1Q2015, with revenue rising 56.1% y/y (in JPY) due to contribution from new properties acquired in 2014 (a rental housing property in Fukuoka and a prime hotel in Tokyo, Citadines Central Shinjuku Tokyo). In addition, resilient demand from corporate and leisure guests helped to push RevPAU 17.0% higher y/y. Management plans to convert Citadines Central Shinjuku Tokyo into a serviced residence going forward and this should help to improve performance further.

- **Diversified portfolio to provide income stability:** Although we saw mixed performance in ART's portfolio, we believe that it is well-diversified geographically (65.7% of total assets in Asia-Pacific and 34.3% in Europe) and it should continue to provide stable income to the trust. We take comfort that 48.0% of ART's gross profit for 1Q2015 was contributed by master leases and management contracts with minimum guaranteed income (with average weighted remaining tenure of ~4.0 years). ART remains focused on the corporate travel segment (83% of rental income in Asia-Pacific and 58% of rental income in Europe, excluding properties under master leases) and the average length of stay for ART's portfolio is ~4.4 months.

- **Ambitious acquisition target:** ART has been consistent with its strategy to acquire accretive assets in key cities of Asia Pacific and Europe and it has a target to increase its portfolio size to SGD6.0bn by 2017, a 46.3% growth from end-1Q2015. Furthermore, management is active in unlocking values of its properties through asset enhancement initiatives ("AEIs"). ~80.0% of ART's serviced residences had undergone or are undergoing AEIs, while the remaining 20.0% will undergo refurbishment by 2016. ART has been prudent in managing its forex exposure and it adopts a natural hedging strategy through the use of local currency borrowings. ~42.0% of ART's estimated 2015 foreign currency distribution income had been hedged as at end-1Q2015.

- **Aggregate leverage will remain high going forward:** ART's aggregate leverage (gross debt/total assets) increased to 38.7% as at end-1Q2015 from 35.9% as at end-1Q2014 due to its acquisition-led strategy. In addition, EBITDA/gross interest fell to 3.6x from 2014's 4.0x on the back of higher borrowings. That said, ART's debt profile is well-managed with average debt to maturity of 4.3 years. In addition, effective borrowing rate was stable at 2.9% while interest rate risk also remains low as ~80.0% of its borrowings are on fixed rates. Although ART will continue to incur capex for its acquisitions going forward, we do not expect funding issues for the trust due to its good access to capital markets and strong parentage. ART has issued SGD250.0mn of perpetual securities in June 2015 to fund acquisition of 7 assets in Australia and Japan for SGD298.3mn. Besides, ART can also recycle its capital by divesting properties with limited growth potential.

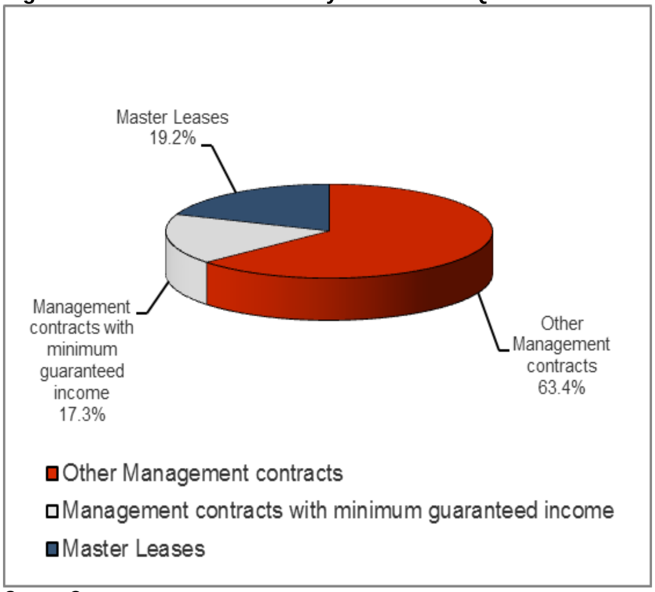
Ascott Residence Trust

Table 1: Summary financials

Year ended 31st December	FY2013	FY2014	1Q2015
Income statement (SGD mn)			
Revenue	316.6	357.2	90.0
EBITDA	154.8	173.8	42.2
EBIT	141.3	157.6	37.6
Gross interest expense	44.6	43.3	11.8
Profit before tax	251.6	167.3	24.6
Net income	208.7	122.5	17.2
Balance sheet (SGD mn)			
Cash and equivalents	204.5	192.6	157.2
Total assets	3,585.1	4,121.9	4,119.4
Gross debt	1,197.1	1,550.9	1,556.6
Net debt	992.6	1,358.4	1,399.4
Total equity	2,187.1	2,353.2	2,346.1
Total capitalization	3,384.2	3,904.1	3,902.7
Net capitalization	3,179.7	3,711.6	3,745.5
Cash flow (SGD mn)			
Funds from operations (FFO)	222.2	138.7	21.7
CFO	152.0	152.6	34.3
Capex	42.2	40.0	3.2
Acquisitions	159.0	428.4	3.8
Disposals	0.1	0.0	0.0
Dividends	110.7	119.7	65.5
Free Cash Flow (FCF)	109.8	112.5	31.1
Adjusted FCF*	-159.8	-435.5	-38.1
Key ratios			
EBITDA margin (%)	48.9	48.7	46.8
Net margin (%)	65.9	34.3	19.1
Gross debt/EBITDA (x)	7.7	8.9	9.2
Net debt/EBITDA (x)	6.4	7.8	8.3
Gross debt/equity (x)	0.55	0.66	0.66
Net debt/equity (x)	0.45	0.58	0.60
Gross debt/total capitalization (%)	35.4	39.7	39.9
Net debt/net capitalization (%)	31.2	36.6	37.4
Cash/current borrowings (x)	4.07	0.77	0.37
EBITDA/gross interest (x)	3.5	4.0	3.6

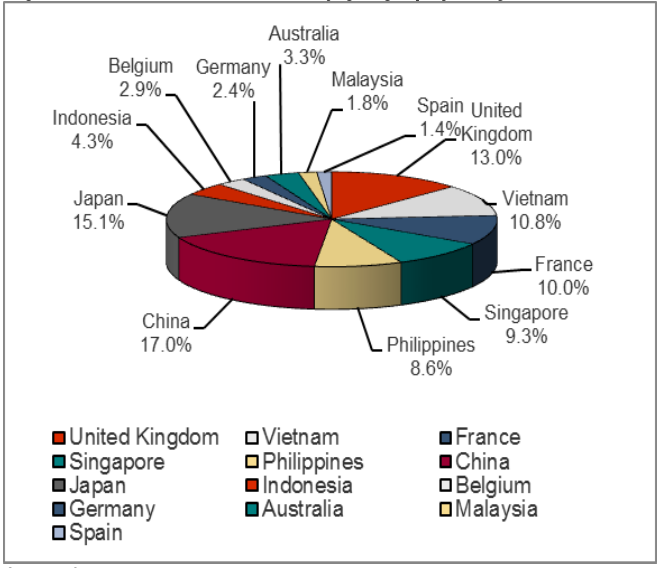
Source: Company, OCBC estimates
**Adjusted FCF = FCF –Acquisitions – Dividends + Disposals*

Figure 1: Revenue breakdown by business – 1Q2015



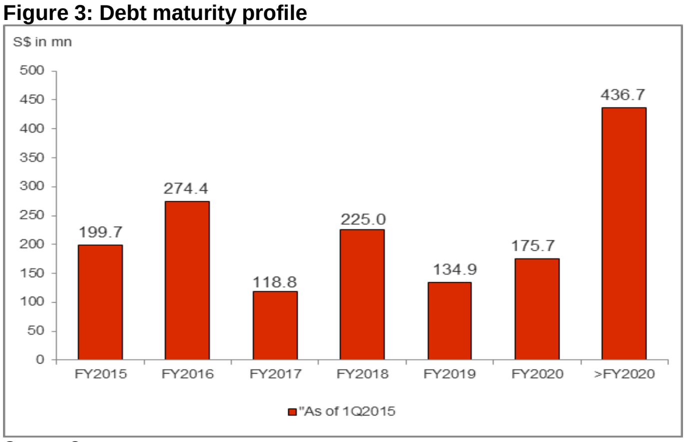
Source: Company

Figure 2: Revenue breakdown by geography – 1Q2015



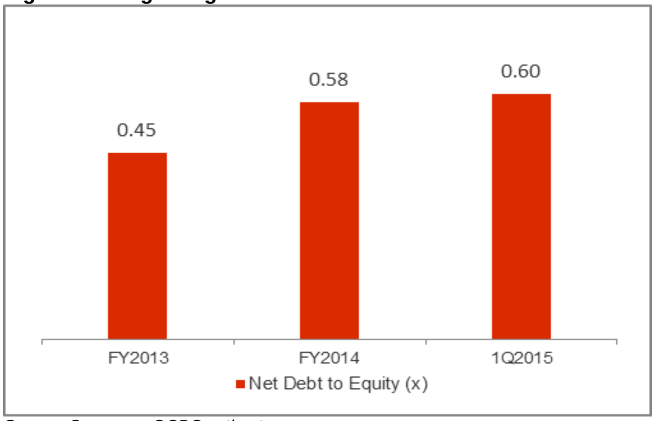
Source: Company

Figure 3: Debt maturity profile



Source: Company

Figure 4: Net gearing



Source: Company, OCBC estimates

ASL Marine Holdings Ltd

Credit Outlook –

We are retaining our Neutral view on the ASLSP'18 bonds. Prices have been stable during 2Q2015. The outlook remains mixed, but we don't see any strong catalysts driving levels lower. EZRASP'18 looks more attractive, providing ~200bps more yield.

Issuer Rating: Underweight

S&P: Not rated

Moody's: Not rated

Fitch: Not rated

Ticker: **ASLSP**

Company Profile

Listed in 2003, ASL is an integrated offshore marine firm. It has four businesses: shipbuilding, shiprepair & conversion, shipchartering and engineering. Majority of the firm's revenue is generated in Asia. The firm has shipyards in Singapore, Indonesia and China. It entered the dredging engineering segment after acquiring VOSTA LMG in 3Q2013. As of the end of FY2014, the firm has a fleet of 193 vessels for its shipchartering segment, with the majority being barges. The founding Ang family continues to hold more than 60% stake in the firm.

Key credit considerations

- **Some revenue recovery seen in 3QFY2015 (end-Mar)**: After registering negative revenue in 2QFY2015 due to sales reversal (upon vessel order cancellation), ASL managed to recover to sales comparable with 1QFY2015 (ending September 2014), generating SGD63.4mn in top line (1QFY15: SGD68.5mn). However, revenue still declined 56.2% y/y, driven by 84% decline in shipbuilding revenues (most projects were early stage, and hence had lower percentage-of-completion revenue recognized). The other business segments saw revenue declines as well: shiprepair & conversion (-19.4% y/y), shipchartering (-7.8% y/y) and engineering (-25.3% y/y). Shiprepair & conversion revenue can be lumpy as project revenues are only recognized upon completion. Shipchartering revenue has held up as even though ASL's OSV charter revenue plunged 37.8% y/y, this was less than 30% of segment revenue. Finally, engineering revenue fell mainly due to fewer components ordered by clients.

- **Mixed earnings**: Gross margin expanded due in part to a one-off special project under shiprepair & conversion (segment gross margin jumped 22.9ppt y/y). However, the shipbuilding segment generated gross losses due to subcontractor overruns (to avoid delays in the delivery of 4 tugs). Shipcharter gross margin compressed as well, from 17.5% to 14.5%, driven in part by the sale of a vessel in November 2014. Though the engineering segment saw components revenue decline, gross margin jumped from 13.4% to 31.0%.

- **Order book fair**: The shipbuilding order book (from external customers) has declined slightly from SGD270mn (end 2QFY2015) to SGD257mn (end 3QFY2015). These are for a total of 18 vessels, for deliveries through 2QFY2017. The order book is ~90% of FY2014 shipbuilding order book. The firm also has about SGD58mn in long-term ship chartering contracts (~30% of ship chartering revenue for 9MFY2015 was due to long-term charters). The management remains cautiously optimistic about the firm's non-offshore ship chartering business (such as harbour tugs and work barges). That said, the fate of the three OSVs which orders were cancelled by ASL's client remains uncertain. One of the vessels is complete, one was due to be ready in 1Q2015 and the last was due to be ready in 3Q2015. These vessels are of deep water Norwegian design, and are DNV classified. These vessels were part of the reason why inventory surged by SGD145.6mn to SGD218.3mn (as compared to end-FY2014) as they were transferred from construction WIP.

- **Liquidity remains tight**: For 3QFY2015, though the firm generated positive operating cash flow, due to capex of SGD41.2mn (vessel purchases), FCF remained negative at -SGD3.4mn. The firm's BTS program was also a drain on cash during 9MFY2015. The firm currently has SGD230.8mn of short-term borrowings due (though SGD81.6mn is project financing for 3rd party shipbuilding contracts). Comparatively, the firm has SGD69.1mn in cash. The firm has no bonds maturing till March 2017. EBITDA / total interest has declined from 5.3x (end-FY2014) to 3.7x (end-3QFY2015). We can expect potentially more vessel sales to generate liquidity.

- **Leverage has stabilized, but remains elevated:** Net gearing has stabilized at 113% (2QFY2015: 112%). Gross debt actually remained flat at SGD549.1mn relative to SGD545.8mn (end-FY2014). On a net debt / EBITDA basis, leverage has worsened from 6.4x (end-2QFY2015) to 8.7x (end-3QFY2015), driven by the slump in EBITDA. Though leverage has stabilized, it remains elevated, and is likely to remain so in the near future until the sector situation improves. That said, the firm's non-offshore related businesses are a mitigating factor.

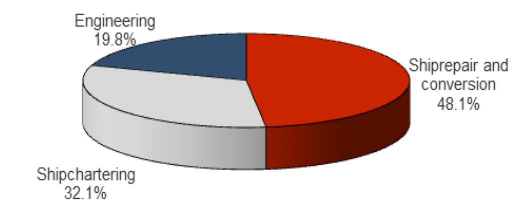
ASL Marine Holdings Ltd

Table 1: Summary financials

Year ended 30th June	FY2013	FY2014	9M2015
Income statement (SGD mn)			
Revenue	465.4	509.8	110.9
EBITDA	99.3	73.1	41.5
EBIT	60.2	26.3	7.1
Gross interest expense	11.0	13.8	11.4
Profit Before Tax	55.2	26.1	5.3
Net profit	44.5	22.1	6.5
Balance sheet (SGD mn)			
Cash and bank deposits	88.2	73.2	69.1
Total assets	1,124.8	1,216.9	1,213.5
Gross debt	462.7	539.1	549.1
Net debt	374.4	465.9	479.9
Shareholders' equity	405.5	416.5	425.9
Total capitalization	868.2	955.6	974.9
Net capitalization	779.9	882.4	905.8
Cash flow (SGD mn)			
Funds from operations (FFO)	83.6	68.9	40.9
CFO	-112.1	27.6	50.5
Capex	90.1	113.2	69.0
Acquisitions	4.2	0.0	0.0
Disposals	26.4	8.4	50.6
Dividend	7.3	8.4	4.2
Free Cash Flow (FCF)	-202.2	-85.6	-18.5
Adjusted FCF*	-187.4	-85.6	27.9
Key ratios			
EBITDA margin (%)	21.3	14.3	37.4
Net margin (%)	9.6	4.3	5.8
Gross debt to EBITDA (x)	4.7	7.4	9.9
Net debt to EBITDA (x)	3.8	6.4	8.7
Gross Debt to Equity (x)	1.14	1.29	1.29
Net Debt to Equity (x)	0.92	1.12	1.13
Gross debt/total capitalisation (%)	53.3	56.4	56.3
Net debt/net capitalisation (%)	48.0	52.8	53.0
Cash/current borrowings (x)	0.35	0.28	0.30
EBITDA/gross Interest (x)	9.0	5.3	3.7

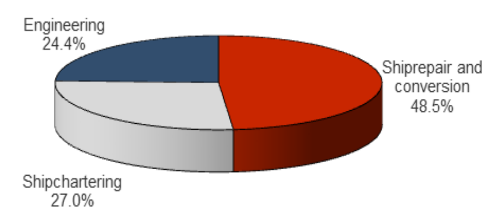
Source: Company, OCBC estimates
**Adjusted FCF = FCF – Acquisitions – Dividends + Disposals*

Figure 1: Revenue breakdown by business – 9M2015



Source: Company
**Revenue from Shipbuilding segment omitted due to negative revenue reported*

Figure 2: Operating profit breakdown by business– 9M2015



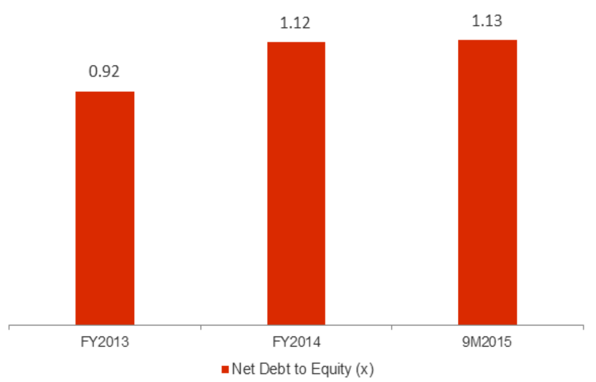
Source: Company
**Profit from Shipbuilding segment omitted due to negative profit reported*

Figure 3: Debt maturity profile

(Amounts in SGD mn)	As at 31/03/2015	% of debt
Repayable in one year		
Secured	155.5	28.3%
Unsecured	75.2	13.7%
Sub-total	**230.7**	**42.0%**
Repayable after a year		
Secured	168.3	30.7%
Unsecured	150.0	27.3%
Sub-total	**318.3**	**58.0%**
Total	**549.1**	**100.0%**

Source: Company

Figure 4: Net gearing



Source: Company, OCBC estimates

Credit Outlook – Outlook on CCT may be more challenging going forward given the impending supply of office space in 2016. However, CCT's long WALE of 7.9 years will offer visibility and stability to future earnings. Meanwhile, CCTSP'21 looks fairly valued at 63bp over swap.

Issuer Rating: Neutral

S&P: A-/Stable

Moody's: A3/Stable

Fitch: Not rated

Ticker: **CCTSP**

Company Profile

Listed on the SGX in 2004, CapitaLand Commercial Trust ("CCT") is Singapore's first listed and largest commercial REIT, with SGD7.6bn of property holdings as at 31 Mar 2015. It comprises ten prime properties in Singapore, as well as investments in Malaysia. Properties in Singapore comprise of Raffles City Singapore (60%-owned), Capital Tower, One George Street, Six Battery Road, HSBC Building, Twenty Anson, Golden Shoe Car Park, Bugis Village, CapitaGreen (40%-owned) and Wilkie Edge. CCT is 31.5%-owned by CapitaLand Ltd.

CapitaLand Commercial Trust

Key credit considerations

- **Robust 1Q2015 results achieved:** CCT reported revenue of SGD68.2mn (+6.5% y/y) on the back of higher contribution from all properties, especially Capital Tower, Six Battery Road and One George Street. Despite the higher property tax incurred, net property income ("NPI") also grew steadily to SGD54.0mn (+6.4% y/y).

- **Positive leasing momentum for CapitaGreen:** The new Grade A office building at 138 Market Street obtained its Temporary Occupation Permit on 18 Dec 14 and it has secured leases for 76.4% of its net lettable area as at 21 Apr 15. Majority of the tenants is expected to move in progressively over 2H2015 and this should contribute positively to CCT's earnings going forward. Management remains optimistic and targets to achieve full occupancy for CapitaGreen by end-2015.

- **Resilient portfolio occupancy speaks for itself:** Excluding CapitaGreen, CCT's Grade A properties registered committed occupancy of 100.0% as at end-March 2015, which demonstrates management's effort in active leasing and successful tenant retention program. As a result, CCT's portfolio committed occupancy including CapitaGreen is 97.0%, which is higher than Singapore's core Central Business District occupancy of 96.1%. Furthermore, CCT managed to secure ~240,000 sq ft of new leases and renewals in 1Q2015, of which 15% are new leases.

- **Continue to see positive rental reversions:** CCT's monthly average office portfolio gross rent grew 2.0% q/q to SGD8.78 psf as at end-1Q2015 from SGD8.61 psf as at end-4Q2014. Despite the positive figures, we caution that growth may moderate going forward due to expected large office space supply coming on stream from 2Q2016 onwards. Nonetheless, we believe that CCT's portfolio WALE of 7.9 years (as at end-1Q2015) shall continue to provide good earnings visibility to the trust. We also take comfort that the current average market rent is higher than CCT's portfolio expiring rents.

- **Asset enhancement initiative ("AEI") and future growth opportunities:** CCT's SGD40.0mn AEI for Capital Tower (since 4Q2013) remains on track to be completed in 4Q2015, with a target return on investment of 7.8%. Besides AEI, management is also looking at other greenfield opportunities given CCT's development capacity of up to SGD760.0mn. In addition, CCT has an option to acquire the remaining 60% of CapitaGreen at market valuation within 3 years (2015-2017) after completion.

- **Healthy credit metrics with ample debt headroom:** We don't think funding will be an issue for CCT given its robust balance sheet. As at end-1Q2015, CCT's aggregate leverage (gross debt/total assets) remained low at 29.9% (vs. end-2014's 29.3%), while EBITDA/gross interest improved to 5.8x from 5.2x in 2014. 83.0% of CCT's total borrowings are on fixed interest rates, minimizing exposure to interest rate fluctuation. In February 2015, CCT has issued JPY8.6bn 8-year floating rate notes and swapped it into SGD100.0mn at a fixed rate of 3.05% per annum. Following that, average term to maturity for its borrowings has been extended to 4.1 years from 3.9 years as at end-2014. For the remaining of 2015, CCT has standby facilities to refinance the SGD200.0mn medium term notes due 4Q2015 and it is also working with its sponsor, CapitaLand Ltd to refinance the SGD340mn bank loan which also due in 4Q2015. We note that Moody's has upgraded CCT's issuer rating to "A3" from "Baa1" with a stable outlook in February 2015.

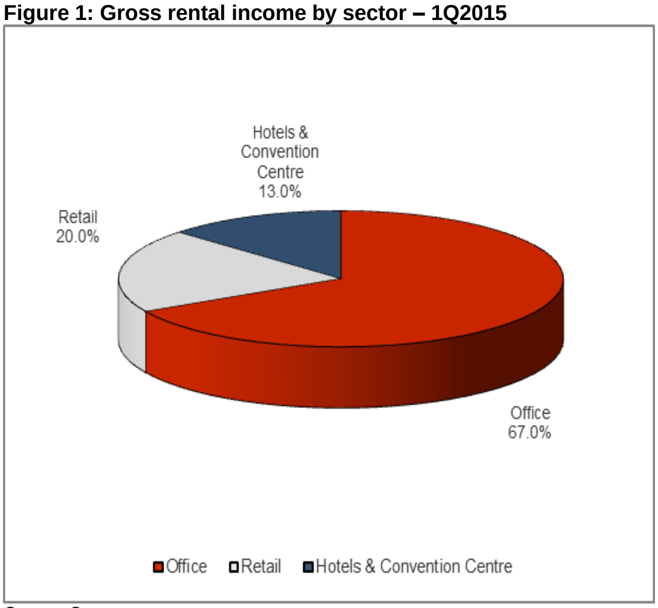
CapitaLand Commercial Trust

Table 1: Summary financials

Year ended 31st December	FY2013	FY2014	1Q2015
Income statement (SGD mn)			
Revenue	386.9	262.6	68.2
EBITDA	273.5	189.3	49.3
EBIT	267.5	185.5	49.1
Gross interest expense	61.5	36.4	8.5
Profit before tax	374.6	448.9	39.4
Net income	374.6	448.9	39.3
Balance sheet (SGD mn)			
Cash and equivalents	84.1	101.1	54.9
Total assets	6,245.5	6,521.1	6,467.0
Gross debt	1,218.3	1,240.2	1,254.1
Net debt	1,134.3	1,139.1	1,199.2
Total equity	4,912.7	5,153.5	5,086.6
Total capitalization	6,131.0	6,393.7	6,340.7
Net capitalization	6,047.0	6,292.6	6,285.8
Cash flow (SGD mn)			
Funds from operations (FFO)	380.6	452.7	39.5
CFO	298.0	188.5	52.1
Capex	83.2	30.1	6.7
Acquisitions	0.0	0.0	0.0
Disposals	0.0	0.0	0.0
Dividends	231.3	242.8	118.1
Free Cash Flow (FCF)	214.8	158.4	45.5
Adjusted FCF*	-16.5	-84.3	-72.7
Key ratios			
EBITDA margin (%)	70.7	72.1	72.4
Net margin (%)	96.8	170.9	57.6
Gross debt/EBITDA (x)	4.5	6.6	6.4
Net debt/EBITDA (x)	4.1	6.0	6.1
Gross debt/equity (x)	0.25	0.24	0.25
Net debt/equity (x)	0.23	0.22	0.24
Gross debt/total capitalization (%)	19.9	19.4	19.8
Net debt/net capitalization (%)	18.8	18.1	19.1
Cash/current borrowings (x)	N/A	0.37	0.27
EBITDA/gross interest (x)	4.4	5.2	5.8

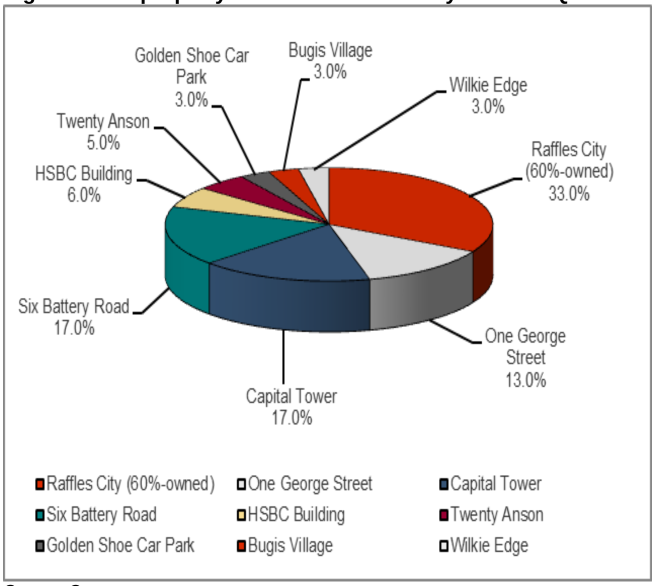
Source: Company, OCBC estimates
**Adjusted FCF = FCF –Acquisitions – Dividends + Disposals*

Figure 1: Gross rental income by sector – 1Q2015



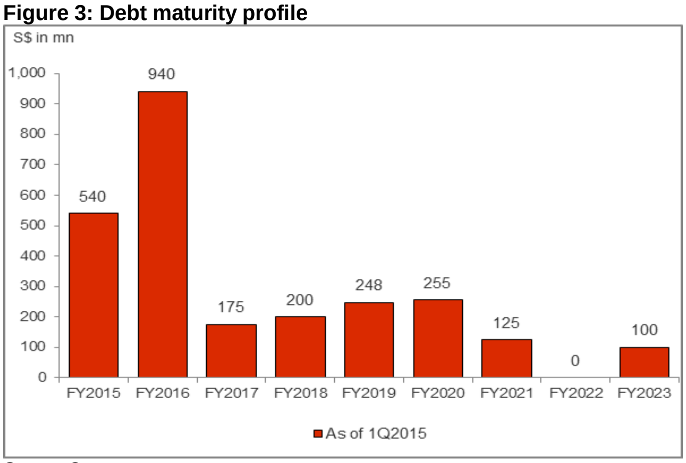
Source: Company

Figure 2: Net property income breakdown by asset – 1Q2015



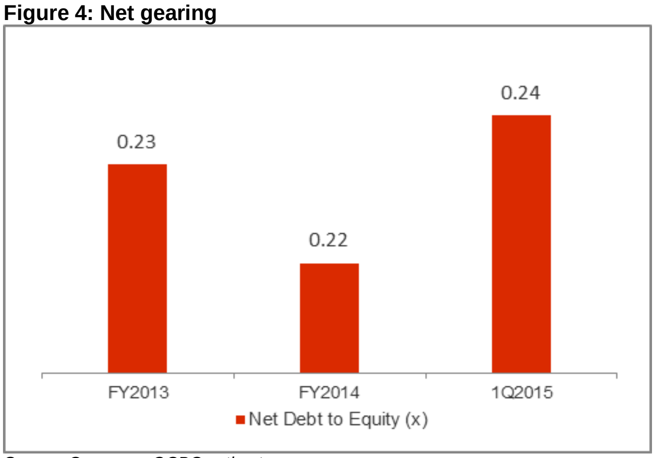
Source: Company

Figure 3: Debt maturity profile



Source: Company

Figure 4: Net gearing



Source: Company, OCBC estimates

CapitaLand Ltd

Credit Outlook – Despite the higher net gearing, we continue to like CAPL's asset recycling strategy and quality investment properties, which generate recurring income. We prefer the CAPL curve over the CAPITA complex, which provides yield pickups of 25-30bps between similar tenors papers.

Issuer Rating: Overweight

S&P: Not rated

Moody's: Not rated

Fitch: Not rated

Ticker: **CAPLSP**

Company Profile

CapitaLand Ltd ("CAPL") is Singapore's leading real estate developer, operating across residential real estate development, serviced residences, retail & office REITs and real estate fund management with core markets in Singapore and China. CAPL has SGD45.0bn of assets as at 31 Mar 15 and it is 39.4%-owned by Temasek Holdings Ltd.

Key credit considerations

- **Robust earnings in 1Q2015:** CAPL's 1Q2015 revenue grew 49.4% y/y to SGD915.0mn, largely attributable to higher contributions from development projects in Singapore, China and Vietnam, as well as the consolidation of CapitaLand Township Holdings in March 2015. In addition, the group also recognized higher rental income from its shopping mall and serviced residence businesses. However, cost of sales increased at a faster pace of 98.2% y/y to SGD553.3mn due to higher project costs for units sold. Consequently, net profit for the group only rose 9.4% y/y to SGD161.3mn.

- **Resilient residential sales achieved:** In 1Q2015, CAPL sold 69 residential units (vs. 34 units in 1Q2014) in Singapore amidst a weak market, mainly from Urban Resort Condominium and Marine Blue. In addition, benefitting from monetary easing and property loosening measures, CAPL sold 1,306 units in China in 1Q2015, improving from 1Q2014's 1,177 units. Going forward, CAPL is poised to benefit from the recovery in China's residential market, with ~7,600 residential units launch ready for 2Q-4Q2015 (~1/3 from Tier 1 cities). Meanwhile, management expects Singapore's private residential demand and pricing to further moderate in 2015 due to impact of government cooling measures and concerns over rising interest rates. In 2014, CAPL took an impairment charge of SGD77.4mn for its Singapore residential portfolio by assuming a double digit decline from the current selling prices, taking into account the weak market conditions.

- **Diversified portfolio helps to withstand near term challenges:** While acknowledging the headwinds in Singapore's residential market, we take comfort that CAPL's exposure to this segment is relatively low (<7.8% of the group's total assets). Furthermore, CAPL's portfolio is well diversified across integrated developments, retail malls, serviced residences, offices and homes. As at 31 Mar 15, ~72.0% of the group's total assets are investment properties and they will continue to contribute stable recurring income to CAPL, balancing out volatility from the trading segments. Singapore and China remained the core markets for CAPL, accounting for 39.0% and 44.0% of total assets, respectively.

- **Strong pipeline of projects:** CAPL intends to grow its assets under management and it has a strong pipeline of projects going forward. 4 Raffles City projects (Changning, Hangzhou, Shenzhen and Chongqing) are scheduled to be completed in 2H2015-2019. Meanwhile, CAPL will be opening 19 shopping malls in 2015 and beyond, mainly in China (12 malls) and India (5 malls). In addition, CAPL's hospitality arm, Ascott will continue to grow its fee-based income by securing more management contracts. Ascott has targeted to increase its portfolio to 80,000 units by 2020 from ~41,000 units currently. These pipeline projects should continue to provide sustainable recurring income to CAPL, in our view.

- **Credit metrics stabilized:** CAPL's net gearing stood at 0.58x in 1Q2015, relatively unchanged from end-2014's 0.57x. Meanwhile, EBITDA/gross interest was also flat at 2.4x (2014: 2.4x). However, given CAPL's expansion plans going forward, we do not expect the group's credit metrics to improve significantly in the near term. We note that CAPL has issued SGD650.0mn of 10-year convertible bonds at 2.8% in 2Q2015 but this should not affect the group's gearing level as the proceeds were used to refinance existing convertible bonds. Interest rate risk for CAPL remains low with ~70.0% of total borrowings on fixed rates. As at end-1Q2015, the group's cash holdings and available undrawn facilities amounted to SGD6.1bn and this should provide sufficient liquidity to CAPL to fund its growth strategy. In addition, CAPL divested its 30.0% stake in PWC Building for SGD150.0mn in June 2015, in line with its strategy to unlock value of non-core assets and recycle capital.

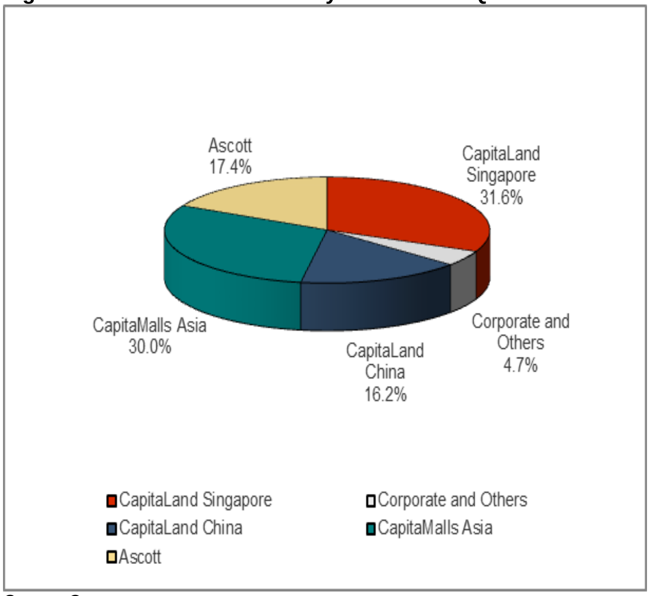
CapitaLand Ltd

Table 1: Summary financials

Year ended 31st December	FY2013	FY2014	1Q2015
Income statement (SGD mn)			
Revenue	3,977.5	3,924.6	915.0
EBITDA	419.1	1,039.6	285.8
EBIT	369.5	970.1	268.1
Gross interest expense	585.9	439.5	118.1
Profit Before Tax	1,353.5	2,026.6	263.4
Net profit	849.8	1,160.8	161.3
Balance sheet (SGD mn)			
Cash and bank deposits	6,306.3	2,749.4	2,955.6
Total assets	45,063.1	44,113.5	45,854.4
Gross debt	15,936.2	15,985.8	16,720.9
Net debt	9,629.8	13,236.4	13,765.3
Shareholders' equity	24,454.8	23,208.5	23,858.7
Total capitalization	40,390.9	39,194.3	40,579.5
Net capitalization	34,084.6	36,445.0	37,623.9
Cash flow (SGD mn)			
Funds from operations (FFO)	899.4	1,230.4	178.9
CFO	523.0	998.7	-3.5
Capex	82.0	129.2	8.2
Acquisitions	1,004.3	1,302.0	91.2
Disposals	1,035.2	1,226.2	0.5
Dividend	432.0	704.9	133.2
Free Cash Flow (FCF)	441.0	869.6	-11.7
Adjusted FCF*	39.8	88.9	-235.5
Key ratios			
EBITDA margin (%)	10.5	26.5	31.2
Net margin (%)	21.4	29.6	17.6
Gross debt to EBITDA (x)	38.0	15.4	14.6
Net debt to EBITDA (x)	23.0	12.7	12.0
Gross Debt to Equity (x)	0.65	0.69	0.70
Net Debt to Equity (x)	0.39	0.57	0.58
Gross debt/total capitalisation (%)	39.5	40.8	41.2
Net debt/net capitalisation (%)	28.3	36.3	36.6
Cash/current borrowings (x)	4.93	0.79	0.88
EBITDA/gross Interest (x)	0.9	2.4	2.4

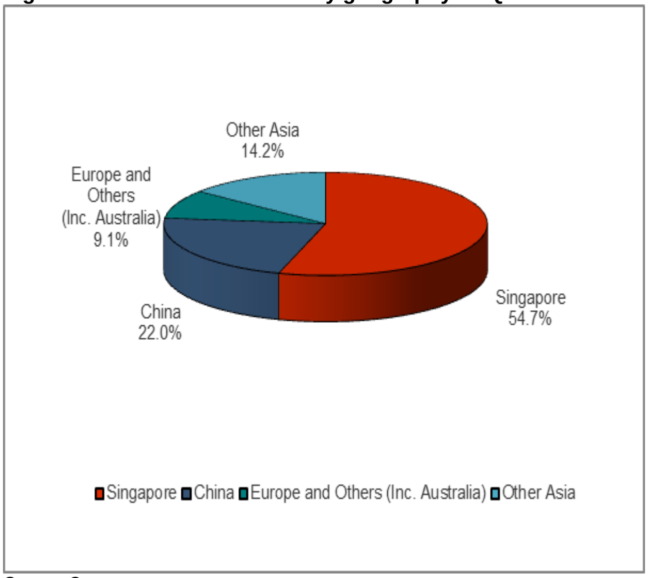
Source: Company, OCBC estimates
**Adjusted FCF = FCF – Acquisitions – Dividends + Disposals*

Figure 1: Revenue breakdown by business – 1Q2015



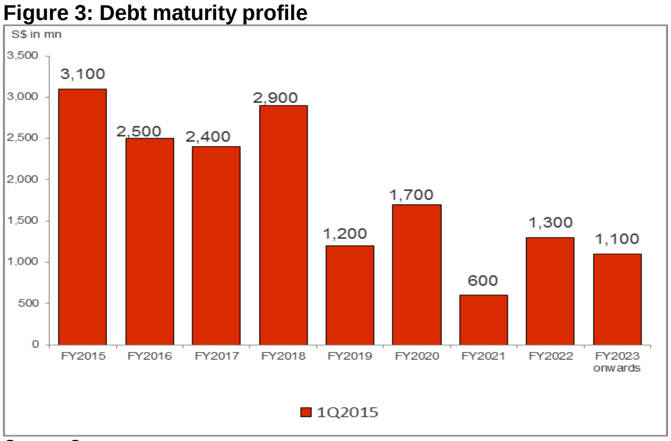
Source: Company

Figure 2: Revenue breakdown by geography – 1Q2015



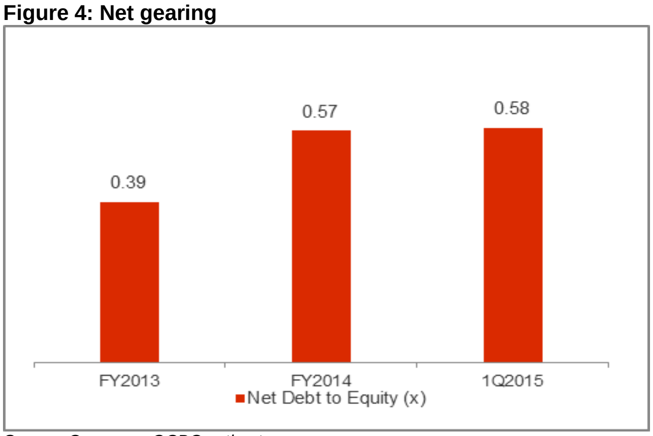
Source: Company

Figure 3: Debt maturity profile



Source: Company

Figure 4: Net gearing



Source: Company, OCBC estimates

Credit Outlook – CMT's credit metrics remain strong while its operating numbers have shown improvement amidst a weak retail sector. Nonetheless, these have been priced in in our view, as its papers are trading at tight spread levels of 21-54bps over swap.

Issuer Rating: Overweight

S&P: Not rated

Moody's: A2/Stable

Fitch: Not rated

Ticker: **CAPITA**

Company Profile

Listed on the SGX in 2002, CapitaLand Mall Trust ("CMT") is the largest REIT by market capitalization. CMT's portfolio consists of 16 malls in Singapore, including Plaza Singapura, IMM Building, Bugis Junction, Tampines Mall, a 40% stake in Raffles City and a 30% stake in Westgate. In addition, CMT owns ~14.5% interest in CapitaLand Retail China Trust ("CRCT"), the first China shopping mall REIT listed on the SGX. CMT is 28.0%-owned by CapitaLand Ltd ("CAPL").

CapitaLand Mall Trust

Key credit considerations

- **Resilient 1Q2015 results:** CMT's revenue rose 1.6% y/y to SGD167.4mn in 1Q2015, mainly due to completion of the asset enhancement initiative ("AEI") at Bugis Junction (Phase 2) in September 2014. Furthermore, net property income ("NPI") grew at a faster pace of 3.0% y/y to SGD117.7mn on the back of lower other property operating expenses.

- **Recovery in shopper traffic and tenants' sales seen:** Despite the weak retail sentiment, shopper traffic and tenants' sales psf for CMT's portfolio were up 4.7% y/y and 2.5% y/y in 1Q2015, respectively, after four consecutive quarters of declines. Meanwhile, CMT's portfolio occupancy rate as at end-1Q2015 remained healthy at 97.2% vs. 98.8% as at end-2014. The lower occupancy rate took into account temporary vacant spaces due to AEIs at certain malls.

- **Hands-on management with long-term track record:** Management successfully renewed 173 leases (6.6% of total net lettable area) in 1Q2015 with positive rental reversion of 6.1%. Nonetheless, we note that JCube was hit by negative rental reversion of 11.0%, likely due to competition from neighboring malls. That said, we take comfort that CMT has been able to achieve positive rental reversions for its portfolio since 2003, including the global financial crisis period in 2008-2009. Besides, CMT's portfolio occupancy rate also consistently stayed above 95.0% since 2003 except in 2011 due to AEI at The Atrium@Orchard. CMT remains proactive in enhancing its malls to attract shopper interests, and AEIs for IMM Building, Bukit Panjang Plaza and Tampines Mall are on track to be completed. In April 2015, CMT completed the reconfiguration works (~11,000 sq ft) at Block A of Clarke Quay to house more food & beverage outlets.

- **Prudent capital management:** CMT has been actively refinancing its debt to extend its debt tenure in anticipation of interest rate hikes going forward. As a result, its average term to maturity was lengthened to 5.1-year from 4.7-year as at end-2014 and we see no immediate refinancing risk. Furthermore, CMT was able to tap into oversea capital markets to lower its borrowing cost. For example, CMT issued HKD1.1bn 12-year fixed rate notes at 2.77% and swapped it into SGD192.8mn at 3.25% per annum. It also issued JPY8.6bn 8-year floating rate notes and swapped it into SGD100.0mn at 2.85% per annum. Both transactions were done in February 2015 and CMT's average cost of debt decreased slightly to 3.4% (as at end-1Q2015) from 3.5% (as at end-2014).

- **Credit metrics remain intact:** CMT's aggregate leverage (gross debt/total assets) was flat at 33.8% as at end-1Q2015 vs. end-2014. Meanwhile, interest coverage is satisfactory with EBITDA/gross interest improved to 3.8x (end-2014: 3.5x). In addition, unencumbered assets as percentage of total assets were maintained at 100.0%. Even though CMT is committed to pay out 100.0% of its distributable income to unitholders in 2015, its cash balance of SGD1.36bn as at end-1Q2015 is ~2x of short-term borrowings of SGD686.2mn, reflecting its strong liquidity profile.

- **Stable outlook ahead:** Going forward, CMT should be able to weather the challenges in the retail sector given its experienced management team as well as healthy balance sheet. CMT disclosed that it is still exploring opportunities to acquire accretive properties and invest in greenfield developments. We do not foresee any funding issues if such opportunities arise as CMT has demonstrated its good access to capital markets.

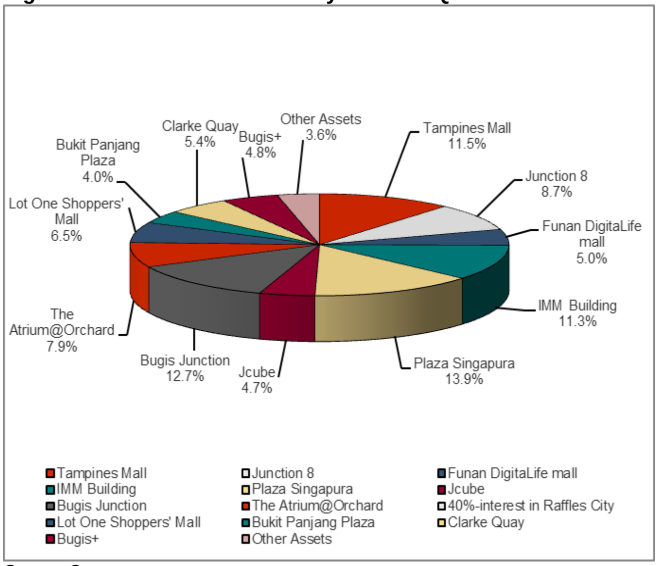
CapitaLand Mall Trust

Table 1: Summary financials

Year ended 31st December	FY2013	FY2014	1Q2015
Income statement (SGD mn)			
Revenue	637.6	658.9	167.4
EBITDA	397.3	403.5	106.6
EBIT	396.0	402.1	106.0
Gross interest expense	106.6	114.0	28.3
Profit before tax	574.9	618.9	102.4
Net income	574.4	618.9	102.4
Balance sheet (SGD mn)			
Cash and equivalents	832.7	1,129.6	1,355.7
Total assets	10,018	9,858	10,176
Gross debt	3,450.6	3,169.3	3,497.0
Net debt	2,617.9	2,039.8	2,141.3
Total equity	6,008.7	6,282.4	6,327.5
Total capitalization	9,459.4	9,451.8	9,824.5
Net capitalization	8,626.7	8,322.2	8,468.8
Cash flow (SGD mn)			
Funds from operations (FFO)	575.6	620.3	103.0
CFO	415.5	408.7	104.1
Capex	100.4	65.4	24.4
Acquisitions	0.0	0.0	0.0
Disposals	0.0	0.0	0.0
Dividends	340.7	370.3	99.0
Free Cash Flow (FCF)	315.1	343.4	79.6
Adjusted FCF*	-25.6	-26.9	-19.4
Key ratios			
EBITDA margin (%)	62.3	61.2	63.7
Net margin (%)	90.1	93.9	61.2
Gross debt/EBITDA (x)	8.7	7.9	8.2
Net debt/EBITDA (x)	6.6	5.1	5.0
Gross debt/equity (x)	0.57	0.50	0.55
Net debt/equity (x)	0.44	0.32	0.34
Gross debt/total capitalization (%)	40.0	38.1	35.6
Net debt/net capitalization (%)	30.3	24.5	25.3
Cash/current borrowings (x)	1.67	1.48	1.98
EBITDA/gross interest (x)	3.7	3.5	3.8

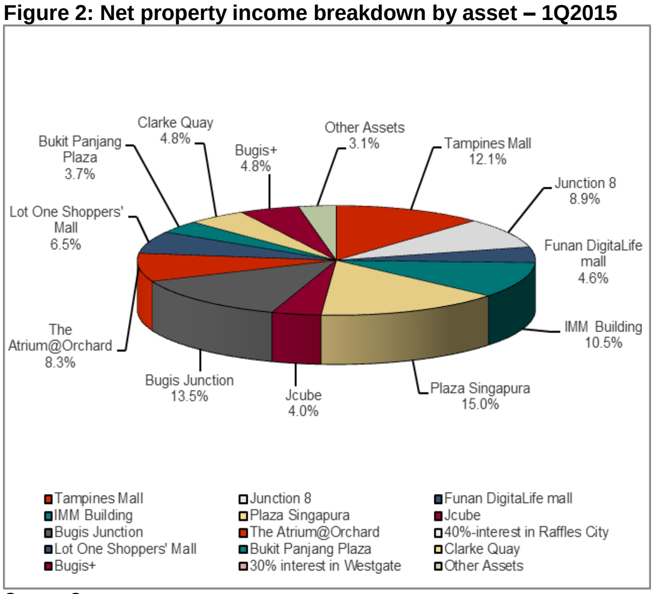
Source: Company, OCBC estimates
**Adjusted FCF = FCF –Acquisitions – Dividends + Disposals*

Figure 1: Revenue breakdown by asset – 1Q2015



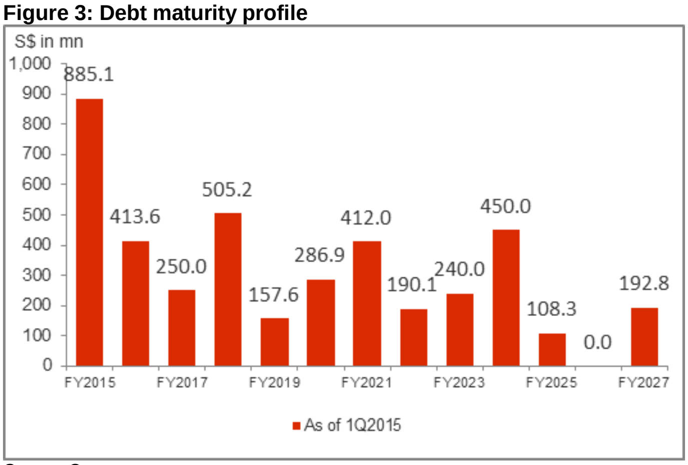
Source: Company

Figure 2: Net property income breakdown by asset – 1Q2015



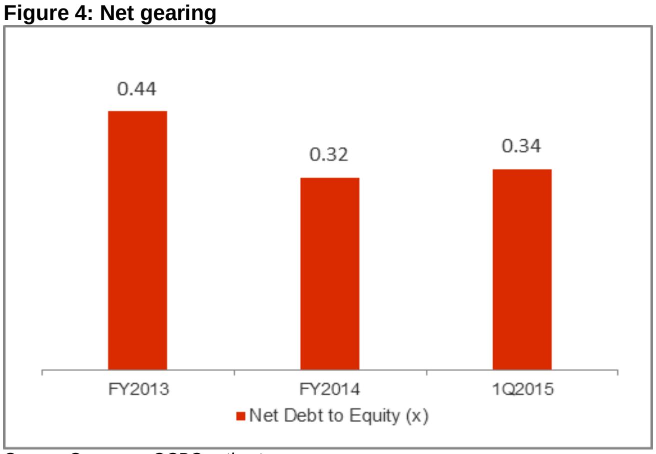
Source: Company

Figure 3: Debt maturity profile



Source: Company

Figure 4: Net gearing



Source: Company, OCBC estimates

Central China Real Estate Ltd

Credit Outlook –

While 4M2015 contracted sales have improved y/y, ASPs have been weak indicating margin contraction. We are also turning increasingly cautious on lower tier exposure given the diverging fundamentals between upper tier and lower tier cities. The CENCHI curve has rallied in 1H2015 with the 17s up ~4pts and the 16s up ~3pts and looks fully valued.

Issuer Rating: Neutral

S&P: BB-/Stable

Moody's: Ba3/Stable

Fitch: Not rated

Ticker: **CENCHI**

Company Profile

Central China Real Estate Ltd ("CENCHI") is a leading residential property developer in China's Henan province. Established in 1992, CENCHI has a strong brand in Henan's residential property market. As of June 2014, CENCHI has presence in Henan's 30 cities, with a market share of 5.2% in the Henan Province by contracted sales. Its key shareholders are the Chairman, Mr. Wu Po Sum, (47.1%) and CapitaLand Ltd (27.0%).

Key credit considerations

- **Strong 4M2015 contracted sales, but drop in average selling prices ("ASPs") indicate margin contraction going forward:** CENCHI's contracted sales have been strong with the company racking up RMB3.34bn of sales in 4M2015, up 11.9% y/y and representing 19% of the full-year target of RMB17.5bn. Contracted GFA was up 48.1% y/y to 677,042 sqm, however, ASP was down 24.4% y/y to RMB4,929 per sqm. Sales picked up after a slow first quarter (1Q2015 sales: RMB1.13bn) in line with a sector wide recovery (New home sales up 16% y/y in April 2015). Going forward, sales are expected to pick up in 2H2015 with 20 launches compared to 11 in 1H2015.

- **Decent 2014 results with good revenue growth and stable margins:** Revenue was up 32.8% y/y to RMB9.23bn with strength across all segments. Property development revenue was up 31% y/y to ~RMB9bn, rental turnover up 289.5% y/y to RMB100mn, and hotel revenue up 131.1% y/y to RMB133mn. Contracted sales for 2014 was up 11% y/y to RMB15.56bn, meeting its target for 2014 (revised to RMB15bn from RMB17.2bn initially) after the company expedited sales in the later part of 2014.

- **Henan's property market continues to outperform national average in spite of fears on lower tier cities:** Economic growth in Henan continues to be robust despite the slowdown in China's broader economy. Henan recorded GDP growth of 8.9% y/y in 2014, 1.5% above the nationwide growth rate. 2014 residential sales growth in Henan was up 7.8% y/y while ASP was up 3.8% y/y compared to nationwide decreases of 7.6% y/y and 1.4% y/y, respectively.

- **While execution of collaboration project with Huayi Brothers remains to be proven, project does bring some revenue visibility:** CENCHI announced on 19 May 15 the investment of RMB16bn into Jianye Huayi Film and Culture Project. The development will span 6 film and culture commercial streets, theatres, restaurants, residential and commercial properties and a boutique hotel on a 1.33mn sqm site in Zhengzhou. Construction of the first phase is scheduled for this year with completion in phases beginning 2016. While the total amount seems large at 102% 2014 contracted sales and 8x capex for 2014 (RMB2bn), we feel that capital expenditures will be manageable considering the project will be done in phases while providing revenue visibility.

- **Strong EBITDA generation keeps leverage in check despite higher gearing:** Net gearing increased to 64% from 50% due to an increase in bank loans. Net debt/EBITDA actually remained relatively stable though at 2.13x on the increase in EBITDA generation. However, increased off-balance sheet debt at its joint ventures could be worth monitoring. Guarantees on loans of joint ventures were RMB3.8bn as of end-2014. Adjusted for these guarantees, net debt/EBITDA would be 3.16x. This has been flagged by Moody's but the ratings agency has maintained its stable outlook on CENCHI's "Ba3" ratings. Management has turned cautious, guiding a 9% lower construction capex (RMB5.8bn) and 49.6% lower land acquisition budget (RMB2.5bn) for 2015.

- **Adequate Liquidity:** Liquidity remains adequate with unrestricted cash balance of RMB5.02bn sufficient to cover short-term debt of RMB1.4bn by 3.6x.

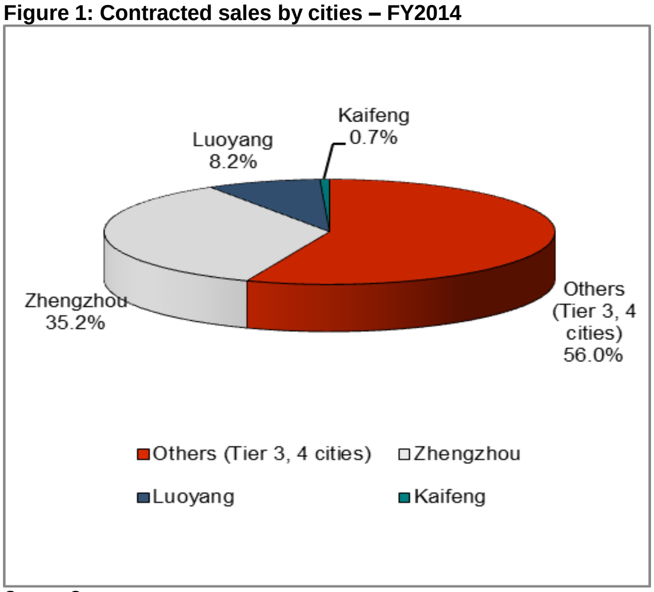
Central China Real Estate Ltd

Table 1: Summary financials

Year ended 31st Dec	FY2012	FY2013	FY2014
Income statement (RMB mn)			
Revenue	6,346	6,951	9,229
EBITDA	1,663	1,596	2,135
EBIT	1,626	1,520	1,987
Gross interest expense	563	1,055	838
Profit Before Tax	1,846	1,939	1,957
Net profit	823	1,026	883
Balance sheet (RMB mn)			
Cash and bank deposits	4,922	4,813	5,019
Total assets	24,348	31,517	37,350
Gross debt	6,570	8,183	9,557
Net debt	1,648	3,370	4,538
Shareholders' equity	5,623	6,700	7,067
Total capitalization	12,194	14,883	16,624
Net capitalization	7,271	10,070	11,605
Cash flow (RMB mn)			
Funds from operations (FFO)	860	1,102	1,031
CFO	620	246	658
Capex	609	780	1,187
Acquisitions	771	384	954
Disposals	-408	312	297
Dividend	382	326	311
Free Cash Flow (FCF)	12	-534	-529
Adjusted FCF*	-1,549	-933	-1,497
Key ratios			
EBITDA margin (%)	26.2	23.0	23.1
Net margin (%)	13.0	14.8	9.6
Gross debt to EBITDA (x)	4.0	5.1	4.5
Net debt to EBITDA (x)	1.0	2.1	2.1
Gross Debt to Equity (x)	1.17	1.22	1.35
Net Debt to Equity (x)	0.29	0.50	0.64
Gross debt/total capitalisation (%)	53.9	55.0	57.5
Net debt/net capitalisation (%)	22.7	33.5	39.1
Cash/current borrowings (x)	3.5	2.1	3.6
EBITDA/gross Interest (x)	3.0	1.5	2.5

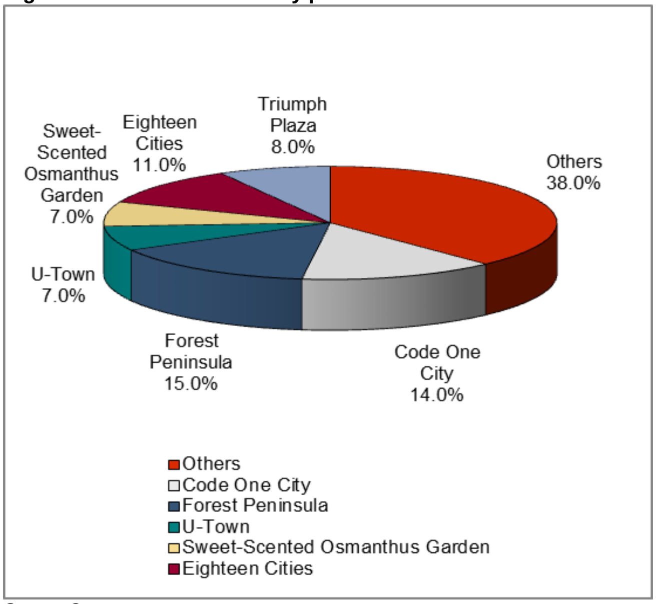
Source: Company, OCBC estimates

Figure 1: Contracted sales by cities – FY2014



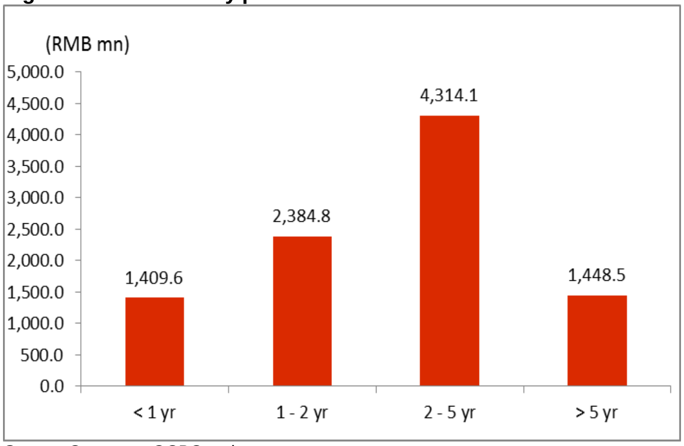
Source: Company

Figure 2: Contracted sales by product series – FY2014



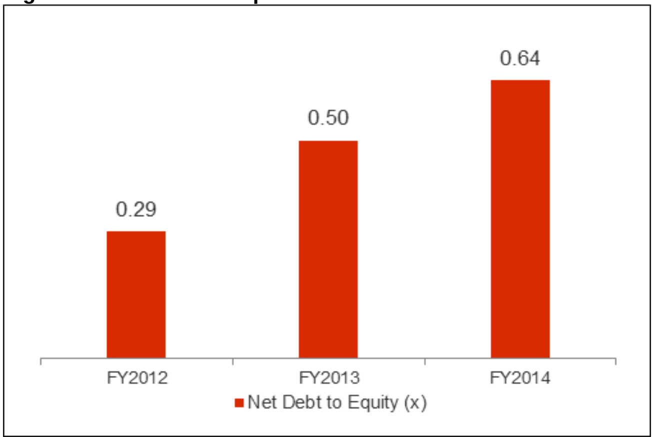
Source: Company

Figure 3: Debt maturity profile



Source: Company, OCBC estimates

Figure 4: Net debt/net capitalization



Source: Company. OCBC estimates

Credit Outlook –

While leverage has gone up post acquisition, bondholders now benefit from being guaranteed by a rated entity which is significantly larger in scale and geographic diversification with no property exposure. However, the CHEUNG curve look fully valued. Further acquisitions could stretch CKHH's balance sheet.

Issuer Rating: Neutral

S&P: Not rated

Moody's: A3/Stable

Fitch: Not rated

Ticker: **CHEUNG**

Company Profile

CK Hutchison Holdings Ltd ("CKHH") is a globally diversified conglomerate holding all the non-property businesses of the Cheung Kong Group. The company has business interests spanning telecommunications, ports, retail, infrastructure, energy, and aircraft leasing. CKHH was formed after the streamlining of Cheung Kong and Hutchison Whampoa group of businesses and is listed on the HKEX with a market capitalization of HKD440bn as of 30 Jun 15.

CK Hutchison Holdings Ltd

Key credit considerations

- **Restructuring completed:** The corporate restructuring of all Cheung Kong Holdings and Hutchison Whampoa was completed on 03 Jun 15. CK Property Holdings Ltd will comprise all property-related assets while CK Hutchison Holdings Ltd ("CKHH") will house all non-property related assets which span business in telecommunications, ports, retail, infrastructure, energy, and aircraft leasing. All existing bonds, both from Cheung Kong and Hutchison Whampoa will now be guaranteed by CKHH. CKHH is essentially a concentrated Hutchison Whampoa without property exposure and has been rated "A3" by Moody's.

- **Diversified portfolio of stable assets that generate recurring income:** CKHH owns geographically diversified portfolio of assets that generate stable recurring income. This is spread across 5 segments, namely: 1. Infrastructure (31% of pro-forma EBITDA, 54% EBITDA margins) consisting of Cheung Kong Infrastructure as well as other utilities/infrastructure assets in Australia, the UK and the Netherlands; 2. Telecommunications (19% of EBITDA, 20% EBITDA margin) is made up of the 3 Group businesses in Europe, and Hutchison Telecommunications in Asia; 3. Energy (17% of EBITDA, 25% margin) is mainly Husky Energy, a Canadian upstream E&P company; 4. Retail (16% of EBITDA, 9.9% EBITDA margin) principally represented by AS Watson which owns brands such as Watsons and PARKnSHOP; and 5. Ports (13% of EBITDA, 34% EBITDA margin) mainly through Hutchison Port Holdings with operations spanning 26 countries. Most of these businesses have strong competitive positions in their respective markets and generate stable recurring cash flows.

- **Significant increase in scale and geographic diversification:** Revenue base increased ~10x to HKD165.3bn from the old Cheung Kong entity while EBITDA base increased ~13x to HKD129.2bn. In addition, from a primarily China and Hong Kong focused property developer with associates which own diversified businesses, the new CKHH is now a diversified conglomerate with a cleaner structure having direct interests in these businesses.

- **Possible risk of more acquisitions:** Mr. Li Ka Shing has been actively acquiring assets lately. In addition to Park'NFly, Envestra and an entry into aircraft leasing last year, 2015 saw the acquisition of Eversholt Rail Group, a rolling stock leasing company in the UK for HKD29.3bn, and an agreement to acquire O2 from Telefonica for GBP10.3bn. Further opportunistic acquisitions could stretch the balance sheet and come with execution risks. That said, Mr Li does have a track record of making cash accretive acquisitions and we expect CKHH to remain financially disciplined.

- **Credit Profile:** Net gearing increased from 1.2% at the old Cheung Kong entity and 25.1% at Hutchison Whampoa to a pro-forma 27.4% at CKHH. However we note that the old Cheung Kong corporate structure was able to under-report debt from its JVs and associates. Current levels are also manageable for its "A3" rating. Pro-forma net debt/EBITDA will be 1.1x while EBITDA/interest comes in at a comfortable 16.2x.

- **Ample liquidity with muted refinancing risks:** Cash balance of HKD201.7bn which included the HKD55bn received in exchange for the spinoff of property assets was more than sufficient to cover short-term debt of HKD60.5bn.

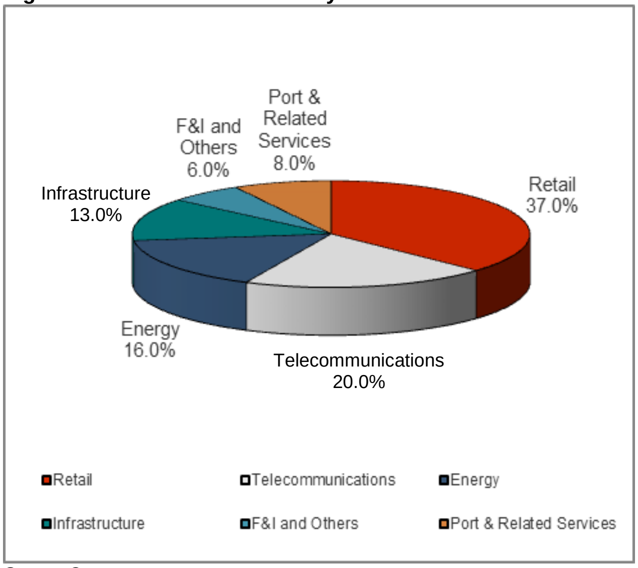
CK Hutchison Holdings Ltd

Table 1: Summary financials

Year ended 31st Dec	FY2013	FY2014	Pro Forma
Income statement (HK$ mn)			
Revenue	17,013	24,259	275,674
EBITDA	6,948	9,296	129,196
EBIT	6,623	8,903	113,611
Gross interest expense	926	782	7,976
Profit Before Tax	37,494	55,927	124,056
Net profit	35,260	53,869	105,612
Balance sheet (HK$ mn)			
Cash and bank deposits	33,197	33,179	201,721
Total assets	428,837	457,941	1,029,724
Gross debt	41,890	37,874	344,554
Net debt	8,693	4,695	142,833
Shareholders' equity	372,821	406,047	522,134
Total capitalization	414,711	443,921	866,688
Net capitalization	381,514	410,742	664,967
Cash flow (HK$ mn)			
Funds from operations (FFO)	35,585	54,262	121,197
CFO	14,620	34,881	52,985
Capex	162	7,849	31,923
Acquisitions	3,078	5,478	25,821
Disposals	9,933	3,893	7,947
Dividend	7,524	24,717	49,338
Free Cash Flow (FCF)	14,458	27,032	21,062
Adjusted FCF*	13,789	730	-46,150
Key ratios			
EBITDA margin (%)	40.8	38.3	46.9
Net margin (%)	207.3	222.1	38.3
Gross debt to EBITDA (x)	6.0	4.1	2.7
Net debt to EBITDA (x)	1.3	0.5	1.1
Gross Debt to Equity (x)	0.11	0.09	0.66
Net Debt to Equity (x)	0.02	0.01	0.27
Gross debt/total capitalisation (%)	10.1	8.5	39.8
Net debt/net capitalisation (%)	2.3	1.1	21.5
Cash/current borrowings (x)	13.6	1.8	3.3
EBITDA/gross Interest (x)	7.5	11.9	16.2

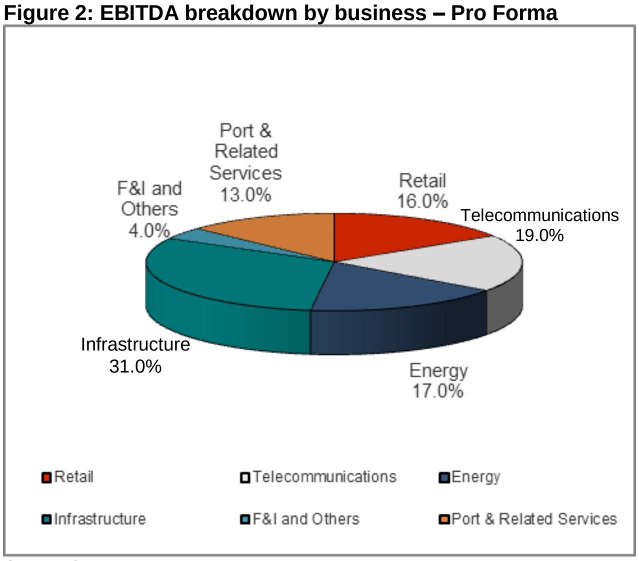
Source: Company, OCBC estimates
**Adjusted FCF = FCF – Acquisitions – Dividends + Disposals*

Figure 1: Revenue breakdown by business – Pro Forma



Source: Company

Figure 2: EBITDA breakdown by business – Pro Forma



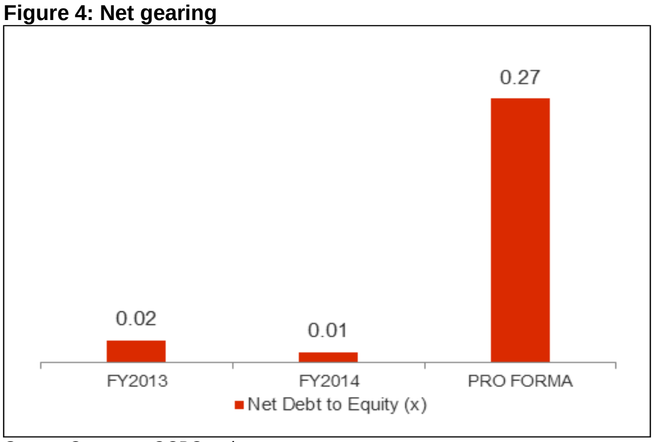
Source: Company

Figure 3: Debt maturity profile

(Amounts in HK$ mn)	As at 31/03/2015	% of debt
Repayable in one year	60,466	18.1%
Repayable after a year	273,886	81.9%
Total	**334,352**	**100.0%**

Source: Company

Figure 4: Net gearing



Source: Company, OCBC estimates

China Vanke Co. Ltd

Credit Outlook –

We continue to like Vanke's good track record, solid credit profile and market leading position. Vanke provides good beta exposure to an improving China property market without the idiosyncratic risks of the smaller HY names and VANKE'17 at 171.4bps over swaps offer a pickup to other BBB+ names in the SG space.

Issuer Rating: Overweight

S&P: BBB+/Stable

Moody's: Baa2/Stable

Fitch: BBB+/Stable

Ticker: **VANKE**

Company profile

China Vanke Co. Ltd ("Vanke") is the largest property developer in China in terms of contracted sales with a focus on the mass-market segment. With 25 years of experience in the property industry, Vanke has established a strong presence nationwide and a geographically diversified land bank. Vanke is listed on both the Shenzhen and Hong Kong stock exchanges, and its largest shareholder is state-owned China Resources Co Ltd with a 14.7% stake.

Key credit considerations

- **Results to pick up from slow 1Q2015:** Vanke reported soft 1Q2015 results as expected with majority of project deliveries to be made in 2H2015. Completions were down 6.6% y/y at 0.86mn sqm or 5.5% of planned floor area for the year. Revenue was down 6.7% y/y to RMB8.41bn mainly on lower selling prices as recognized GFA of 0.734mn sqm was flat on the year. Net income was down 57.5% y/y to RMB0.65bn mainly due to gains from disposals in the prior period. As of end-March 2015, Vanke had RMB223.28bn in unrecognized revenue, up 15% from the beginning of the year.

- **Recovery in contracted sales:** After a weak 1Q2015, Vanke's contracted sales in April and May have rebounded, in-line with a recovery in sales in the broader sector. 5M2015 sales are now 4% higher y/y at RMB84.8bn on accumulated sales area of 7.07mn sqm. Higher ASPs in April and May also provide some relief to margin pressure seen in 1Q2015 (5M2015: RMB11,987 per sqm, 1Q2015:11,711 per sqm).

- **Collaboration with Dalian Wanda, long term positives, little short term impact:** Vanke and Dalian Wanda signed a framework agreement on 14 May 15 to jointly acquire land and develop real estate projects. While the partnership between the largest residential developer by sales in China (Vanke) and the largest commercial developer by sales (Wanda) is positive and could generate long-term synergies from future collaborations, there will be little near-term impact on results as the entity responsible for the overall execution has yet to be set up. Furthermore the framework is not legally binding.

- **Approval of first China REIT listing:** The CSRC approved listing of a REIT with commercial properties from Vanke and managed by Penghua Fund Management on 8 June 15. This step, while positive in broadening financing channels for developers, is only preliminary in light of the lack of a regulatory and tax framework for REITs in China. Furthermore this development will be more positive for developers with a greater proportion of investment properties such as China Resources Land and Dalian Wanda as opposed to Vanke which is still primarily a residential property developer.

- **Expect lower funding costs with PBOC rate cuts and good access to multiple sources of financing :** Vanke has plans to issue more onshore bonds following the issuance of RMB1.8bn of onshore paper at 4.7% in December last year. The company's board approved the issuance of MTN notes in China's interbank market in 2 phases at RMB4.5bn each. We believe this will reduce funding costs going forward as the company switches out of more costly financing. The decline in onshore rates from the PBOC rate cuts will also benefit developers with high levels of onshore bank loans like Vanke.

- **Strongest balance sheet in the China property space:** Vanke's total debt position continued to improve as the company was cautious in land acquisitions and capex during the property downturn in 2014. Gross debt moderated from RMB76.7bn in 2013 to RMB69.0bn in 2014 and RMB63.4bn in 1Q2015. Net gearing improved as a result to 21.1% as of end-March 2015 from 32% as at end-2013. Debt/EBITDA was 2.6x in 2014, improving from 2.8x in 2013. Liquidity remains strong with cash of RMB38.89bn sufficient to cover short-term debt of RMB23.63bn.

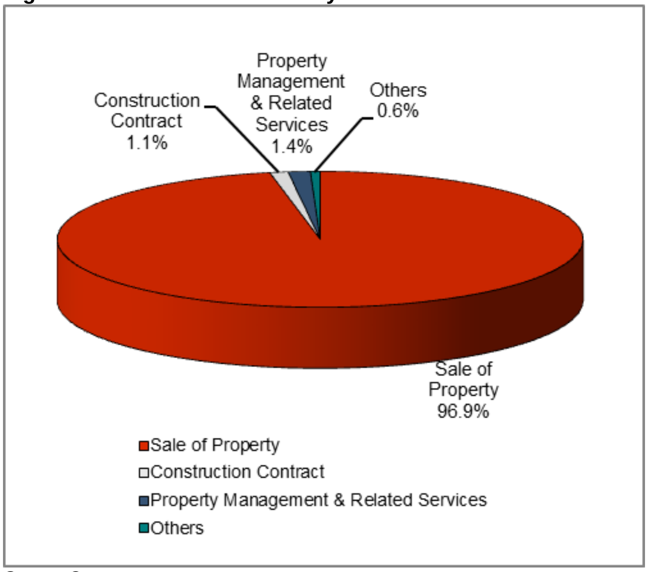
China Vanke Co Ltd

Table 1: Summary financials

Year ended 31st Dec	FY2013	FY2014	1Q2015
Income statement (RMB mn)			
Revenue	127,454	137,994	8,407
EBITDA	27,865	26,676	1,065
EBIT	27,686	26,127	1,065
Gross interest expense	6,575	6,835	375
Profit Before Tax	27,847	29,987	1,412
Net profit	15,119	15,745	650
Balance sheet (RMB mn)			
Cash and bank deposits	43,004	62,715	38,890
Total assets	479,475	508,640	526,272
Gross debt	76,706	68,981	63,438
Net debt	33,702	6,266	24,548
Shareholders' equity	105,439	115,894	116,204
Total capitalization	182,145	184,875	179,642
Net capitalization	139,141	122,160	140,752
Cash flow (RMB mn)			
Funds from operations (FFO)	15,298	16,294	650
CFO	1,924	41,725	-15,344
Capex	2,439	1,831	17
Acquisitions	5,038	2,612	1,621
Disposals	938	5,746	11
Dividend	8,755	10,997	2,064
Free Cash Flow (FCF)	-516	39,894	-15,361
Adjusted FCF*	-13,371	32,031	-19,035
Key ratios			
EBITDA margin (%)	21.9	19.3	12.7
Net margin (%)	11.9	11.4	7.7
Gross debt to EBITDA (x)	2.8	2.6	14.9
Net debt to EBITDA (x)	1.2	0.2	5.8
Gross Debt to Equity (x)	0.73	0.60	0.55
Net Debt to Equity (x)	0.32	0.05	0.21
Gross debt/total capitalisation (%)	42.1	37.3	35.3
Net debt/net capitalisation (%)	24.2	5.1	17.4
Cash/current borrowings (x)	1.3	2.7	1.6
EBITDA/gross Interest (x)	4.2	3.9	2.8

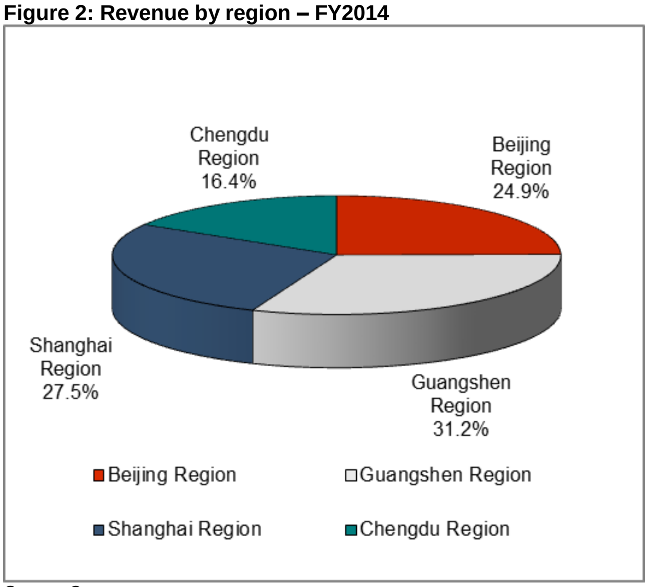
Source: Company, OCBC estimates

Figure 1: Revenue breakdown by business – FY2014



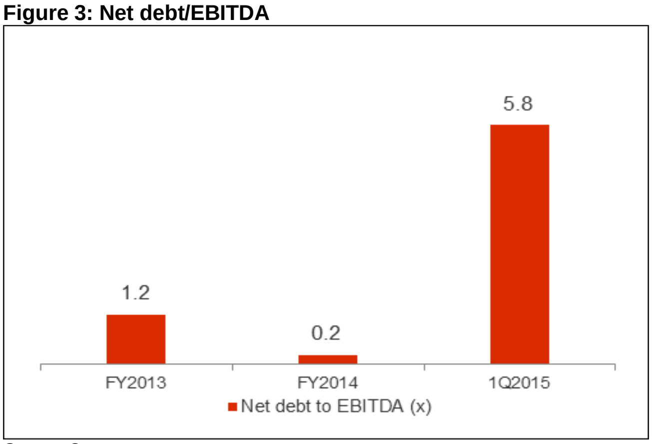
Source: Company

Figure 2: Revenue by region – FY2014



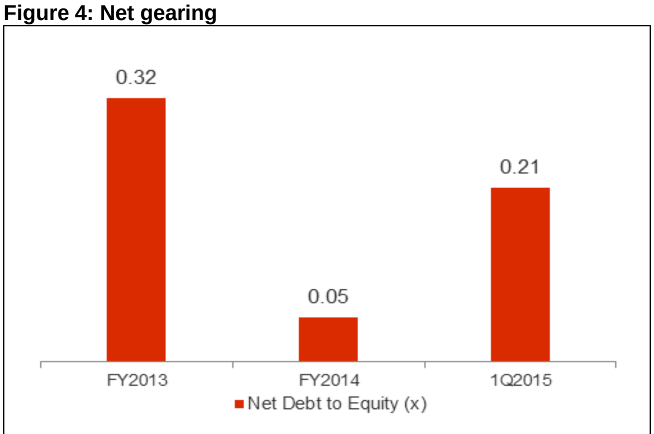
Source: Company

Figure 3: Net debt/EBITDA



Source: Company

Figure 4: Net gearing



Source: Company, OCBC estimates

Credit Outlook – CDL should be able to withstand the volatility in the residential market given its healthy balance sheet and liquidity position. Meanwhile, we think the CITSP complex is fairly priced vs. peers such as CAPLSP.

Issuer Rating: Neutral

S&P: Not rated

Moody's: Not rated

Fitch: Not rated

Ticker: **CITSP**

Company Profile

Listed in 1963, City Developments Ltd ("CDL") is an international property and hotel conglomerate. CDL has three core business segments – property development, hotel operations and investment properties. CDL's hotel operations are conducted through its 63.3%-owned subsidiary, Millennium & Copthorne Hotels plc ("M&C"), while the investment and development property portfolio is Singapore-centric. CDL is a subsidiary of Hong Leong Group Singapore.

City Developments Ltd

Key credit considerations

- **Flattish 1Q2015 earnings:** CDL's 1Q2015 revenue grew 11.0% y/y to SGD814.9mn due to contribution from property development projects (mainly from Coco Palms, D'Nest and Jewel@Buangkok), as well as higher income from newly acquired hotels and improved performance from refurbished hotels. Nonetheless, due to higher operating expenses, net profit only rose 2.8% y/y to SGD123.0mn. In particular, earnings were aided by The Rainforest, an executive condominium which obtained Temporary Occupation Permit ("TOP") in March 2015.

- **Mixed outlook for Singapore's and China's residential markets:** CDL remains cognizant of the challenges in Singapore's residential market and it hopes that the government can tweak some of the cooling measures to revive the market. The group is planning to launch two new projects in 2H2015 (The Brownstone and Gramercy Park). On the other hand, the group is confident in China's real estate market and has seen signs of increased buying activities following the easing measures implemented by the government. As such, CDL is well positioned to capitalise on the gradual recovery of China's residential market with four projects in the pipeline (2 in Chongqing, 1 in Suzhou and 1 in Shanghai).

- **Overseas platforms to provide avenues of growth:** The group has been cautiously expanding its property development business overseas to diversify its portfolio. In 2014, CDL has acquired ~SGD1.3bn of assets in United States, United Kingdom, Italy, Japan and China. CDL is looking forward to a positive business environment post the election in United Kingdom and the group is still selectively scouting for acquisition opportunities going forward. Meanwhile, the group believes that Japan's residential market is gaining momentum and it is working on a luxury condominiums project in Tokyo. That said, these overseas platforms may not contribute significantly to the group in the near term given that they are still in nascent stages, in our opinion.

- **Commercial and hotel operations to cushion volatility in residential market:** Despite the slowing local residential market, we think CDL's investment properties and hotel operations should continue to support the group's earnings. In 1Q2015, occupancy for the group's office portfolio remains healthy at 97.4% as compared to the national average of 89.8%. Meanwhile, M&C posted improvement in most regions with global revenue per available room ("RevPAR") increased by 5.8% y/y (or +2.6% y/y in constant currency terms). The group has acquired 5 hotels in 2014 and it has an additional 20 hotels offering 6,657 rooms in the pipeline. In addition, M&C is working on 5 refurbishment programs to improve earnings of existing hotels.

- **Positive leasing demand for South Beach ("SB"):** The office component of CDL's mixed-used development, SB has obtained TOP in February 2015 and managed to secure 88.0% occupancy. Meanwhile, the retail space of the project is scheduled to open in 3Q2015. Nonetheless, due to labour shortages, the soft opening of the hotel component of SB will be delayed till 4Q2015 from 2Q2015.

- **Healthy gearing level:** CDL's net gearing remained stable at 0.27x as at end-1Q2015 (2014: 0.26x). Although the group's EBITDA/gross interest has decreased to 7.0x (2014: 10.1x), we believe that the group's credit metrics remain healthy and manageable. With cash position of SGD3.66bn as at end-1Q2015, the group has sufficient liquidity to cover the SGD2.47bn of near-term debt maturing within a year. CDL has good access to the capital markets and it has issued SGD125.0mn of 5-year fixed rate notes in March 2015. Following the successful exercise to monetize its properties in Sentosa Cove (Quayside Collection) in 2014, CDL is exploring possibility of more deals in 2015, comprising its existing assets.

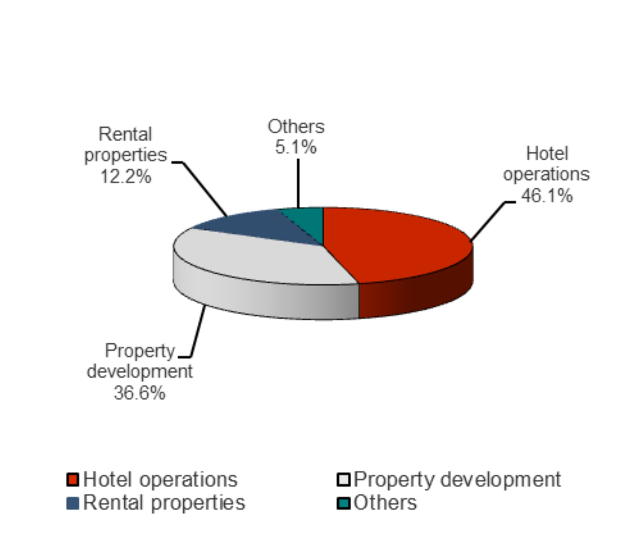
City Developments Ltd

Table 1: Summary financials

Year ended 31st December	FY2013	FY2014	1Q2015
Income statement (SGD mn)			
Revenue	3,162.1	3,763.9	814.9
EBITDA	1,242.8	1,323.0	195.7
EBIT	1,083.4	1,123.0	144.7
Gross interest expense	75.7	131.0	27.9
Profit Before Tax	892.4	1,003.7	168.7
Net profit	683.0	769.6	123.0
Balance sheet (SGD mn)			
Cash and bank deposits	2,940	3,898	3,662
Total assets	17,774	19,701	19,789
Gross debt	5,515	6,699	6,592
Net debt	2,575	2,802	2,930
Shareholders' equity	10,216	10,776	10,973
Total capitalization	15,730	17,475	17,565
Net capitalization	12,790	13,577	13,903
Cash flow (SGD mn)			
Funds from operations (FFO)	842.3	969.6	174.1
CFO	540.7	292.2	89.3
Capex	182.9	936.2	40.9
Acquisitions	66.9	246.7	5.0
Disposals	291.7	1,075.7	0.0
Dividend	250.8	274.8	36.4
Free Cash Flow (FCF)	357.8	-644.0	48.3
Adjusted FCF*	331.8	-89.9	7.0
Key ratios			
EBITDA margin (%)	39.3	35.1	24.0
Net margin (%)	21.6	20.4	15.1
Gross debt to EBITDA (x)	4.4	5.1	8.4
Net debt to EBITDA (x)	2.1	2.1	3.7
Gross Debt to Equity (x)	0.54	0.62	0.60
Net Debt to Equity (x)	0.25	0.26	0.27
Gross debt/total capitalisation (%)	35.1	38.3	37.5
Net debt/net capitalisation (%)	20.1	20.6	21.1
Cash/current borrowings (x)	2.64	1.75	1.49
EBITDA/gross Interest (x)	16.4	10.1	7.0

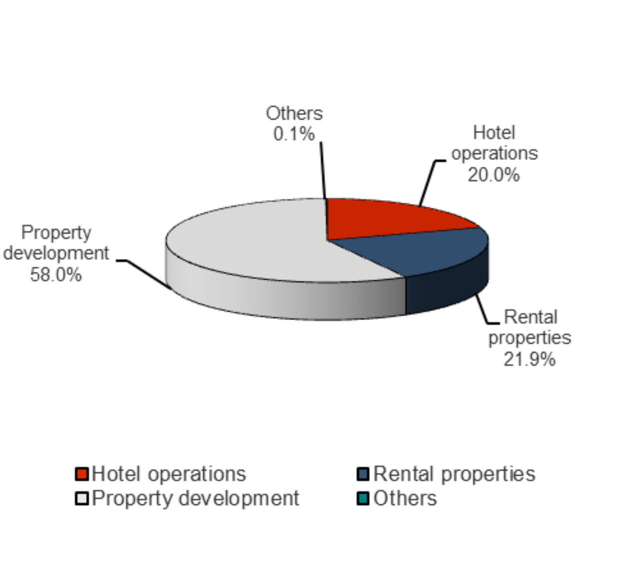
Source: Company, OCBC estimates
**Adjusted FCF = FCF – Acquisitions – Dividends + Disposals*

Figure 1: Revenue breakdown by business – 1Q2015



Source: Company

Figure 2: Profit before tax breakdown by business – 1Q2015



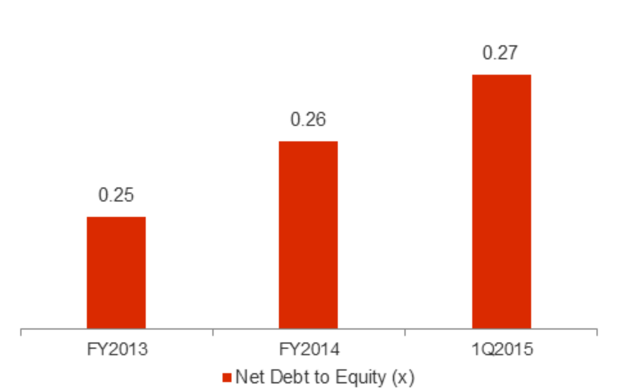
Source: Company

Figure 3: Debt maturity profile

Amounts in SGD mn	As at 31/03/2015	% of debt
Repayable within one year		
Secured	353.0	5.3%
Unsecured	2,115.6	32.0%
	2,468.6	**37.3%**
Repayable after one year		
Secured	872.7	13.2%
Unsecured	3,270.6	49.5%
	4,143.4	**62.7%**
Total	**6,612.0**	**100.0%**

Source: Company

Figure 4: Net gearing



Source: Company, OCBC estimates

Credit Outlook – Capacity expansion in CWT's core logistics business should offset soft operating conditions in commodity marketing and financial services businesses for 2015. We prefer the CWTSP'17 given its shorter duration and better spread over swap compared to the CWTSP'19 and CWTSP'20.

Issuer Rating: Neutral

S&P: Not rated

Moody's: Not rated

Fitch: Not rated

Ticker: **CWTSP**

Company Profile

CWT Limited (CWT) is an integrated logistics solutions provider operating in around 90 countries through regional offices and network partners. CWT uses its logistics network to provide ancillary and connected businesses including commodity marketing (CM), financial services and engineering services. Operations are focused in Asia-Pacific where over 90% of revenues are generated, predominantly in Singapore and China. The Chairman, Mr Loi Kai Meng, is the largest shareholder with direct and indirect interests of around 50%.

CWT Limited

Key credit considerations

- **Large decline in topline:** Revenue declined 59% y/y to SGD1.87bn driven primarily by the significant drop in commodity prices and lower commodity trading volumes, particularly naphtha. This saw revenues for CM fall by over 60% y/y. Demand/supply dynamics for copper were also a reason for commodity trading's weak y/y performance which has been impacted by the slowdown in China leading to lower copper imports and an over-supply scenario. Topline performance in the logistics services showed a slight improvement y/y.

- **Gross margins up from a better business mix:** CWT's consolidated gross margins are driven by the dominant revenue contribution of CM which generates thin margins (0.8% and 2.4% in 2014 and 1Q2015 respectively). With CM's relatively weaker performance, revenue contribution from logistics improved to 12% of consolidated revenues in 1Q2015 from 6% in 2014. Although logistics segment margins declined y/y to 14% from 17% due to translation losses and start-up costs from new logistics hubs, the higher contribution from logistics meant consolidated gross margins improved from 2.2% in 2014 to 4.5% in 1Q2015. As such, despite the sharp fall in revenues, absolute gross profit is tracking 2014 levels.

- **Capacity expansion in logistics a platform for growth:** Despite ongoing weakness in CM, we do not expect a material impact to consolidated cash flows for 2015. This is due to capacity expansion in CWT's logistics segment with close to full year cash flow contribution from Cold Hub 2 and the start-up of operations at the Pandan Logistics Centre in 1Q2015. Start-up costs for both logistics hubs impacted logistics margins in 1Q2015 but we expect logistics segment margins to recover close to historical levels by end of the year. Future growth for CWT is expected from the company's planned 2.4m sqft mega logistics hub. Targeted towards Asia's growing e-commerce business, construction is expected to commence in 2H2015 with completion in 2017.

- **Tight Free Cash flows in the medium term, but longer term improvement:** With an anticipated cost for the mega logistics hub of SGD300mn to be spent over the next 3 years, we expect free cash flows (before working capital) will be relatively tight in the medium term. CWT however still has SGD200mn capacity under its SGD500mn multicurrency debt program with its most recent drawdown of SGD100mn in May 2015. Going forward however, the enhanced logistics capacity (circa. 35% of existing warehouse space) and Singapore's regional hub status should provide a solid and stable cash flow base for CWT. Assuming CWT does not pursue further large scale expansions, then free cash flows should turn strongly positive in the longer term. Cash flow quality should also improve due to higher contribution from the higher margin, more stable logistics segment.

- **Diversified cash flows to support liquidity and medium term credit profile:** CM driven CFO fluctuations and a weak liquidity position is mitigated by its position in the commodity supply chain and the self-liquidating nature of short term commitments in our view. In addition, stable cash flows from logistics also mitigate volatile operating conditions in the CM segment and should lend support to CWT's credit profile despite potentially weaker credit metrics from higher leverage over the next 1-2 years as CWT completes its mega logistics hub. Metrics have already weakened following debt issuance in 1Q2015. With its multicurrency debt program and other bank facilities, CWT's liquidity position is expected to remain adequate to meet working capital swings and short term debt commitments. We initiate our coverage of CWT with an issuer rating of Neutral.

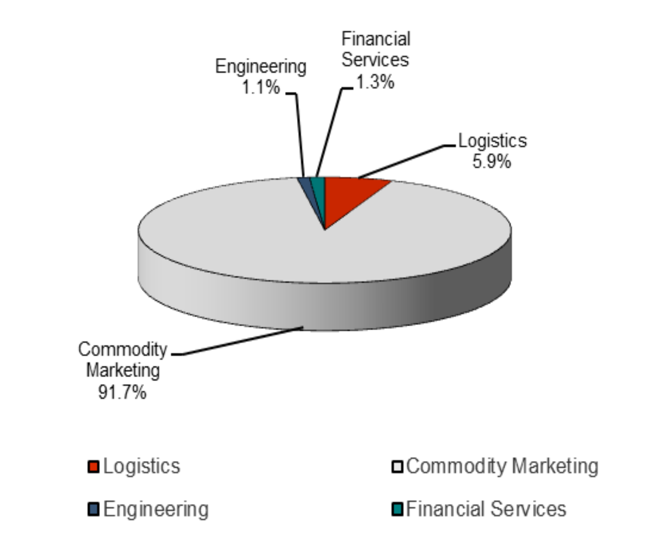
CWT Limited

Table 1: Summary financials

Year ended 31st December	FY2013	FY2014	1Q2015
Income statement (SGD'mn)			
Revenue	9,097.1	15,194.5	1,874.1
EBITDA	157.6	203.4	51.9
EBIT	124.2	162.7	40.6
Gross interest expense	47.0	63.5	14.0
Profit Before Tax	115.7	131.6	34.2
Net profit	106.0	112.4	29.2
Balance Sheet (SGD'mn)			
Cash and bank deposits	197.3	342.0	314.1
Total assets	4,052.2	4,356.6	5,015.0
Gross debt	1,293.3	1,430.6	1,557.4
Net debt	1,096.0	1,088.6	1,243.3
Shareholders' equity	687.2	791.5	829.6
Total capitalization	1,980.6	2,222.1	2,387.0
Net capitalization	1,783.2	1,880.1	2,072.9
Cash Flow (SGD'mn)			
Funds from operations (FFO)	139.4	153.0	40.5
CFO	-390.8	237.1	-134.4
Capex	-181.0	-113.7	-11.7
Acquisitions	-21.7	-20.5	0.0
Disposals	35.1	5.3	14.2
Dividends	-21.1	-23.4	-0.5
Free Cash Flow (FCF)	-571.8	123.4	-146.1
FCF adjusted*	-579.6	84.8	-132.4
Key Ratios			
EBITDA margin (%)	1.7	1.3	2.8
Net margin (%)	1.2	0.7	1.6
Gross debt to EBITDA (x)	8.2	7.0	7.5
Net debt to EBITDA (x)	7.0	5.4	6.0
Gross Debt to Equity (x)	1.9	1.8	1.9
Net Debt to Equity (x)	1.6	1.4	1.5
Gross debt/total capitalisation (%)	65.3	64.4	65.2
Net debt/net capitalisation (%)	61.5	57.9	60.0
Cash/current borrowings (x)	0.2	0.4	0.3
EBITDA/Total Interest (x)	3.4	3.2	3.7

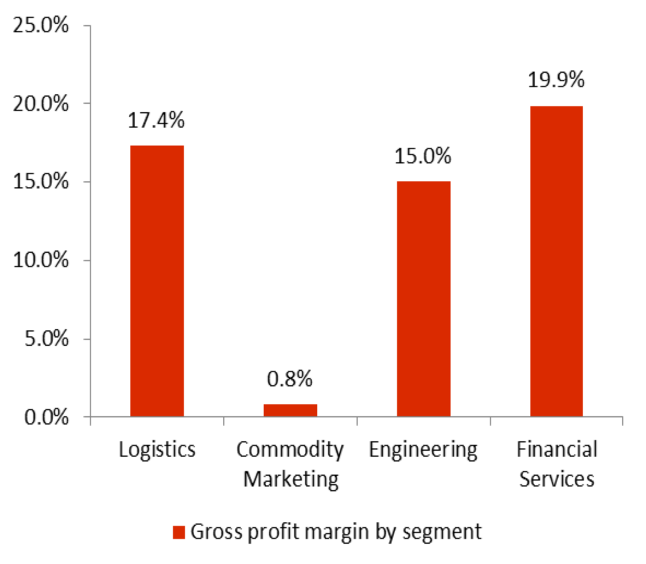
Source: Company, OCBC estimates
**Adjusted FCF = FCF –Acquisitions – Dividends + Disposals*

Figure 1: Revenue breakdown by business – FY2014



Source: Company

Figure 2: Gross profit margin by segment – FY2014



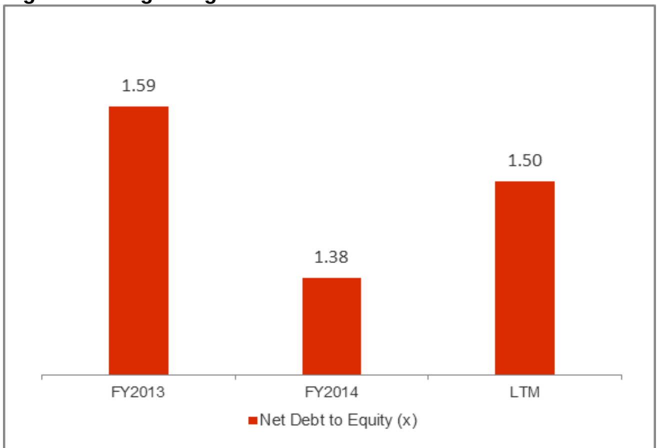
Source: Company

Figure 3: Debt maturity profile

Amounts in SGD mn	As at 31/03/2015	%-of-debt
Amount repayable in one year or less, or on demand		
Secured	877.7	56.4%
Unsecured	37.1	2.4%
	914.8	58.7%
Amount repayable after a year		
Secured	341.9	22.0%
Unsecured	300.7	19.3%
	642.6	41.3%
Total	**1,557.4**	100.0%

Source: Company

Figure 4: Net gearing



Source: Company, OCBC estimates

Credit Outlook – We are generally Neutral with regards to the Ezion curve. At ~260bps spreads above swaps (except EZISP'21), given the credit profile, we are seeing better value in the SWCHSP'18 and EZRASP'18.

Issuer Rating: Neutral

S&P: Not rated

Moody's: Not rated

Fitch: Not rated

Ticker: **EZISP**

Company profile

Ezion is a company engaged in the provision of lifeboats and service rigs, as well as offshore logistics support services to national oil majors and multinational oil majors on a long-term basis. With over 30 service rigs and 55 offshore logistics support vessels, it operates in South-East Asia, Middle East, West Africa, Central America, Europe and USA. Though the firm was listed since 2000, Ezion only entered into the offshore marine industry from April 2007 onwards. The CEO, Chew Thiam Keng, is the largest shareholder with a 15.8% stake. The chairman, Lee Kian Soo, is also the founder of the Ezra Group of companies.

Ezion Holdings Ltd

Key credit considerations

- **Slight decline in topline:** Revenue declined 4.6% y/y to USD90.1mn. This was driven by lower contribution from the offshore logistics support services division, as projects in Australia did not go as plan. On a q/q basis, the fall in revenue was greater at 13.8%. As revenue from the service rigs segment (~75% of revenue) tends to be more stable (given that service rigs have longer contracts), the slump should mainly be from the offshore logistics support services division.

- **Margin compression seen:** EZI's gross margins have compressed from 50.1% (1Q2014) to 46.1% (1Q2015). Management has explained that margin compression was driven in part by the deployment of more service rigs during the period (causing COGS to increase). In addition, some of EZI's service rigs have been made to work at their limit, resulting in more wear and tear, as well as maintenance cost. The firm also had to incur additional costs to further upgrade a few of the firm's newer units to meet clients' additional requirements. Given the soft market, and potential oversupply in the jack-up rig market (due to several deliveries of newbuilds), we suspect that EZI may have been forced to change / upgrade the specs of some of their rigs in order to deploy them / charter them out. EZI's service rigs are typically older (~25 years or more) jack-up rigs that are purchased and upgraded for future deployment.

- **Swissco JV offers some colour**: EZI currently has a 50:50 joint venture with Swissco ("SWCH") for four jack-up rigs. Three of these rigs are drilling rigs chartered to PEMEX while the balance rig has been converted into an accommodation service rig (recently chartered out). Though these JV rigs will not face contract expiry in the near future, SWCH does have some drilling rigs coming off contract starting from 2H2015 onwards. SWCH has guided that it expects to re-contract these rigs at day rates ~10% lower due to competitive pressures. We believe that EZI will be facing similar pressures when their own drilling rig contracts come up for renewal. It is worth noting that the firm has reclassified one of its service rigs as an Asset Held For Sale during 1Q2015.

- **Free Cash flow improved, but still negative:** EZI generated –USD39.8mn in FCF during the quarter. Capex remains high at USD113.6mn mainly due to capital spending on the refurbishment of EZI's service rigs. This was an improvement over 4Q2014's FCF of –USD59.7mn. Though EZI would likely be more cautious in acquiring more service rigs, capex for refurbishment as well as re-spec would likely persist through 2H2015. EBITDA / interest coverage remains healthy, falling slightly from 12.4x (end-2014) to 11.6x (end-1Q2015). EZI is also able to cover its current borrowings 1.11x times with the USD345.0mn in cash it has on balance sheet. That said it has SGD125mn in perpetual securities reaching call date come September 2015. Some borrowings were also deconsolidated as a result of the rig reclassification. Factoring both of these would reduce cash coverage to 0.77x.

- **Credit profile still strong:** In June 2014, EZI had conducted an early redemption of its SGD100mn in bonds due May 2015. As such, the issuer no longer has debt maturing in 2015. Furthermore, the firm issued a further SGD150mn in perpetual securities in November 2014. As such, net gearing currently 84% (end-1Q2015), a slight improvement over 86% (end-2014). Net debt / EBITDA worsened slightly from 4.0x (end-2014) to 4.2x (end 1Q2015) due to weaker EBITDA generation. Though we expect demand to be sustained for EZI's liftboat fleet, its jack-up service rigs as well as offshore support services are likely to face more challenging environments. This would pressure EZI's credit profile. We initiate our coverage of EZI with an issuer rating of Neutral.

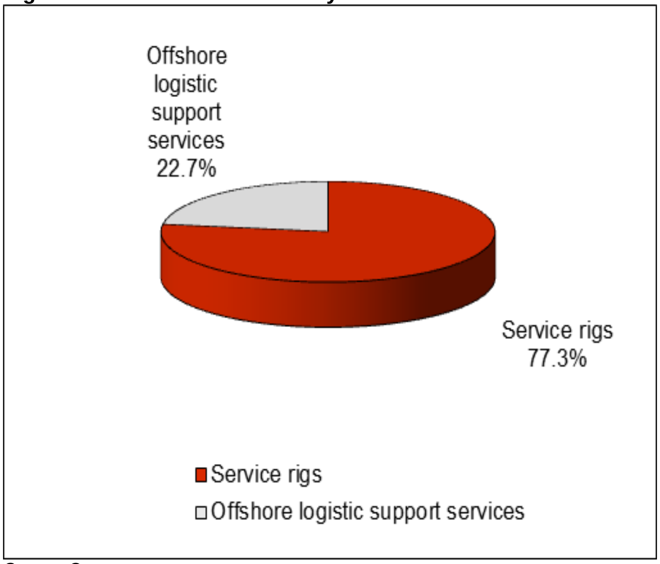
Ezion Holdings Ltd

Table 1: Summary financials

Year ended 31st December	FY2013	FY2014	1Q2015
Income statement (USD mn)			
Revenue	281.9	386.5	90.1
EBITDA	160.5	279.4	66.9
EBIT	115.1	176.6	37.0
Gross interest expense	12.2	22.5	5.8
Profit before tax	163.0	225.8	41.3
Net income	160.4	223.7	41.0
Balance sheet (USD mn)			
Cash and equivalents	166.0	371.5	345.0
Total assets	2,043.1	2,981.0	3,041.0
Gross debt	1,085.9	1,496.0	1,470.6
Net debt	919.9	1,124.5	1,125.6
Total equity	800.2	1,312.6	1,345.2
Total capitalization	1,886.2	2,808.7	2,815.8
Net capitalization	1,720.2	2,437.2	2,470.8
Cash flow (USD mn)			
Funds from operations (FFO)	205.8	326.4	70.9
CFO	155.5	213.5	74.2
Capex	751.0	529.0	113.6
Acquisitions	58.7	14.7	0.4
Disposals	51.0	17.7	0.0
Dividends	0.8	1.0	0.0
Free Cash Flow (FCF)	-595.6	-315.4	-39.4
Adjusted FCF*	-604.1	-313.4	-39.8
Key ratios			
EBITDA margin (%)	56.9	72.3	74.2
Net margin (%)	56.9	57.9	45.5
Gross debt/EBITDA (x)	6.8	5.4	5.5
Net debt/EBITDA (x)	5.7	4.0	4.2
Gross debt/equity (x)	1.36	1.14	1.09
Net debt/equity (x)	1.15	0.86	0.84
Gross debt/total capitalization (%)	57.6	53.3	52.2
Net debt/net capitalization (%)	53.5	46.1	45.6
Cash/current borrowings (x)	0.74	1.29	1.11
EBITDA/gross interest (x)	13.1	12.4	11.6

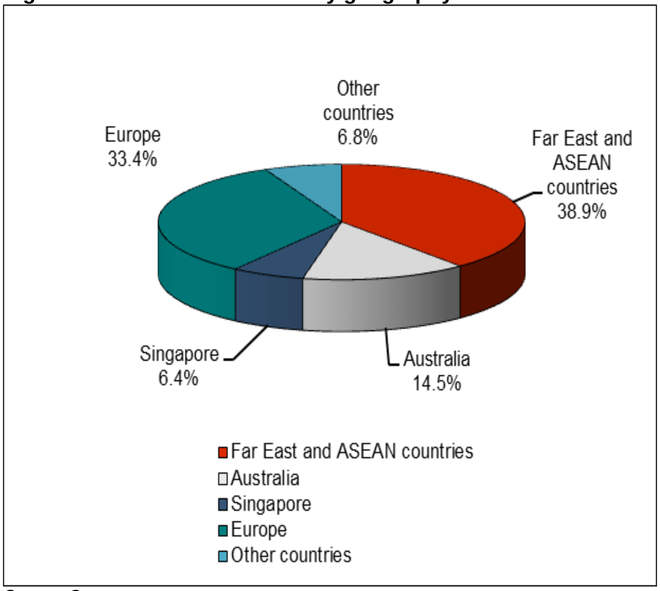
Source: Company, OCBC estimates
**Adjusted FCF = FCF –Acquisitions – Dividends + Disposals*

Figure 1: Revenue breakdown by business – FY2014



Source: Company

Figure 2: Revenue breakdown by geography – FY2014



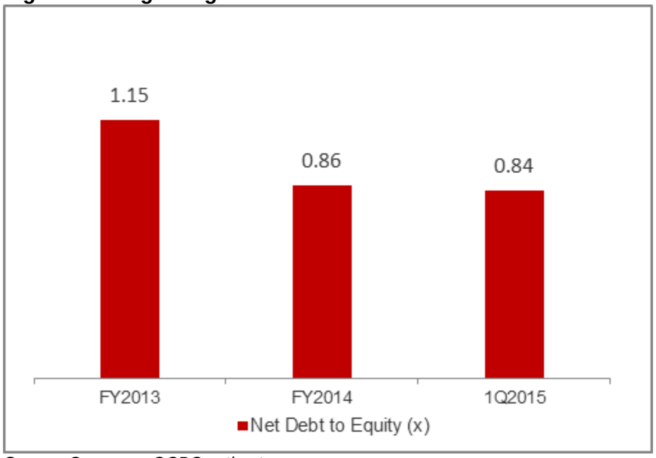
Source: Company

Figure 3: Debt maturity profile

Amounts in USD mn	As at 31/03/2015	%-of-debt
Amount repayable in one year or less, or on demand		
Secured	286.6	18.9%
Unsecured	68.3	4.5%
	355.0	23.4%
Amount repayable after a year		
Secured	857.9	56.6%
Unsecured	303.1	20.0%
	1,161.0	76.6%
Total	**1,516.0**	100.0%

Source: Company

Figure 4: Net gearing



Source: Company, OCBC estimates

Ezra Holdings Ltd

Credit Outlook – Though the environment remains challenging and the credit profile for Ezra remains aggressive, with the capital raising exercise we believe that refinancing risk has greatly reduced. As such, we are now Overweight bonds across the Ezra curve.

Issuer Rating: Underweight

S&P: Not rated

Moody's: Not rated

Fitch: Not rated

Ticker: **EZRASP**

Company profile

Listed in 2003, Ezra is an offshore contractor and provider of integrated offshore solutions to the global oil and gas industry. The group has three main business divisions, namely subsea services, offshore support & production services and marine services. Under the EMAS branding, it operates in more than 16 locations across Africa, Americas, Asia-Pacific and Europe. The founding Lee family controls ~24.7% of the firm.

Key credit considerations

- **Non-recurring items cloud 1HFY2015 (end-Feb) results:** Revenue declined 2.8% y/y from USD640.2mn (1HFY2014) to USD623.0mn (1HFY2015), driven by lower subsea services as well as the offshore support segment revenues. EBIT margin compressed as well from 4.5% (1HFY2014) to 1.1% (1HFY2015). ~100bps of this was driven higher SG&A expense (from EMAS Offshore being consolidated into Ezra from 3 Oct 2014 onwards). The balance ~240bps was due to gross margin compression resulting from a vessel mandatory dry docking, unanticipated repair work as well as softness in the OSV chartering business. Parts of 1HFY2015 net profit of USD54.5mn were non-recurring (pre-tax net gain of ~USD64mn from the consolidation of EMAS Offshore, ~USD18mn in FX gains and ~USD10mn loss from fixed asset impairments). 2QFY2015 paints a clearer picture, with net profit of just USD138,000.

- **Subsea division recovering:** EMAS AMC, the subsea division, continued to be the revenue driver (at 63% of 1HFY2015 sales). 1HFY2015 performance was subdued (segment revenue declined ~6% y/y) due to planned mandatory dry docking of the Lewek Express and unanticipated repairs of the Lewek Champion. There was also lower revenue recognized due to higher proportion of early-stage projects. With the Lewek Constellation fully operational and revenue generating during 3QFY2015, segment revenue should stabilize. The USD600mn Lewek Constellation is a unique asset (there are only two vessels in her class worldwide) which helps to mitigate downwards day rate pressure as well as support utilization levels (it alone has an order backlog worth ~USD500mn).

- **Other segments performance mixed:** OSV chartering revenue declined 9.5% y/y for 1HFY2015. This was due to weakness in the shallow water AHT and small PSV markets. Current charter mix is 60% long term. Utilization fell sharply from 87% (end-FY2014) to 74% (end-2QFY2015). The Triyards shipbuilding subsidiary is diversifying beyond offshore marine by entering into the fabrication of aluminium and steel vessels. With revenue recognized from the Lewek Constellation vessel construction tapering off, Triyards will face tough comps looking forward (segment revenue declined 28.4% y/y). In addition, the market for newbuilds is likely to remain soft in the near future.

- **Order backlog comfort:** As at end-2Q2015, Ezra had an order backlog worth USD2.3bn (though this includes USD491mn to the two FPSO that Ezra has interests in via associates). This is roughly 1.5x FY2014 revenues and provides some top line clarity. The orderbook is split between subsea (43%), offshore support & production (41%) and marine services (16%).

- **Recent liquidity measures:** Though capex will fall with the delivery of the Lewek Constellation, operating cash flow is pressured by the weak environment. Ezra had USD567.6mn in short-term borrowings due as of end-2QFY2015, and USD193.5mn in cash. Specifically, the firm has SGD225mn in bonds maturing in September, as well as SGD150mn in perpetual securities reaching first call. To manage these liquidity needs, early June, Ezra announced its intent to raise USD150mn in equity via a rights issue and SGD200mn in convertible bonds.

- **Leverage to remain high:** Even after these capital raising exercises, our estimates for pro-forma net gearing remain high at 109% (compared to 115% as at end-2QFY2015). What's more important is that there will be no major maturities till 2019 (the new convertible bonds are due 2020). Though we believe it will take time for Ezra to deleverage itself (hence issuer Underweight), some of its bonds have become more attractive due to lower event risk.

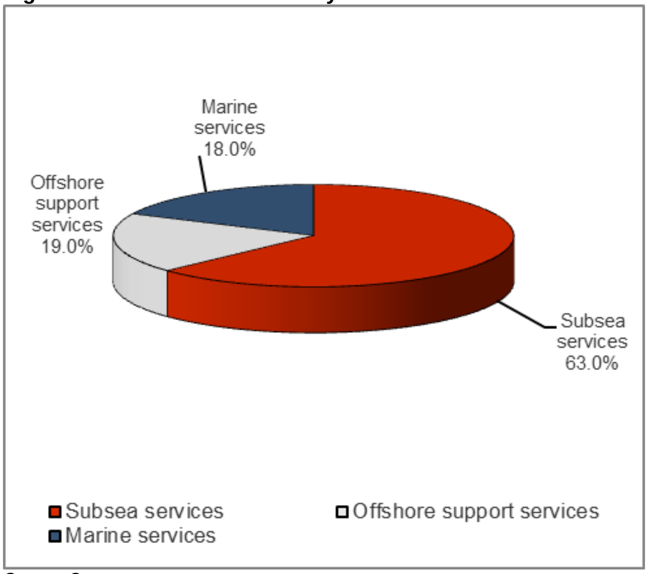
Ezra Holdings Ltd

Table 1: Summary financials

Year ended 31st August	FY2013	FY2014	1H2015
Income statement (USD mn)			
Revenue	1,262.1	1,488.4	623.0
EBITDA	63.4	141.8	50.9
EBIT	3.5	69.6	7.1
Gross interest expense	49.8	51.3	23.6
Profit before tax	92.3	74.7	75.4
Net income	53.6	45.3	54.6
Balance sheet (USD mn)			
Cash and equivalents	173.1	178.9	193.0
Total assets	2,926.7	3,363.0	3,768.1
Gross debt	1,285.8	1,551.9	1,742.0
Net debt	1,112.8	1,373.0	1,549.0
Total equity	1,139.9	1,185.8	1,352.8
Total capitalization	2,425.8	2,737.7	3,094.8
Net capitalization	2,252.7	2,558.8	2,901.8
Cash flow (USD mn)			
Funds from operations (FFO)	113.5	117.4	98.4
CFO	7.3	140.1	45.6
Capex	248.8	327.4	133.3
Acquisitions	0.0	0.0	25.2
Disposals	163.2	8.5	19.7
Dividends	5.3	5.4	6.3
Free Cash Flow (FCF)	-241.5	-187.3	-87.7
Adjusted FCF*	-83.6	-184.1	-49.0
Key ratios			
EBITDA margin (%)	5.0	9.5	8.2
Net margin (%)	4.3	3.0	8.8
Gross debt/EBITDA (x)	20.3	10.9	17.1
Net debt/EBITDA (x)	17.6	9.7	15.2
Gross debt/equity (x)	1.13	1.31	1.29
Net debt/equity (x)	0.98	1.16	1.15
Gross debt/total capitalization (%)	53.0	56.7	56.3
Net debt/net capitalization (%)	49.4	53.7	53.4
Cash/current borrowings (x)	0.34	0.35	0.34
EBITDA/gross interest (x)	1.3	2.8	2.2

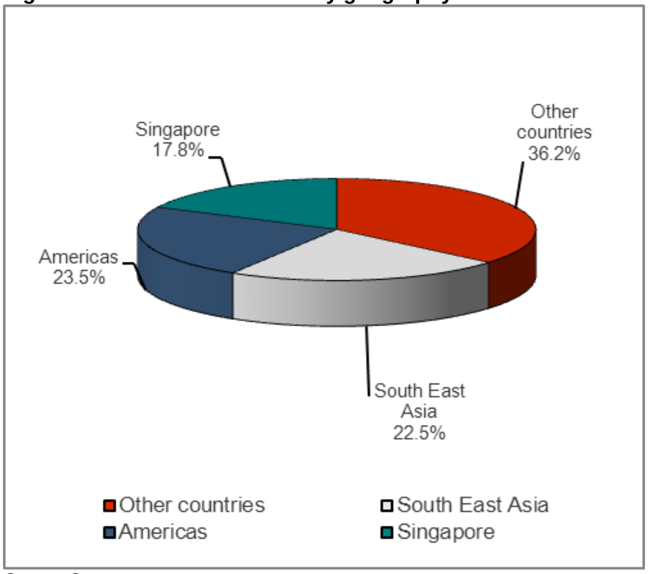
Source: Company, OCBC estimates
**Adjusted FCF = FCF –Acquisitions – Dividends + Disposals*

Figure 1: Revenue breakdown by business – 1H2015



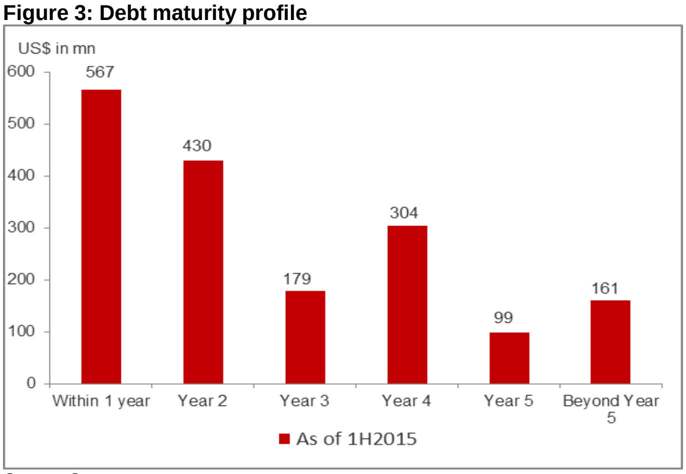
Source: Company

Figure 2: Revenue breakdown by geography – FY2014



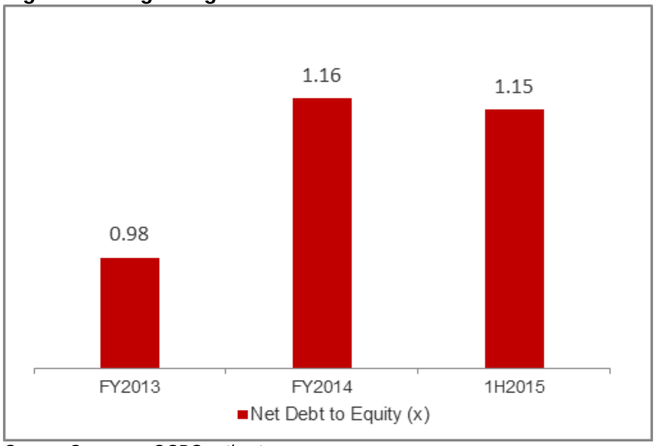
Source: Company

Figure 3: Debt maturity profile



Source: Company

Figure 4: Net gearing



Source: Company, OCBC estimates

Credit Outlook – We think FIRTSP'18 is attractive at 182bps over swap, given FREIT's long portfolio lease expiry, which provides earnings stability and visibility. Meanwhile, there are limited interest rates exposure and foreign exchange risks for FREIT.

Issuer Rating: Neutral

S&P: Not rated

Moody's: Not rated

Fitch: Not rated

Ticker: **FIRTSP**

Company Profile

Listed on the SGX in December 2006, First REIT ("FREIT") invests primarily in real estates that are used for healthcare and healthcare-related industries, both in Singapore and Asia. It owns 16 properties across Indonesia, Singapore and South Korea, valued at about SGD1.17bn as at 31 Dec 14. The properties include 11 hospitals, 3 nursing homes, 1 integrated hotel & hospital, and 1 hotel & country club. PT Lippo Karawaci Tbk is FREIT's sponsor and largest shareholder with a 27.6% stake.

First REIT

Key credit considerations

- **1Q2015 results boosted by acquisition and higher rentals:** FREIT's 1Q2015 gross revenue rose 10.1% y/y to SGD24.7mn, underpinned by maiden contribution from the newly acquired hospital in Indonesia, Siloam Sriwijaya, as well as step-up rental income from existing properties. Nonetheless, due to higher expenses incurred for Sarang Hospital, property tax and building audit fees, net property income ("NPI") grew at a slower pace of 9.3% y/y to SGD24.2mn.

- **Muted organic growth in the near term:** As of 2014, FREIT derived 95.2% of its rental income from its Indonesia healthcare assets, followed by Singapore (3.9%) and Korea (0.9%). The annual base rental escalation for FREIT's Indonesia properties is 2x percentage increase of Singapore CPI, capped at 2.0%. Given our 0% CPI growth forecast for 2015, we see limited rental upside for FREIT's NPI in the near term. That said, we take comfort that this should be mitigated by the fact that under the current lease agreements, the master lessees bear all operating costs relating to the properties, reducing cost pressures for FREIT. Meanwhile, the annual increments for FREIT's Singapore and Korea assets are fixed at 2.0%.

- **Acquisition opportunities still abundant:** On the other hand, FREIT is still looking at yield-accretive acquisitions to boost its income and sustain its growth. FREIT has achieved a CAGR of ~20.1% in Assets under Management from 2007–2014. The trust's acquisition-led strategy is supported by its sponsor – PT Lippo Karawaci Tbk ("LPKR"). LPKR has been actively strengthening its footprint across Indonesia with a healthy pipeline of 30 hospitals, indicating abundant acquisition opportunities for FREIT. Besides Indonesia, FREIT is also exploring for other yield-accretive healthcare assets in other parts of Asia such as Singapore.

- **Asset enhancement initiative ("AEI") opportunities:** In addition to identifying acquisition targets, management is also proactive in managing its properties to enhance their values. As a result, the trust has identified three properties in Indonesia for potential AEIs over the next few years. There are Siloam Hospitals Surabaya, Siloam Hospitals Kebon Jeruk and Imperial Aryaduta Hotel & Country Club, with Siloam Hospitals Surabaya likely to be the first initiative.

- **Long tenured leases a key positive:** FREIT's master leases have lease terms varying between 10-15 years, together with step up escalation, providing income stability and visibility to the trust. As at 08 Feb 15, the weighted average lease expiry for FREIT's portfolio is 11.2 years. With new leasing agreement signed for The Lentor Residence in February 2015, the earliest rental renewals will only arise in 2021. We note that FREIT is heavily dependent on LPKR for rental income as its sponsor is the master lessee of most of its properties, resulting in high tenant concentration risk. However, we think concerns should be partly alleviated by Indonesia's robust healthcare market. The implementation of universal healthcare scheme and the growing middle-class in Indonesia will continue to drive demand for better quality and faster services private medical facilities.

- **Stable balance sheet:** FREIT's aggregate leverage (gross debt/total assets) was slightly lower at 33.0% as at end-1Q2015 (2014: 33.1%). Meanwhile, EBITDA/gross interest was stable at 4.9x (2014: 4.8x). FREIT has no refinancing needs until 2017 and 95.2% of FREIT's debt is on a fixed rate basis, mitigating impact from rising interest rates. The trust aims to maintain its long term aggregate leverage at an optimal level of ~30.0%. Foreign exchange risks are low for FREIT as lease agreements for its Indonesia and Singapore properties are denominated in SGD, while rental for South Korea property is denominated in USD.

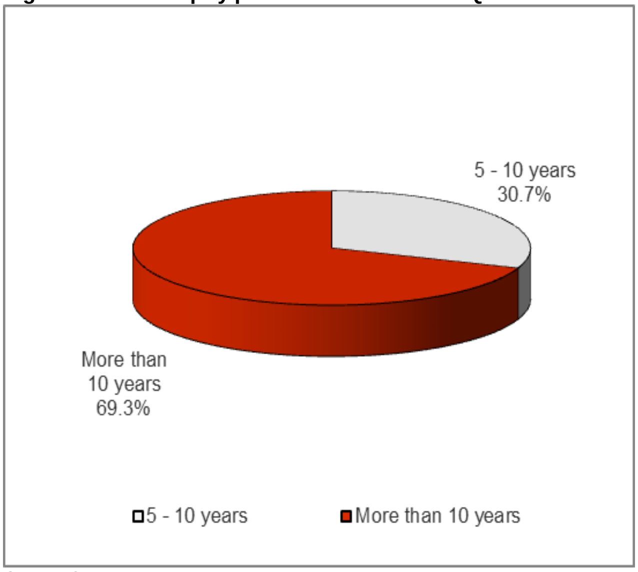
First REIT

Table 1: Summary financials

Year ended 31st December	FY2013	FY2014	1Q2015
Income statement (SGD mn)			
Revenue	83.3	93.3	24.7
EBITDA	71.5	82.4	21.0
EBIT	70.2	80.5	20.7
Gross interest expense	13.6	17.1	4.3
Profit before tax	119.4	112.7	17.4
Net income	117.8	90.6	13.4
Balance sheet (SGD mn)			
Cash and equivalents	29.3	28.2	31.9
Total assets	1,108.5	1,212.4	1,218.2
Gross debt	353.8	396.6	397.6
Net debt	324.5	368.3	365.8
Total equity	682.9	745.0	755.2
Total capitalization	1,036.7	1,141.5	1,152.9
Net capitalization	1,007.4	1,113.3	1,121.0
Cash flow (SGD mn)			
Funds from operations (FFO)	119.1	92.4	13.7
CFO	63.2	80.8	17.6
Capex	0.0	0.0	0.0
Acquisitions	141.9	67.7	0.0
Disposals	0.0	0.0	0.0
Dividends	42.8	39.8	11.4
Free Cash Flow (FCF)	63.2	80.8	17.6
Adjusted FCF*	-121.5	-26.8	6.2
Key ratios			
EBITDA margin (%)	85.8	88.3	85.1
Net margin (%)	141.5	97.2	54.1
Gross debt/EBITDA (x)	4.9	4.8	4.7
Net debt/EBITDA (x)	4.5	4.5	4.3
Gross debt/equity (x)	0.52	0.53	0.53
Net debt/equity (x)	0.48	0.49	0.48
Gross debt/total capitalization (%)	34.1	34.7	34.5
Net debt/net capitalization (%)	32.2	33.1	32.6
Cash/current borrowings (x)	NM	1.07	1.20
EBITDA/gross interest (x)	5.3	4.8	4.9

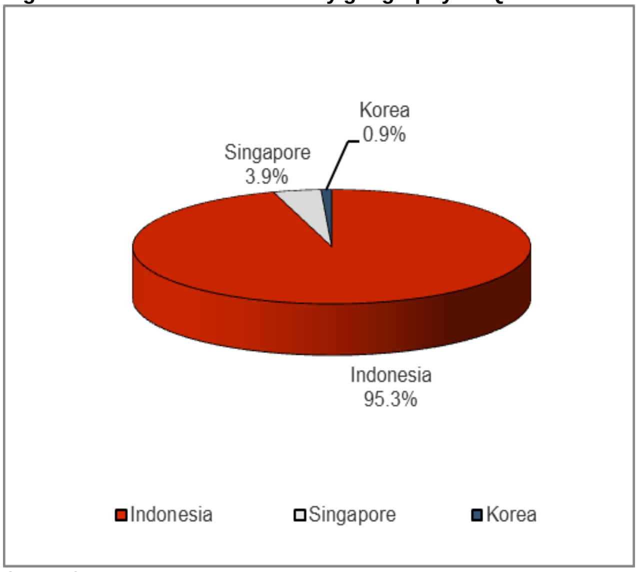
Source: Company, OCBC estimates
Adjusted FCF = FCF –Acquisitions – Dividends + Disposals

Figure 1: Lease expiry profile as % of GFA – 1Q2015



Source: Company

Figure 2: Revenue breakdown by geography – 1Q2015



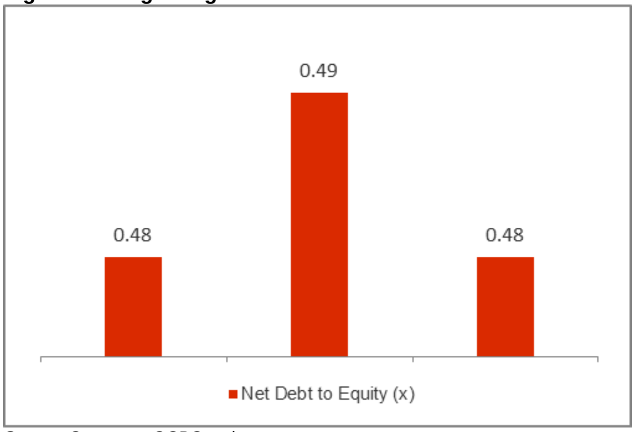
Source: Company

Figure 3: Debt maturity profile

Amounts in SGD mn	As at 31/03/2015	% of debt
Amount repayable in one year or less, or on demand		
Unsecured	26.5	6.7%
	26.5	**6.7%**
Amount repayable after a year		
Secured	275.5	69.3%
Unsecured	100.0	25.1%
Less: Transaction Cost	(4.4)	
	371.1	**93.3%**
Total	**397.6**	**100.0%**

Source: Company

Figure 4: Net gearing



Source: Company, OCBC estimates

Credit Outlook – We like FCT's healthy credit metrics and defensive portfolio of suburban malls. We prefer FCTSP'19 and FCTSP'20 given the yield pickups (vs. peers' papers with similar maturity profile) despite a shorter maturity.

Issuer Rating: Neutral

S&P: BBB+/Stable
Moody's: Baa1/Positive
Fitch: Not rated

Ticker: **FCTSP**

Company Profile

Listed on the SGX in July 2006, Frasers Centrepoint Trust ("FCT") is a pure-play suburban retail REIT in Singapore, sponsored by Frasers Centrepoint Ltd ("FCL", which holds a 41.3% interest in FCT). Since its IPO, FCT's portfolio value has grown to SGD2.4bn as at 30 Sep 14. Its portfolio comprises 6 suburban retail malls in Singapore - Causeway Point, Changi City Point, Northpoint, Bedok Point, Anchorpoint, and YewTee Point. FCT also owns a 31.2%-stake in Malaysia-listed Hektar REIT ("H-REIT", a retail focused REIT).

Frasers Centrepoint Trust

Key credit considerations

- **Strong operating performance in 1HFY2015 (end-Mar):** FCT's gross revenue and net property income ("NPI") grew 17.1% y/y and 15.3% y/y respectively, on the back of contribution from Changi City Point ("CCP", which was acquired in June 2014), and organic growth from other malls in the portfolio from step-up rents and positive rental reversions.

- **Suburban malls continued to perform well:** Benefiting from the trust's suburban malls, FCT reported healthy operating figures in 1Q2015, with shopper traffic excluding CCP, rising 2.0% y/y. In addition, tenants' sales grew about 3.0% y/y for the 3-month period ended February 2015 (vs. +4.8% y/y for the 3-month period ended November 2014). Although there was a sharp negative rental reversion at Bedok Point (-31.4%), average rental reversion for FCT's portfolio in 1Q2015 was stable at 3.8% (or 5.2% if excluding Bedok Point). The sharp fall at Bedok Point was not a major concern as it was due mainly to one specific lease renewal. We note that Bedok Point only contributed ~3.8% of FCT's NPI in 1Q2015.

- **Occupancy rate remained steady:** FCT's portfolio occupancy improved to 97.1% as at end-1Q2015 from 96.4% as at end-2014, mainly attributed to the opening of a new food court at Northpoint and several new restaurants and shops at Bedok Point. Further improvement is expected going forward when tenant-mix change at CCP is completed. Following the acquisition of CCP, FCT's income is more diversified now with reliance on Causeway Point ("CP") and Northpoint ("NP") decreased to 73.2% of NPI in 1Q2015 from 83.1% of NPI in 1Q2014.

- **Lease expiry should be well-managed:** FCT's WALE is relatively short at 1.6 years (by gross rent), with 16.1% and 27.9% of portfolio leases due for renewal in 2HFY2015 and FY2016 respectively. This comes amidst concerns over manpower shortage and softening retail sales growth. However, management believes that rising average household income and low unemployment rate will continue to underpin consumer spending, which will benefit FCT's suburban malls. We also take comfort that FCT's tenant concentration is low with the top 10 tenants contributing only 27.8% of gross rental income.

- **Healthy credit metrics and prudent capital management:** FCT's aggregate leverage (gross debt/total assets) improved to 28.6% as at end-1HFY2015 vs. end-FY2014's 29.3%, due to the repayment of SGD25mn bond which matured in February 2015. Meanwhile, interest coverage was relatively unchanged with EBITDA/gross interest at 5.7x (end-FY2014: 5.6x). Interest rate risks are well-managed with 87.0% of debt either on fixed rates or hedged (increased from 75% as at end-FY2014). In February 2015, Moody's also changed the outlook of FCT's Baa1 issuer rating to positive from stable. FCT's weighted-average debt maturity as at end-1HFY2015 was 2.1 years but this should increase given that FCT has successfully issued SGD60mn 4-year bond at 2.9% in April 2015 to refinance its SGD70mn bond which matured in June 2015.

- **Sponsor's pipeline asset:** We note that FCL could potentially inject The Centrepoint into FCT going forward. However, given that The Centrepoint is going through a SGD50mn 16-month renovation works since May 2015, we believe that the injection is unlikely to happen in the near term. As at 30 Sep 14, book value for The Centrepoint was SGD645.5mn.

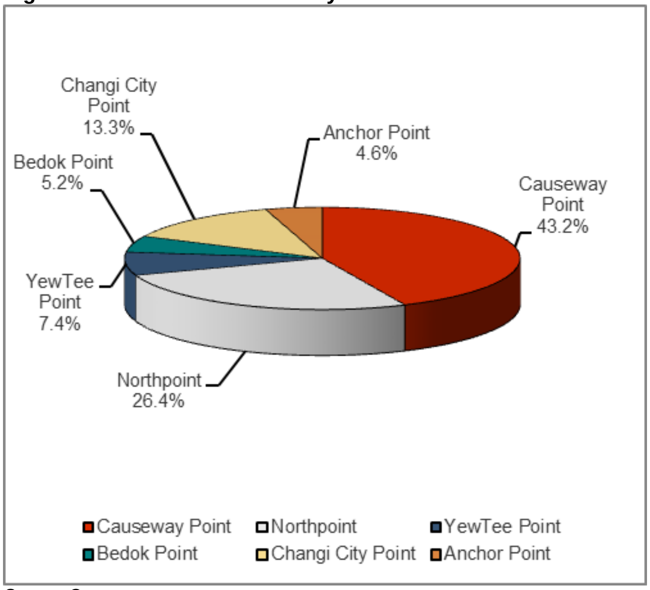
Frasers Centrepoint Trust

Table 1: Summary financials

Year ended 30th September	FY2013	FY2014	1H2015
Income statement (SGD mn)			
Revenue	158.0	168.8	94.7
EBITDA	98.5	103.5	58.6
EBIT	98.6	103.5	58.6
Gross interest expense	17.7	18.5	10.3
Profit before tax	287.8	165.1	56.0
Net income	287.8	165.1	56.0
Balance sheet (SGD mn)			
Cash and equivalents	39.7	41.7	17.5
Total assets	2,134.5	2,521.8	2,496.3
Gross debt	589.0	739.0	714.0
Net debt	549.3	697.3	696.5
Total equity	1,462.4	1,698.7	1,701.9
Total capitalization	2,051.4	2,437.7	2,415.9
Net capitalization	2,011.6	2,395.9	2,398.4
Cash flow (SGD mn)			
Funds from operations (FFO)	287.7	165.1	56.0
CFO	112.8	100.3	58.7
Capex	9.5	1.6	0.2
Acquisitions	0.0	298.7	0.0
Disposals	0.0	0.0	0.0
Dividends	87.8	94.5	50.7
Free Cash Flow (FCF)	103.2	98.7	58.5
FCF adjusted	15.4	-294.5	7.8
Key ratios			
EBITDA margin (%)	62.4	61.4	61.9
Net margin (%)	182.2	97.8	59.2
Gross debt/EBITDA (x)	6.0	7.1	6.1
Net debt/EBITDA (x)	5.6	6.7	5.9
Gross debt/equity (x)	0.40	0.44	0.42
Net debt/equity (x)	0.38	0.41	0.41
Gross debt/total capitalization (%)	28.7	30.3	29.6
Net debt/net capitalization (%)	27.3	29.1	29.0
Cash/current borrowings (x)	0.66	0.44	0.25
EBITDA/gross interest (x)	5.6	5.6	5.7

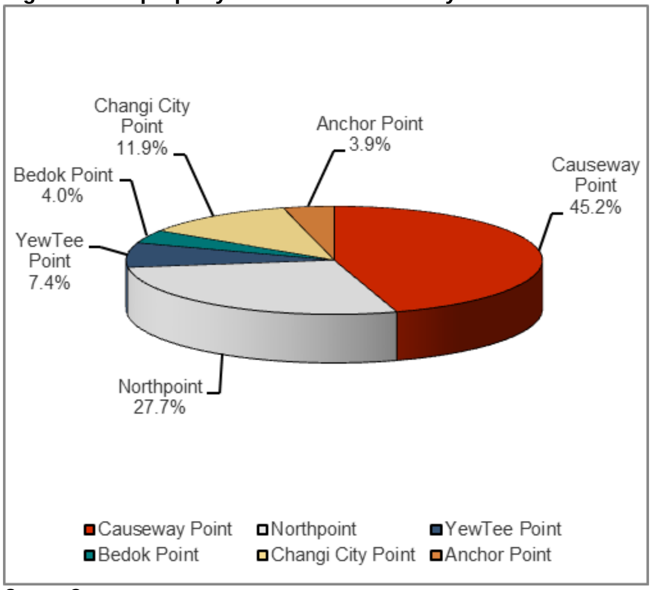
Source: Company, OCBC estimates

Figure 1: Revenue breakdown by assets – 1H2015



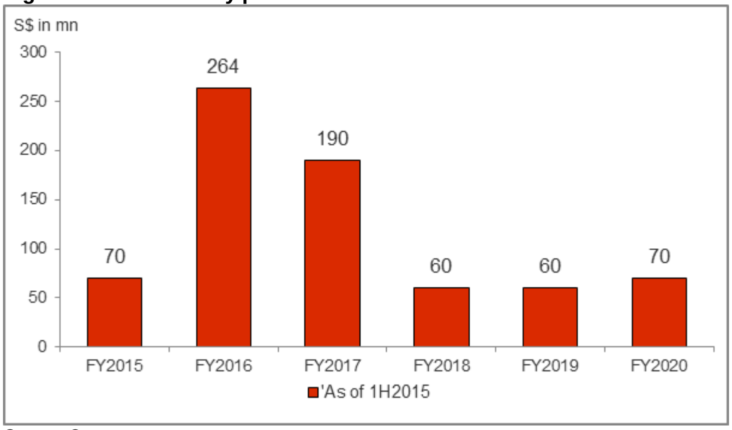
Source: Company

Figure 2: Net property income breakdown by assets – 1H2015



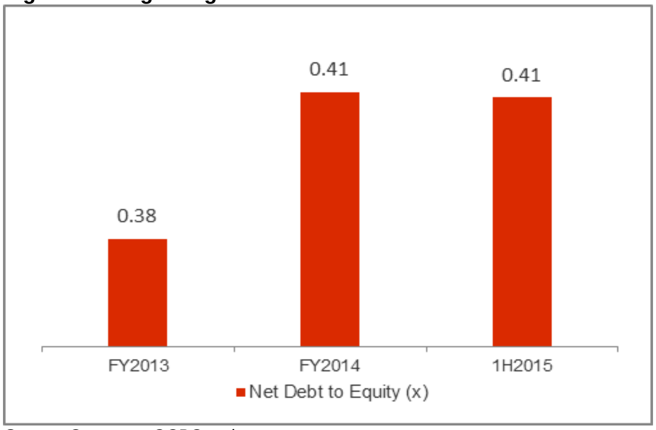
Source: Company

Figure 3: Debt maturity profile



Source: Company

Figure 4: Net gearing



Source: Company, OCBC estimates

Gallant Venture Ltd

Credit Outlook –

While GALV's credit profile remains pressured from the IMAS acquisition, we expect the company's leverage to improve going forward with the IMAS acquisition behind them. Across the GALV curve, we like the GALVSP'18 (529bps over swap) over the shorter-date paper given the steep GALV curve.

Issuer Rating: Neutral

S&P: Not rated

Moody's: Not rated

Fitch: Not rated

Ticker: **GALVSP**

Company Profile

Gallant Venture Ltd ("GALV") is an Indonesia focused investment holding company headquartered in Singapore. The company is an integrated automotive group across Indonesia and master planner and service provider for industrial parks and resorts in Batam and Bintan. GALV is 70.56% owned by the Salim Group and 11.96% owned by Sembcorp Industries Ltd. The company was established in 1990 and is listed on the SGX with a market capitalisation of SGD1.16bn as at 30 Jun 2015.

Key credit considerations

- **Transformation complete:** The first full-year's profit contribution from PT Indomobil Sukses International Tbk ("IMAS") in 2014 heralded a shift in GALV's focus from resorts and industrial parks in Bintan and Batam to being the second largest automotive group in Indonesia. IMAS contributed 90% of GALV's revenue and 50.9% of GALV's EBITDA in 2014. The Group as a whole saw vastly contrasting performances in its business segments with industrial parks and resort operations continuing to drag with operating losses in 2013 and 2014. Bintan Industrial Estate and Batamindo Industrial Park remained plagued by low occupancies, 66% and 87%, respectively, while Utilities saw lower revenues as power demand remained weak from industrial clients despite electricity consumption increasing in Bintan Resorts. That said, the Lagoi Bay development is expected to contribute positively to Utilities and Resort Operations segment going forward. In contrast, property development registered a strong performance with EBITDA up 67% y/y to SGD67.9mn as land sales from the Lagoi Bay development started to take off. Meanwhile, IMAS posted losses of SGD9mn compared to profits of SGD52.7mn in 2013 as the automotive business was buffeted with numerous headwinds which affected auto demand and the auto assembly business at its associates (Hino and Nissan) inter alia, a weaker IDR, higher interest rates and inflation, and the removal of fuel subsidies.

- **Weak Indonesian auto sales to continue into 2015:** 5M2015 auto sales were down 13.7% y/y to 432,000 as car sales remained sluggish due to declines in purchasing power. Despite favorable long term dynamics due to a burgeoning middle class and low auto penetration rates, the near term outlook looks bleak. BI policy rate remains elevated at 7.5%, 1Q2015 GDP slumped to a post-Lehman low of 4.7%, while the IDR languishes at the lowest levels in 15 years and remains susceptible to further weakness from capital outflows.

- **1Q2015 remains challenging, interest costs and auto assembly weighs on performance:** GALV posted a wider quarterly loss for 1Q2015 of SGD9.2mn (1Q2014 losses of SGD4.1mn) on higher finance costs (higher interest rates and IMAS-related debt). 1Q2015 EBITDA however, was 6.6% higher y/y at SGD68.4mn while revenue was up 10% y/y mainly on higher passenger car and spare part sales despite a weak automotive sales environment in Indonesia. Net losses doubled to SGD10.4mn due to finance costs (SGD31.4mn) and losses at its auto assembly associates (SGD1.6mn).

- **Credit profile remains pressured from debt driven acquisition:** Net gearing increased from ~13% before the IMAS acquisition to 91% in 2013, 95% in 2014 and 97% as of end-March 2015. However this is expected to moderate going forward with the major IMAS acquisition behind the company. Capex for 2015 is expected to moderate to USD50mn for a power plant in Bintan from SGD180.6mn in 2014. GALV is exposed to substantial interest rate risk as SGD1.11bn of debt or 49.66% are floating. LTM net debt/EBITDA was 5.90x as of end-March 2015, in-line with 2014 and looks optically better than 8.3x in 2013. However, 2013 only had about half a year's EBITDA contribution from IMAS. LTM EBITDA/interest coverage improved marginally to 2.60x from 2.46x in 2013.

- **Stretched liquidity:** GALV's cash balance of SGD165.3mn as of end-March 2015 was insufficient to cover SGD943.7mn of short term debt. That said, a portion of this is from trade finance lines from the automotive financing business which are rolled over regularly and self-liquidate with trade receivables. In addition the company has USD120mn in unutilized bank facilities as standby reserves.

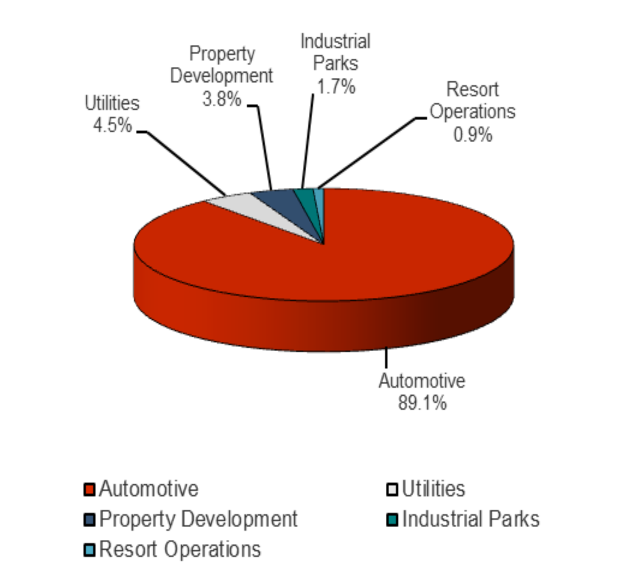
Gallant Venture Ltd

Table 1: Summary financials

Year ended 31st December	FY2013	FY2014	1Q2015
Income statement (SGD mn)			
Revenue	1,854.7	2,328.3	577.3
EBITDA	235.9	352.3	62.8
EBIT	141.7	229.5	37.6
Gross interest expense	75.2	131.6	31.4
Profit before tax	63.2	23.0	-6.3
Net income	36.3	7.5	-10.4
Balance sheet (SGD mn)			
Cash and equivalents	168.4	161.3	165.3
Total assets	4,836.5	5,025.8	5,163.1
Gross debt	2,127.3	2,240.2	2,267.3
Net debt	1,958.9	2,078.9	2,102.0
Total equity	2,148.9	2,185.1	2,168.0
Total capitalization	4,276.1	4,425.3	4,435.3
Net capitalization	4,107.8	4,264.0	4,270.0
Cash flow (SGD mn)			
Funds from operations (FFO)	130.6	130.4	14.8
CFO	-97.3	233.2	-21.4
Capex	101.0	180.6	22.2
Acquisitions	-956.8	-27.2	-1.5
Disposals	54.7	53.6	31.5
Dividends	-3.6	-1.6	0.0
Free Cash Flow (FCF)	-198.3	52.6	-43.6
Adjusted FCF*	-1,104	77.4	-13.6
Key ratios			
EBITDA margin (%)	12.7	15.1	10.9
Net margin (%)	2.0	0.3	-1.8
Gross debt/EBITDA (x)	9.0	6.4	9.0
Net debt/EBITDA (x)	8.3	5.9	8.4
Gross debt/equity (x)	0.99	1.03	1.05
Net debt/equity (x)	0.91	0.95	0.97
Gross debt/total capitalization (%)	49.7	50.6	51.1
Net debt/net capitalization (%)	47.7	48.8	49.2
Cash/current borrowings (x)	0.2	0.2	0.2
EBITDA/gross interest (x)	3.1	2.7	2.0

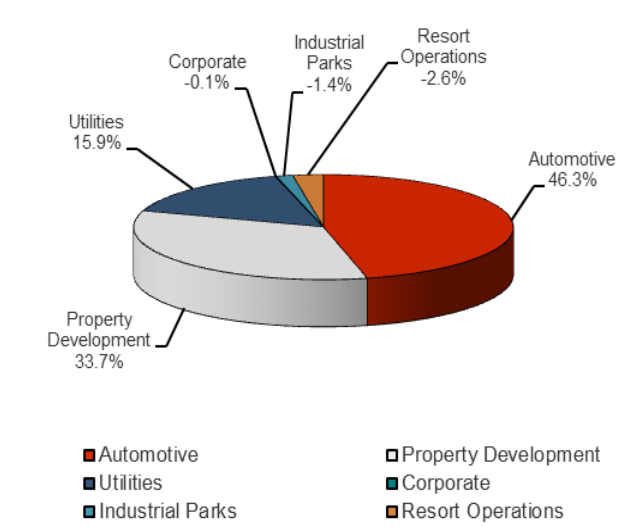
Source: Company, OCBC estimates
**Adjusted FCF = FCF –Acquisitions – Dividends + Disposals*

Figure 1: Revenue breakdown by business segment – FY2014



Source: Company

Figure 2: EBIT breakdown by business segment – FY2014



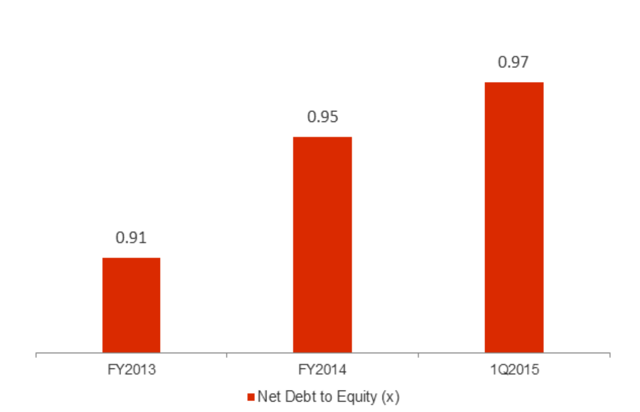
Source: Company

Figure 3: Debt maturity profile

(Amounts in SGD mn)	As at 31/03/2015	% of debt
Repayable in one year		
Secured	801.0	35.3%
Unsecured	142.6	6.3%
Sub-total	**943.7**	**41.6%**
Repayable after a year		
Secured	655.9	28.9%
Unsecured	667.7	29.4%
Sub-total	**1,323.6**	**58.4%**
Total	**2,267.3**	**100.0%**

Source: Company

Figure 4: Net gearing



Source: Company, OCBC estimates

Genting Singapore Plc

Credit Outlook – Though near-term challenges remain, GENS will continue to generate prodigious amounts of recurring cash flow. At a YTC and YTW of 5.42% and 5.22%, the GENSSP'49c17 continues to be attractive, with the near call date helping to mitigate some duration risk. We reiterate our Overweight rating.

Issuer Rating: Overweight

S&P: Not rated

Moody's: Baa1/Stable

Fitch: A-/Stable

Ticker: **GENSSP**

Company profile

Listed on the SGX in 2005, Genting Singapore Plc ("GENS") is involved in gaming and integrated resort development. Its principal asset is the 49ha flagship Resorts World Sentosa ("RWS"), comprising the Singapore Integrated Resort, with 6 hotels, a 15,000 sq m casino, Universal Studios Singapore ("USS") and Marine Life Park ("MLP"). RWS welcomed over 45mn visitors in its first three years of operation. GENS is 52.7% owned by the Malaysia-listed Genting Bhd.

Key credit considerations

- **Top line pain continues:** Total revenue declined 22.9% y/y to SGD639.2mn. GENS continues to be pressured by softness in the Singapore tourism industry. International visitor arrivals for Singapore were 3.64mn for 1Q2015, down 6.2% y/y from 3.88mn in 1Q2014. Most of the decline was driven by the slump in gaming revenue, which fell 26.4% y/y. The premium gaming segment continues to be weak, driven in part by the anti-corruption campaign in China. The firm does not believe that the situation for the premium market will improve in the medium term, and are restructuring their product mix (premium versus mass market) towards more mass market exposure. The non-gaming segment fared better, declining 7.9% y/y to SGD144.0mn. Park attractions daily visitation is maintained at 16,000 (same as the last year), while hotel occupancy rate of 93% was better than the 92% seen in 1Q2014. However, ADR fell from SGD409 to SGD381 (-6.9% y/y).

- **Operating profits squeezed:** GENS saw operating margin compression from 38.6% (1Q2014) to 20.4% (1Q2015). A big driver of this would be impairments on trade receivables. These trade receivables are essentially the financing that GENS provides to VIP clients (a function that is usually done by junkets in other markets). During the quarter, even though gaming revenue is down 26.4% y/y, impairment expense on trade receivables jumped 30.0% y/y to SGD76.3mn. As a reference, GENS generated SGD91.7mn in net profits for the quarter. With the de-emphasis on the premium segment, we expect such impairments to eventually decline. Trade receivables have already decreased by 12.6% y/y and will likely fall further (it is currently SGD962.2mn).

- **Softness expected to persist:** In March, the Singapore Tourism Board ("STB") has revised down sharply its 2015 targeted visitor arrivals from 17mn to 15.1-15.5mn. Similarly, the STB slashed targeted tourism receipts from SGD30mn to SGD23.5-24mn. 2014 was the first time Singapore saw a decline in visitor arrivals since 2009. Reasons cited include the relatively strong currency relative to some of Singapore's main markets (Indonesia and Malaysia) as well as heightened competition in the region (such as Japan). We expect these macro headwinds to weigh on GENS performance through the rest of 2015.

- **Liquidity remains strong:** The firm still generates significant amounts of recurring operating cash flow. For 1Q2015, it generated SGD329.0mn in operating cash flow, compared to SGD183.0mn in 1Q2014. The biggest driver was the decline in trade receivables, which generated SGD62.6mn in cash in 1Q2015. Conversely, increase in trade receivables (likely from the extension of credit to VIP clients) consumed SGD146.2mn in cash. Low capex needs (SGD77.7mn for 1Q2015, or SGD195.1mn for the whole of 2014) means significant FCF generated (SGD215.7mn in 1Q2015). We expect FCF generation to remain strong as the current capex requirement for the Jeju resort looks moderate (they just broke ground) while any Japan resort opportunities have yet to materialize. The Jurong hotel has also launched in 2Q2015 and will contribute to cash flow. It is worth noting that GENS has enough cash to pay down its SGD1.7bn in borrowings and call its SGD2.3bn in perpetual securities.

- **Pristine balance sheet:** The firm has a gross gearing of 17.7% and gross debt / EBITDA of 1.9x. It is net cash, and recently refinanced its SGD4.2bn-sized loan facility from 2011 with a new SGD2.3bn facility. Though the environment is weak, and there remains execution risk regarding the new resorts, GENS has a strong balance sheet to weather through. We retain our Overweight issuer rating.

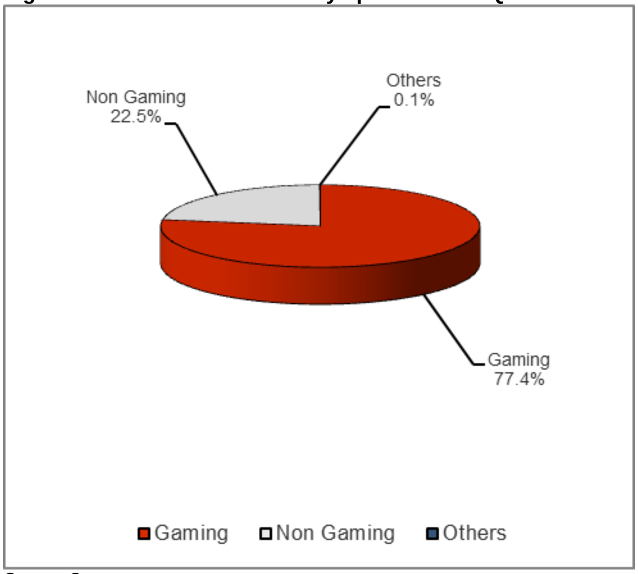
Genting Singapore Plc

Table 1: Summary financials

Year ended 31st December	FY2013	FY2014	1Q2015
Income statement (SGD' mn)			
Revenue	2,847.3	2,862.5	639.2
EBITDA	1,086.2	1,120.9	227.4
EBIT	663.8	701.4	119.6
Gross interest expense	54.0	42.1	11.3
Profit Before Tax	845.5	804.8	119.9
Net profit	707.3	635.2	91.7
Balance Sheet (SGD'mn)			
Cash and bank deposits	3,761.4	3,836.8	4,190.8
Total assets	13,074.1	12,672.2	12,669.0
Gross debt	2,225.3	1,703.2	1,705.6
Net debt	-1,536.1	-2,133.5	-2,485.2
Shareholders' equity	9,647.2	9,703.3	9,690.0
Total capitalization	11,872.5	11,406.6	11,395.7
Net capitalization	8,111.1	7,569.8	7,204.9
Cash Flow (SGD'mn)			
Funds from operations (FFO)	1,129.7	1,054.7	199.5
CFO	820.5	955.6	293.4
Capex	448.8	195.1	77.7
Acquisitions	0.0	97.9	0.0
Disposals	70.1	1.1	0.2
Dividends	240.1	240.3	45.7
Free Cash Flow (FCF)	371.7	760.5	215.7
Adjusted FCF*	201.6	423.4	170.2
Key Ratios			
EBITDA margin (%)	38.1	39.2	35.6
Net margin (%)	24.8	22.2	14.3
Gross debt/EBITDA (x)	2.0	1.5	1.9
Net debt/EBITDA (x)	-1.4	-1.9	-2.7
Gross debt/equity (x)	0.23	0.18	0.18
Net debt/equity (x)	-0.16	-0.22	-0.26
Gross debt/total capitalization (%)	18.7	14.9	15.0
Net debt/net capitalization (%)	-18.9	-28.2	-34.5
Cash/current borrowings (x)	7.20	7.40	25.33
EBITDA/gross interest (x)	20.1	26.6	20.0

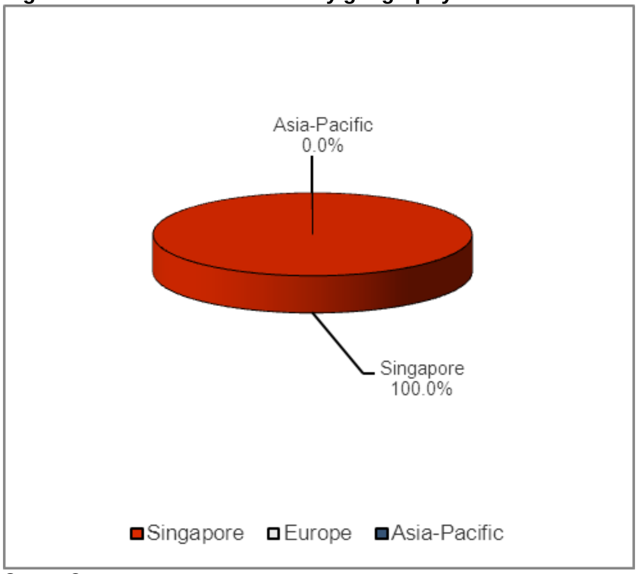
Source: Company, OCBC estimates
**Adjusted FCF = FCF –Acquisitions – Dividends + Disposals*

Figure 1: Revenue breakdown by operations – 1Q2015



Source: Company

Figure 2: Revenue breakdown by geography – FY2014



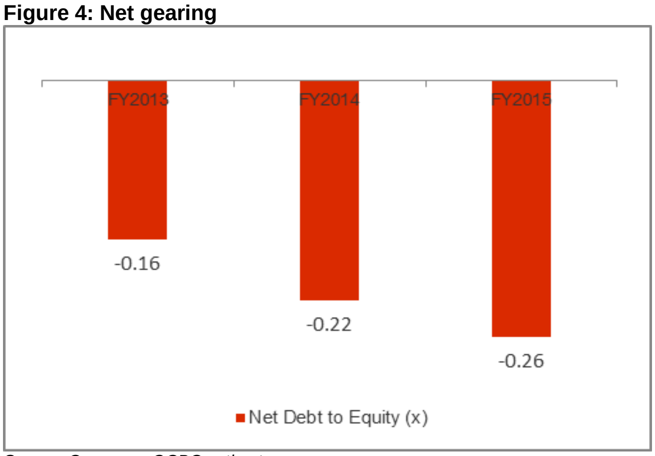
Source: Company

Figure 3: Debt maturity profile

Amounts in SGD mn	As at 31/03/2015	% of debt
Amount repayable		
One year or less, or on demand	165.5	9.7%
After one year	1,545.8	90.3%
Total	**1,711.3**	**100.0%**

Source: Company

Figure 4: Net gearing



Source: Company, OCBC estimates

Golden Agri-Resources Ltd

Credit Outlook –

While GGR's credit profile remains pressured by weak CPO prices and liquidity is stretched by a potential put on the convertible bonds, successful execution during the El Nino could provide a respite. The GGR curve looks fairly valued despite the ~1-2pt correction since May.

Issuer Rating: Underweight

S&P: Not rated

Moody's: Ba2

Fitch: Not rated

Ticker: **GGRSP**

Company Profile

Golden Agri-Resources Ltd ("GGR") is the world's second largest palm oil company with 484,937 ha of palm oil plantations in Indonesia. The company's integrated operations include oil palm cultivation, crude palm oil ("CPO") and palm kernel processing and downstream refining to produce consumer products such as cooking oil, margarine and shortening. The company is 49.95% owned by the Widjaja-controlled Sinarmas Group and is listed on the SGX with a market capitalisation of SGD5.22bn as at 30 Jun 2015.

Key credit considerations

- **Weak 1Q2015 results:** GGR's weak 1Q2015 results reflected lower plantation output, softer CPO prices and razor-thin refining margins in Indonesia. Overall revenues were down 19% y/y while EBITDA was down 44% y/y to USD107.6mn. The main source of cash generation remains the upstream Plantation segment (80% of total EBITDA), although segment EBITDA fell 41.4% y/y to USD100.6mn on a 26.5% y/y decline in CPO prices. Refining overcapacity continues to hit margins at Palm & Laurics with EBITDA down 27.1% y/y to USD21.6mn despite a 14.4% y/y increase in revenue. China Oilseeds however, saw a turnaround on improved crushing margins as the segment generated positive EBITDA of USD2.3mn despite lower volumes and selling prices.

- **Levies on palm oil exports and increase in biodiesel blending net neutral:** On 4 April 15, Indonesia announced levies on palm oil exports (USD50/tonne on palm oil and USD30/tonne for processed products) to fund biodiesel subsidies. While this is negative for GGR by lowering domestic prices, the increase in mandated blending for diesel to 15% from 10% will help cushion the impact by increasing domestic demand for CPO.

- **EL Nino to boost CPO prices:** Meteorological agencies have confirmed that an El Nino has begun this year. This will bring dry conditions to Indonesia and Malaysia (combined 86% of global CPO production). The last El Nino cycle in 2009-2010 resulted in CPO prices rallying to highs of MYR4,000 per tonne at the end of 2010 from MYR1,685 per tonne at the start of 2009. While adverse weather conditions will boost prices, fruit yields will be lower and harvesting disrupted. The key is whether GGR will be able to expand planted area to minimise the fall in output. In the last cycle in 2010, GGR expanded planted area by 15,200 ha, minimised fall in fruit production to 100,000 tonnes and generated a 65% increase in EBITDA from an increase in CPO price from USD780 to USD1,248 per tonne. YTD, planted area has increased by 12,100 ha mainly through consolidation of plantations acquired in end-2012. However, land preparations for new plantings have been put on hold since Nov 2014 due to a Roundtable on Sustainable Palm Oil complaint.

- **End of peak capex to relieve pressure on credit profile:** LTM net debt/EBITDA deteriorated to 6.80x from 5.44x in 2014 and 3.6x in 2013 mainly on lower EBITDA from depressed CPO prices. EBITDA margins have declined from 12.3% in 2012 to 5.8% for LTM ending March 2015 as a result. Net gearing increased from 26% to 32% over the same period as net debt position increased from USD2.25bn to USD2.85bn, reflecting the need to support its expanded downstream and merchandising operations. That said, the peak of the capex cycle is over with GGR transitioning from rapid expansion of the downstream business in recent years into optimizing vertical integration. Projected capex for 2015 is USD300mn (USD130mn upstream, USD170mn downstream), down from USD478.2mn in 2014.

- **Liquidity pressure from likely put on convertible bonds:** GGR has USD398mn of low coupon (2.5%) convertible bonds outstanding that are deeply out of the money with a conversion price of SGD0.86 while the stock closed at SGD0.41on 30 Jun 2015. The bonds will probably be put back to the company in October this year. With cash balance as of end March 2015 of USD235.7mn coupled with ~USD148mn from SGD bonds issued in April and May, liquidity looks tight. In addition, GGR had short-term debt of USD1.36bn as of end-March 2015, although much of this is in the form of trade finance lines which are regularly rolled over and self-liquidate with trade receivables and inventories. We take comfort from the reduced capex guidance (USD300mn) and expected ~USD500mn in EBITDA.

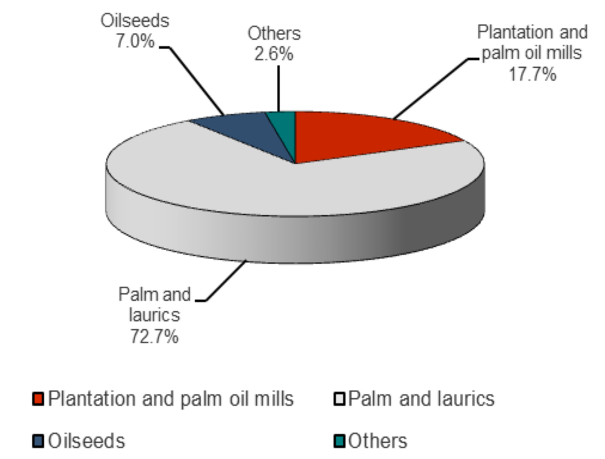
Golden Agri-Resources Ltd

Table 1: Summary financials

Year ended 31st December	FY2013	FY2014	1Q2015
Income statement (USD mn)			
Revenue	6,585.0	7,619.3	1,553.3
EBITDA	625.5	503.3	107.6
EBIT	491.6	354.6	67.9
Gross interest expense	106.1	123.5	31.9
Profit before tax	430.0	158.0	22.5
Net income	311.3	113.6	17.2
Balance sheet (USD mn)			
Cash and equivalents	327.5	329.6	235.7
Total assets	14,148	14,667	14,634
Gross debt	2,580.8	3,068.3	3,082.2
Net debt	2,253.3	2,738.7	2,846.4
Total equity	8,803.4	8,818.3	8,814.9
Total capitalization	11,384	11,887	11,897
Net capitalization	11,057	11,557	11,661
Cash flow (USD mn)			
Funds from operations (FFO)	445.2	262.3	56.8
CFO	99.3	446.4	132.3
Capex	518.9	457.7	105.3
Acquisitions	-4.5	-56.4	-33.4
Disposals	11.4	21.0	2.9
Dividends	-131.0	-53.5	-39.7
Free Cash Flow (FCF)	-419.6	-11.3	27.0
Adjusted FCF*	-543.7	-100.2	-43.1
Key ratios			
EBITDA margin (%)	9.5	6.6	6.9
Net margin (%)	4.7	1.5	1.1
Gross debt/EBITDA (x)	4.1	6.1	7.2
Net debt/EBITDA (x)	3.6	5.4	6.6
Gross debt/equity (x)	0.29	0.35	0.35
Net debt/equity (x)	0.26	0.31	0.32
Gross debt/total capitalization (%)	22.7	25.8	25.9
Net debt/net capitalization (%)	20.4	23.7	24.4
Cash/current borrowings (x)	0.31	0.20	0.14
EBITDA/gross interest (x)	5.9	4.1	3.4

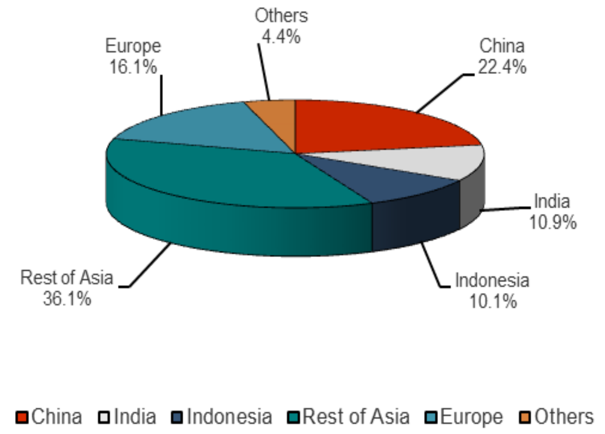
Source: Company, OCBC estimates
**Adjusted FCF = FCF –Acquisitions – Dividends + Disposals*

Figure 1: Revenue breakdown by business – 1Q2015



Source: Company

Figure 2: Revenue breakdown by geography – FY2014



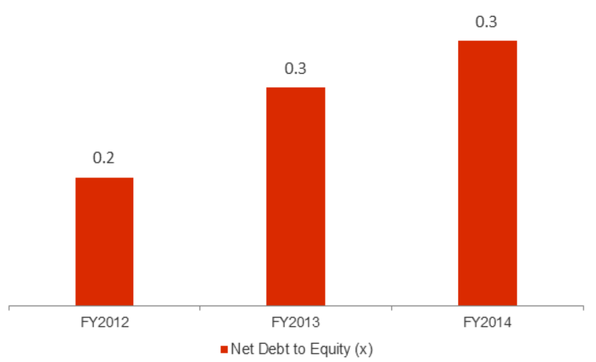
Source: Company

Figure 3: Debt maturity profile

Amounts in USD mn	As at 31/03/2015	%-of-debt
Amount repayable in one year or less, or on demand		
Secured	958.6	31.1%
Unsecured	759.9	24.7%
	1,718.5	55.8%
Amount repayable after a year		
Secured	320.4	10.4%
Unsecured	1,043.6	33.9%
	1,364.0	44.2%
Total	**3,082.5**	100.0%

Source: Company

Figure 4: Net gearing



Source: Company, OCBC estimates

GuocoLand Ltd

Credit Outlook – We believe GLL's credit metrics will continue to be dragged by on-going development of its integrated projects. Meanwhile, we think shorter dated papers in the GUOLSP complex such as GUOLSP 4.875%'16 and GUOLSP 3.6%'17 are relatively attractive at spread levels of 111bps and 187bps over swap, respectively.

Issuer Rating: Underweight

S&P: Not rated

Moody's: Not rated

Fitch: Not rated

Ticker: **GUOLSP**

Company Profile

Listed on the SGX in 1978, GuocoLand Ltd ("GLL") is a property developer headquartered in Singapore, with investments in residential properties, commercial properties and integrated developments. The group's properties are located in Singapore, China, Malaysia and Vietnam. GLL is a 65.0%-owned subsidiary of Guoco Group, which is listed on the HKSE and is in turn, a member of the Hong Leong Group, one of the largest conglomerates in South East Asia.

Key credit considerations

- **Improved earnings in 9MFY2015 (end-Mar):** GLL's 9MFY2015 revenue grew 19.3% y/y to SGD905.2mn, on the back of higher revenue recognized for the group's China projects (especially from sale of serviced apartments in Shanghai Guoson Centre). Meanwhile, although net profit only rose 0.8% y/y to SGD119.0mn, we note that earnings in 9MFY2014 were aided by one-off gain of SGD98.9mn from the sale of subsidiaries. On a gross profit basis, earnings increased by 77.9% y/y to SGD292.6mn, mitigated by a 61.2% y/y rise in administrative expenses to SGD86.2mn, largely due to higher professional fees incurred for the group's China operations.

- **Weak Singapore residential market but recovery in China:** Management is downbeat on Singapore's residential market and believes that buying sentiment is likely to remain subdued going forward. Sales for GLL's high-end project, Clermont Residence were slow with only 29.6% of the launched units sold. This was mitigated by better sales from other projects such as Goodwood Residence (82.4% of launched units sold), Leedon Residence (66.5% of launched units sold) and Sims Urban Oasis (100.0% of launched units sold). On a positive note, GLL thinks that easing measures rolled out by the Chinese government may help to ease the slowdown in China's residential market.

- **Integrated projects, short-term pain but long-term gain:** GuocoLand's credit metrics were pressured by on-going development of large scale integrated projects. In particular, the group's major integrated development in Singapore, the Tanjong Pagar Center ("TPC") has a high development cost of around SGD3.2bn. TPC comprises office, retail, hotel and residential spaces and it will become Singapore's tallest building (~290 metres) upon completion (expected to be completed in mid-2016). GLL has launched the commercial and retail space at TPC in February 2015. In the longer term, management expects integrated developments to increase the group's recurring income and improve its balance sheet. Besides TPC, GLL also has mixed-use developments in Malaysia (Damansara City) and Shanghai (Guoson Centre). The group is actively working on execution, sales and leasing of these projects.

- **Leverage will remain high in the near term:** As at end-3QFY2015, GLL's net gearing remained stressed at 1.43x (FY2014: 1.46x; FY2013: 1.60x), despite the improving trend. Meanwhile, although EBITDA/gross interest increased to 4.3x (FY2014: 2.8x), this was mainly due to higher capitalisation of interest expenses. Given that there are still several on-going integrated developments, GLL's gearing level is unlikely to improve substantially in the near term. Management is aware of this situation and intends to reduce GLL's gearing through sales of development projects and active management of cash flow.

- **Weak liquidity profile and moderate refinancing risk:** GLL's end-3QFY2015 cash balance of SGD697.6mn (included SGD257.5mn pledged for bank loans in China and restricted from use) was inadequate to repay short term debt of SGD1.97bn. In addition, 51.7% of GLL's total assets are pledged/mortgaged to secure loans. That said, refinancing risk should be mitigated by GLL's good access to capital markets. Ytd, GLL has successfully raised SGD295.0mn through 3 SGD bond issuances.

GuocoLand Ltd

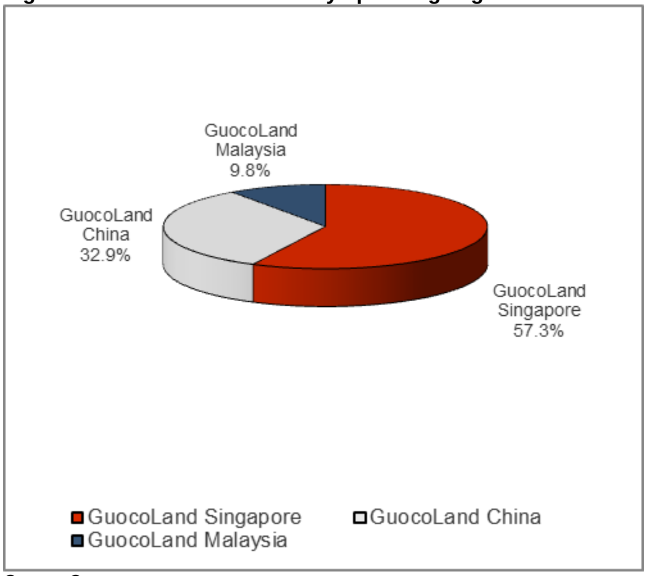
Table 1: Summary financials

Year ended 30th June	FY2013	FY2014	9M2015
Income statement (SGD mn)			
Revenue	677.4	1,251.4	905.2
EBITDA	91.4	242.3	213.1
EBIT	82.5	233.9	206.4
Gross interest expense	194.5	184.6	49.9
Profit before tax	98.5	410.0	175.2
Net income	40.5	304.2	119.0
Balance sheet (SGD mn)			
Cash and equivalents	934.3	716.0	697.6
Total assets	9,154.9	8,719.5	9,565.2
Gross debt	5,372.3	5,066.8	5,385.1
Net debt	4,438.0	4,350.8	4,687.5
Total equity	2,775.1	2,973.5	3,271.2
Total capitalization	8,147.4	8,040.3	8,656.3
Net capitalization	7,213.1	7,324.3	7,958.7
Cash flow (SGD mn)			
Funds from operations (FFO)	49.4	312.7	125.8
CFO	150.3	157.3	20.1
Capex	83.9	89.3	138.5
Acquisitions	0.0	0.0	12.1
Disposals	64.2	255.2	1.1
Dividends	67.0	56.7	57.2
Free Cash Flow (FCF)	66.4	68.0	-118.4
Adjusted FCF*	63.6	266.4	-186.6
Key ratios			
EBITDA margin (%)	13.5	19.4	23.5
Net margin (%)	6.0	24.3	13.2
Gross debt/EBITDA (x)	58.8	20.9	18.9
Net debt/EBITDA (x)	48.6	18.0	16.5
Gross debt/equity (x)	1.94	1.70	1.65
Net debt/equity (x)	1.60	1.46	1.43
Gross debt/total capitalization (%)	65.9	63.0	62.2
Net debt/net capitalization (%)	61.5	59.4	58.9
Cash/current borrowings (x)	0.62	0.31	0.35
EBITDA/gross interest (x)	1.0	2.8	4.3

Source: Company, OCBC estimates

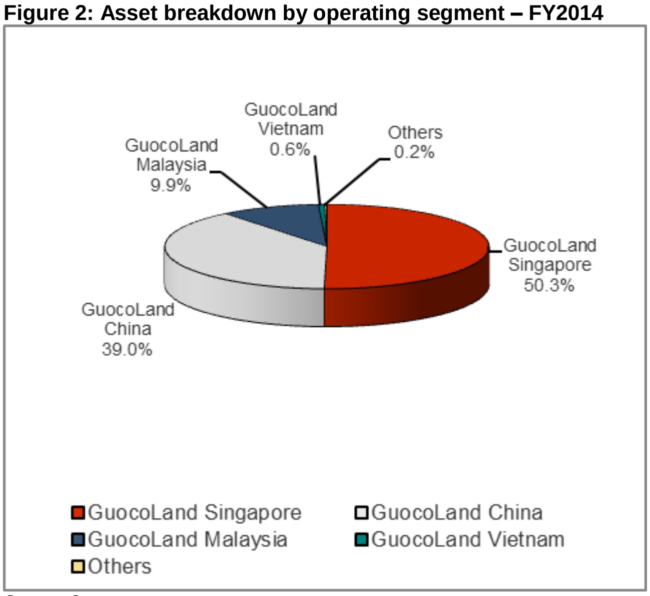
**Adjusted FCF = FCF – Acquisitions – Dividends + Disposals*

Figure 1: Revenue breakdown by operating segment – FY2014



Source: Company

Figure 2: Asset breakdown by operating segment – FY2014



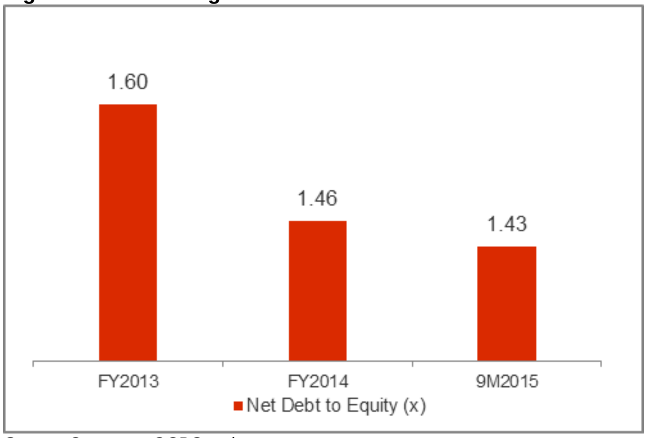
Source: Company

Figure 3: Debt maturity profile

Amounts in SGD mn	As at 31/03/2015	% of debt
Amount repayable in one year or less, or on demand		
Secured	886.7	16.5%
Unsecured	1,078.5	20.0%
	1,965.1	**36.5%**
Amount repayable after a year		
Secured	2,078.9	38.6%
Unsecured	1,341.1	24.9%
	3,420.0	**63.5%**
Total	**5385.1**	**100.0%**

Source: Company

Figure 4: Net Gearing



Source: Company, OCBC estimates

Henderson Land Development Co Ltd

Key credit considerations

- **Stable 2014 results anchored by property leasing:** Revenue was flat y/y at HKD23.37bn as strength in property leasing (HKD7.9bn, up 8% y/y) offset slight weakness in property development (HKD16.8bn, down 2% y/y). EBITDA was up 6.5% y/y to HKD6.17bn. Underlying profit was HKD9.29bn, up a moderate 4% y/y from HKD8.94bn in 2013. Pre-tax profit contribution from property sales decreased 14% y/y to HKD3.38bn, with China being a drag. Pre-tax net rental income increased 7% y/y to HKD5.99bn as retail malls recorded nearly full occupancy despite retail headwinds while office recorded increased rents with satisfactory occupancies.

- **Strength in contracted sales to continue with strong launch pipeline:** 2014 contracted sales increased to HKD19.1bn from HKD17.8bn in 2013 mainly on strong Hong Kong sales due to improving market sentiment. HLD sold HKD13.93bn (HKD11.69bn residential, HKD2.23bn commercial) in Hong Kong, up from HKD10.5bn a year earlier. Contracted sales should further improve in 2015 with 1.82mn sq ft of saleable area in Hong Kong, up from 1.4mn sq ft in 2013. Mainland China sales in contrast was down to HKD5.2bn from HKD7.3bn in 2013 due to the property downturn. As a result, China orderbook decreased to HKD6.73bn from HKD8.15bn in 2013.

- **Sizable landbank for future development:** Landbank in Hong Kong decreased slightly to 13.9mn sq ft from 14.5mn sq ft in 2013 as the company has not been very active in government tenders. Similarly, China landbank decreased to 135.9mn sq ft from 143.9mn sq ft in 2013. Instead, HLD continues to focus landbanking efforts via redevelopment of old tenement buildings and farmland replenishment. While this provides higher margins, turnover is slower. New Territories land area owned stood at 44.5mn sq ft, up from 42.5mn sq ft in 2013. That said, HLD has shown a willingness to diversify landbanking sources with the recent win for a tender at a residential site at So Kwun Wat for HKD3.6bn, the company's first residential win since November 2013.

- **Improving credit profile as company continues to deleverage:** Net gearing improved to 15% from 17% as net debt position remained stable at HKD37.42bn (2013:HKD38.3bn) while equity was boosted by net income which included HKD5.54bn of revaluation gains. Net debt/EBITDA improved to 6.07x from 6.62x on improvements in EBITDA generation while EBITDA interest coverage similarly improved to 3.1x from 2.7x. Cash flows from associates HK and China Gas, Miramar Hotels and HK Ferry are not included in these calculations. Dividends received from associates and joint ventures was HKD3.6bn in 2014 and net debt/EBITDA and EBITDA interest coverage adjusted for this would be 3.84x and 4.8x, respectively.

- **Adequate liquidity:** Cash balance of HKD10.3bn was insufficient to cover short term debt of HKD13.6bn. That said, we note that HLD has recurrent income generation from operations (HKD3.5bn) and banking facilities in place to meet the shortfall. The company signed a HKD18bn 5-year term loan/revolving credit facility on 30 March 15 to refinance a 5-year HKD13.25bn syndicated loan signed in June 2010.

Credit Outlook –

HLD's credit profile improved over 2014 as the company continued to deleverage. That said HLD continues to trade tight across the curve with HENLND'16 (84.1bps over swaps) is trading inside WHARF'16 (87bps over swaps) which we do not think is justified.

Issuer Rating: Overweight

S&P: Not rated
Moody's: Not rated
Fitch: Not rated

Ticker: **HENLND**

Company Profile

Henderson Land Development Co Ltd ("HLD") is a leading property developer with businesses in Hong Kong and China. It also holds strategic stakes in Henderson Investment Ltd and three listed associates, including The Hong Kong and China Gas Company Ltd ("HKCGC") which owns listed subsidiary, Towngas China Company Ltd, Hong Kong Ferry (Holdings) Company Ltd, Miramar Hotel and Investment Company Ltd, 68.4%-owned by its Chairman, Dr. Lee Shau Kee, HLD is one of the largest conglomerates in Hong Kong.

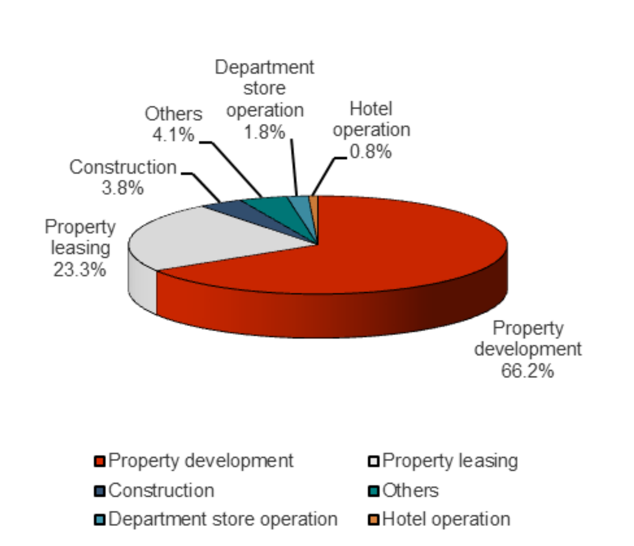
Henderson Land Development Co Ltd

Table 1: Summary financials

Year ended 31st Dec	FY2012	FY2013	FY2014
Income statement (HK$ mn)			
Revenue	15,592	23,289	23,371
EBITDA	4,481	5,792	6,167
EBIT	4,692	5,595	5,991
Gross interest expense	2,334	2,179	2,021
Profit Before Tax	21,614	17,795	18,473
Net profit	20,485	15,948	16,752
Balance sheet (HK$ mn)			
Cash and bank deposits	12,538	13,915	10,303
Total assets	281,508	304,114	316,980
Gross debt	47,743	52,259	47,723
Net debt	35,205	38,344	37,420
Shareholders' equity	209,852	228,000	243,217
Total capitalization	257,595	280,259	290,940
Net capitalization	245,057	266,344	280,637
Cash flow (HK$ mn)			
Funds from operations (FFO)	20,274	16,145	16,928
CFO	2,642	-1,350	3,552
Capex	498	507	5,233
Acquisitions	257	3,291	80
Disposals	1,327	1,452	2,043
Dividend	533	697	2,297
Free Cash Flow (FCF)	2,144	-1,857	-1,681
Adjusted FCF*	2,681	-4,393	-2,015
Key ratios			
EBITDA margin (%)	28.7	24.9	26.4
Net margin (%)	131.4	68.5	71.7
Gross debt to EBITDA (x)	10.7	9.0	7.7
Net debt to EBITDA (x)	7.9	6.6	6.1
Gross Debt to Equity (x)	0.23	0.23	0.20
Net Debt to Equity (x)	0.17	0.17	0.15
Gross debt/total capitalisation (%)	18.5	18.6	16.4
Net debt/net capitalisation (%)	14.4	14.4	13.3
Cash/current borrowings (x)	3.7	1.6	0.7
EBITDA/gross Interest (x)	1.9	2.7	3.1

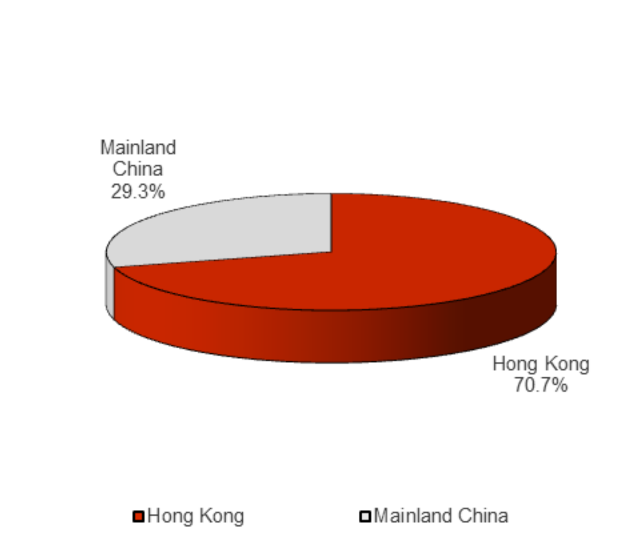
Source: Company, OCBC estimates

Figure 1: Revenue breakdown by business – FY2014



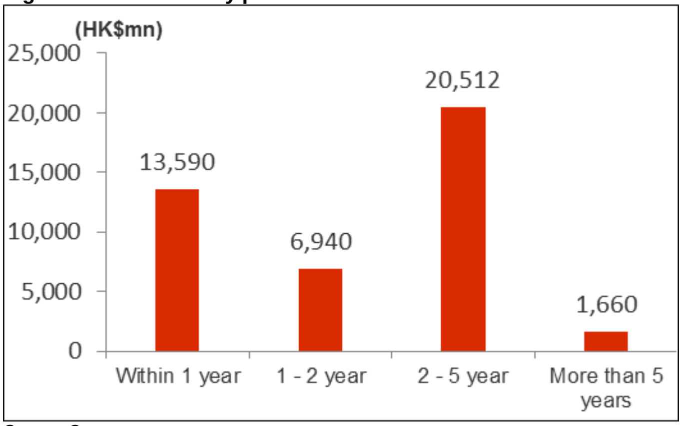
Source: Company

Figure 2: Revenue breakdown by geography – 1H2014



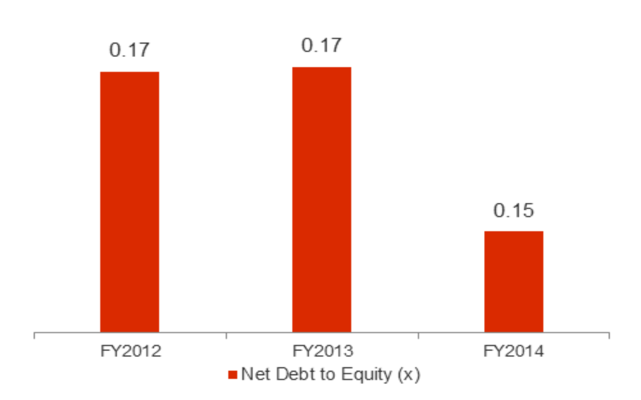
Source: Company

Figure 3: Debt maturity profile



Source: Company

Figure 4: Net gearing



Source: Company, OCBC estimates

Credit Outlook – Although HFC continues to be affected by the weak property development business, its net gearing remains manageable with adequate liquidity buffer. We prefer HFCSP'18 to HFCSP'19 as HFCSP'18 is trading at comparable spread level (~265bps over swap) with a shorter tenor.

Issuer Rating: Neutral

S&P: Not rated

Moody's: Not rated

Fitch: Not rated

Ticker: **HFCSP**

Company Profile

Hong Fok Corp Ltd ("HFC") is an investment holding company, with principal activities in property investment, property development, construction and property management. Its investment properties, The Concourse and International Building, total over 77,000 sq m by gross floor area. The Cheong family substantially controls HFC. Its top shareholders are Hong Fok Land International Ltd (20.40%), Goodyear Realty Co Pte Ltd (16.30%), Sim Eng Cheong (11.85%) and K P Cheong Investments Pte Ltd (11.04%).

Hong Fok Corp Ltd

Key credit considerations

- **Relatively small real estate developer with proven track record:** With history tracing back to 1967, HFC is an established property developer that has developed a number of commercial, industrial and residential projects in Singapore such as The Concourse and Concourse Skyline, Henderson Industrial Park, International Building and Teresa Ville. Listed on the SGX, HFC has a market capitalization of SGD668.8mn as at 30 Jun 15 compared to larger peers such Capitaland (SGD14.9bn) and City Developments Ltd (SGD8.9bn).

- **1Q2015 results hit by weak property development business:** Revenue dropped 70.7% y/y to SGD15.6mn as there was no recognition of sales from Concourse Skyline. Due to government's cooling measures, property market sentiment remains weak and only 66.9% of the residential units of Concourse Skyline have been sold so far despite obtaining its Temporary Occupation Permit in March 2014. Although there was an increase in rental income from the leasing of units in Concourse Skyline, it was insufficient to cover the fall in revenue. As a result, HFC's net profit fell 87.8% y/y to SGD0.9mn. Going forward, management does not expect the residential property market to turn around soon.

- **Recurring rental income from investment properties:** Meanwhile, HFC will continue to generate rental income from its investment properties, which partly mitigates the lumpy nature of its property development business. The group's key investment properties are International Building (a 12-storey commercial building situated on a prime site along Orchard Road), The Concourse (a 41-storey commercial/office tower block) and retail units of Concourse Skyline on Beach Road. These properties are occupied by reputable tenants. As at end-2014, International Building is valued at SGD310.8mn while The Concourse and retail units of Concourse Skyline are valued at SGD1.02bn.

- **Venturing into hospitality business:** HFC intends to leverage on its strengths and expertise to expand its investment property portfolio at prime locations in Singapore. In 2014, the group has commenced construction of YOTEL Singapore Orchard Road, a new 30-storey hotel with 610 guestrooms and a single-storey commercial block. The project is targeted to be completed in 1H2017 and should contribute positively to the group's recurring income streams going forward. As at end-2014, the project is valued at SGD442.5mn.

- **Sufficient liquidity but mixed credit metrics:** As at end-March 2015, HFC's cash balance of SGD106.7mn was sufficient to repay the group's short-term debt due in one year. Meanwhile, net gearing improved slightly to 0.35x from 0.36x as at end-2014. However, EBITDA/gross interest remained weak at 1.1x (2014: 1.2x) in absence of contribution from the property development business. HFC has increased the limit of its MTN programme to SGD600.0mn from SGD300.0mn in October 2014 but the group has not tapped the bond market ytd.

- **Potential divestment of stake in Winfoong:** HFC has inked a non-binding memorandum of understanding in March 2015 to sell its stake in Hong Kong-listed Winfoong International Ltd ("Winfoong"), a company involved in real estate, horticulture and securities trading. HFC owns an effective stake of 48.89% (38.86% direct) in Winfoong. Assuming that HFC sells its stake in Winfoong's at closing price of HKD1.18/share (last close as of 30 Jun 15), the group could potentially increase its cash holdings by ~SGD210.0mn to SGD316.7mn from SGD106.7mn (end-1Q2015), and reduce its net gearing to 23.7% from 35.3%. Meanwhile, HFC is still in discussion with the potential purchaser and no formal agreement has been reached yet.

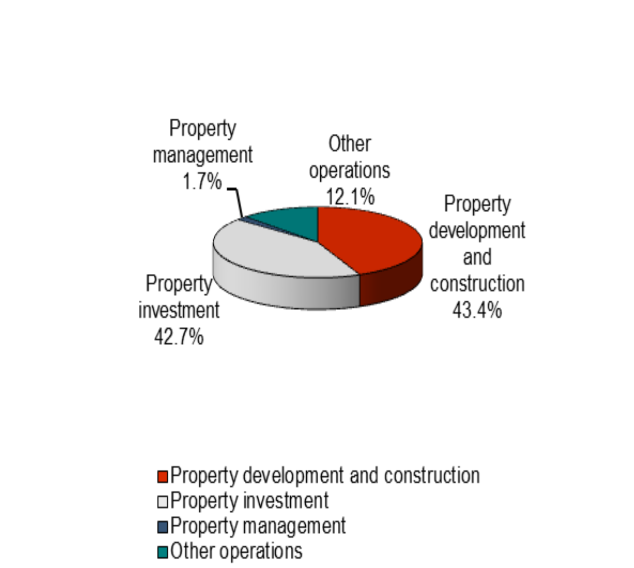
Hong Fok Corp Ltd

Table 1: Summary financials

Year ended 31st December	FY2013	FY2014	1Q2015
Income statement (SGD mn)			
Revenue	227.6	97.2	15.6
EBITDA	42.6	23.1	5.3
EBIT	42.4	22.8	5.2
Gross interest expense	17.1	18.7	4.9
Profit before tax	362.5	70.0	0.7
Net income	357.0	48.1	0.9
Balance sheet (SGD mn)			
Cash and equivalents	37.6	93.1	106.7
Total assets	2,599.4	2,621.8	2,635.9
Gross debt	796.7	739.4	746.7
Net debt	759.1	646.3	640.1
Total equity	1,727.0	1,797.8	1,813.9
Total capitalization	2,523.7	2,537.2	2,560.6
Net capitalization	2,486.1	2,444.2	2,453.9
Cash flow (SGD mn)			
Funds from operations (FFO)	357.2	48.4	1.0
CFO	-44.2	135.4	20.0
Capex	5.3	23.6	5.6
Acquisitions	16.5	0.0	0.0
Disposals	1.0	36.1	0.7
Dividends	4.7	9.5	0.0
Free Cash Flow (FCF)	-49.6	111.9	14.4
Adjusted FCF*	-69.9	138.5	15.1
Key ratios			
EBITDA margin (%)	18.7	23.8	34.1
Net margin (%)	156.8	49.5	5.5
Gross debt/EBITDA (x)	18.7	32.0	35.0
Net debt/EBITDA (x)	17.8	28.0	30.0
Gross debt/equity (x)	0.46	0.41	0.41
Net debt/equity (x)	0.44	0.36	0.35
Gross debt/total capitalization (%)	31.6	29.1	29.2
Net debt/net capitalization (%)	30.5	26.4	26.1
Cash/current borrowings (x)	0.08	1.20	1.35
EBITDA/gross interest (x)	2.5	1.2	1.1

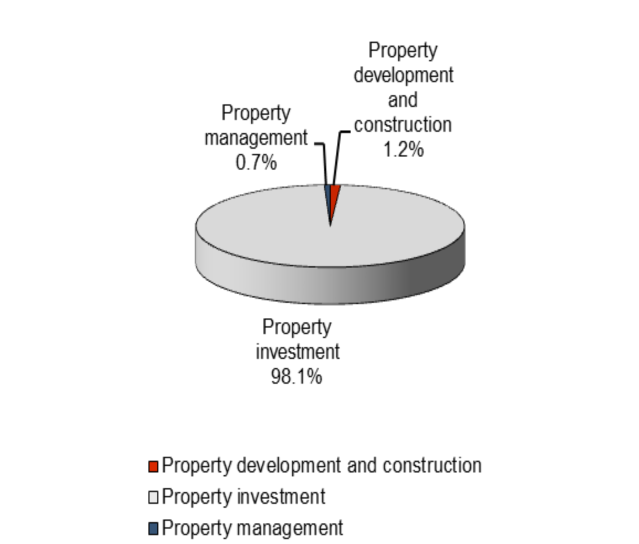
Source: Company, OCBC estimates
**Adjusted FCF = FCF –Acquisitions – Dividends + Disposals*

Figure 1: Revenue breakdown by business – FY2014



Source: Company

Figure 2: EBT breakdown by business segment* – FY2014



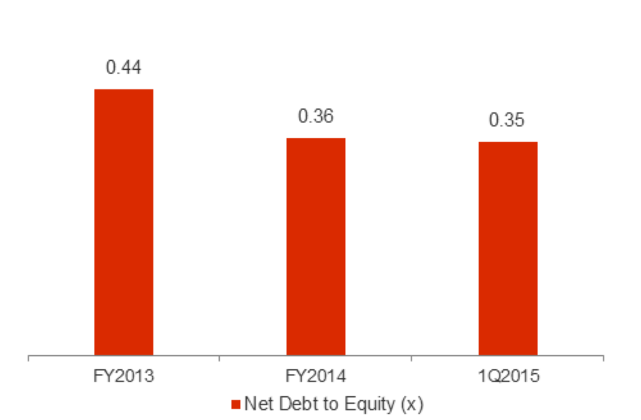
Source: Company
**EBT from Other operations segment removed due to negative EBT reported*

Figure 3: Debt maturity profile

(Amounts in SGD mn)	As at 31/03/2015	% of debt
Repayable in one year		
Secured	78.9	10.6%
Unsecured	0.2	0.0%
Sub-total	**79.1**	**10.6%**
Repayable after a year		
Secured	447.5	60.2%
Unsecured	218.1	29.2%
Sub-total	**665.7**	**89.4%**
Total	**746.7**	**100.0%**

Source: Company

Figure 4: Net gearing



Source: Company, OCBC estimates

Credit Outlook –

HK Land's credit profile continues to improve and is underpinned by strong cash flows from its portfolio of investment properties in Central. The HK Land's curve is tight as a result with the 15s and 17s at 37bps over swap and 20s at 63bps over swap. In addition, HK Land's paper is tightly held and not actively traded.

Issuer Rating: Overweight

S&P: A/Stable

Moody's: A2/Stable

Fitch: Not rated

Ticker: **HKLSP**

Company Profile

Established in 1889 and listed in London, Bermuda and Singapore, Hongkong Land Holdings Ltd ("HK Land") is a leading Asian property investment, management and development group. Its main portfolio is in Hong Kong, where it owns and manages ~4.9mn sq ft of prime office and retail space in Central. HK Land also develops premium residential properties in a number of cities in the region, principally in China and Singapore. HK Land is 50.01-owned by Jardine Strategic Holdings Ltd (A/A3/NR).

Hongkong Land Holdings Ltd

Key credit considerations

- **Performance continues to be underpinned by core investment property portfolio in Central:** HK Land reported stable 2014 results which continued to be anchored by core investment property portfolio in Central. Revenue increased 1% y/y to USD1.88bn from USD1.86bn as stable growth in commercial (+3.9% y/y to USD961mn) was offset by slight weakness in residential (-1.8% y/y to USD915mn). EBITDA increased 16% y/y to USD1.05bn. Commercial property continued to contribute the bulk of underlying operating profit (before revaluation gains and inclusive of JVs), USD953mn compared to USD398.4mn for residential.

- **Commercial portfolio in Hong Kong continues to be HK Land's most important investment with stable rental income:** HK Land controls about a quarter of Central office supply with 12 building representing 4.14mn sq ft of office (Total Central space: 17mn sq ft) and 592,000 sq ft of retail space in the company's total portfolio of 8.22mn sq ft across the region. Average rents were higher at HKD102 psf/mth while vacancies were up to 5.4% from 5.0% as the company focused on yield over utilisation. Going forward we expect positive rental reversions from 25% of rents expiring in 2015 (HKD95 psf/mth). Management guided that the portfolio (both office and retail) was not affected by Occupy Central movement although we are sceptical about the ability to raise rents in the retail portfolio in 2015 given the weak retail environment. That said, Central retail only comprises 7.2% of HK Land's total commercial portfolio.

- **2015 residential to be weak with strength from China offset by lower contributions from Hong Kong and Singapore:** Orderbook in China residential was USD533mn as of end-2014 with 80% of this expected to be recognised in 2015. China contracted sales remained strong (USD635mn, flat y/y) despite the company taking a USD38mn write-down on JV projects in Shenyang.

- **Constructive outlook for Grade A office rents:** Outlook for Grade A office rents look constructive with forecasted new office supply at only 1.9% of existing space while the demand side of the equation is expected to pick up slightly with Savills reporting an increase in space take-up from financial firms due to the boom in stock market activity.

- **Venturing into Shanghai:** HK Land formed a 50:50 JV with CIFI Land to develop a 226,667 sqm (GFA) mixed-use site in Pudong New District, Shanghai, with completion in phases between 2017 and 2018. This marks the company's first foray into Shanghai.

- **Credit profile continues to improve:** Net debt position of USD2.7bn as of end-December 2014 was down about 10% from USD3bn in 2013. Net debt/EBITDA improved to 2.5x from 3.3x in 2013. Net gearing reduced to 10% from 11% in 2013. EBITDA interest coverage improved to 7.3x from 6.9x in 2013.

- **Flush with liquidity, management not ruling out acquisitions: HK Land has** USD1.6bn in cash and USD2.9bn in unutilised lines to cover USD310mn of short term debt maturing this year. Average debt tenor has also increased to 7.3 years with an average interest cost of 2.9% as HK Land continued to be proactive in its financing activities. USD452mn of notes were issued under the MTN programme and USD1.2bn in bank facilities were raised in 2014. Acquisitions could be on the cards if the right opportunity arises with management not ruling out deploying cash for balance sheet expansion.

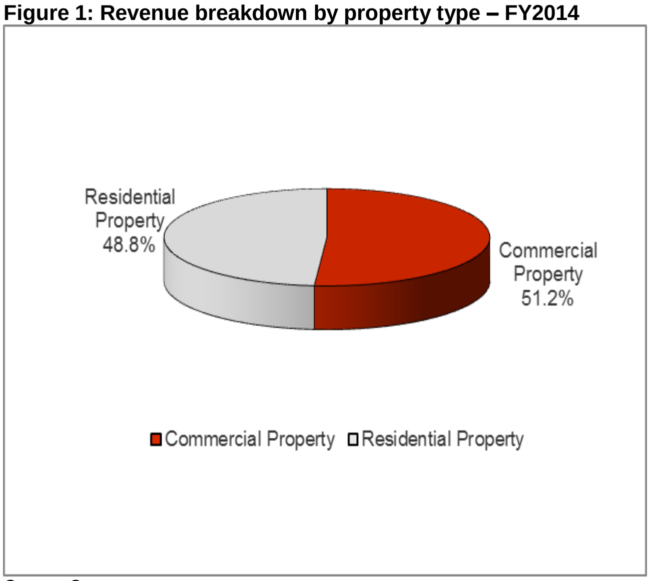
Hongkong Land Holdings Ltd

Table 1: Summary financials

Year ended 31st Dec	FY2012	FY2013	FY2014
Income statement (USD mn)			
Revenue	1,115	1,857	1,876
EBITDA	797	908	1,055
EBIT	795	905	1,053
Gross interest expense	111	131	144
Profit Before Tax	1,573	1,357	1,537
Net profit	1,438	1,190	1,327
Balance sheet (USD mn)			
Cash and bank deposits	982	1,406	1,663
Total assets	31,785	32,996	33,633
Gross debt	4,256	4,432	4,320
Net debt	3,273	3,025	2,657
Shareholders' equity	26,184	26,899	27,598
Total capitalization	30,440	31,331	31,918
Net capitalization	29,458	29,924	30,255
Cash flow (USD mn)			
Funds from operations (FFO)	1,440	1,192	1,330
CFO	333	985	831
Capex	515	134	174
Acquisitions	179	318	-263
Disposals	8	0	0
Dividend	375	405	426
Free Cash Flow (FCF)	-182	851	657
Adjusted FCF*	-728	129	493
Key ratios			
EBITDA margin (%)	71.5	48.9	56.2
Net margin (%)	129.0	64.1	70.7
Gross debt to EBITDA (x)	5.3	4.9	4.1
Net debt to EBITDA (x)	4.1	3.3	2.5
Gross Debt to Equity (x)	0.16	0.16	0.16
Net Debt to Equity (x)	0.13	0.11	0.10
Gross debt/total capitalisation (%)	14.0	14.1	13.5
Net debt/net capitalisation (%)	11.1	10.1	8.8
Cash/current borrowings (x)	2.7	2.0	5.8
EBITDA/gross Interest (x)	7.2	6.9	7.3

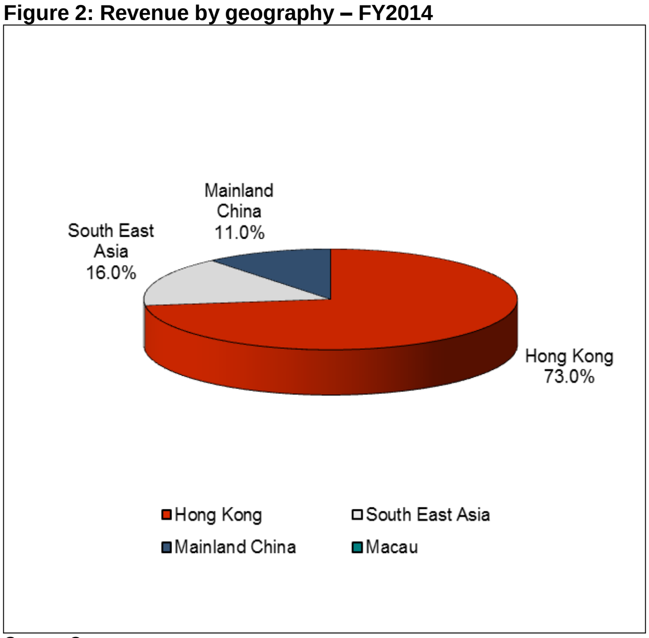
Source: Company, OCBC estimates

Figure 1: Revenue breakdown by property type – FY2014



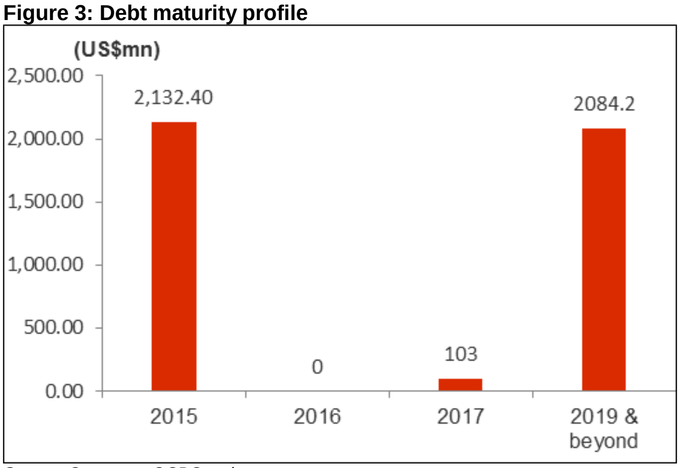
Source: Company

Figure 2: Revenue by geography – FY2014



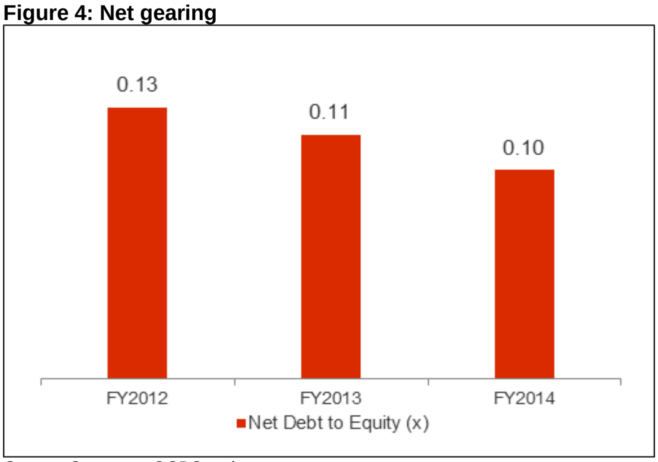
Source: Company

Figure 3: Debt maturity profile



Source: Company, OCBC estimates

Figure 4: Net gearing



Source: Company, OCBC estimates

Credit Outlook – Benefitting from recurring income generated from its hotel business, HPL's credit metrics remain stable despite weaker residential sales. We think longer dated papers in the HPLSP complex (HPLSP'18-'21) offer values at ~140-150bps over swap. Meanwhile, HPLSP'49c17 also looks attractive at YTC of 4.38%.

Issuer Rating: Neutral

S&P: Not rated

Moody's: Not rated

Fitch: Not rated

Ticker: **HPLSP**

Company Profile

The principal activities of Hotel Properties Limited ("HPL") include hotel ownership, management and operation, property development and investment holding. HPL has interests in 29 hotels under prestigious hospitality brands. HPL has also established itself as a niche property developer and owner in prime locations, including the Orchard Road area in Singapore. The controlling shareholder is 68 Holdings Pte Ltd, which owns 56.5% of HPL. 68 Holdings Pte Ltd is mainly owned by Wheelock Properties Singapore and HPL's co-founder, Mr Ong Beng Seng.

Hotel Properties Ltd

Key credit considerations

- **1Q2015 earnings continued to be affected by weak property sales:** HPL's revenue fell 26.0% y/y to SGD158.9mn, largely due to decreased contributions from the property division as the Tomlinson Heights condominium was completed in 1Q2014. In addition, share of results of associates and jointly controlled entities reported a loss of SGD3.9mn (vs. profit of SGD4.6mn in 1Q2014) on the back of lower earnings contribution from The Interlace and d'Leedon (both joint venture projects with CapitaLand), which were completed in September 2013 and October 2014, respectively. Coupled with higher finance costs (+29.5% y/y to SGD8.4mn as interest expense on Tomlinson Heights condominium previously capitalised were expensed), net profit dropped 68.0% y/y to SGD14.3mn.

- **No light at the end of the tunnel yet:** Given that the government's cooling measures are still in place, management expects sentiment for Singapore's residential property market to remain soft going forward. As at end-May 2015, HPL's residential projects, Tomlinson Heights, The Interlace and d'Leedon were 48.6%, 84.4% and 87.8% sold, respectively. Meanwhile, although we note that HPL's portfolio of prime Orchard Road assets is ripe for potential redevelopment, there was limited visibility in terms of timeline at this juncture.

- **Overseas projects will contribute in the longer term:** HPL will focus on marketing its overseas projects to weather the challenges in the local residential market. However, the group can only recognized earnings from these overseas projects upon completion. HPL's current projects in London, namely the Campden Hill and Burlington Gate, are expected to be completed by late 2016 and early 2017, respectively. Meanwhile, HPL continues to expand its investment portfolio overseas and the group has partnered with Temasek Holdings, Amcorp Properties from Malaysia and UK developer, Native Land to acquire a project (30%-stake) located on London's South Bank for GBP308mn in March 2015. The 5.3 acres site will be redeveloped into a residential mix development complete with offices, retail and leisure facilities with an estimated gross development value of more than GBP1.0bn. Recall that HPL has formed a joint venture (70%-stake) to acquire a freehold property (~1.1 acres) located in Paddington, London for GBP111.0mn in October 2014.

- **Silver lining from hotel and resort division:** Although the group's property division will remain weak in the near term, HPL expects earnings to be supported by its hotel and resort businesses, which continue to contribute recurring income to the group. The group commenced soft opening for its first resort in Thailand outside of Bangkok, Point Yamu by COMO in Phuket in late 2014. Besides, in December 2014, HPL opened the Four Seasons Hotel The Westcliff, Johannesburg after an extensive 2-year renovation. These hotels will contribute steadily to the group's profit going forward. On the commercial front, HPL also owns Concorde Shopping Centre and The Forum Shopping Mall, which provide recurring rental income to the group.

- **Minor improvements in credit metrics:** HPL's net gearing ratio improved slightly to 0.51x as at end-1Q2015 (2014: 0.52x), while EBITDA/gross interest remained healthy at 5.9x (2014: 5.5x). Although its cash balance (SGD151.4mn) is insufficient to repay its short-term debt (SGD323.0mn), refinancing should not be a problem, in our view. The group has demonstrated its good access to capital markets through two bond issuances (total of SGD115mn) in 2Q2015.

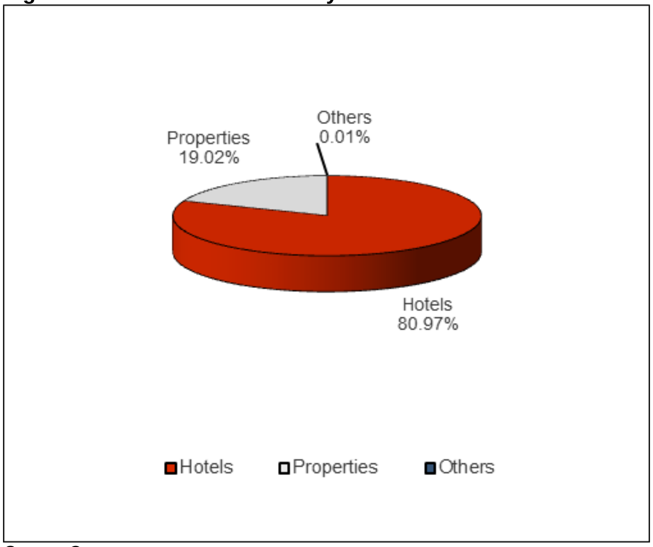
Hotel Properties Ltd

Table 1: Summary financials

Year ended 31st December	FY2013	FY2014	1Q2015
Income statement (SGD mn)			
Revenue	692.0	614.6	158.9
EBITDA	199.1	176.9	49.6
EBIT	152.3	127.7	36.4
Gross interest expense	25.1	32.0	8.4
Profit before tax	212.8	160.0	26.2
Net income	177.6	124.4	14.3
Balance sheet (SGD mn)			
Cash and equivalents	115.3	136.6	151.4
Total assets	3,014.2	3,231.2	3,283.2
Gross debt	1,057.5	1,137.1	1,161.3
Net debt	942.2	1,000.5	1,009.9
Total equity	1,802.3	1,921.5	1,966.7
Total capitalization	2,859.8	3,058.6	3,128.0
Net capitalization	2,744.5	2,922.0	2,976.6
Cash flow (SGD mn)			
Funds from operations (FFO)	224.4	173.6	27.4
CFO	138.6	281.6	50.8
Capex	41.2	148.8	14.5
Acquisitions	65.6	2.4	0.0
Disposals	0.8	17.8	0.3
Dividend	38.1	41.4	0.0
Free Cash Flow (FCF)	97.3	132.8	36.3
Adjusted FCF*	-5.6	106.7	1.3
Key ratios			
EBITDA margin (%)	28.8	28.8	31.2
Net margin (%)	25.7	20.2	9.0
Gross debt/EBITDA (x)	5.3	6.4	5.9
Net debt/EBITDA (x)	4.7	5.7	5.1
Gross debt/equity (x)	0.59	0.59	0.59
Net debt/equity (x)	0.52	0.52	0.51
Gross debt/total capitalization (%)	37.0	37.2	37.1
Net debt/net capitalization (%)	34.3	34.2	33.9
Cash/current borrowings (x)	0.37	0.52	0.47
EBITDA/gross interest (x)	7.9	5.5	5.9

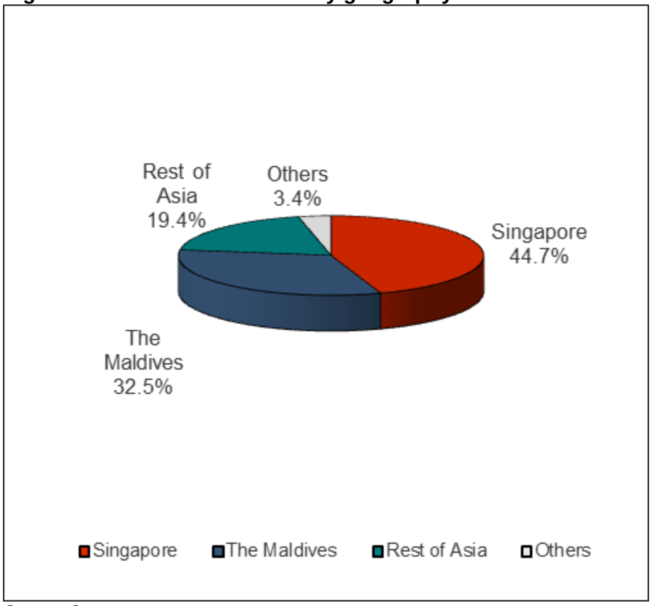
Source: Company, OCBC estimates
**Adjusted FCF = FCF – Acquisitions – Dividends + Disposals*

Figure 1: Revenue breakdown by business – FY2014



Source: Company

Figure 2: Revenue breakdown by geography – FY2014



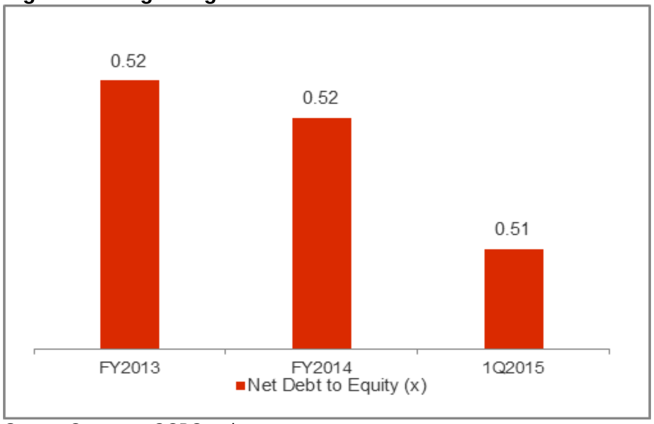
Source: Company

Figure 3: Debt maturity profile

Amounts in SGD mn	As at 31/03/2015	% of debt
Amount repayable in one year or less, or on demand		
Secured	163.1	14.0%
Unsecured	159.9	13.8%
	323.0	**27.8%**
Amount repayable after a year		
Secured	509.0	43.8%
Unsecured	329.3	28.4%
	838.3	**72.2%**
Total	**1161.3**	**100.0%**

Source: Company

Figure 4: Net gearing



Source: Company, OCBC estimates

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Credit Outlook – At a spread of less than ~60bps above swaps, we continue to believe that the KEPSP'20 and '22 are richly valued. We are more Neutral on '27 and '42, though they would face near-term volatility given their longer duration.

Issuer Rating: Neutral

S&P: Not rated

Moody's: Not rated

Fitch: Not rated

Ticker: **KEPSP**

Company profile

Listed in 1986, Keppel Corp Ltd ("KEP") is a diversified conglomerate based in Singapore, operating in the offshore & marine, real estate, and infrastructure sectors. Its principal activities include offshore oil rig construction, shipbuilding and repair, environmental engineering, power generation, property investment and development, and the operation of logistics and data centre facilities. Keppel operates in more than 30 countries internationally, and is 21.0%-owned by Temasek Holdings Ltd.

Keppel Corp Ltd

Key credit considerations

- **Infrastructure segment pressured revenue:** Revenue declined 6.1% y/y to SGD2.8bn (end-1Q2015), driven by a 30.8% y/y slump in infrastructure revenue. The segment was hit by lower power & gas as well as EPC project revenues and by the divestment of Keppel FMO in 4Q2014. O&M and property segment revenues were flat y/y despite the challenging environment.

- **Earnings from core businesses soft**: Despite the 6.2% y/y increase in net profit to SGD360mn, this was driven mainly by lower non-controlling interests, as a result of the privatization of Keppel Land ("KPLD") during the quarter. Operating profit actually declined 4.0% y/y to SGD398.2mn. The softness in earnings was seen across KEP's core business segments, with the pre-tax earnings for O&M, property and infrastructure facing y/y declines of 17.6%, 22.3% and 24.5% respectively. Earnings were supported by the SGD57mn increase in pre-tax profits from the investment division (non-recurring sale of equity investments).

- **O&M clarity given:** Segment operating margin compressed from 14.2% (1Q2014) to 12.0% (1Q2015), with management long-term target operating margin at 10 - 12%. There was a shift in product mix from repair projects to shipbuilding and conversion projects. Though the firm won SGD500mn in new orders during 1Q2015, the net order book declined SGD1.2bn to SGD11.3bn (~1.3x segment revenue for 2014). The order book mix is semi-submersibles (44%), jackup rigs (27%) and FPSO/LFNG (21%). The delivery pipeline for 2015 is 16 rigs (these are mostly jackup rigs). Management did disclose that two clients (Transocean and Fecon) have requests to defer a total of 8 rigs for about 6 months (these rigs were previously scheduled for 2016). Like SCI, KEP's largest O&M order (originally worth ~USD4.9bn) is from Sete Brasil / Petrobras. Though there are concerns that these orders may be cancelled, KEP's CEO stated he does not believe that Sete Brasil will cancel its orders with KEP. KEP's orders are further along (the 1st, 2nd and 3rd rigs to be delivered are 89%, 58% and 32% complete as of end-1Q2015, with the first scheduled to be delivered at the end of 2015) and the orders are still net cash positive due to prior payments made. Like SCI, KEP invested in a Brazilian shipyard (BrasFELS).

- **KPLD acquisition cheaper than expected**: KEP fell short of the 95.5% compulsory acquisition threshold for KPLD, resulting in KEP acquiring KPLD at SGD4.38 per share (instead of SGD4.60), saving ~SGD140mn. We believe KEP would increase KPLD's portfolio of investment properties, to generate steady recurring income. This could help offset the volatility seen in the O&M segment.

- **Liquidity remains healthy:** Cash / current borrowings remain fair at 149%. EBITDA / interest coverage declined from 17.2x (end-2014) to 14.3x (end-1Q2015) but remains strong. FCF remains negative, in part due to the acquisition of investment properties. Receivables increased by SGD455mn during the quarter (potentially late payments by Sete Brasil). As such, working capital needs remains a drag on cash, and is unlikely to improve until the Sete Brasil situation resolves.

- **Credit profile deteriorated as expected:** As the KPLD acquisition was funded mainly by cash on KEP's balance sheet, net gearing increased from 0.11x (end-2014) to 0.37x (end-1Q2015). This was driven by a SGD2.1bn decline in cash and SGD753mn increase in gross debt. Net debt/EBITDA surged as well from 0.7x to 2.1x during the quarter. We currently do not believe that KEP's credit profile would improve meaningfully in the near future and retain a Neutral issuer rating.

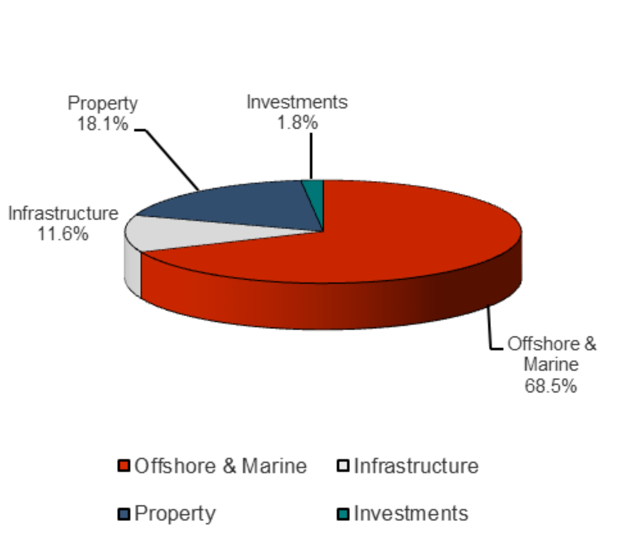
Keppel Corp Ltd

Table 1: Summary financials

Year ended 31st December	FY2013	FY2014	1Q2015
Income statement (SGD' mn)			
Revenue	12,380.4	13,283.0	2,814.1
EBITDA	2,108.5	2,305.4	524.9
EBIT	1,866.2	2,040.3	459.2
Gross interest expense	124.7	134.0	36.6
Profit Before Tax	2,793.7	2,888.6	455.5
Net profit	1,845.8	1,884.8	360.2
Balance Sheet (SGD'mn)			
Cash and bank deposits	5,564.7	5,736.0	3,667.3
Total assets	30,055.6	31,554.8	29,551.2
Gross debt	7,099.5	7,382.5	8,136.3
Net debt	1,534.9	1,646.5	4,469.0
Shareholders' equity	13,688.9	14,727.6	12,198.4
Total capitalization	20,788.4	22,110.2	20,334.7
Net capitalization	15,223.7	16,374.2	16,667.4
Cash Flow (SGD'mn)			
Funds from operations (FFO)	2,088.1	2,149.9	425.9
CFO	624.7	4.7	284.3
Capex	936.1	594.9	364.4
Acquisitions	576.3	667.4	63.8
Disposals	567.2	1,728.6	1.4
Dividends	843.1	1,028.5	1.3
Free Cash Flow (FCF)	-311.4	-590.2	-80.1
Adjusted FCF*	-1,163.7	-557.6	-143.9
Key Ratios			
EBITDA margin (%)	17.0	17.4	18.7
Net margin (%)	14.9	14.2	12.8
Gross debt/EBITDA (x)	3.4	3.2	3.9
Net debt/EBITDA (x)	0.7	0.7	2.1
Gross debt/equity (x)	0.52	0.50	0.67
Net debt/equity (x)	0.11	0.11	0.37
Gross debt/total capitalization (%)	34.2	33.4	40.0
Net debt/net capitalization (%)	10.1	10.1	26.8
Cash/current borrowings (x)	10.77	3.19	1.49
EBITDA/gross interest (x)	16.9	17.2	14.3

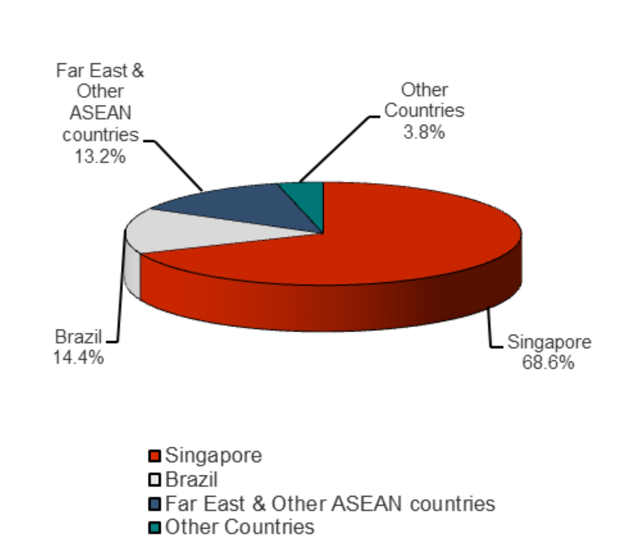
Source: Company, OCBC estimates
**Adjusted FCF = FCF –Acquisitions – Dividends + Disposals*

Figure 1: Revenue breakdown by business – 1Q2015



Source: Company

Figure 2: Revenue breakdown by geography – 1Q2015



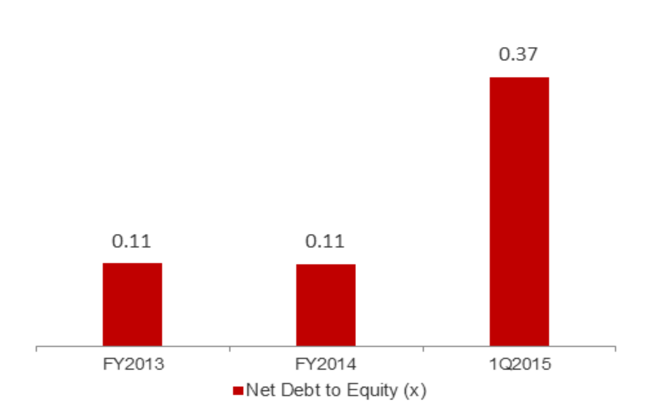
Source: Company

Figure 3: Debt maturity profile

Amounts in SGD mn	As at 31/03/2015	% of debt
Repayable within one year		
Secured	153.5	1.9%
Unsecured	2,312.9	28.4%
Sub-total	**2,466.4**	**30.3%**
Repayable after a year		
Secured	908.0	11.2%
Unsecured	4,762.0	58.5%
Sub-total	**5,670.0**	**69.7%**
Total	**8,136.4**	**100.0%**

Source: Company

Figure 4: Net gearing



Source: Company, OCBC estimates

Credit Outlook – We downgrade KPLD's issuer rating to Neutral (align with Keppel Corp's issuer rating), as we believe there will be limited disclosure going forward following the privatization exercise. We don't see value in the KPLDSP complex, which offers low spread levels of 40-70bps over swap.

Issuer Rating: Neutral

S&P: Not rated
Moody's: Not rated
Fitch: Not rated

Ticker: **KPLDSP**

Company Profile

Keppel Land ("KPLD") is the property arm of the Keppel Group and it has a diversified portfolio of properties in office towers, residential properties, hotels, resorts, retail complexes, industrial buildings and townships across Singapore, China, Vietnam and Indonesia. KPLD owns 45.9% of Keppel REIT ("KREIT"), while Alpha Investment Partners ("Alpha") is its fund management arm. Together, both funds have a total asset under management of SGD18.7bn (when fully leveraged and invested) as at end-1Q2015.

Keppel Land Ltd

Key credit considerations

- **Muted 1Q2015 revenue but higher expenses:** KPLD reported 1Q2015 revenue of SGD278.4mn (-2.3% y/y), largely due to lower contribution from the property trading segment. In addition, there were lower earnings from associates and joint ventures following the divestment of Marina Bay Financial Centre Tower 3 ("MBFC3") to KREIT in December 2014. On the other hand, administrative and other expenses grew 29.5% y/y to SGD32.1mn on the back of higher staff costs. Coupled with higher interest expense (+163.3% y/y to SGD17.1mn as a result of higher borrowings and lower capitalisation of interest expenses), net profit dropped 17.2% y/y to SGD72.6mn.

- **Slower sales in Singapore mitigated by better overseas sales:** Market sentiment in Singapore's residential market remained weak and the group only sold more than 30 units in 1Q2015 vs. ~50 units in 1Q2014. Nonetheless, there were better sales momentum in overseas markets and the group sold ~690 units in 1Q2015 (1Q2014: 660 units), mainly from China (Seasons Park in Tianjin and Central Park City in Wuxi) and Vietnam (Estella Heights in Ho Chi Minh City). In 1Q2015, overseas earnings contributed ~36.8% of the group's net profit vs. 30.4% in 1Q2014.

- **Remains focused in key markets:** The group will continue to scale up operations in its core markets (Singapore and China) and growth markets (Indonesia and Vietnam). As sentiment has improved in China's residential market due to government's easing policies, KPLD is well placed to capture the pent-up demand given its healthy pipeline (3,150 units launch-ready in 2015). In 1Q2015, the group has extended its strategic alliance with China Vanke to develop a 16.7-hectare prime residential site in Chengdu. Besides, KPLD also acquired a 4.6-hectare residential site in West Jakarta.

- **Steady contributions from property investment and fund management segments:** For 1Q2015, earnings from property investment and fund management businesses accounted for 32.3% and 19.3% of KPLD's net profit, respectively. Going forward, recurring income from these divisions should continue to shelter the group from the lumpy property trading segment. Asset under management for KPLD has grown at a CAGR of 14.0% from 2010-2014.

- **Healthy liquidity position despite rising gearing:** The group's net gearing rose to 0.25x as at end-1Q2015 (2014: 0.20x) on the back of its expansion initiatives (acquired freehold office building at 75 King William Street in London and the acquisition of 35% interest in Chengdu Taixin). We expect KPLD's net gearing to be on the uptrend going forward as the group intends to grow its commercial presence overseas. Meanwhile, KPLD's EBITDA/gross interest deteriorated to 3.5x (2014: 5.2x) mainly due to falling contribution from the property trading division. That said, the group continue to have sufficient cash balance (SGD2.28bn) to repay its SGD906.3mn borrowings due in one year. As at end-1Q2015, ~63.0% of KPLD's total borrowings were fixed rate debt. We do not expect any capex funding issues for KPLD given its established platform to recycle its assets when needed.

- **Privatization of KPLD by Keppel Corp:** Keppel Corp has made a voluntary unconditional cash offer to acquire KPLD's share in January 2015. As at end-1Q2015, Keppel Corp owns 95.1% of KPLD and the group will be delisted from the SGX on 16 Jul 2015. Keppel Corp intends to further develop and achieve greater scale for KPLD's property business by leveraging on its financial and organisational strengths.

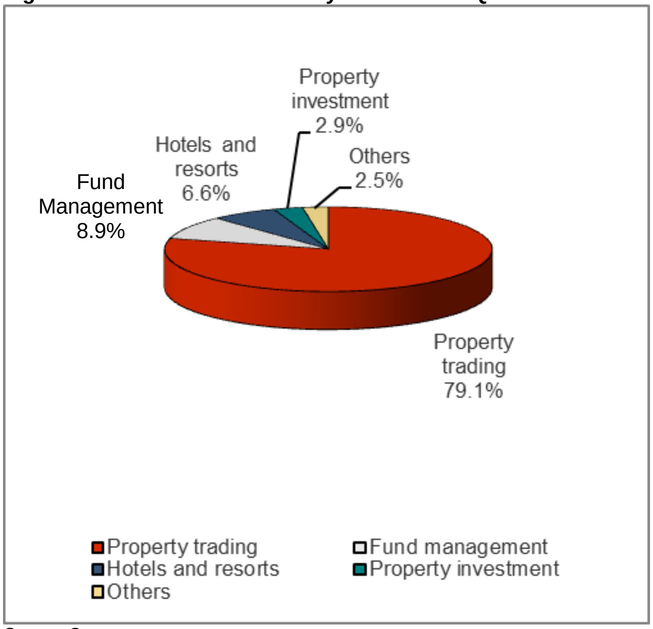
Keppel Land Ltd

Table 1: Summary financials

Year ended 31st December	FY2013	FY2014	1Q2015
Income statement (SGD mn)			
Revenue	1,461.0	1,497.2	278.4
EBITDA	259.2	282.4	59.2
EBIT	244.5	265.0	53.4
Gross interest expense	28.3	54.5	17.1
Profit before tax	1,000.8	953.3	89.5
Net income	885.9	752.5	72.6
Balance sheet (SGD mn)			
Cash and equivalents	1,285.4	2,593.7	2,276.7
Total assets	13,822.5	14,527.5	14,870.6
Gross debt	4,153.0	4,203.0	4,351.5
Net debt	2,867.7	1,609.3	2,074.8
Total equity	7,485.6	8,144.9	8,419.4
Total capitalization	11,638.6	12,347.9	12,770.8
Net capitalization	10,353.3	9,754.2	10,494.2
Cash flow (SGD mn)			
Funds from operations (FFO)	900.6	769.9	78.5
CFO	-1,367.2	69.7	-134.1
Capex	87.7	81.0	224.3
Acquisitions	240.5	181.3	63.9
Disposals	227.3	1,038.0	0.0
Dividends	202.0	299.9	1.3
Free Cash Flow (FCF)	-1,454.9	-11.3	-358.4
Adjusted FCF*	-1,670.1	545.4	-423.6
Key ratios			
EBITDA margin (%)	17.7	18.9	21.3
Net margin (%)	60.6	50.3	26.1
Gross debt/EBITDA (x)	16.0	14.9	18.4
Net debt/EBITDA (x)	11.1	5.7	8.8
Gross debt/equity (x)	0.55	0.52	0.52
Net debt/equity (x)	0.38	0.20	0.25
Gross debt/total capitalization (%)	35.7	34.0	34.1
Net debt/net capitalization (%)	27.7	16.5	19.8
Cash/current borrowings (x)	4.54	2.46	2.51
EBITDA/gross interest (x)	9.2	5.2	3.5

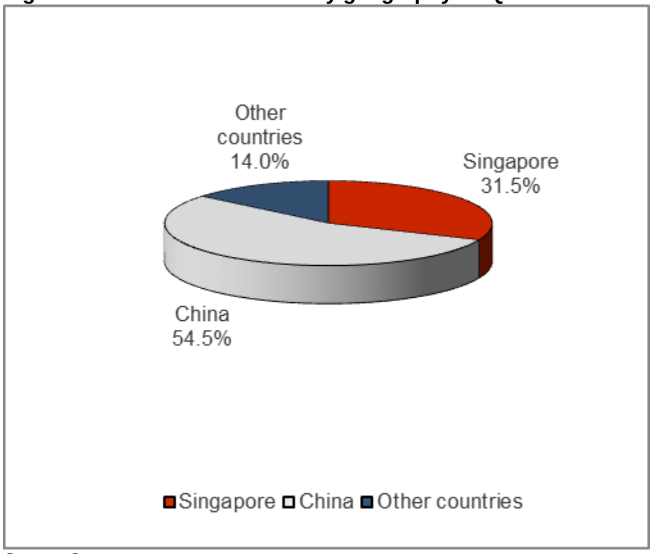
Source: Company, OCBC estimates
**Adjusted FCF = FCF – Acquisitions – Dividends + Disposals*

Figure 1: Revenue breakdown by business – 1Q2015



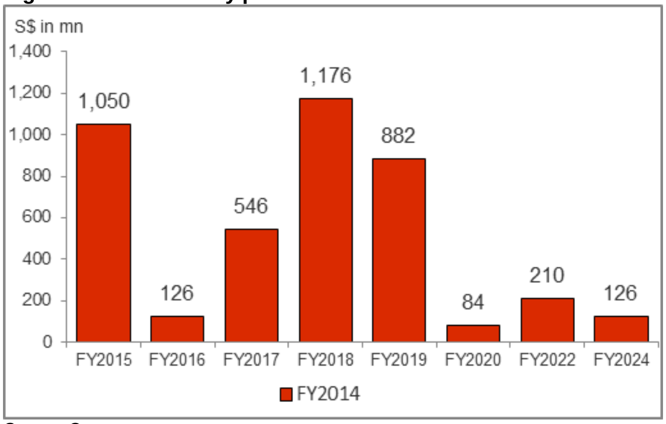
Source: Company

Figure 2: Revenue breakdown by geography – 1Q2015



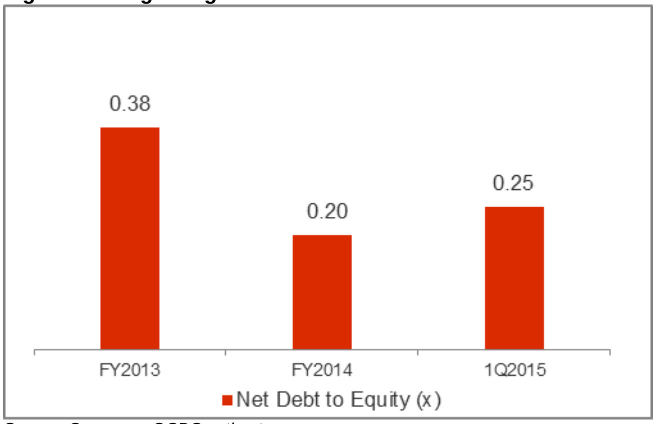
Source: Company

Figure 3: Debt maturity profile



Source: Company

Figure 4: Net gearing



Source: Company, OCBC estimates

Credit Outlook – We like MCT's quality commercial assets and improving credit metrics. However, valuations are rich for the MCTSP complex in our view, given the tight spread levels of 33-63bps over swap.

Issuer Rating: Neutral

S&P: Not rated

Moody's: Baa1/Stable

Fitch: Not rated

Ticker: **MCTSP**

Company Profile

Mapletree Commercial Trust ("MCT") is a REIT that invests in office and retail assets. Its four key assets are: 1) VivoCity – a retail and leisure complex; 2) Bank of America Merrill Lynch HarbourFront – an office occupied by Bank of America Merrill Lynch; 3) PSA office building that includes a 40-storey office block and Alexandra Retail Centre ("ARC"); and 4) Mapletree Anson – a Grade A office building in Tanjong Pagar CBD. The properties, with an NLA of 2.1mn sq ft, are valued at SGD4.20bn as of 31 Mar 15. MCT is 37.0%-owned by Temasek through Mapletree Investments.

Mapletree Commercial Trust

Key credit considerations

- **Commendable performance amidst slower retail market:** MCT reported FY2015 (end-Mar) revenue and net property income ("NPI") of SGD282.5mn (+5.7% y/y) and SGD211.7mn (+8.4% y/y), respectively. We believe this is a good set of results given the soft retail sentiment in the past few quarters. The better performance was mainly due to robust organic growth achieved by its properties and cost cutting efforts by management.

- **VivoCity not spared from the retail headwinds:** VivoCity contributed 64.1% of MCT's NPI in FY2015. We note that in 4QFY2015, VivoCity's shopper traffic was down 7.7% y/y although on a positive note, tenants' sales held out relatively well, falling only 0.2% y/y, suggesting that visitor spending remained resilient. For FY2015, VivoCity's shopper traffic fell 1.4% y/y but tenants' sales was up marginally at 0.3% y/y. On the operating front, VivoCity's committed occupancy rate was strong at 99.5% (as at end-FY2015), compared to 99.7% as at end-3QFY2015. This includes the additional net lettable area ("NLA") from the mostly completed VivoCity Basement 1 asset enhancement initiative ("AEI") and should help to improve tenants' sales going forward. The expected stabilised return on investment for the AEI is ~25%, higher than the previous estimate of ~17%.

- **Healthy occupancy levels:** Besides VivoCity, MCT's portfolio occupancy rate remained high as at end-FY2015 with Bank of America Merrill Lynch HarbourFront achieving full occupancy while committed occupancy for PSA Building and Mapletree Anson were 98.7% and 93.8%, respectively. MCT's portfolio WALE (by gross rental) improved slightly to 2.1 years (office: 2.9 years, retail: 1.8 years) from 2.0 years as at end-1HFY2015 but it is still relatively short. In particular, lease expiry profile for the retail space is front loaded with 28.6% and 36.8% of leases expiring in FY2016 and FY2017, respectively. That said, we think that this should be partly mitigated by VivoCity's diverse tenant mix from various trade sectors.

- **Positive rental reversions achieved:** MCT managed to achieve retention rates of 78.4% (with 17.5% rental uplift) and 48.1% (with 5.9% rental uplift) for its retail and office leases, respectively. We view the high positive rental reversion achieved for the retail segment as a testament to management's efforts to introduce new brands and retail concepts to refresh its retail malls, as well as effective advertising and promotional programs.

- **Improvements in credit metrics:** MCT's aggregate leverage (gross debt/total assets) improved to 36.4% as at end-FY2015 (end-FY2014: 38.7%) while EBITDA/gross interest rose to 5.4x (end-FY2014: 5.1x). Following the completion of VivoCity's AEI, there are no major capex needs for MCT going forward.

- **No significant refinancing risk:** MCT has been active in managing its debt maturity profile and there will be no major refinancing need in FY2016 with new debt drawn from a 6-year bilateral term loan facility, as well as the issuance of SGD100mn 8-year fixed rate notes at 3.25% and JPY8.7bn 8-year floating rate notes in 1Q2015. As a result, weighted average term to maturity of debt has been extended to ~4.3 years as at end-April 2015 (end-FY2014: 2.5 years). Interest rate risk remained low as well with 73.9% (end-FY2014: 64.3%) of MCT's total debt consists of either fixed rate debt or has been hedged via interest rate swaps. 100% of MCT's total assets are unencumbered and this should provide sufficient headroom for additional borrowings if MCT plans for new acquisitions.

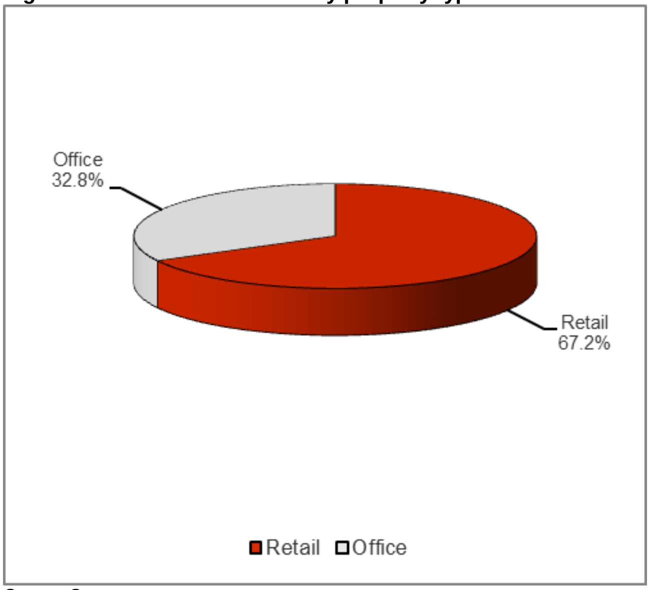
Mapletree Commercial Trust

Table 1: Summary financials

Year ended 31st March	FY2013	FY2014	FY2015
Income statement (SGD mn)			
Revenue	219.5	267.2	282.5
EBITDA	141.4	177.1	192.4
EBIT	141.4	177.1	192.4
Gross interest expense	26.3	34.9	36.0
Profit before tax	310.8	343.3	312.1
Net income	310.8	343.3	312.1
Balance sheet (SGD mn)			
Cash and equivalents	47.2	70.4	54.9
Total assets	3,886.1	4,109.6	4,262.8
Gross debt	1,586.0	1,587.5	1,546.5
Net debt	1,538.9	1,517.1	1,491.7
Total equity	2,194.8	2,425.6	2,617.0
Total capitalization	3,780.9	4,013.1	4,163.5
Net capitalization	3,733.7	3,942.7	4,108.7
Cash flow (SGD mn)			
Funds from operations (FFO)	310.8	343.3	312.1
CFO	156.5	188.8	203.5
Capex	0.0	3.9	8.0
Acquisitions	690.0	0.0	0.0
Disposals	0.0	0.0	0.0
Dividends	129.1	126.4	136.4
Free Cash Flow (FCF)	156.5	184.9	195.5
Adjusted FCF*	-662.5	58.5	59.1
Key ratios			
EBITDA margin (%)	64.4	66.3	68.1
Net margin (%)	141.6	128.5	110.5
Gross debt/EBITDA (x)	11.2	9.0	8.0
Net debt/EBITDA (x)	10.9	8.6	7.8
Gross debt/equity (x)	0.72	0.65	0.59
Net debt/equity (x)	0.70	0.63	0.57
Gross debt/total capitalization (%)	41.9	39.6	37.1
Net debt/net capitalization (%)	41.2	38.5	36.3
Cash/current borrowings (x)	NM	0.21	0.29
EBITDA/gross interest (x)	5.4	5.1	5.4

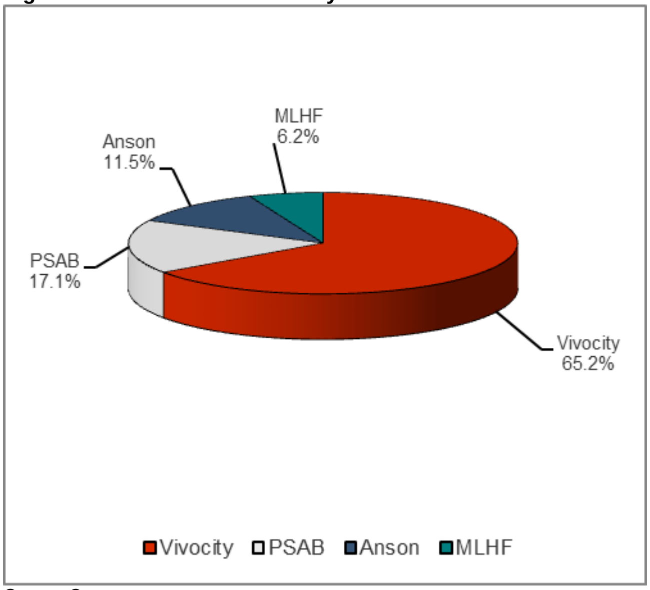
Source: Company, OCBC estimates
**Adjusted FCF = FCF –Acquisitions – Dividends + Disposals*

Figure 1: Revenue breakdown by property type – FY2015



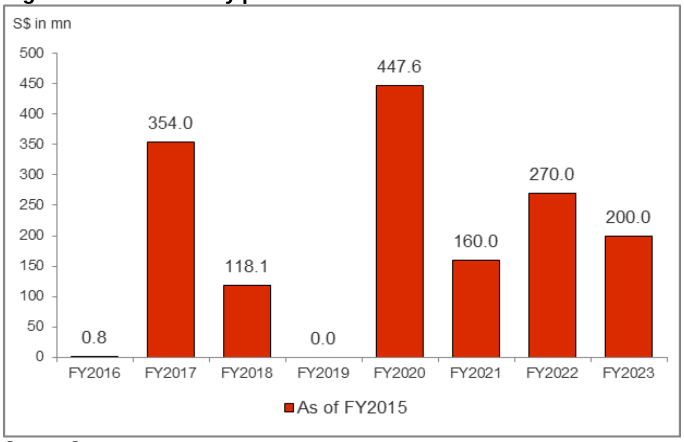
Source: Company

Figure 2: Revenue breakdown by asset – FY2015



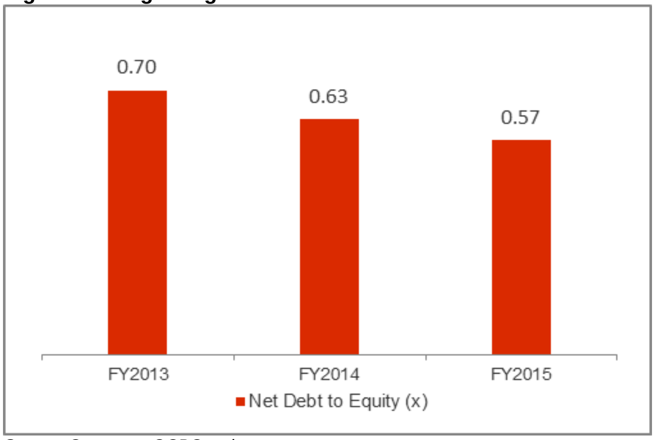
Source: Company

Figure 3: Debt maturity profile



Source: Company

Figure 4: Net gearing



Source: Company, OCBC estimates

Credit Outlook – MINT's occupancy rate continues to fall but this is mitigated by the trust's improving WALE and credit metrics. We think MINT'19 and MINT'22 are not attractive with spreads of 47bps and 65bps over swap, respectively. In particular, MINTSP'23 is expensive in our view given its tight spread of 39bps over swap.

Issuer Rating: Neutral

S&P: Not rated

Moody's: Not rated

Fitch: BBB+/Stable

Ticker: **MINTSP**

Company Profile

Mapletree Industrial Trust ("MINT") is a Singapore-focused industrial REIT. MINT owns a diversified portfolio comprising 84 properties such as Business Park Buildings, Flatted Factories, Stack-up / Ramp-up Buildings, Light Industrial Buildings and Hi-Tech Buildings. As of 31 Mar 15, MINT's properties was valued at SGD3.4bn, with a total gross floor area of ~19.7mn sq ft. MINT is 32.0%-owned by Temasek Holdings through Mapletree Investments Pte Ltd.

Mapletree Industrial Trust

Key credit considerations

- **Resilient FY2015 (end-Mar) results:** FY2015 gross revenue grew 4.9% y/y to SGD313.9mn. Meanwhile, due to lower property maintenance expenses, net property income ("NPI") increased at a faster pace of 6.5% y/y to SGD228.6mn. The better results were driven by positive rental reversions, as well as contribution from the acquisition of 2A Changi North Street 2 and the completion of the built-to-suit ("BTS") project for Equinix in January 2015.

- **Slight dip in portfolio occupancy:** Average portfolio occupancy decreased to 90.2% in 4QFY2015 (from 90.8% in 3QFY2015) but this was partly due to the progressive relocation of tenants from the Telok Blangah Cluster, which will be redeveloped as a BTS project for Hewlett-Packard Singapore. Phase 1 and Phase 2 of the project are scheduled for completion in 2H2016 and 1H2017, respectively.

- **Positive rental reversions but momentum slowing:** Average portfolio passing rent increased to SGD1.84 per sq ft per month ("psf/mth") in 4QFY2015 from SGD1.83 psf/mth in 3QFY2015. Going forward, management expects overall rents for multi-user industrial developments to ease further due to oversupply while rents for business parks and higher specification buildings are expected to strengthen on the back of tightening supply. To take advantage of the positive outlook for the Hi-Tech Buildings segment, MINT has been active in growing its exposure through BTS – Equinix and BTS Hewlett-Packard Singapore. As at end-March 2015, the Hi-Tech Buildings segment accounted for 23.5% of MINT's portfolio by valuation, up from 18.9% a year ago.

- **Improved weighted average lease to expiry ("WALE"):** The completed BTS – Equinix is fully leased for a minimum tenure of 20 years. As a result, MINT's portfolio's weighted average lease to expiry (by gross rental income) has increased from 2.6 years to 3.1 years as at end-4QFY2015, offering income stability to the trust. We believe that MINT should be able to weather through the current challenges given its large (>2,000 tenants) and diversified tenant base. MINT's largest and top 10 tenants contributed only <4.0% and ~17.2% of its portfolio gross rental income, respectively.

- **Improving credit metrics:** Aggregate leverage (gross debt/total assets) for MINT improved to 30.6% as at end-4QFY2015 vs. 32.8% as at end-3QFY2015. Meanwhile, EBITDA/gross interest also strengthened to 8.6x (FY2014: 7.4x). Going forward, MINT will actively seek for development and acquisition opportunities while focusing on the BTS project for Hewlett-Packard Singapore. Management will continue to utilize proceeds from the dividend reinvestment plan to fund its development projects. To minimize the impact of rising interest rates, MINT has hedged 87.0% of its total borrowings.

- **Prudent capital management:** MINT continues to maintain a long weighted average debt maturity of 3.7 years, with a steady all-in funding cost of 2.3%. SGD126mn of debt (~12% of total borrowings) will be due in FY2016 but MINT has sufficient committed banking facilities available to refinance it. We also note that MINT has successfully issued SGD75mn of 8-year fixed rate notes in April 2015. This should increase the trust's weighted average debt maturity going forward.

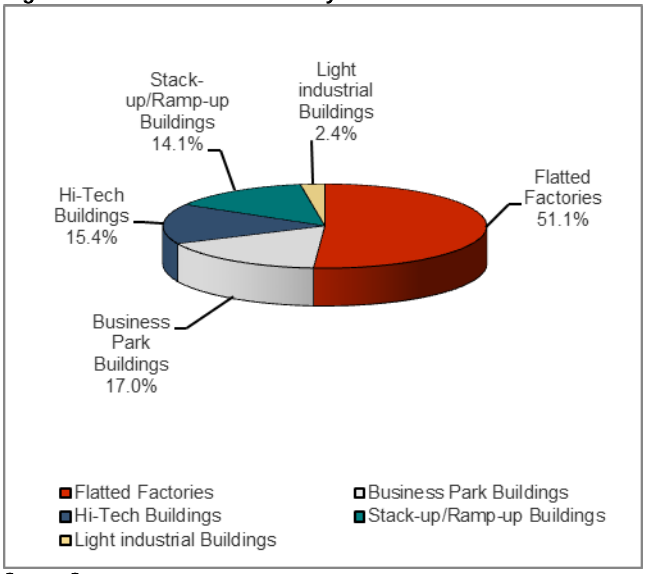
Mapletree Industrial Trust

Table 1: Summary financials

Year ended 31st March	FY2013	FY2014	FY2015
Income statement (SGD mn)			
Revenue	276.4	299.3	313.9
EBITDA	173.8	191.0	203.4
EBIT	173.8	191.0	203.4
Gross interest expense	27.1	25.9	23.8
Profit before tax	280.5	314.3	375.4
Net income	279.3	314.3	374.3
Balance sheet (SGD mn)			
Cash and equivalents	72.3	95.7	72.0
Total assets	2,967.6	3,275.1	3,516.0
Gross debt	1,032.4	1,127.5	1,074.7
Net debt	960.0	1,031.7	1,002.7
Total equity	1,803.7	2,028.7	2,312.2
Total capitalization	2,836.1	3,156.1	3,386.9
Net capitalization	2,763.7	3,060.4	3,314.9
Cash flow (SGD mn)			
Funds from operations (FFO)	279.3	314.3	374.3
CFO	173.9	190.0	204.9
Capex	0.0	0.0	0.0
Acquisitions	30.6	137.9	54.5
Disposals	0.0	0.0	0.0
Dividends	132.9	97.3	97.5
Free Cash Flow (FCF)	173.9	190.0	204.9
FCF adjusted	10.3	-45.2	52.9
Key ratios			
EBITDA margin (%)	62.9	63.8	64.8
Net margin (%)	101.0	105.0	119.3
Gross debt/EBITDA (x)	5.9	5.9	5.3
Net debt/EBITDA (x)	5.5	5.4	4.9
Gross debt/equity (x)	0.57	0.56	0.46
Net debt/equity (x)	0.53	0.51	0.43
Gross debt/total capitalization (%)	36.4	35.7	31.7
Net debt/net capitalization (%)	34.7	33.7	30.2
Cash/current borrowings (x)	0.35	0.28	0.57
EBITDA/gross interest (x)	6.4	7.4	8.6

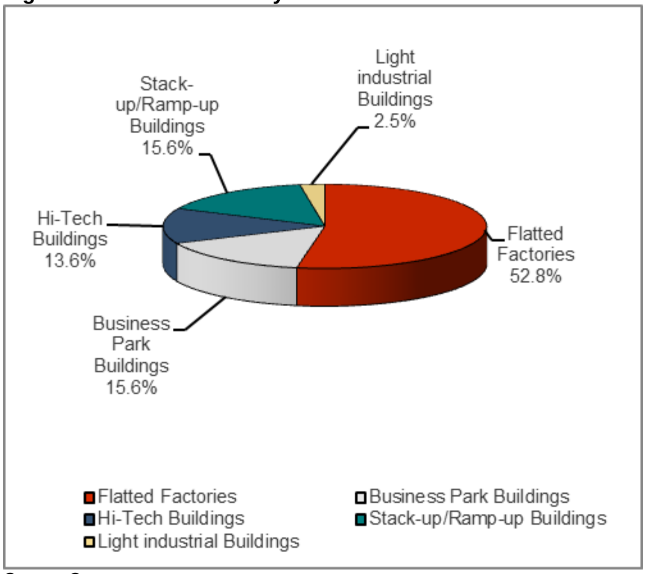
Source: Company, OCBC estimates
**Adjusted FCF = FCF –Acquisitions – Dividends + Disposals*

Figure 1: Revenue breakdown by business – FY2015



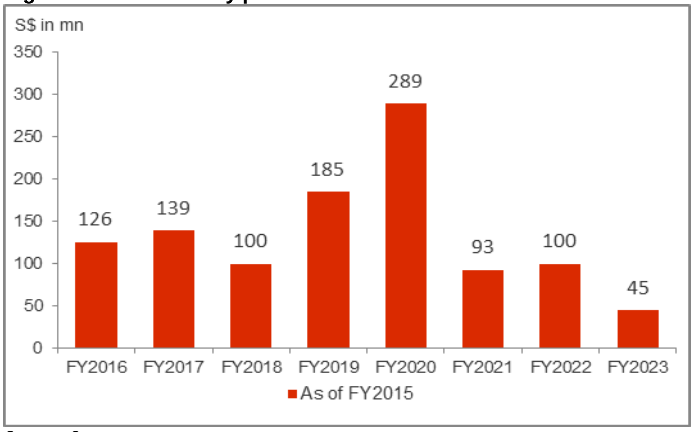
Source: Company

Figure 2: NPI breakdown by business – FY2015



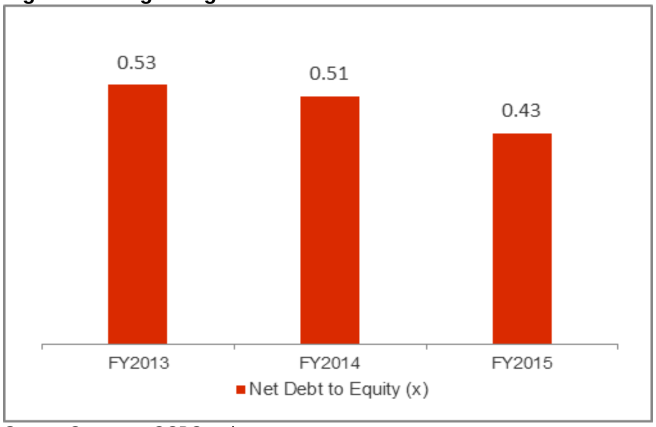
Source: Company

Figure 3: Debt maturity profile



Source: Company

Figure 4: Net gearing



Source: Company, OCBC estimates

Credit Outlook – MLT's aggregate leverage is unlikely to improve in the near term given its acquisition plans. Meanwhile, MLTSP 5.375% '49c17 looks attractive at YTC of 2.89% (142bps over swap). The perpetual bond will likely be called in September 2017 as coupon will be reset at SDSW5+418bps, raising funding cost to ~6.4%.

Issuer Rating: Neutral

S&P: Not rated

Moody's: Baa1/Stable

Fitch: Not rated

Ticker: **MLTSP**

Company Profile

Listed on the SGX in 2005, Mapletree Logistics Trust ("MLT") is the first Asia-focused logistics REIT in Singapore. As at 31 Mar 15, MLT has a portfolio of 117 logistics assets in Singapore, Hong Kong, Japan, China, Malaysia, South Korea and Vietnam with a total portfolio value of SGD4.6bn. Temasek owns 40.2% of MLT through Mapletree Investments Pte Ltd.

Mapletree Logistics Trust

Key credit considerations

- **FY2015 (end-Mar) results impacted by higher property expenses:** Gross revenue rose 6.2% y/y to SGD330.1mn on the back of contribution from newly acquired assets and Mapletree Benoi Logistics Hub (following completion of the redevelopment), as well as better performance from existing assets. This was partly mitigated by a weaker JPY during the period. Furthermore, due to enlarged portfolio and the conversions of single user assets ("SUAs") to multi-tenanted buildings ("MTBs"), property expenses surged by 22.3% y/y to SGD52.7mn. As a result, net property income only grew 3.7% y/y to SGD277.4mn.

- **Portfolio occupancy remained resilient:** Although MLT's portfolio occupancy of 96.7% as at end-FY2015 was lower than end-FY2014's 98.3%, we note that this was mainly due to the conversion of several SUAs to MTBs in Singapore. Excluding Singapore, occupancy rates for other countries improved. Management remained proactive in managing its leases and they have renewed/replaced 87.0% of the portfolio leases due to expire in FY2015. More importantly, positive average rental reversion of 8.0% was achieved (mainly in Hong Kong and Singapore).

- **Strategic acquisitions to weather challenges in Singapore:** Management expects portfolio occupancy and revenue in Singapore to remain under pressure during the transition period of converting SUAs to MTBs. Nonetheless, MLT is active in pursuing strategic acquisition opportunities and initiatives to unlock value from the existing portfolio to mitigate the impacts. In FY2015, MLT made 6 accretive acquisitions (~SGD210mn) in China, Malaysia, Singapore and South Korea. Besides asset enhancement initiatives at Moriya Centre, Japan to increase gross floor area ("GFA") by 9,000 sqm, it has also commenced redevelopment of 5B Toh Guan Road East to increase the GFA by 2.7x to 63,500 sq m.

- **Well-managed portfolio with long leases:** MLT's long WALE of ~4.3 years will continue to provide earnings stability and visibility going forward. In addition, concentration risk is reduced as MLT's portfolio is well diversified in 7 different countries. We also note that no single customer accounts for >5% of MLT's total gross revenue, with the top 10 tenants constituting only ~23%.

- **Slight deterioration in credit metrics:** MLT's aggregate leverage (gross debt/total assets) increased to 34.3% as at end-FY2015 vs. 33.3% as at end-FY2014. In addition, EBITDA/gross interest also decreased to 7.4x (FY2014: 8.1x). These were mainly due to higher borrowings as MLT continues to execute its expansion plans. In May 2015, MLT announced the acquisition of two properties in Vietnam and South Korea for SGD42.2mn. As such, MLT's gearing is unlikely to improve significantly in the near term. That said, refinancing risk remains low for MLT as cash balance of SGD106.9mn is sufficient to cover short term debt of ~SGD49.0mn. MLT has a weighted average debt maturity of 3.6 years as at end-FY2015 and ~80.0% of its total debt is hedged into fixed interest rates. Forex risk is well-managed too with ~80% of income stream for FY2016 hedged.

- **Good financial flexibility:** We believe that MLT should not have funding issues for its expansion plans. MLT continues to enjoy good financial flexibility with its unencumbered balance sheet (all debts incurred on an unsecured basis). Furthermore, MLT has various funding sources including unused banking facilities, access to bond market through its MTN programme, asset recycling (such as divestment of 134 Joo Seng Road) and proceeds from its distribution reinvestment plan.

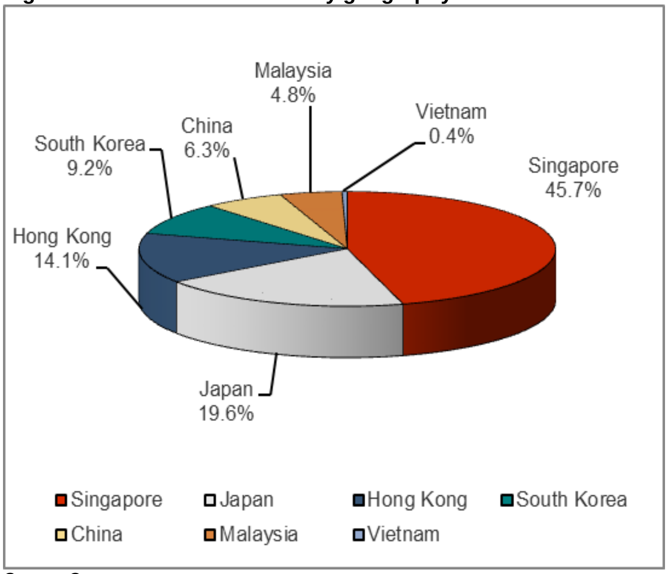
Mapletree Logistics Trust

Table 1: Summary financials

Year ended 31st March	FY2013	FY2014	FY2015
Income statement (SGD mn)			
Revenue	307.8	310.7	330.1
EBITDA	237.5	237.4	245.1
EBIT	236.3	236.2	244.1
Gross interest expense	36.7	29.4	33.2
Profit before tax	236.6	329.2	289.4
Net income	202.7	292.7	241.0
Balance sheet (SGD mn)			
Cash and equivalents	134.8	114.3	106.9
Total assets	4,236.9	4,397.0	4,787.7
Gross debt	1,433.5	1,455.4	1,631.9
Net debt	1,298.7	1,341.1	1,525.0
Total equity	2,582.3	2,732.2	2,888.3
Total capitalization	4,015.8	4,187.6	4,520.2
Net capitalization	3,880.9	4,073.3	4,413.3
Cash flow (SGD mn)			
Funds from operations (FFO)	203.8	293.9	242.0
CFO	257.9	210.2	236.2
Capex	0.0	0.0	0.0
Acquisitions	197.3	116.5	247.3
Disposals	0.0	15.5	0.0
Dividends	179.5	176.7	176.8
Free Cash Flow (FCF)	257.9	210.2	236.2
Adjusted FCF*	-118.8	-67.6	-187.9
Key ratios			
EBITDA margin (%)	77.1	76.4	74.3
Net margin (%)	65.9	94.2	73.0
Gross debt/EBITDA (x)	6.0	6.1	6.7
Net debt/EBITDA (x)	5.5	5.6	6.2
Gross debt/equity (x)	0.56	0.53	0.56
Net debt/equity (x)	0.50	0.49	0.53
Gross debt/total capitalization (%)	35.7	34.8	36.1
Net debt/net capitalization (%)	33.5	32.9	34.6
Cash/current borrowings (x)	0.47	0.77	1.89
EBITDA/gross interest (x)	6.5	8.1	7.4

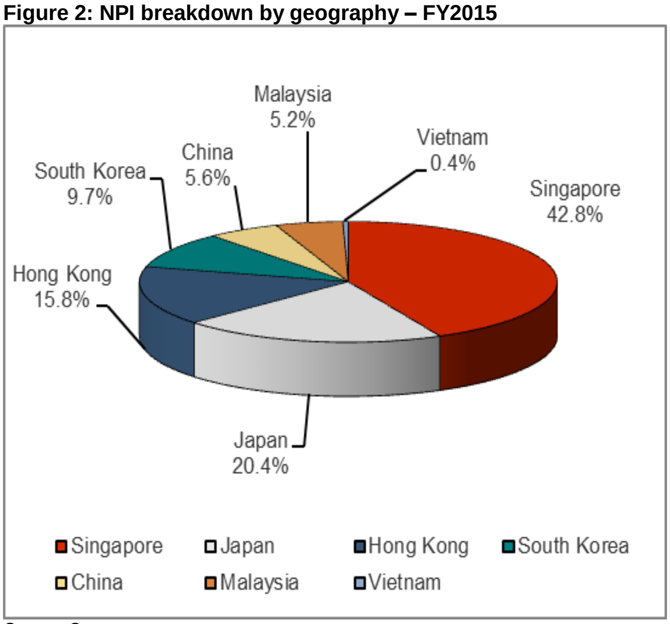
Source: Company, OCBC estimates
**Adjusted FCF = FCF –Acquisitions – Dividends + Disposals*

Figure 1: Revenue breakdown by geography – FY2015



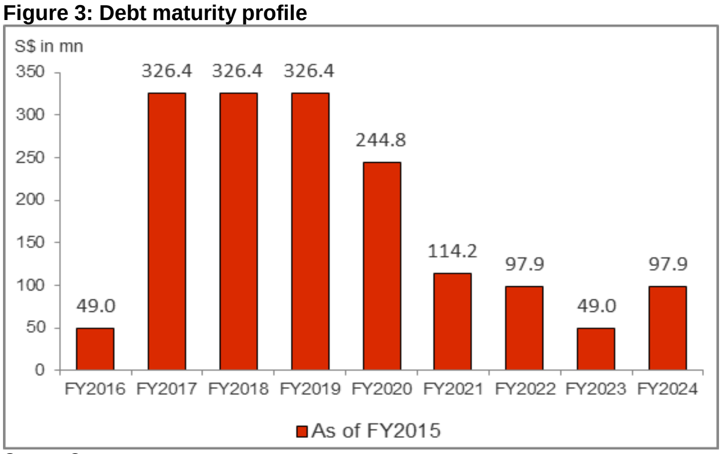
Source: Company

Figure 2: NPI breakdown by geography – FY2015



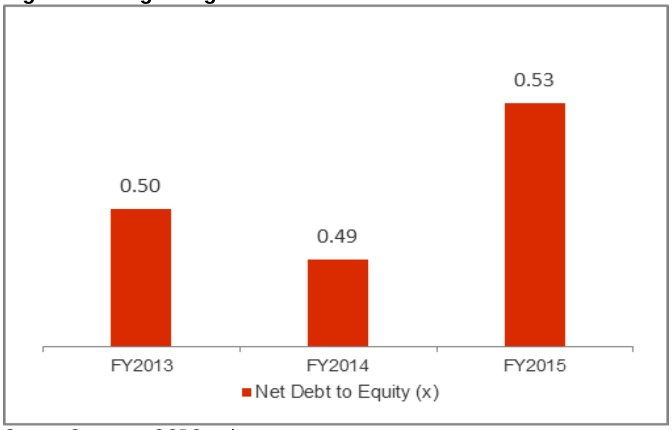
Source: Company

Figure 3: Debt maturity profile



Source: Company

Figure 4: Net gearing



Source: Company, OCBC estimates

Nam Cheong Ltd

Credit Outlook – NCLSP'15 was reduced to Neutral (in March) due to technical factors as the bond is approaching maturity. We continue to like NCLSP'17 given the short duration and ~260bps in spreads above swaps.

Issuer Rating: Neutral

S&P: Not rated

Moody's: Not rated

Fitch: Not rated

Ticker: **NCLSP**

Company profile

Nam Cheong Ltd ("NCL") is an offshore marine group in Malaysia with an operating history of over 25 years in the Offshore Support Vessels ("OSV") segment. Its primary business is shipbuilding, with its product range including AHTS, PSVs, Accommodation Workboats, Barges and Safety Standby Vessels. In 1Q2015, 95.2% of NCL's revenues were derived from shipbuilding while vessel chartering accounts for 4.8%. The company is substantially controlled by Chairman Datuk Tiong Su Kouk with a total interest of 51.3%. The firm has been listed on the SGX since 2011.

Key credit considerations

- **Revenue slows further:** Total revenue declined 19.9% y/y to MYR326.3mn, reversing the 29.0% y/y revenue increase seen the previous quarter. On a q/q basis, the revenue fall was much sharper at 37.7%. Shipbuilding revenue fell 18.9% y/y to MYR310.7mn (1Q2014: 383.2mn). This was due to fewer vessels delivered in 1Q2015 (6 vessels) compared to 1Q2014 (7 vessels). Though the OSV chartering segment is small, the decline there was sharper at 35.2% due to lower fleet utilization. We expect topline pressure to persist in the near term, with end clients deferring orders for newbuilds given the soft market for OSVs.

- **Earnings fell, though margins stable:** Gross profit declined 20.8% y/y to MYR68.3mn. This was driven mainly by topline weakness. Relative to 1Q2014, gross margin for the shipbuilding segment was sustained at 20.0% (1Q2014: 20.1%). We expect with NCL's product mix shifting away from build-to-stock ("BTS") to build-to-order ("BTO"), margins for shipbuilding may compress as the latter has poorer margins. Similarly, NCL has not seen gross margin compression for its OSV chartering business yet, with margins at 39.6% (1Q2014: 37.7%). However, we expect chartering margins to compress with NCL reducing day rates to improve utilization. Net profit fell harder at 44.9% y/y relative to gross profit. The difference was driven by lack of derivative gains, higher finance expenses, FX losses and losses from associates. As such, though core profitability is currently intact, there may be some margin pressure going forward should the sector remain weak.

- **Order book fell slightly**: NCL's order book fell from MYR1.7bn (end-2014) to MYR1.6bn (end-1Q2015). The slowdown in orders obtained from clients is understandable given sector softness. 1Q2015 saw just two order wins (one accommodation work vessel and one AHTS), for vessels worth ~USD58mn in aggregate. Comparatively, 1Q2014 saw an order win of 7 vessels worth ~USD110mn. That said, the decline in order book has been manageable, declining from MYR1.9bn end-3Q2014, and remains 0.83x of 2014 revenue.

- **BTS a concern**: NCL's inventory levels are a concern, having increased from MYR836.8mn (end-3Q2014) to MYR1040.7mn (end-2014) to MYR1210.1mn (end-1Q2015). According to management, it was due to NCL's BTS program. Though we expect NCL to de-emphasize BTS going forward, as NCL is dependent on third-party shipyards for a sizable part of its orders, NCL still has some vessels committed for delivery through 2015 (there is a lag effect in execution). We expect management to delay some 2015 deliveries to 2016.

- **Inventory a drag on liquidity**: After two consecutive quarters of positive operating cash flow, NCL has reversed, generating –MYR79.0mn in operating cash flow due to BTS vessel commitments. To finance this, gross debt increased by MYR149.8mn q/q. Cash / current borrowings remains acceptable at 124% while EBITDA / interest coverage weakened to 2.7x on weaker EBITDA generation. With MYR862mn in cash, it should be able to meet its SGD110mn bond maturity on 05/11/15. The next bond maturity is SGD90mn due on 28/08/17.

- **Leverage deteriorated but manageable**: Net gearing increased from 42% (end-2014) to 45% (end-1Q2015), driven by borrowings to finance its BTS program. Net debt / EBITDA worsened from 1.7x (end-2014) to 3.1x (end-1Q2015). As NCL clears its current BTS order commitments, its credit profile should stabilize. Given order book clarity and fair net gearing levels to offset the weak market for newbuild OSVs, we retain our Neutral issuer rating.

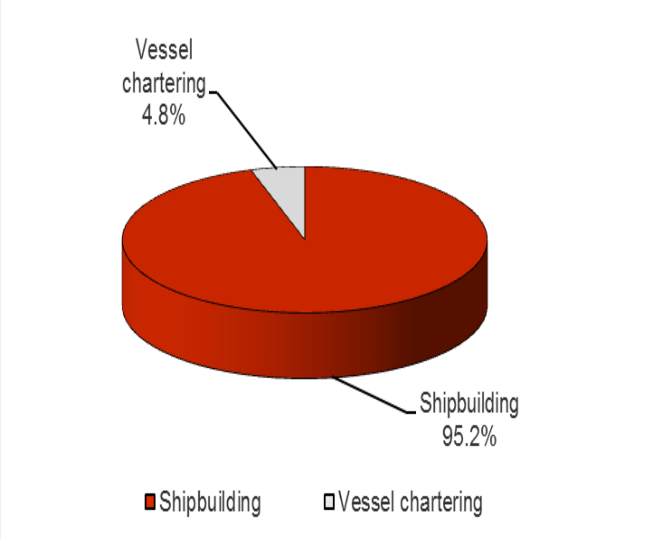
Nam Cheong Ltd

Table 1: Summary financials

Year ended 31st December	FY2013	FY2014	1Q2015
Income statement (MYR mn)			
Revenue	1,257.4	1,928.6	326.3
EBITDA	211.9	306.6	48.2
EBIT	198.9	289.0	43.6
Gross interest expense	33.6	53.5	17.8
Profit before tax	199.2	303.3	39.3
Net income	205.6	301.8	39.3
Balance sheet (MYR mn)			
Cash and equivalents	362.0	800.1	862.6
Total assets	2,179.2	3,252.4	3,316.9
Gross debt	851.2	1,309.3	1,459.1
Net debt	489.1	509.2	596.5
Total equity	938.6	1,219.3	1,319.4
Total capitalization	1,789.8	2,528.7	2,778.4
Net capitalization	1,427.8	1,728.6	1,915.9
Cash flow (MYR mn)			
Funds from operations (FFO)	218.7	319.5	43.9
CFO	-200.0	114.4	-79.0
Capex	44.0	6.1	0.7
Acquisitions	0.2	117.4	0.0
Disposals	7.3	148.3	0.0
Dividends	25.9	54.7	0.0
Free Cash Flow (FCF)	-244.1	108.3	-79.7
Adjusted FCF*	-262.9	84.5	-79.7
Key ratios			
EBITDA margin (%)	16.9	15.9	14.8
Net margin (%)	16.4	15.6	12.0
Gross debt/EBITDA (x)	4.0	4.3	7.6
Net debt/EBITDA (x)	2.3	1.7	3.1
Gross debt/equity (x)	0.91	1.07	1.11
Net debt/equity (x)	0.52	0.42	0.45
Gross debt/total capitalization (%)	47.6	51.8	52.5
Net debt/net capitalization (%)	34.3	29.5	31.1
Cash/current borrowings (x)	1.50	1.44	1.24
EBITDA/gross interest (x)	6.3	5.7	2.7

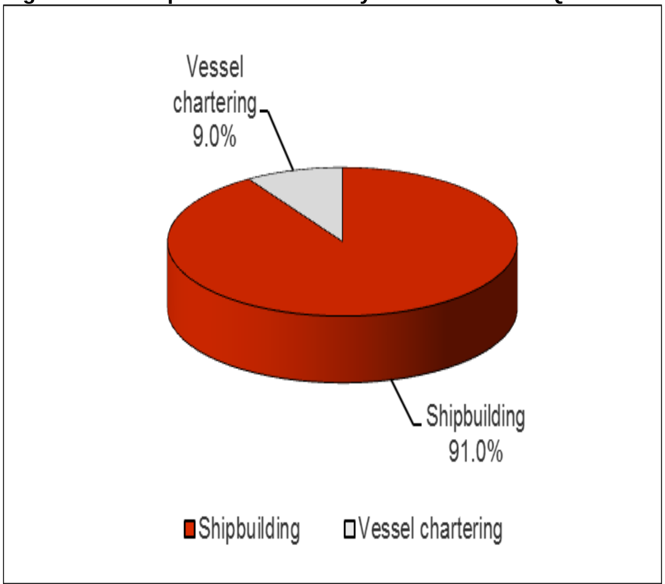
Source: Company, OCBC estimates
**Adjusted FCF = FCF –Acquisitions – Dividends + Disposals*

Figure 1: Revenue breakdown by business line – 1Q2015



Source: Company

Figure 2: Gross profit breakdown by business line – 1Q2015



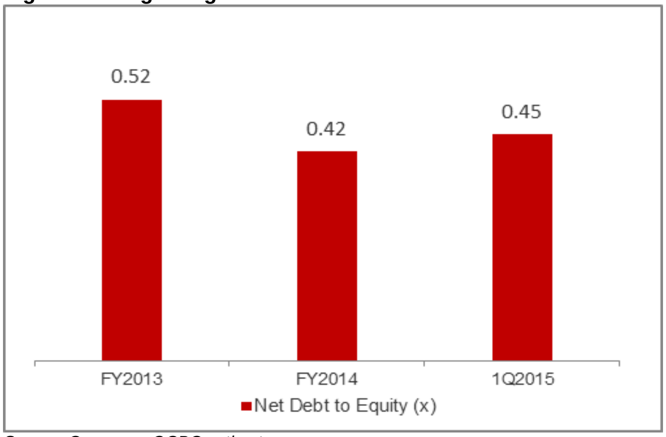
Source: Company

Figure 3: Debt maturity profile

Amounts in MYR mn	As at 31/03/2015	% of debt
Amount repayable in one year or less, or on demand		
Secured	392.2	33.9%
Unsecured	303.7	26.3%
	392.2	**33.9%**
Amount repayable after one year		
Secured	26.7	2.3%
Unsecured	736.5	63.7%
	763.2	**66.1%**
Total	**1,155.4**	**100.0%**

Source: Company

Figure 4: Net gearing



Source: Company, OCBC estimates

Credit Outlook – The outlook for the container liner industry remains challenging. That said NOL's credit profile would improve with the sale of APLL as well as declining capex needs. We continue to like NOLSP'20 given its highest spread above swaps across the NOL curve, and potential upside if called.

Issuer Rating: Neutral

S&P: Not rated

Moody's: Not rated

Fitch: Not rated

Ticker: **NOLSP**

Company profile

Neptune Orient Lines Ltd ("NOL") is the largest shipping and transportation company listed on the Singapore Exchange (SGX). NOL has a strong global presence in the container transportation sector, operating under the brand APL. APL is part of the G6 Alliance (the world's largest container liner alliance). APL offers more than 80 weekly services at 160 ports worldwide. Since 2015, NOL has exited its logistics business, APL Logistics. NOL is 66.9% owned by Temasek Holdings.

Neptune Orient Lines Ltd

Key credit considerations

- **1st quarter without APLL, adjustments needed:** Though the sale of APLL only closed on the 29th of May 2015, NOL reported its 1Q2015 results with APLL de-consolidated. As such, prior fiscal year financial results are currently not applicable, only the restated 1Q2014 numbers. Revenue for the quarter declined 15.7% y/y to USD1.58bn, driven by planned capacity cuts, void sailings and a challenging container liner business environment. The overcapacity situation in the industry looks likely to persist in the near future, with expected vessel deliveries outpacing the growth in demand. Freight rates (for example the Shanghai Containerized Freight Index, which fell ~50% YTD) have continued to plunge. One positive piece of news is that management believes the US West Coast port congestion (due to union issues) that plagued 1Q2015 seems to have resolved, though some other market participants believe that 2Q2015 may face some residue impact.

- **Some signs of turnaround:** Gross margins have improved sharply from 0.9% (1Q2014) to 8.6% (1Q2015). This was driven by improvements to operational efficiencies, as well as lower bunker fuel costs. Management also described Core EBIT improving from –USD82mn (1Q2014) to USD13mn (1Q2015), with USD155mn in cost savings (89% from network optimization, 11% from terminals, land operations, equipment) and USD103mn in lower bunker fuel costs offsetting the USD80mn and USD83mn declines from lower volumes and rates respectively. Comparatively, NOL generated a Core EBIT loss of USD37mn in 2014. These improvements led to net losses improving from USD123.3mn (1Q2014) to USD35.8mn (1Q2015).

- **Continues to trim capacity:** NOL has continued to shrink its operating fleet, which shrunk by 11% y/y. During 1Q2015, NOL returned four charters upon expiry. A further 14 charters are scheduled to expire over the balance of 2015. This should help reduce costs for the rest of the year.

- **Cash needs continue to decelerate:** The liner business generated ~USD120mn in operating cash flow, and ~USD87mn in FCF. Since the completion of its USD4bn fleet modernization program in 2014, NOL's capex has reduced to ~USD30mn per quarter. We expect NOL to generate FCF going forward. Cash / current borrowings is fair at 111%. EBITDA / interest coverage remains weak at 2.7x, though it has improved from 2.2x (end-2014). It should be noted that NOL's liquidity situation has greatly improved with the sale of APLL given the USD1.2bn in cash proceeds (increases cash balance to USD1.82bn).

- **Leverage improved sharply post APLL sale:** Before factoring the sale, net gearing improved slightly from 225% (end-2014) to 221% (end-2015). With the sale however, NOL will be booking USD893mn pre-tax gain on the sale along with USD1.2bn in cash. Pro-forma end-1Q2015 net gearing would fall to ~106%. NOL would have enough cash to retire debt till end 1Q2019. Net debt / EBITDA improved as well from 14.6x (end-2014) to 10.1x (end-1Q2015). On a pro-forma basis (based on management Liner EBITDA), net debt / EBITDA would have improved sharply to ~6.1x.

- **Energy environment fuelled performance:** The USD103mn in lower bunker fuel costs has greatly aided NOL in generating positive EBIT. We suspect though that container liners would eventually be forced to share the savings with customers given the heightened competition in the sector. We maintain our Neutral issuer rating on NOL.

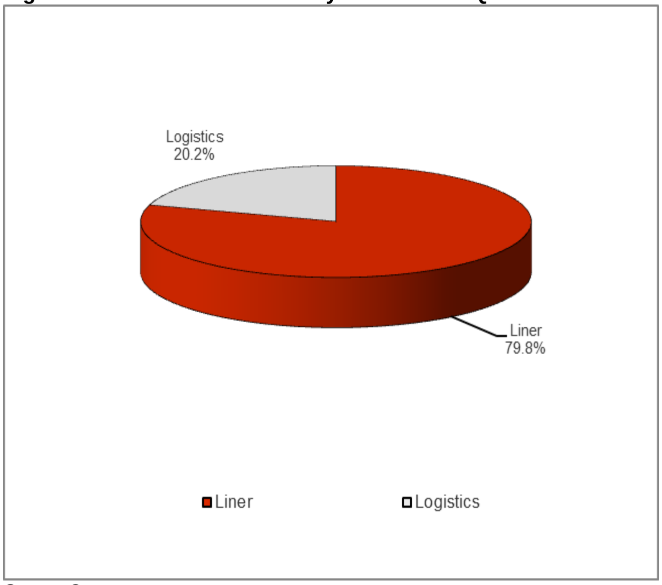
Neptune Orient Lines Ltd

Table 1: Summary financials

Year ended 28th December	FY2013	FY2014	1Q2015
Income statement (USD mn)			
Revenue	8,831.2	8,616.8	1,580.6
EBITDA	117.2	278.4	97.5
EBIT	-199.9	-114.1	-5.9
Gross interest expense	50.7	125.9	36.8
Profit before tax	-15.8	-216.9	-16.9
Net income	-76.3	-259.8	-10.8
Balance sheet (USD mn)			
Cash and equivalents	981.0	1,225.8	695.6
Total assets	9,029.0	9,099.6	8,323.5
Gross debt	4,865.9	5,291.4	4,638.7
Net debt	3,885.0	4,065.6	3,943.0
Total equity	2,130.8	1,807.9	1,781.8
Total capitalization	6,996.8	7,099.3	6,420.4
Net capitalization	6,015.8	5,873.5	5,724.8
Cash flow (USD mn)			
Funds from operations (FFO)	240.9	132.7	92.6
CFO	31.6	68.8	123.4
Capex	1,308.0	350.3	32.7
Acquisitions	23.8	28.1	13.9
Disposals	442.9	68.5	5.9
Dividends	3.0	4.2	0.0
Free Cash Flow (FCF)	-1,276.4	-281.6	90.7
Adjusted FCF*	-860.3	-245.3	82.7
Key ratios			
EBITDA margin (%)	1.3	3.2	6.2
Net margin (%)	-0.9	-3.0	-0.7
Gross debt/EBITDA (x)	41.5	19.0	11.9
Net debt/EBITDA (x)	33.1	14.6	10.1
Gross debt/equity (x)	2.28	2.93	2.60
Net debt/equity (x)	1.82	2.25	2.21
Gross debt/total capitalization (%)	69.5	74.5	72.2
Net debt/net capitalization (%)	64.6	69.2	68.9
Cash/current borrowings (x)	1.64	1.99	1.11
EBITDA/gross interest (x)	2.3	2.2	2.7

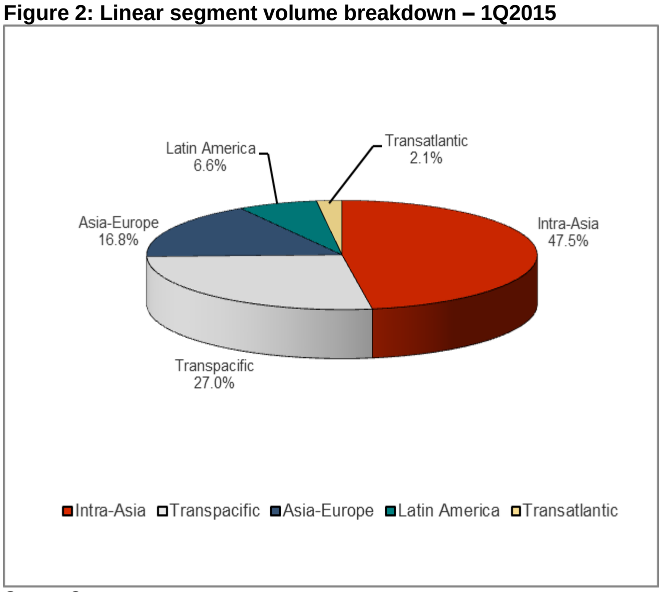
Source: Company, OCBC estimates
**Adjusted FCF = FCF –Acquisitions – Dividends + Disposals*

Figure 1: Revenue breakdown by business – 1Q2015



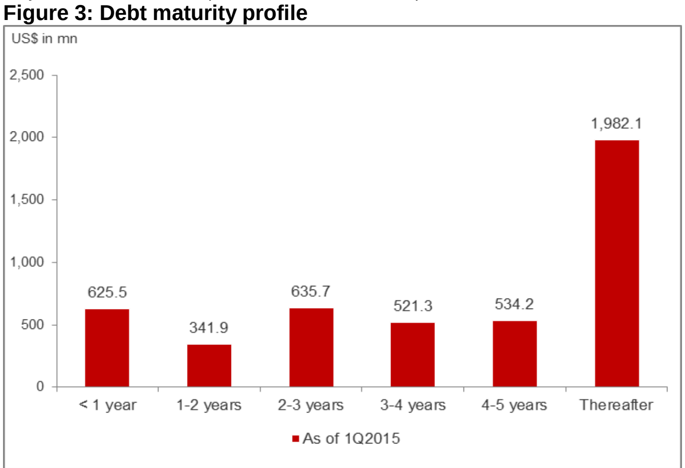
Source: Company

Figure 2: Linear segment volume breakdown – 1Q2015



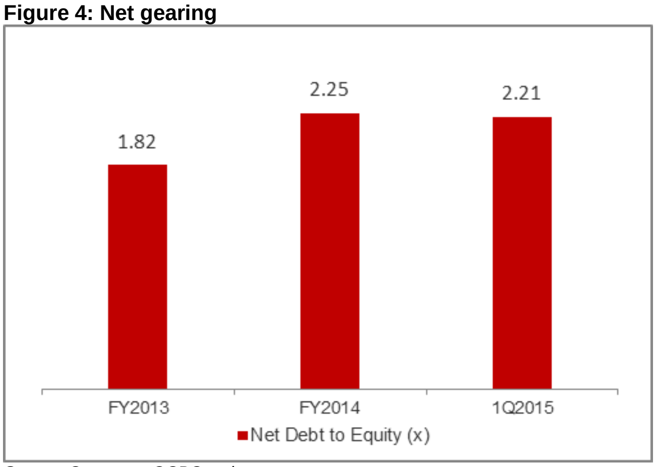
Source: Company

Figure 3: Debt maturity profile



Source: Company

Figure 4: Net gearing



Source: Company, OCBC estimates

Credit Outlook – OTMLSP'16 is trading at ~2100bps above swaps, the widest spread for the issuers under our coverage. Though the sale of the GO Perseus is a positive catalyst, the issuer remains under significant pressure. Though shareholder capital infusions may continue, we remain conservative and retain our Underweight rating.

Issuer Rating: Underweight

S&P: Not rated

Moody's: Not rated

Fitch: Not rated

Ticker: **OTMLSP**

Company profile

OTML is an offshore marine firm. It has been listed on the SGX since March 2008. The firm's main business segments include OSV chartering, shipyard and subsea services. The firm has a fleet of 56 OSVs, with an average age of ~5 years. The firm has shifted its strategic focus in recent years, having pushed strongly into the OSV chartering space via its acquisition of Go Marine in 2011. The shipyard segment has since reoriented away from newbuilds. Mr Yaw Chee Siew, the Executive Chairman, controls ~62% of the firm.

Otto Marine Ltd

Key credit considerations

- **1Q2015 revenue surged on vessel delivery:** OTML saw revenue jump 91.8% y/y to USD148.1mn. This was driven by a 485% (USD90.5mn) increase in shipyard revenue, due to the sale of a substantially-completed vessel (This, the Go Perseus, is the last of the four original Mosvold VS491-CD AHTS that were cancelled years ago). The revenue from the shipyard segment can be volatile and lumpy as it is driven by vessel sales. Looking forward though, we do not expect newbuilds to be a large part of revenue (given the strategy shift by OTML's shipyard segment). Already, the non-OSV charter order book has been reduced (partially by the vessel sale) from USD173mn (end-2014) to just USD16mn (end-1Q2015). OSV chartering revenues fell sharply by 27.2% y/y to USD39.8mn due to lower day rates and utilization. The revenue from the subsea division also slumped during the period.

- **Remains in the red for the quarter:** The firm generated USD13.3mn net loss for the quarter (1Q2014: 14.9mn net loss). Despite the surge in shipyard revenue, gross margin for the segment compressed from 11.0% (end-1Q2014) to 7.6% (end-1Q2015). The performance for the OSV chartering segment was disappointing, with a gross loss that was 20.8% of segment revenue (wider than the 2.4% seen in 1Q2014). Aside from the external pressures faced in the OSV chartering industry, operating costs have increased due to the increase in depreciation expense resulting from the capitalization of dry-docking costs in 2014. Given that OTML will become increasingly exposed to the OSV chartering segment, earnings may remain challenged due to the weak sector outlook.

- **Order book a solace:** The OSV chartering order book declined slightly from USD322mn to USD308mn (~1.3x 2014 segment revenue). About ~50% of the contract value are expected to be executed after the next 12 months. The average contract tenor for OTML is between 3 – 5 years (though it may include options). Early June 2015, the firm announced a new USD27mn contract for one of its Work Maintenance Vessel, to commence from 3Q2015.

- **Capex Profile:** The firm currently has an order of 4 work maintenance vessels and 4 PSVs to be delivered over the next few years.

- **Liquidity remains tight:** The issuer currently has USD172.9mn in short-term borrowings due over the next 12 months. Comparatively, the firm has USD27.3mn in cash at the end of the quarter. The firm was able to generate USD19.6mn in FCF during the quarter. This level of FCF is unsustainable as cash was generated from an USD18.2mn increase in trade payables (suppliers are likely to revolt if it persists). EBITDA / interest coverage remains stressed at just 0.3x. The sale of the GO Perseus during the quarter will be helpful in plugging in OTML's liquidity gap. As of end-1Q2015 though, the firm has not received cash from the transaction (~USD90mn in receivables). Given that we have no further information regarding the transaction, we will monitor for this cash infusion come 2Q2015. Furthermore, even with the proceeds from the sale of the GO Perseus, there remains a sizable funding gap. This may be met via more vessel sales, or even potentially a dilutive rights issue (as done in 2012 and 2013).

- **Leverage stabilized but remains elevated:** OTML has reduced its gross debt, from USD538.6mn (end-2014) to USD517.2mn (end-1Q2015). However, due to the losses generated, net gearing still worsened slightly from 195% to 197%. Mr Yaw continues to support OTML by providing capital (shareholder related loans and payables total USD42.6mn at the end of 1Q2015). It is unlikely that there will be any near-term improvements to the firm's credit profile, given the weak sector outlook.

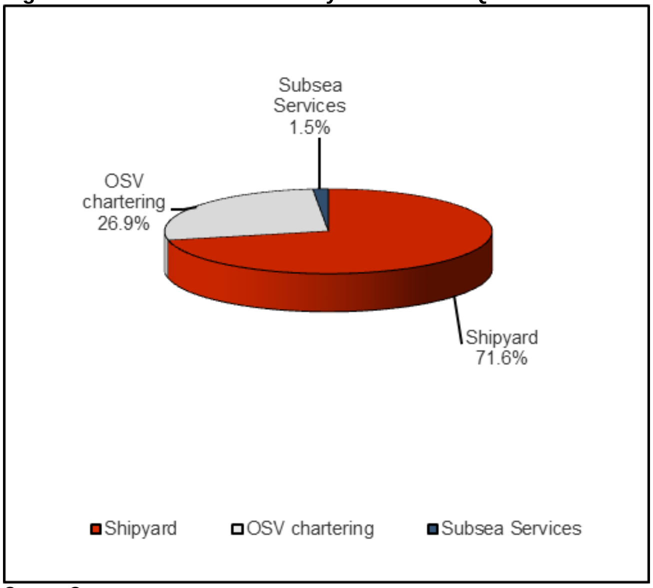
Otto Marine Ltd

Table 1: Summary financials

Year ended 31st December	FY2013	FY2014	1Q2015
Income statement (USD mn)			
Revenue	512.0	355.9	148.1
EBITDA	-21.0	13.0	2.5
EBIT	-43.9	-18.6	-6.2
Gross interest expense	33.8	33.6	9.1
Profit Before Tax	15.4	-39.2	-12.3
Net profit	14.1	-41.5	-13.2
Balance sheet (USD mn)			
Cash and bank deposits	48.0	29.6	27.3
Total assets	1,281.7	1,213.5	1,211.7
Gross debt	543.2	538.6	517.2
Net debt	495.1	509.0	489.9
Shareholders' equity	304.0	260.6	249.0
Total capitalization	847.1	799.2	766.1
Net capitalization	799.1	769.6	738.8
Cash flow (USD mn)			
Funds from operations (FFO)	37.0	-9.9	-4.6
CFO	114.9	36.9	26.7
Capex	78.6	76.8	7.1
Acquisitions	0.0	0.0	0.0
Disposals	35.4	8.9	0.0
Dividend	0.0	3.3	0.0
Free Cash Flow (FCF)	36.3	-39.8	19.6
Adjusted FCF*	71.7	-34.3	19.6
Key ratios			
EBITDA margin (%)	-4.1	3.6	1.7
Net margin (%)	2.7	-11.6	-8.9
Gross debt to EBITDA (x)	N/M	41.5	52.5
Net debt to EBITDA (x)	N/M	39.2	49.7
Gross Debt to Equity (x)	1.79	2.07	2.08
Net Debt to Equity (x)	1.63	1.95	1.97
Gross debt/total capitalisation (%)	64.1	67.4	67.5
Net debt/net capitalisation (%)	62.0	66.1	66.3
Cash/current borrowings (x)	0.20	0.18	0.16
EBITDA/gross Interest (x)	N/M	0.4	0.3

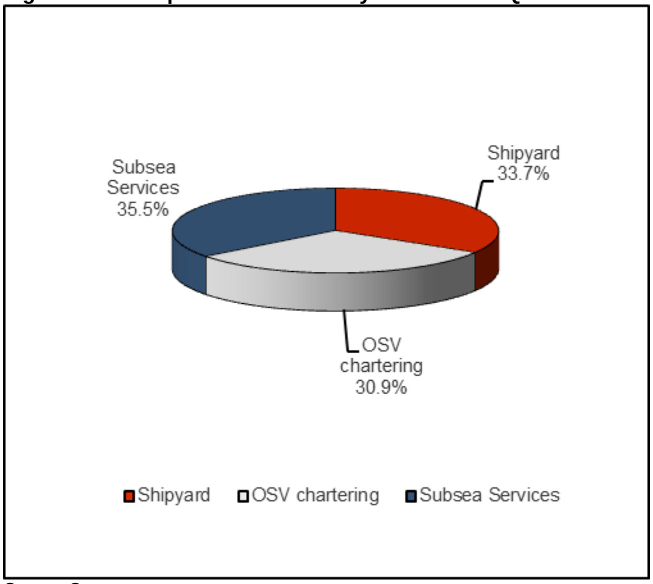
Source: Company, OCBC estimates
**Adjusted FCF = FCF – Acquisitions – Dividends + Disposals*

Figure 1: Revenue breakdown by business – 1Q2015



Source: Company

Figure 2: Gross profit breakdown by business – 1Q2015



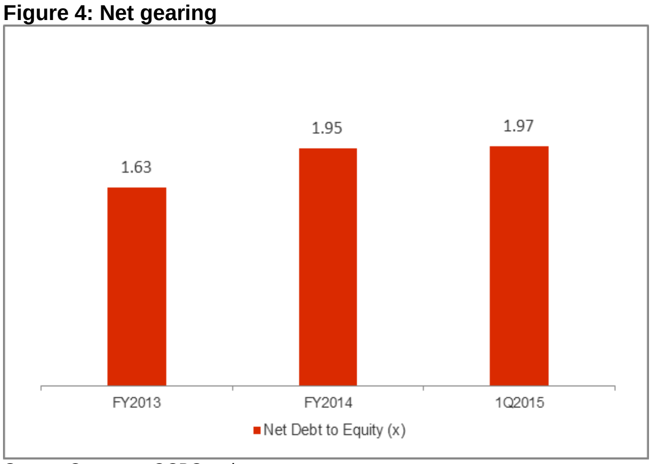
Source: Company

Figure 3: Debt maturity profile

(Amounts in USD mn)	As at 31/03/2015	% of debt
Repayable in one year		
Secured	151.2	29.2%
Unsecured	21.7	4.2%
Sub-total	**172.9**	**33.4%**
Repayable after a year		
Secured	264.3	51.1.0%
Unsecured	80.0	15.5%
Sub-total	**344.2**	**66.6%**
Total	**517.2**	**100.0%**

Source: Company

Figure 4: Net gearing



Source: Company, OCBC estimates

Credit Outlook – OUE's asset recycling strategy should continue to support its credit metrics going forward. We think the short-dated OUESP'17 looks attractive, which offer spread of 142bps over swap.

Issuer Rating: Neutral

S&P: Not rated

Moody's: Not rated

Fitch: Not rated

Ticker: **OUESP**

Company Profile

Incorporated in 1964, OUE Ltd ("OUE") is a real estate developer and landlord with a real estate portfolio located at prime locations in Singapore (such as Orchard Road) and across the region. The group has diverse exposure across the office, hospitality, retail and residential property segments. OUE is the sponsor of OUE Hospitality Trust ("OUEHT") and OUE Commercial REIT ("OUECT"). The company is 68.0%-owned by the Lippo Group.

OUE Ltd

Key credit considerations

- **Lower 1Q2015 results due to the absence of disposal gain:** OUE reported revenue of SGD108.0mn (+1.0% y/y), on the back of higher contributions from Lippo Plaza, U.S. Bank Tower and OUE Twin Peaks. Nonetheless, net profit was down 91.8% y/y to SGD77.2mn due to a one-off gain of SGD986.4mn from the disposal of Mandarin Orchard Singapore and Mandarin Gallery to OUEHT in 1Q2014. In particular, revenue from OUE's hospitality division fell 4.1% y/y to SGD50.2mn due to lower occupancies achieved by the group's hotel properties, while revenue from property investment division declined 3.3% y/y to SGD42.5mn following the deconsolidation of OUEHT.

- **Residential sales will remain slow:** Although OUE's property development division reported positive revenue growth of 41.9% y/y to SGD13.4mn for 1Q2015 due to completion of its residential project, OUE Twin Peaks (obtained temporary occupation permit in February 2015), we note that sales for this project remain sluggish with only 72 units (out of 462 units) sold as at end-May 2015. Management is cognizant of the cautious sentiment prevailing in the high-end residential market but will remain focused on driving sales of OUE Twin Peaks.

- **Investment properties to sustain earnings:** OUE's portfolio of quality hospitality (such as Marina Mandarin Singapore) and commercial properties (such as One Raffles Place Towers 1 & 2 and U.S. Bank Tower) will continue to generate recurring income for the group. Meanwhile, OUE's two listed REITs, OUEHT and OUECT provide platforms for asset recycling and the subsequent redeployment of capital into other investment opportunities.

- **Development pipeline remains on track:** We note that asset enhancement works at OUE Downtown and U.S. Bank Tower are on track to be completed by 2016. Management remains active in lease management and OUE Downtown and U.S Bank Tower have achieved committed occupancy rate of 89.7% and 79.6%, respectively. Furthermore, the 10-storey extension building to Crowne Plaza Changi Airport ("CPCA") is expected to be completed by end-2015 (will be divested to OUEHT once completed), adding 243 rooms to CPCA's existing 320 rooms. These assets will contribute positively to the group going forward.

- **Mixed credit metrics but liquidity profile remains intact:** OUE's net gearing improved to 0.41x as at end-1Q2015 (2014: 0.44x) despite the acquisition of 23.0% of Gemdale Properties and Investment Corporation Ltd due to receipt of proceeds from the disposal of CPCA to OUEHT. Nonetheless, EBITDA/gross interest deteriorated to 1.0x (2014: 1.6x) due to weaker EBITDA. Meanwhile, refinancing risk should be limited for the group as it has successfully raised SGD300mn from the debt market in 2Q2015. In addition, OUE has SGD374.0mn of investments in a mutual fund and equity securities as at end-1Q2015, which can be converted into cash if needed.

- **Disposal of One Raffles Place:** OUE announced that it will dispose its stake in OUB Centre Ltd ("OUBC"), the registered owner (81.54% of the beneficial interest) of One Raffles Place (Tower 1, Tower 2 and the shopping mall) to OUECT for a consideration of between SGD1.03bn to SGD1.14bn (pending EGM approval). This is in line with the group's strategy to unlock and recycle capital. OUECT is proposing to finance the acquisition through a combination of debt and equity, including a potential convertible perpetual preferred unit ("CPPU") issue. The group intends to use the cash proceeds (if any) from the disposal for general corporate and working capital purposes.

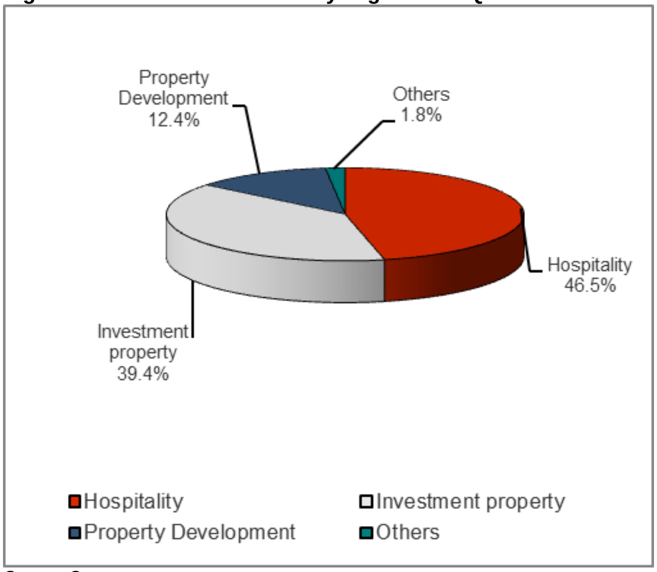
OUE Ltd

Table 1: Summary financials

Year ended 31st December	FY2013	FY2014	1Q2015
Income statement (SGD mn)			
Revenue	436.6	416.4	108.0
EBITDA	161.8	110.2	17.0
EBIT	139.6	98.0	16.1
Gross interest expense	111.6	80.7	18.4
Profit before tax	14.1	1,300.8	91.8
Net income	-36.6	1,094.0	77.2
Balance sheet (SGD mn)			
Cash and equivalents	730.6	162.0	265.2
Total assets	6,418.2	6,694.3	6,879.9
Gross debt	2,742.0	2,065.9	2,083.6
Net debt	2,011.4	1,904.0	1,818.4
Total equity	3,515.0	4,339.4	4,443.2
Total capitalization	6,257.0	6,405.4	6,526.9
Net capitalization	5,526.4	6,243.4	6,261.6
Cash flow (SGD mn)			
Funds from operations (FFO)	-14.3	1,106.2	78.1
CFO	103.8	39.8	11.7
Capex	8.0	13.3	0.5
Acquisitions	519.0	512.5	64.4
Disposals	115.2	-15.2	311.9
Dividends	263.9	59.1	12.8
Free Cash Flow (FCF)	95.8	26.5	11.2
Adjusted FCF*	-571.8	-560.4	245.8
Key ratios			
EBITDA margin (%)	tai	26.5	15.7
Net margin (%)	-8.4	262.7	71.5
Gross debt/EBITDA (x)	16.9	18.7	30.6
Net debt/EBITDA (x)	12.4	17.3	26.7
Gross debt/equity (x)	0.78	0.48	0.47
Net debt/equity (x)	0.57	0.44	0.41
Gross debt/total capitalization (%)	43.8	32.3	31.9
Net debt/net capitalization (%)	36.4	30.5	29.0
Cash/current borrowings (x)	2.09	0.25	0.42
EBITDA/gross interest (x)	1.7	1.6	1.0

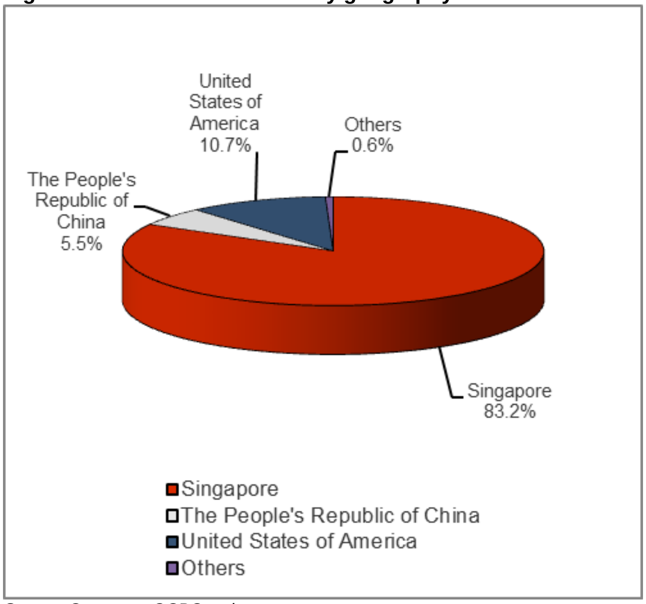
Source: Company, OCBC estimates
**Adjusted FCF = FCF –Acquisitions – Dividends + Disposals*

Figure 1: Revenue breakdown by segment – 1Q2015



Source: Company

Figure 2: Revenue breakdown by geography– FY2014



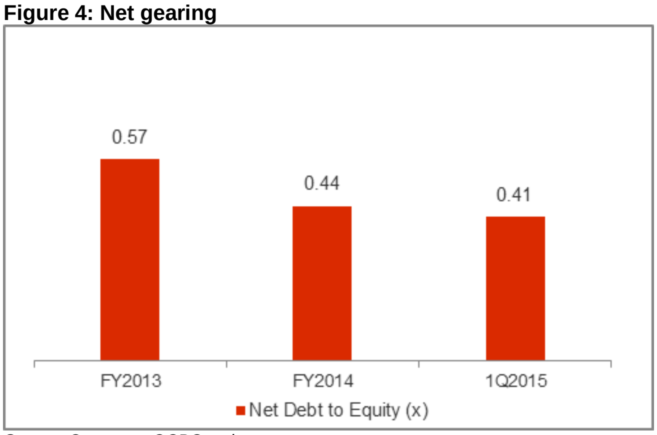
Source: Company, OCBC estimates

Figure 3: Debt maturity profile

Amounts in SGD mn	As at 30/09/2013	% of debt
Repayable in one year		
Secured	388.7	18.7%
Unsecured	249.8	12.0%
	638.5	**30.6%**
Repayable after a year		
Secured	948.4	45.5%
Unsecured	496.8	23.8%
	1445.2	**69.4%**
Total	**2083.6**	**100.0%**

Source: Company

Figure 4: Net gearing



Source: Company, OCBC estimates

Pacific Radiance Ltd

Credit Outlook – At 320bps above swaps, PACRA'18 still looks attractive given its stronger credit profile relative to peers. However, the bond has rallied from 94.5 to 98 since our Overweight recommendation. We believe that the risk-reward has shifted and now are Neutral on the bond.

Issuer Rating: Neutral

S&P: Not rated

Moody's: Not rated

Fitch: Not rated

Ticker: **PACRASP**

Company profile

Listed in 2013, PACRA is primarily an owner and operator of offshore support vessels. The firm currently operates more than 130 vessels. Its fleet is relatively young, with an average age of ~4 years. The majority of its revenue is generated from the Asia region. The firm also has a subsea division, which includes the utilization of two dive support vessels. The key shareholder and Chairman, Mr Pang Yoke Min, has more than 30 years of experience in the offshore marine sector, having co-founded Jaya Holdings in 1981, and managed it till 2006. He controls 67% of PACRA.

Key credit considerations

- **Weakness as subsea division pressured 1Q2015 revenue:** Revenue fell 25.0% y/y, driven mainly by the 70.9% decline in subsea revenue. The segment was hit by the slowdown in field development work, which caused the utilization of PACRA's DSVs to fall. The OSV chartering segment also saw revenue decline 12.5% y/y on lower utilization (utilization rates remain ~50%) and softer day rates due to oversupply in the sector. Management mentioned that day rates for PSVs were particularly bad. Recent performance improved, with total revenue declining 15.3% q/q. Management believes that 2Q2015 could potentially be the trough in utilization, with some clients resuming maintenance work that was deferred.

- **Lack of vessel sales and FX losses weighted on 1Q2015 earnings**: The firm saw gross margin contract by ~10ppt to 32.7% y/y. This was driven mainly by the relative decline in revenue for both the subsea segment and OSV chartering segment. As such, gross profit declined 42.7% y/y. Net profit to shareholders plunged even further by 95.0% to USD0.9mn. Even though management reduced SG&A expense by 23.8% y/y in response to the downturn, given the slump in revenue, SG&A is roughly constant as a percentage of revenue. 1Q2014 also had a boost from the sale of two vessels (generated USD5.6mn in gains) while there were no vessel sales in 1Q2015. Finally, PACRA generated USD2.4mn in FX losses during 1Q2015 (compared to USD1.3mn gain in 1Q2014). Contributions from JVs and associates were also a drag, generating a loss of USD0.1mn compared to a gain of USD3.4mn in 1Q2014.

- **Better than 4Q2014**: Though 1Q2015 was a soft quarter, gross profit jumped 215% q/q. This was driven by the chartering of two newbuilds that were delivered in late 2014. The management expects 1Q2015 gross margin levels of ~33% to be sustainable through 2Q2015. PACRA also mentioned 1Q2015 was the low season due to the monsoon.

- **Capital commitments loom**: As of FY2014, PACRA had USD360.2mn in committed capex (~USD250mn to be spent over 2015). Most of these are for 18 newbuilds to be delivered over 2015 and 2016. The firm has already received 4 of these vessels in 1Q2015. ~50% of the newbuilds to be delivered through 2015 have jobs lined up. As these newbuilds get delivered, net gearing is expected to creep up due to the vessel financing (bank loans) used to fund these purchases.

- **Liquidity remains fair**: EBITDA / Interest coverage has declined from 5.7x to 4.2x. The USD59.6mn in short-term borrowings is well covered as PACRA had USD100.3mn in cash (end-1Q2015). Operating cash flow surged to USD26.9mn (1Q2014: USD2.5mn), though this is unlikely to be sustainable as USD18.8mn was generated from shrinking working capital. PACRA's bond will mature in August 2018.

- **Leverage worsens, though still manageable**: Net gearing has worsened from 52% (end-2014) to 59% (end-1Q2015), driven mainly by increased vessel financing from the delivery of newbuilds during the period (gross debt increased USD29.4mn). Net debt / EBITDA has worsened as well to 5.5x (2014: 4.4x), mainly due to the fall in earnings. Though we expect the leverage profile to deteriorate further through 2015 (given the existing capex commitments), this is from low absolute levels. We are mindful of the corporate guarantees that PACRA might be bearing for its JVs or associates. That said, adjusting for disclosed contingent liabilities (disclosed end-2014) would bring net gearing up to 64%. In aggregate, we continue to believe that PACRA is one of the better positioned offshore marine issuers under our coverage.

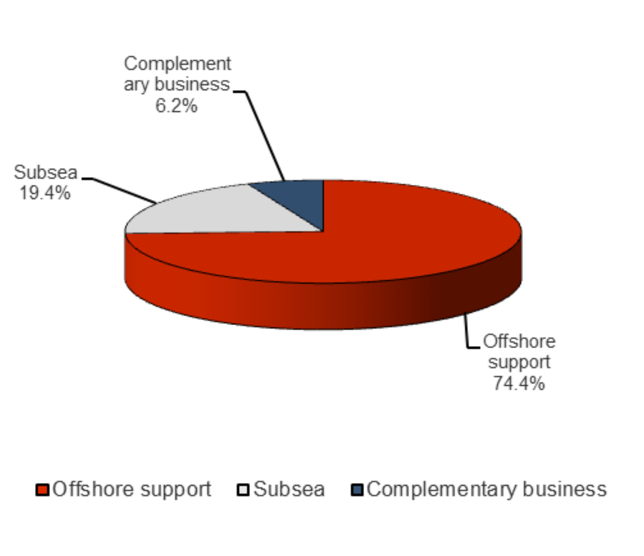
Pacific Radiance Ltd

Table 1: Summary financials

Year ended 31st December	FY2013	FY2014	1Q2015
Income statement (USD mn)			
Revenue	168.6	172.2	31.5
EBITDA	61.0	51.7	11.8
EBIT	36.0	23.8	4.3
Gross interest expense	13.1	9.1	2.8
Profit before tax	56.8	68.3	1.4
Net income	56.8	68.3	0.9
Balance sheet (USD mn)			
Cash and equivalents	64.9	101.4	100.3
Total assets	745.9	839.5	887.4
Gross debt	292.9	328.1	357.5
Net debt	228.0	226.7	257.2
Total equity	377.5	431.9	432.2
Total capitalization	670.4	760.1	789.7
Net capitalization	605.5	658.6	689.4
Cash flow (USD mn)			
Funds from operations (FFO)	81.8	96.2	8.4
CFO	29.2	61.3	26.9
Capex	191.6	207.1	70.6
Acquisitions	-3.4	0.4	0.8
Disposals	79.0	169.1	0.0
Dividends	7.1	11.4	0.0
Free Cash Flow (FCF)	-162.4	-145.8	-43.7
Adjusted FCF*	-87.0	11.5	-44.6
Key ratios			
EBITDA margin (%)	36.2	30.0	37.4
Net margin (%)	33.7	39.7	2.9
Gross debt/EBITDA (x)	4.8	6.3	7.6
Net debt/EBITDA (x)	3.7	4.4	5.5
Gross debt/equity (x)	0.78	0.76	0.83
Net debt/equity (x)	0.60	0.52	0.59
Gross debt/total capitalization (%)	43.7	43.2	45.3
Net debt/net capitalization (%)	37.7	34.4	37.3
Cash/current borrowings (x)	1.22	1.96	1.68
EBITDA/gross interest (x)	4.7	5.7	4.2

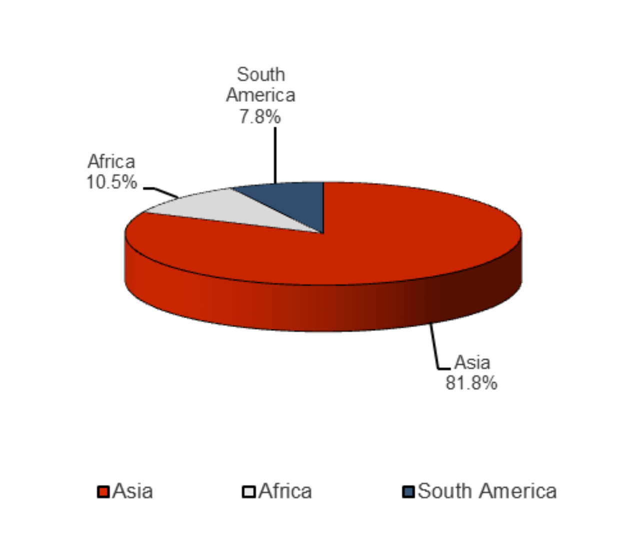
Source: Company, OCBC estimates
**Adjusted FCF = FCF –Acquisitions – Dividends + Disposals*

Figure 1: Revenue breakdown by business – FY2014



Source: Company

Figure 2: Revenue breakdown by geography – FY2014



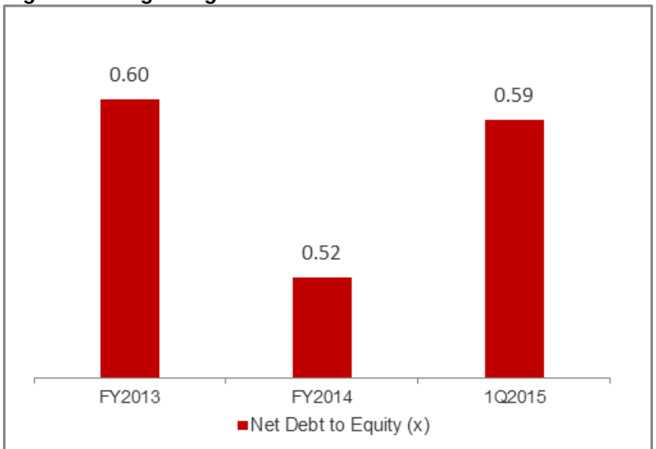
Source: Company

Figure 3: Debt maturity profile

Amounts in USD mn	As at 31/03/2015	%-of-debt
Amount repayable in one year or less, or on demand		
Secured	59.6	16.7%
Unsecured	0.0	0.0%
	59.6	16.7%
Amount repayable after a year		
Secured	225.7	63.2%
Unsecured	72.1	20.2%
	297.8	83.3%
Total	**357.3**	100.0%

Source: Company

Figure 4: Net gearing



Source: Company, OCBC estimates

Sembcorp Industries Ltd

Credit Outlook – Though its credit profile will improve with the recent perpetual securities issuance, SCI's core segments are facing headwinds. We continue to be Underweight the SCISP'20 and SCISP'24 on valuation.

Issuer Rating: Neutral

S&P: Not rated

Moody's: Not rated

Fitch: Not rated

Ticker: **SCISP**

Company profile

Formed in 1998, Sembcorp Industries Ltd ("SCI") grew to become a leading player in both the utilities industry as well as offshore marine industry. For the utilities business, SCI provides energy and water solutions to both industrial and municipal customers. Through its subsidiary, Sembcorp Marine Ltd ("SMM"), it is established in marine and offshore engineering, providing a wide range of services such as ship repairs and rig building. To date, it has operations in 6 different continents with a total asset of over SGD18.5bn. Temasek Holdings is the largest shareholder of SCI, holding 49.5% stake.

Key credit considerations

- **Revenue slumped due to decline in utilities:** Total revenue declined 11.0% y/y, driven by a 21.0% y/y decline in utilities segment revenue. SCI faced intense competition in the power markets that it operates in. Specifically, its Singapore operations faced lower gas uptick and lower HSFO prices recorded during the period. SCI's TPCIL genco asset in India commenced operations in 1Q2015, and will contribute to performance from 2Q2015 onwards. The marine segment was actually flattish y/y (-2.4%), with declines in rig building revenue recognized as well as lower repair revenue offset by offshore and conversion projects. Revenue from the urban development segment was minimal due to the lack of land sales (these are expected to pick up in 2H2015).

- **Earnings decline due to utilities weakness and lack of urban development contribution**: SCI generated SGD253.7mn in operating profits during the quarter, a decline of 15.7% y/y. The net margin from the utility segment was flattish at 7.6% (end-1Q2014) compared to 7.8% (1Q2015). Weakness in domestic power markets were offset by steady profits from overseas operations. Net margin for the marine business declined from 9.6% (end-1Q2014) to 8.4% (end-1Q2015). ~50bps in segment margin compression was driven by higher finance costs, while the bulk of the balance was FX losses. Net profit from urban development slumped 94.5% to just SGD1.1mn (1Q2014: SGD19.5mn) as the prior period saw SGD17.0mn in land sales from its Nanjing Eco Hi-tech project.

- **Benign quarter masks risks in marine segment:** The q/q slump in marine revenues was sharper at 9.8%, reflecting the weakness that the offshore marine industry is facing. In particular, rig building revenues declined 13.8% q/q. Though net order book remains healthy at SGD10.6bn (~1.8x FY2014 segment revenue), the order book shrunk SGD800mn during the quarter. It is expected, but still worrying to see SCI secure only one new contract (a SGD56mn conversion contract) during the period. The biggest risk remains SCI's Sete Brasil / Petrobras drillship order. The order was for six drillships and originally worth USD4.7bn. Delivery was schedule from 2Q2015 till 2Q2019. As Sete Brasil / Petrobras is currently facing financing issues due to a corruption scandal, payments to SCI (milestone payments for the drillships) has halted since November 2014. There are also concerns that these orders may be cancelled (after significant investments made by SCI in a shipyard in Brazil, Estaleiro Jurong Aracruz). We believe that these orders will remain intact, but may be delayed. SCI will have to fund these receivables till the situation resolves.

- **Increasing liquidity needs:** Though EBITDA / interest coverage remains healthy at 9.4x (end-1Q2015), it declined sharply (2014: 19.6x). Cash / current borrowings fell sharply from 1.53x (end-2014) to just 1.00x (end-1Q2015) as short-term debt 47.6% q/q. FCF remains negative at –SGD238.4mn, in part due to the capex needs of the marine segment (1Q2015: SGD221.6mn). Increasing trade receivables were a drag on cash as well.

- **Credit profile deteriorated**: Gross debt has increased by 183% from SGD1.96bn (end-2013) to SGD5.54bn (end-1Q2015) mainly due to funding needs for the marine segment's Brazil business. SCI went from net cash to a net gearing of 51% during the same period. Net debt / EBITDA is now at 3.4x. For its funding needs, as well as to improve its credit profile, SCI did a SGD600mn perpetual securities issue in May 2015. This would improve pro-forma 1Q2015 net gearing to 0.40 (0.47 if cash raised is not used to reduce debt). We retain a Neutral issuer rating on SCI.

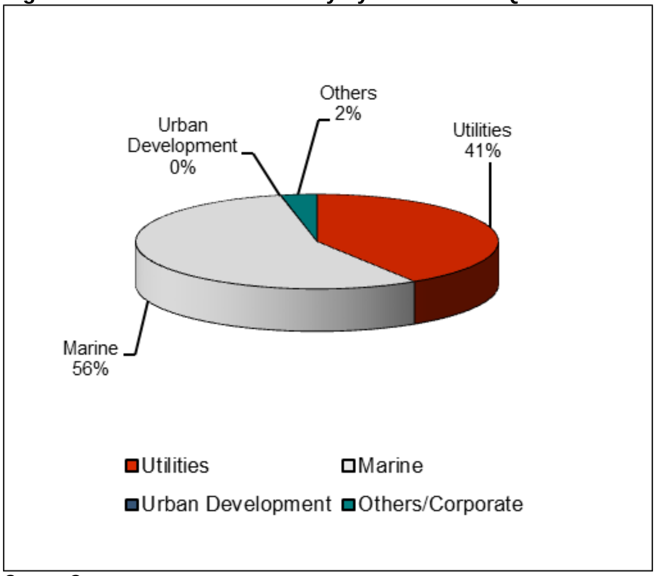
Sembcorp Industries Ltd

Table 1: Summary financials

Year ended 31st December	FY2013	FY2014	1Q2015
Income statement (USD mn)			
Revenue	10,797.6	10,894.7	2,338.1
EBITDA	1,251.5	1,377.0	293.1
EBIT	948.2	1,062.2	204.0
Gross interest expense	117.9	70.1	31.2
Profit before tax	1,214.4	1,246.4	228.1
Net income	820.4	801.1	142.2
Balance sheet (USD mn)			
Cash and equivalents	2,255.9	1,661.4	1,597.5
Total assets	13,753.9	17,176.4	18,496.3
Gross debt	1,955.8	4,841.1	5,537.2
Net debt	-300.1	3,179.6	3,939.7
Total equity	6,530.0	7,232.3	7,748.8
Total capitalization	8,485.8	12,073.3	13,286.0
Net capitalization	6,229.9	10,411.9	11,688.4
Cash flow (USD mn)			
Funds from operations (FFO)	1,123.7	1,115.9	231.3
CFO	1,509.2	-57.4	152.1
Capex	1,198.0	1,337.8	390.5
Acquisitions	290.8	267.6	295.9
Disposals	41.3	23.4	0.4
Dividends	412.6	549.1	9.9
Free Cash Flow (FCF)	311.3	-1,395.3	-238.4
Adjusted FCF*	-350.8	-2,188.6	-543.8
Key ratios			
EBITDA margin (%)	11.6	12.6	12.5
Net margin (%)	7.6	7.4	6.1
Gross debt/EBITDA (x)	1.6	3.5	4.7
Net debt/EBITDA (x)	-0.2	2.3	3.4
Gross debt/equity (x)	0.30	0.67	0.71
Net debt/equity (x)	-0.05	0.44	0.51
Gross debt/total capitalization (%)	23.0	40.1	41.7
Net debt/net capitalization (%)	-4.8	30.5	33.7
Cash/current borrowings (x)	5.45	1.53	1.00
EBITDA/gross interest (x)	10.6	19.6	9.4

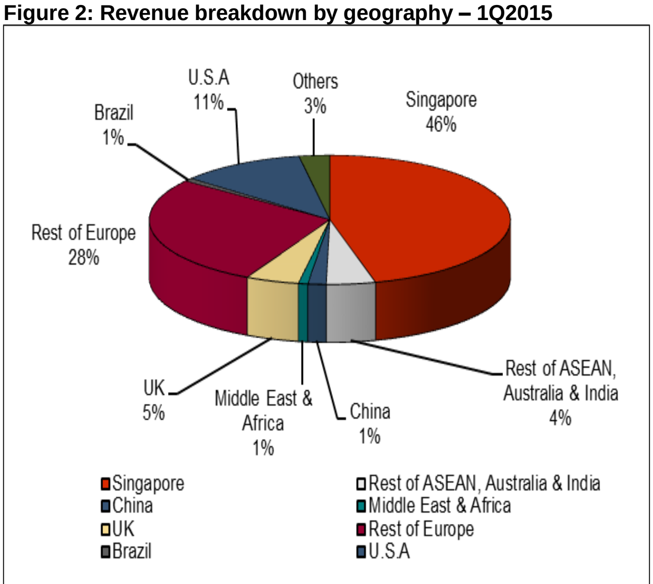
Source: Company, OCBC estimates
**Adjusted FCF = FCF –Acquisitions – Dividends + Disposals*

Figure 1: Revenue breakdown by by business – 1Q2015



Source: Company

Figure 2: Revenue breakdown by geography – 1Q2015



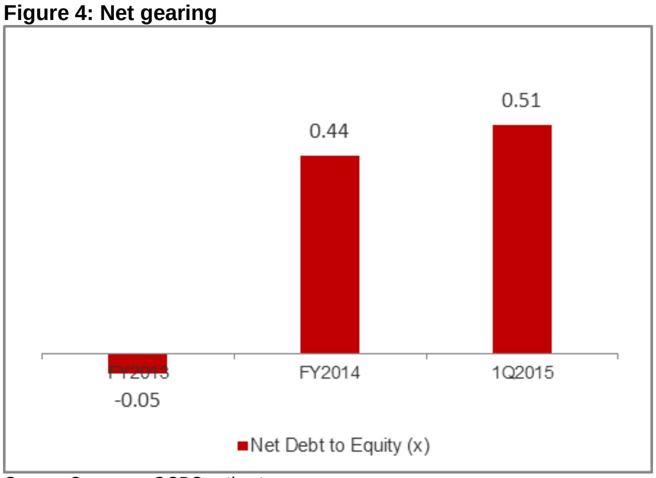
Source: Company

Figure 3: Debt maturity profile

Amounts in SGD mn	As at 31/03/2015	% of debt
Amount repayable in one year or less, or on demand		
Secured	629.6	11.4%
Unsecured	972.9	17.6%
	1,602.6	**28.9%**
Amount repayable after a year		
Secured	1,473.9	26.6%
Unsecured	2,460.8	44.4%
	3,934.6	**71.1%**
Total	**5,537.2**	**100.0%**

Source: Company

Figure 4: Net gearing



Source: Company, OCBC estimates

Credit Outlook – SPOST continues to generate significant recurring cash flow, and maintains a strong balance sheet. Since calling an Underweight on the SPOST'20 at the beginning of the year, the bond retreated from 106.75 to 104.25. We are now Neutral. We retain our Underweight on SPOST'49c22.

Issuer Rating: Overweight

S&P: A/Stable

Moody's: Not rated

Fitch: Not rated

Ticker: **SPOST**

Company profile

Singapore Post Ltd ("SPOST") is the incumbent mail operator in Singapore and was granted the Public Postal License in 1992. Other business segments SPOST participates in include logistics and e-commerce solutions. Through Singapore Telecom Ltd and a few other corporations, Temasek Holdings has an indirect ownership of ~23% of SPOST. In 2014, Alibaba Group Holdings made a strategic acquisition of ~10% of SPOST.

Singapore Post Ltd

Key credit considerations

- **Growth by acquisitions, support from overseas revenues:** SPOST generated SGD919.6mn in total revenue, an increase of 12.0% y/y. On an organic basis (excluding M&A), revenue increased 1.1% y/y. For FY2015, foreign revenue now accounts for 33% of sales, up from 12.9% three years ago. In addition, ecommerce related revenue (from across various business segments) is now 28% of total revenue. The mail segment saw 1.9% y/y growth, with ecommerce related revenue helping offset declines in letter mail volumes (affected domestic, hybrid and international mail). Retail & ecommerce segment sales were up 6.2% y/y, with ecommerce related services helping to offset traditional retail and agency services. Finally, the logistics segment saw 26.1% y/y growth, driven partially by the FSML and Couriers Please Holdings ("CPH") acquisitions. The traditional mail rate revision in October 2014 (the last revision was in December 2006) was helpful in offsetting rising operating costs and would help support traditional mail revenue against the structural decline that the segment is facing.

- **Operating margins will be pressured with product mix shift**: Gross margins have compressed from 34.1% (FY2014) to 31.5% (FY2015). This was driven by increasing labour costs as well as volume related costs (from the acquisitions made). Mail segment operating margins were maintained at 28.8% (FY2014: 29.1%) and remain the most profitable segment of SPOST. Logistics segment operating margins remain low at 4.6% though it was an improvement (FY2014: 3.8%). Retail & ecommerce segment operating margins improved from 8.6% (FY2014) to 10.6% (FY2015), driven by higher contributions from financial services and better performance by SP Commerce. Group net profit margin compressed from 23.4% (FY2014) to 17.1% (FY2015). This was driven by fair value gains on investment properties (added ~5.4ppt to FY2014 margins). We believe that group operating margins will be pressured going forward with the growth in contribution by the logistics segment (for example, CPH has a net profit margin of ~2%).

- **Execution risk remains**: SPOST has been actively making acquisitions to shift the firm away from its declining core business. These acquisitions include the AUD95mn acquisition for CPH. Inorganic growth invites execution risk, with SPOST's management required to integrate and generate synergies from these acquisitions. For example, SPOST paid SGD109.4mn for CPH (which had negative identifiable net assets), booking SGD110.0mn in Goodwill. During FY2015, CPH would have contributed SGD2.2mn in net profit. CPH was the largest acquisition of five acquisitions made in FY2015. As mentioned in previous updates, the continued transformational efforts by SPOST's management would likely result in a certain amount of investing cash flows spent on capex and acquisitions.

- **Some changes to note**: Accounting change from cost model to fair value model for investment properties caused shareholder's equity to surge. This caused historical gross gearing to fall (for example FY2014's fell from 34% to 21%). SPOST also announced a change to its base dividend policy, increasing to SGD7c per share (or SGD150.5mn per annum) from SGD5c.

- **Solid credit profile, though cash generation is weakening**: The firm continues to be net cash, and generated ~SGD130mn in FCF in FY2015. This is lower than the ~SGD200mn in FCF generated in FY2014 and FY2013. Capex increased due to investments into the Regional eCommerce Logistics Hub as well as the POPStation network. Management expects capex to be high for FY2016 as well. This is coupled with higher dividend spending as well as acquisition, and hence is an area we are monitoring closely. We retain our Overweight issuer rating.

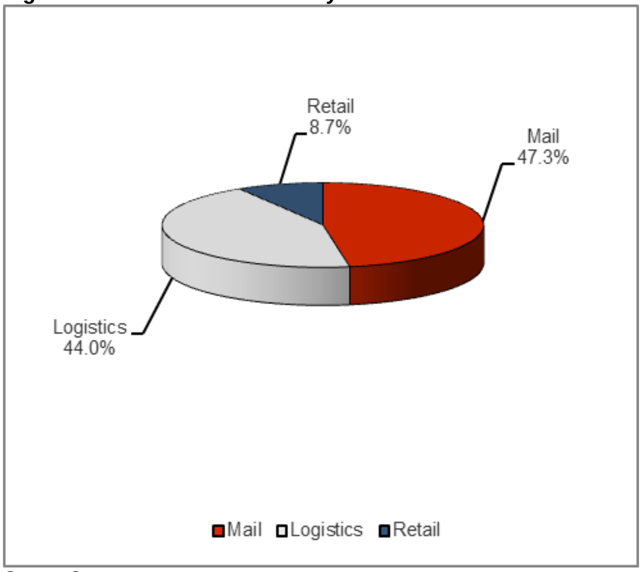
Singapore Post Ltd

Table 1: Summary financials

Year ended 31st March	FY2013	FY2014	FY2015
Income statement (SGD'mn)			
Revenue	658.8	821.1	919.6
EBITDA	162.1	170.9	169.1
EBIT	125.8	140.6	134.6
Gross interest expense	13.9	6.7	4.4
Profit Before Tax	167.0	227.7	192.5
Net profit	136.5	192.0	157.6
Balance Sheet (SGD'mn)			
Cash and bank deposits	628.3	404.4	584.1
Total assets	1,924.0	1,740.5	2,197.8
Gross debt	536.6	234.1	238.3
Net debt	-91.8	-170.3	-345.8
Shareholders' equity	1,037.3	1,114.5	1,467.7
Total capitalization	1,573.9	1,348.6	1,706.1
Net capitalization	945.5	944.2	1,121.9
Cash Flow (SGD'mn)			
Funds from operations (FFO)	172.8	222.2	192.2
CFO	203.0	241.8	235.0
Capex	12.7	37.8	104.4
Acquisitions	105.3	3.0	120.7
Disposals	-0.1	1.4	11.0
Dividends	133.0	133.6	143.0
Free Cash Flow (FCF)	190.3	204.1	130.6
Adjusted FCF*	-48.1	68.9	-122.1
Key Ratios			
EBITDA margin (%)	24.6	20.8	18.4
Net margin (%)	20.7	23.4	17.1
Gross debt/EBITDA (x)	3.3	1.4	1.4
Net debt/EBITDA (x)	-0.6	-1.0	-2.0
Gross debt/equity (x)	0.52	0.21	0.16
Net debt/equity (x)	-0.09	-0.15	-0.24
Gross debt/total capitalization (%)	34.1	17.4	14.0
Net debt/net capitalization (%)	-9.7	-18.0	-30.8
Cash/current borrowings (x)	1.99	28.84	34.47
EBITDA/gross interest (x)	11.6	25.6	38.7

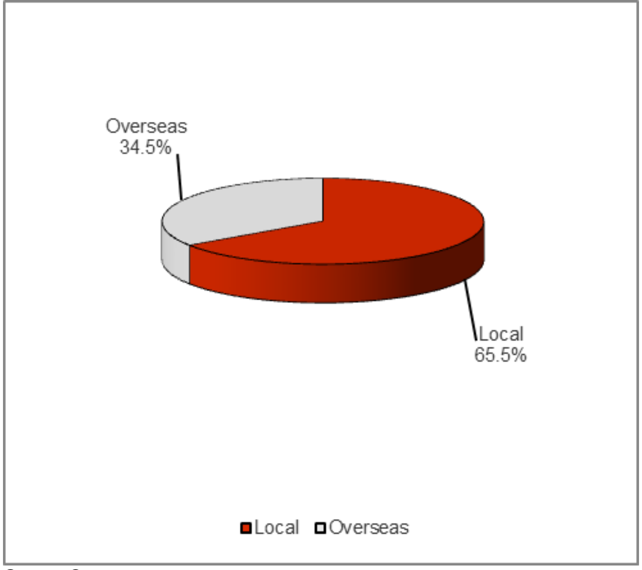
Source: Company, OCBC estimates
**Adjusted FCF = FCF –Acquisitions – Dividends + Disposals*

Figure 1: Revenue breakdown by business – FY2015



Source: Company

Figure 2: Revenue breakdown by geography – FY2015



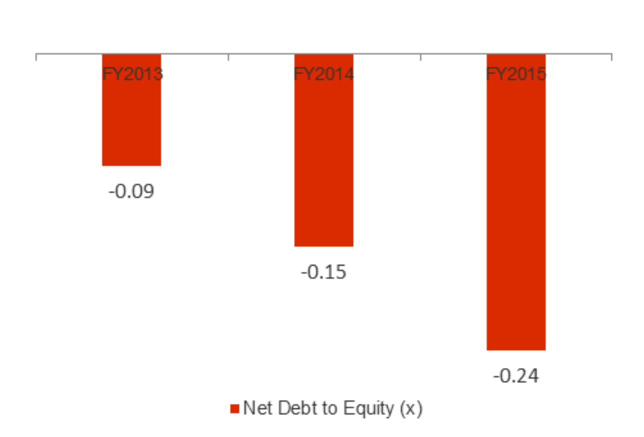
Source: Company

Figure 3: Debt maturity profile

Amounts in SGD mn	As at 31/03/2015	%-of-debt
Amount repayable in one year or less, or on demand		
Secured	2.6	1.1%
Unsecured	14.3	6.0%
	16.9	**7.1%**
Amount repayable after a year		
Secured	17.6	7.4%
Unsecured	203.7	85.5%
	221.4	**92.9%**
Total	**238.3**	**100.0%**

Source: Company

Figure 4: Net gearing



Source: Company, OCBC estimates

Credit Outlook – We like SGREIT's stable credit profile and long WALE of 4.5 years, which provide long term earnings visibility. Nonetheless, we think SGREIT'21 and SGREIT'23 are not attractive at spreads of 98bps and 106bps over swap, respectively.

Issuer Rating: Neutral

S&P: BBB+/Stable

Moody's: Not rated

Fitch: Not rated

Ticker: **SGREIT**

Company Profile

Listed on the SGX in September 2005, Starhill Global REIT ("SGREIT") invests primarily in real estate used for retail and office purposes, both in Singapore and overseas. It owns 13 mid to high-end retail properties in 5 countries, valued at ~SGD3.1bn as at 31 Mar 15. The properties include Wisma Atria and Ngee Ann City in Singapore, Starhill Gallery and Lot 10 in Malaysia, and 9 other malls in China, Australia and Japan. YTL Corp Bhd is SGREIT's sponsor and largest unitholder with a 36.3% stake.

Starhill Global REIT

Key credit considerations

- **Slight dip in 5QFY2015 (end-Mar) results:** SGREIT has changed its financial year end from 31 Dec to 30 Jun in March 2014. As a result, FY2015 will be an 18-month period from 1 Jan 14 to 30 Jun 15. In 5QFY2015, SGREIT's gross revenue was down 2.7% y/y (vs. 1Q2014) to SGD47.9mn. Nonetheless, net property income only fell by 0.6% y/y to SGD38.9mn on the back of lower property expenses. The weaker results were mainly due to: (1) lower contribution from China; (2) disposal of Holon L Property in Japan in March 2014; and (3) depreciation of foreign currencies such as JPY and MYR.

- **Weaker operating data in Wisma Atria:** In 1Q2015, shopper traffic for Wisma Atria dipped 2.0% y/y while tenants' sales fell by a greater magnitude of 9.0% y/y. Management attributed the weaker tenants' sales to tenant transitions and renovations, as well as decline in tourist arrivals and soft retail spending. However, management was active in managing its leases and the mall has achieved positive rental reversion of 13.3% in 1Q2015. Currently, SGREIT is evaluating plans with other stakeholders to unlock unutilised gross floor area ("GFA") at Wisma Atria, amounting to ~100,000 sq ft. Management expects healthy demand for prime retail space in Orchard Road going forward due to limited new supply in the area.

- **Overall portfolio occupancy remained healthy:** Despite the softer retail sales in Singapore, SGREIT's portfolio occupancy remained stable at 99.1% as at end-1Q2015 (end-2014: 99.6%). Meanwhile, SGREIT's long WALE of 4.5 years (by gross rent) should continue to provide earnings visibility for the trust.

- **Further diversification post-acquisition of Myer Centre Adelaide ("MCA"):** In 2014, SGREIT's Singapore portfolio contributed 67.2% of its gross revenue. However, this has been reduced to 57.3% following the acquisition of MCA in South Australia in May 2015 for AUD288.0mn, while increasing Australia's contribution to 23.4% (from 10.1%). This should improve SGREIT's earnings stability going forward. In addition, MCA provides potential income upside to SGREIT given that ~114,000 sq ft of the retail centre is currently vacant. Furthermore, MCA's retail space has a long WALE of 10.4 years (by gross rent) with annual rent increase component.

- **Credit metrics remained manageable:** As of end-1Q2015, SGREIT's aggregate leverage (gross debt/total assets) was stable at 28.7% (end-2014: 28.6%), while EBITDA/gross interest was flat at 4.6x (vs. end-2014). Besides, weighted average debt maturity has been extended to 3.4 years from 3.1 years as at end-1Q2015, following the successful refinancing of the unsecured term loan facility of JPY6.3 bn in April 2015. Meanwhile, interest rate risks are well taken care of with 100% of SGREIT's borrowings either on fixed rates or hedged via interest rate caps. More importantly, although aggregate leverage increased to 35.3% post acquisition of MCA, S&P has affirmed SGREIT's "BBB+" rating with stable outlook.

- **Proactive capital management:** Going forward, besides Wisma Atria, management is planning for asset enhancement initiative for Plaza Arcade in Australia, as well as other acquisition opportunities. We believe that funding should not be an issue given SGREIT's good access to capital markets. We note that SGREIT has completed a SGD125.0mn 8-year bond issuance in May 2015 to refinance its SGD124.0mn debt maturing in July 2015. As a result, SGREIT will not have any refinancing needs until post-June 2016.

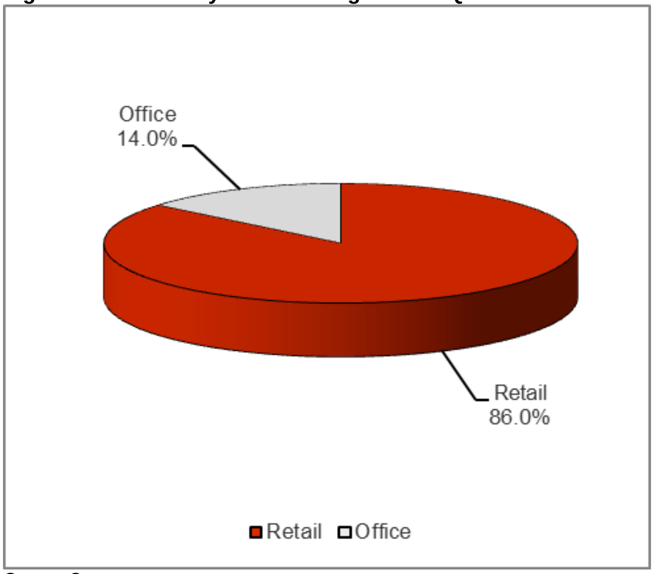
Starhill Global REIT

Table 1: Summary financials

Year ended 31st December	FY2013	12M2014	5Q2015*
Income statement (SGD mn)			
Revenue	200.6	195.1	47.9
EBITDA	141.0	140.4	34.7
EBIT	140.5	139.8	34.5
Gross interest expense	30.2	30.6	7.5
Profit before tax	252.8	144.6	29.1
Net income	250.0	143.2	28.6
Balance sheet (SGD mn)			
Cash and equivalents	58.0	81.6	75.5
Total assets	2,943.2	2,963.4	2,950.4
Gross debt	845.9	843.4	842.6
Net debt	787.9	761.7	767.1
Total equity	2,010.1	2,033.2	2,026.3
Total capitalization	2,856.0	2,876.6	2,868.9
Net capitalization	2,798.0	2,794.9	2,793.4
Cash flow (SGD mn)			
Funds from operations (FFO)	250.5	143.9	28.8
CFO	141.1	141.3	32.2
Capex	3.2	1.8	1.8
Acquisitions	65.2	0.0	0.0
Disposals	9.1	12.4	0.0
Dividends	105.3	108.5	28.0
Free Cash Flow (FCF)	137.9	139.4	30.3
Adjusted FCF*	-23.7	43.4	2.3
Key ratios			
EBITDA margin (%)	70.3	72.0	72.5
Net margin (%)	124.6	73.4	59.7
Gross debt/EBITDA (x)	6.0	6.0	6.1
Net debt/EBITDA (x)	5.6	5.4	5.5
Gross debt/equity (x)	0.42	0.41	0.42
Net debt/equity (x)	0.39	0.37	0.38
Gross debt/total capitalization (%)	29.6	29.3	29.4
Net debt/net capitalization (%)	28.2	27.3	27.5
Cash/current borrowings (x)	1.08	0.66	0.61
EBITDA/gross interest (x)	4.7	4.6	4.6

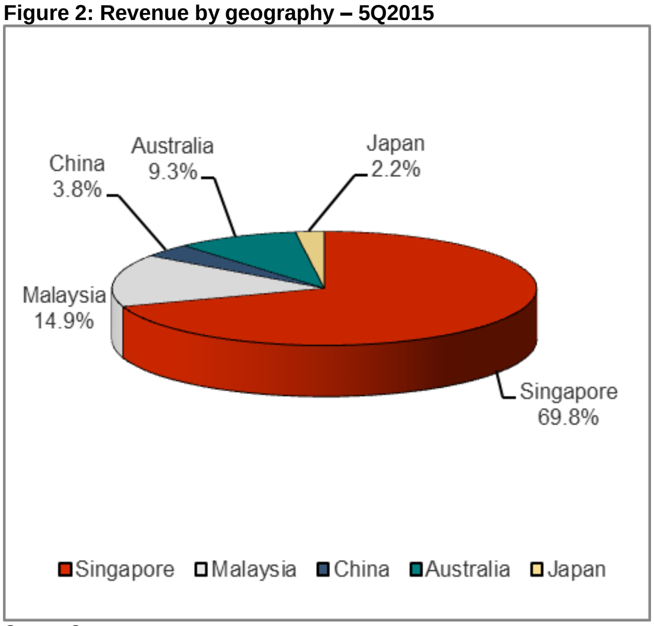
Source: Company, OCBC estimates
**In March 2014, Starhill Global REIT changed financial yr-end from 31 Dec to 30 June.*
Adjusted FCF = FCF –Acquisitions – Dividends + Disposals

Figure 1: Revenue by business segment – 5Q2015



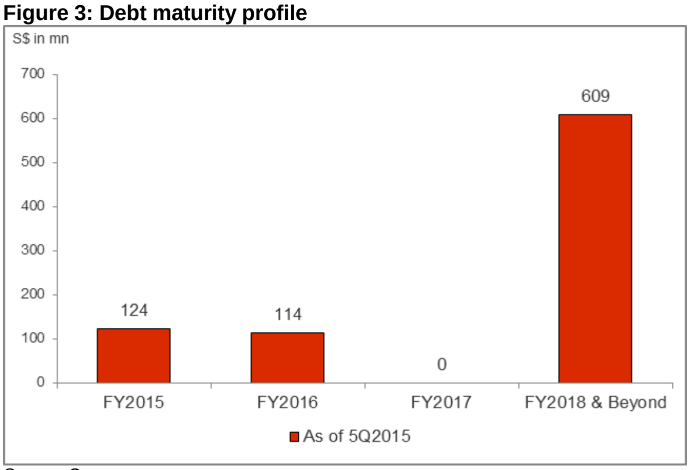
Source: Company

Figure 2: Revenue by geography – 5Q2015



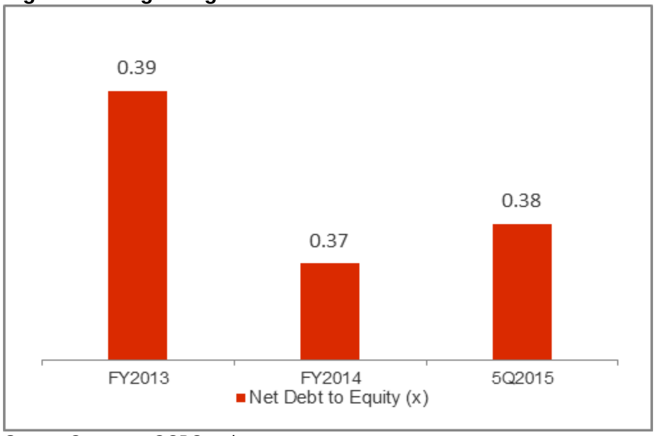
Source: Company

Figure 3: Debt maturity profile



Source: Company

Figure 4: Net gearing



Source: Company, OCBC estimates

Credit Outlook – SUN's credit metrics will continue to improve following completion of Suntec City Mall's AEIs. However, we see limited upside in SUNSP'16 and SUNSP'20, with spreads of 59bps and 76bps over swap, respectively.

Issuer Rating: Neutral

S&P: Not rated

Moody's: Baa2/Stable

Fitch: Not rated

Ticker: **SUNSP**

Company Profile

Listed on the SGX in 2004, Suntec REIT ("SUN") invests in real estates used for retail and office purposes. SUN's portfolio includes Park Mall, "Suntec City" (Suntec City Mall, units in Towers 1–3, and whole of Towers 4 & 5), a 60.8%-interest in Suntec Singapore Convention & Exhibition Centre ("Suntec Singapore"), a one-third interest in One Raffles Quay ("ORQ"), and a one-third interest in Marina Bay Financial Centre Towers 1 & 2 and Marina Bay Link Mall ("MBFC properties"). SUN holds a 100% interest in 177 Pacific Highway, an office development in Sydney.

Suntec REIT

Key credit considerations

- **Earnings boosted by completed asset enhancement initiative ("AEI"):** 1Q2015 net property income increased 17.3% y/y to SGD51.4mn, mainly due to the opening of Phase 2 AEI in Suntec City Mall and stronger performance from Suntec Singapore Convention & Exhibition Centre.

- **Headwinds in the retail segment:** Committed portfolio occupancy for SUN's retail assets (Suntec City Mall, Park Mall Retail and Marina Bay Link Mall) stood at 93.5% as at end-March 2015, vs. 99.7% as at end-2014. The lower occupancy rate was due to the increased retail space as SUN received Temporary Occupation Permit for Phase 3 AEI in Suntec City Mall in February 2015. Due to headwinds in the retail industry, we note that leasing momentum for Phase 3 has been slow. Overall committed occupancy for Suntec City Mall AEIs (Phases 1, 2 and 3) only improved slightly to 93.6% as at end-March 2015, from 91.3% as at end-2014, despite the fact that Phase 3 will be opening soon. In addition, overall committed passing rent for Suntec City Mall is currently at SGD12.15 psf per month (vs. SGD12.27 psf per month as at end-2014), which is below its initial target of SGD12.59 psf per month. On a positive note, majority of the un-leased space at Phase 3 is on the ground level, which typically can fetch higher rental rates.

- **Positive on office portfolio:** Meanwhile, SUN's office portfolio registered overall committed occupancy of 99.6% as at end-March 2015 (Suntec City Office Towers: 99.6%, Park Mall Office: 97.0%, One Raffles Quay: 100% and MBFC Properties: 100%), outperforming the average occupancy of 95.6% for Singapore's central business district Grade A office. With limited office space supply in 2015, management remains positive on the performance of SUN's office portfolio.

- **Mixed lease expiry profile:** SUN's lease expiry profile for office portfolio is well-staggered with 10.4%, 23.1% and 20.0% of the total office net lettable area ("NLA") expiring in remaining of 2015, 2016 and 2017, respectively. Meanwhile, 4.0%, 28.6% and 27.0% of total retail NLA are due for renewal in remaining of 2015, 2016 and 2017, respectively. Although the trust should be able to renew/replace these leases given its good track record of proactive leasing management, we caution that the tough operating environment will continue to drag rental rates of the retail segment.

- **Stable credit metrics:** Aggregate leverage (gross debt/total assets) for SUN remained flat at 34.8% as at end-1Q2015 (vs.34.7% as at end-2014) while EBITDA/gross interest was relatively flat at 1.8x (vs. 1.7x as at end-2014). Going forward, the opening of Phase 3 AEI in Suntec City Mall should improve SUN's credit metrics. In addition, the development of 177 Pacific Highway – a grade A office tower in North Sydney is ongoing (26% completed as at end-February 2015) and is scheduled for completion in early 2016. Given that the property is 100% pre-committed, we expect it to contribute positively to SUN in the future.

- **Divestment and redevelopment of Park Mall:** SUN has decided to divest Park Mall for SGD411.8mn in June 2015. Besides, SUN will acquire a 30% stake in a JV company (partnered with SingHaiyi Group and Haiyi Holdings) to redevelop Park Mall into two office blocks with retail component. The proceeds from the divestment will be used to fund the JV (up to SGD115.2mn) and the balance will be used for repayment of debt and mitigate the dip in DPU arising from the divestment.

- **No refinancing requirement in 2015:** SUN is managing its debt maturity profile well and it has raised SGD1.1bn of borrowings and SGD350mn of equity in 2014. As a result, it has no refinancing need in 2015. SUN's debt maturity profile is well-spread till 2020, with weighted average term to expiry of 3.39 years (2014: 3.63 years). Meanwhile, all-in financing cost remained sound at 2.53% (2014: 2.50%).

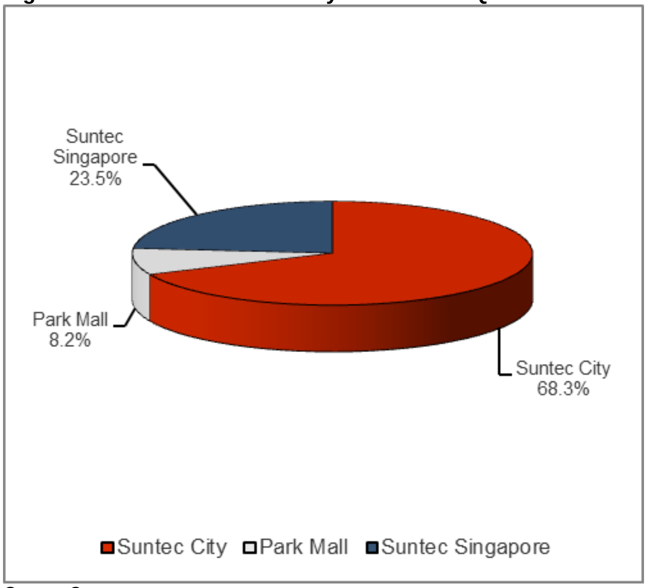
Suntec REIT

Table 1: Summary financials

Year ended 31st December	FY2013	FY2014	1Q2015
Income statement (SGD mn)			
Revenue	234.1	282.4	74.5
EBITDA	106.3	130.0	39.8
EBIT	90.9	114.4	37.4
Gross interest expense	77.7	75.6	22.0
Profit before tax	377.3	322.7	50.2
Net income	364.4	317.4	47.1
Balance sheet (SGD mn)			
Cash and equivalents	181.1	149.5	114.9
Total assets	8,321.8	8,602.0	8,612.4
Gross debt	3,160.8	2,980.7	2,999.2
Net debt	2,979.6	2,831.1	2,884.3
Total equity	4,985.0	5,418.3	5,404.1
Total capitalization	8,145.8	8,399.0	8,403.3
Net capitalization	7,964.6	8,249.4	8,288.4
Cash flow (SGD mn)			
Funds from operations (FFO)	379.8	333.0	49.5
CFO	152.6	195.6	53.1
Capex	191.9	97.5	22.3
Acquisitions	82.1	0.0	0.0
Disposals	0.0	0.0	0.0
Dividends	209.4	227.8	66.1
Free Cash Flow (FCF)	-39.3	98.1	30.8
Adjusted FCF*	-330.7	-129.7	-35.3
Key ratios			
EBITDA margin (%)	45.4	46.0	53.4
Net margin (%)	155.7	112.4	63.2
Gross debt/EBITDA (x)	29.7	22.9	18.9
Net debt/EBITDA (x)	28.0	21.8	18.1
Gross debt/equity (x)	0.63	0.55	0.55
Net debt/equity (x)	0.60	0.52	0.53
Gross debt/total capitalization (%)	38.8	35.5	35.7
Net debt/net capitalization (%)	37.4	34.3	34.8
Cash/current borrowings (x)	0.23	N/A	0.96
EBITDA/gross interest (x)	1.4	1.7	1.8

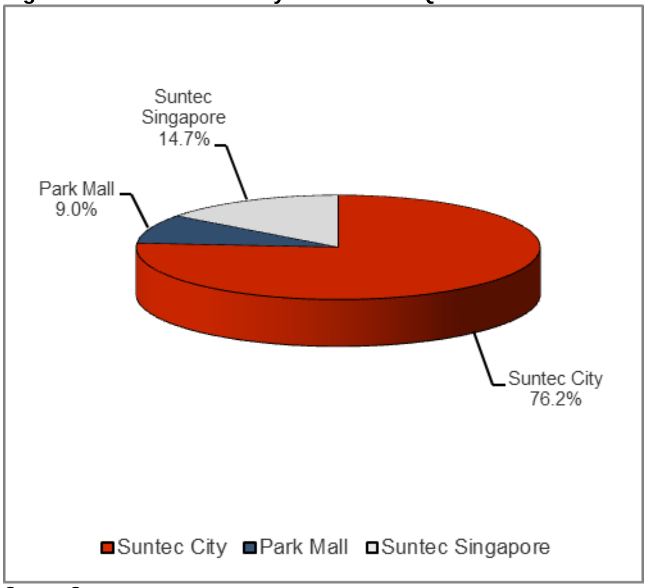
Source: Company, OCBC estimates
**Adjusted FCF = FCF –Acquisitions – Dividends + Disposals*

Figure 1: Revenue breakdown by business – 1Q2015



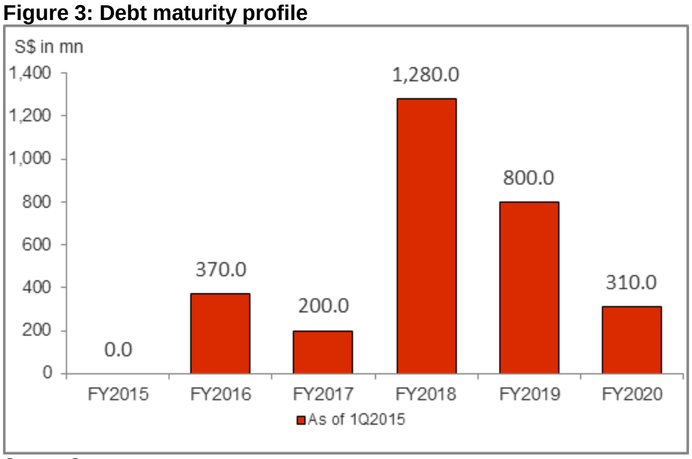
Source: Company

Figure 2: NPI breakdown by business – 1Q2015



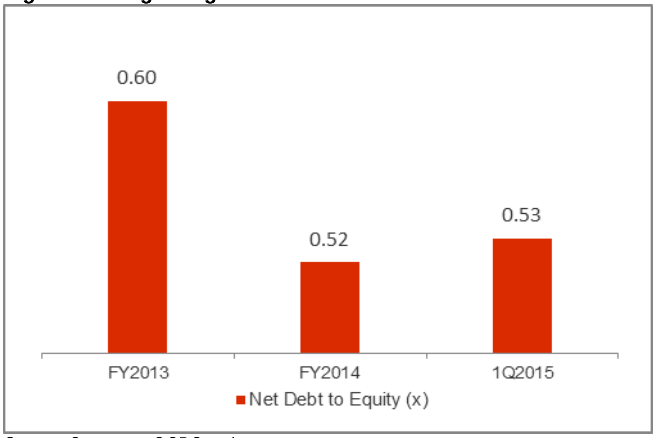
Source: Company

Figure 3: Debt maturity profile



Source: Company

Figure 4: Net gearing



Source: Company, OCBC estimates

Swissco Holdings Ltd

Credit Outlook – SWCH'18 has fallen sharply since the beginning of the year, driven by sector malaise and issuer structural complexity. Though SWCH's credit profile will face pressure, we believe investors are well compensated by the ~740bps in spread over swaps and hence remain Overweight on the bonds.

Issuer Rating: Neutral

S&P: Not rated

Moody's: Not rated

Fitch: Not rated

Ticker: **SWCHSP**

Company Profile

SWCH is an offshore marine service provider. Though SWCH has been listed since 2004, it was subjected to a RTO in February 2014, and entered the offshore rig chartering business (drilling). Currently, the firm has four business segments: OSV chartering, ship repair & maintenance, maritime services and drilling. The firm currently owns 38 vessels for its chartering business. For its drilling segment, it currently owns two rigs and jointly owns seven rigs. Tan Fuh Gih, the CEO, and his family in aggregate has more than a 55% stake in the firm.

Key credit considerations

- **Revenue plunged in 1Q2015:** As the RTO of SWCH only closed in 2014, 4Q2014 was the first quarter which had restated, consolidated financial statements. As such q/q comparisons will better reflect SWCH's performance going forward. Revenue plunged 48.9% q/q, driven mainly by the lack of maritime services revenue. The segment involves the ordering of ships to be configured and sold to end clients. Management has guided just one more such project due for completion in 2015. Ship repair revenues were small and remained flat q/q. The OSV chartering revenue declined 17.9% q/q, partially due to seasonal factors. Lower fleet utilization (<60%) and weaker day rates have pressured the segment as well (clients have been trying to lock in longer contracts at the current low rates). Management believes that 3Q2015 should see some pickup in activity (from production and maintenance related charters).

- **Drilling segment drove earnings**: Only 2 of SWCH's 9 rigs are majority owned by SWCH (and hence consolidated, with these two rigs generating the SGD11.0mn in drilling revenue reported). The balance rigs are held as JVs or as associates. As such, ~50% of pre-tax profit was contributed by JVs and associates (the reason why net profit was higher than revenue). Rig contracts tend to be longer term, but SWCH has 3 rig contracts expiring through 2H15. Management believes that they should be able to find / renew contracts for these rigs, though they expect day rates to be ~10% lower due to competitive pressure. As such, we believe that 2H15 will see some earnings pressure when the rigs come off lease. A fourth rig contract will be expiring in 2016.

- **Pipeline provides some mitigation**: SWCH's two accommodation rigs only started their charters in 1Q2015 and 2Q2015. These service rigs have 4 – 5Y charters. Furthermore, SWCH's liftboat is scheduled to be delivered in 2016. Demand for liftboats looks to be supported as these are typically used for maintenance work (with demand in the region given the region's aging rigs).

- **Capex profile**: At the beginning of FY2015, the firm had USD119.8mn in committed capex. Part of this was for 8 vessels to be delivered in 2015. During 1Q2015, SWCH spent USD25.2mn in capex on 3 vessels, a JV stake in an accommodation rig and a new yard. Management guided that ~USD40mn was due for the balance 5 vessels. That said, SWCH also sold 2 vessels for SGD19.4mn, as well as received USD17.5mn from its JVs. As a result, net investing cash flow was USD13.2mn for the quarter.

- **Liquidity currently manageable:** EBITDA / Interest coverage remained stable at 4.5x in part due to the steady rig charter revenue. The firm has USD78.3mn in short-term borrowings due (mostly secured vessel financing) and USD59.1mn in cash. FCF was negative for the quarter, but we expect it to turn positive with lower capex. We remain cautious regarding 3Q2015, when rig contracts expire. The issuer's bond will mature only in April 2018.

- **Leverage profile improvement:** SWCH is the only offshore marine issuer under our coverage that had a decisively improved credit profile during the quarter. Net gearing fell from 83% (end-2014) to 70% (end-1Q2015). Gross debt was unchanged at ~USD250mn q/q. However cash increased by ~USD20mn, which reduced net gearing. Net debt / EBITDA fell sharply as well from 10.0x to 3.7x over the same period. The management has indicated taking a more cautious stance relative to the beginning of the year. We believe that SWCH's credit profile should remain stable at current levels, with the management benefitting from two more quarters of performance to deleverage before the rig contracts start to expire.

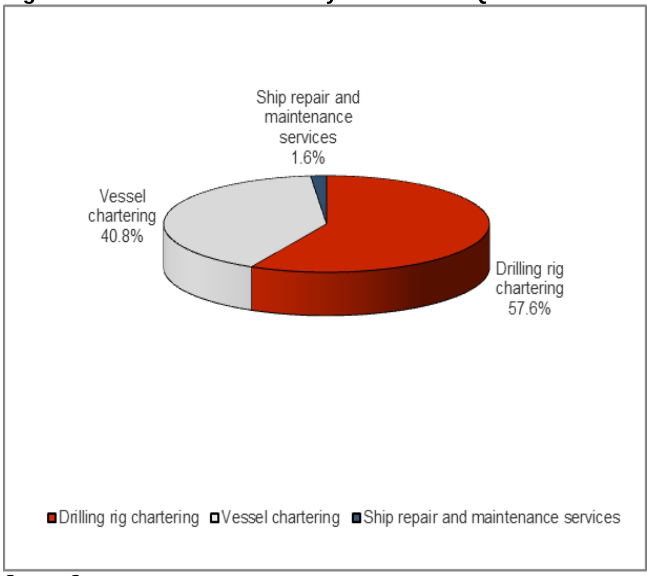
Swissco Holdings Ltd

Table 1: Summary financials

Year ended 30th June	FY2013	FY2014	1Q2015
Income statement (USD mn)			
Revenue	0.0	65.5	19.1
EBITDA	-0.5	21.3	13.1
EBIT	-0.5	11.5	6.9
Gross interest expense	1.1	4.7	2.9
Profit Before Tax	15.4	15.5	22.0
Net profit	15.4	15.9	21.9
Balance sheet (USD mn)			
Cash and bank deposits	0.8	38.6	59.1
Total assets	45.9	548.3	559.4
Gross debt	0.0	250.8	252.5
Net debt	-0.8	212.1	193.4
Shareholders' equity	43.0	254.3	276.1
Total capitalization	43.0	505.1	528.6
Net capitalization	42.2	466.4	469.5
Cash flow (USD mn)			
Funds from operations (FFO)	15.4	25.7	28.1
CFO	-0.5	50.6	0.5
Capex	0.0	168.0	25.1
Acquisitions	0.0	-9.6	0.0
Disposals	0.0	4.2	19.4
Dividend	0.0	0.0	0.0
Free Cash Flow (FCF)	-0.5	-117.4	-24.7
Adjusted FCF*	-0.5	-103.6	-5.3
Key ratios			
EBITDA margin (%)	N/A	32.5	68.9
Net margin (%)	N/A	24.3	114.6
Gross debt to EBITDA (x)	0.0	11.8	4.8
Net debt to EBITDA (x)	1.5	10.0	3.7
Gross Debt to Equity (x)	0.00	0.99	0.91
Net Debt to Equity (x)	N/A	0.83	0.70
Gross debt/total capitalisation (%)	N/A	49.6	47.8
Net debt/net capitalisation (%)	N/A	45.5	41.2
Cash/current borrowings (x)	N/A	0.54	0.75
EBITDA/gross Interest (x)	N/A	4.5	4.5

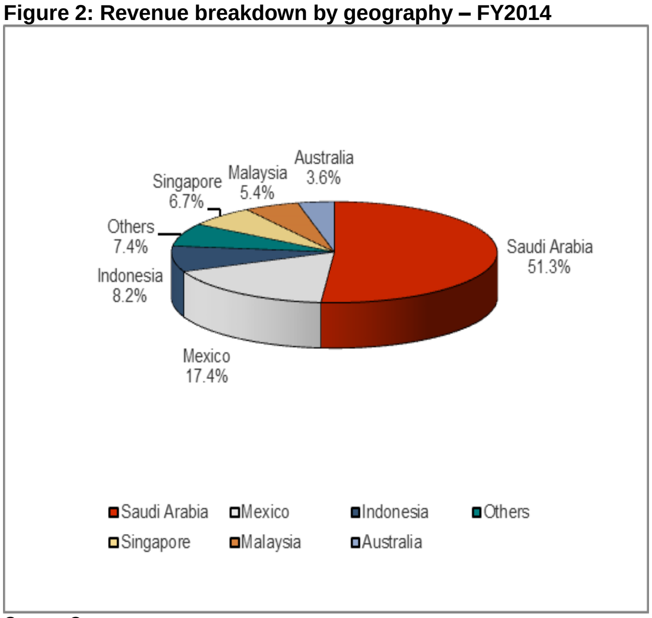
Source: Company, OCBC estimates
**Adjusted FCF = FCF – Acquisitions – Dividends + Disposals*

Figure 1: Revenue breakdown by business – 1Q2015



Source: Company

Figure 2: Revenue breakdown by geography – FY2014



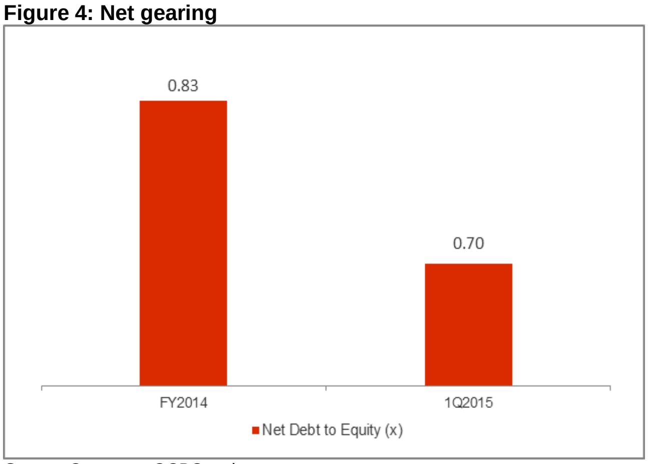
Source: Company

Figure 3: Debt maturity profile

(Amounts in USD mn)	As at 31/03/2015	% of debt
Repayable in one year		
Secured	67.3	26.7%
Unsecured	11.0	4.3%
Sub-total	**78.3**	**31.0%**
Repayable after a year		
Secured	174.2	69.0%
Unsecured	0	0.0%
Sub-total	**174.2**	**69.0%**
Total	**252.5**	**100.0%**

Source: Company

Figure 4: Net gearing



Source: Company, OCBC estimates

Credit Outlook – Wharf has a strong asset base in HK which anchors its credit profile despite a challenging retail environment. Across the WHARF curve, we prefer longer dated 21s given the steep curve. WHARF'21 offers a spread 120bps compared to 86-88bps for the 16s and 18s.

Issuer Rating: Neutral

S&P: Not rated

Moody's: Not rated

Fitch: Not rated

Ticker: **WHARF**

Company profile

The Wharf (Holdings) Ltd ("Wharf') develops and invests in retail, hotel and office property in China and Hong Kong. The company is also involved in communications, media & entertainment, and container terminals businesses. Wharf has strong experience and expertise in operating prime-location, high-quality commercial properties in Hong Kong. Wharf is a subsidiary of Wheelock & Co. Ltd, which owns a 57% stake in the company.

The Wharf (Holdings) Ltd

Key credit considerations

- **Stable 2014 results anchored by strong core of investment properties despite margin squeeze in China property development:** Wharf reported revenue up 20% y/y to HKD38.1bn and EBITDA up 7% y/y to HKD15.8bn mainly on resilience in Investment Properties ("IP"). Profit was up 22% y/y to HKD36bn, mainly on revaluation gains of HKD28.3bn. However stripping out gains on IP revaluations, core profit was down 7% y/y to HKD10.5bn. Investment properties continued to form the core of Wharf's core profit (72% or HKD7.5bn) with Development Properties ("DP") forming volatile satellites (14% or HKD1.47bn) with growth potential. Hong Kong IP revenue increased 16% y/y to HKD11.4bn mainly on firm retail base rents and office rental reversions from its 2 landmark assets, Harbour City ("HC") and Times Square ("TS"). China IP revenue increased 57% y/y to HKD1.99bn on increased contributions from Chengdu International Finance Square ("IFS") and Shanghai Wheelock Square. Challenging market conditions in China DP weighed on the segment which saw a margin squeeze crimping net profit to HKD1.41bn despite revenues increasing 35% y/y. China DP pre-sales were RMB21.5bn, 94% of 2014's target with management guiding that ASP's were lower than expected, highlighting the challenge that Wharf is facing in China DP.

- **Challenging retail environment in Hong Kong could weigh on HC and TS:** The weakness in HK retail sales in 2014 has continued into 2015 (-3.9% y/y in 1Q2015) as the anti-graft drive and slower economic growth hits Chinese spending in Hong Kong. Hong Kong retail rents fell 5.5% in 2014 with Colliers forecasting street rents will fall another 9% in 2015 (2014: -8.5%). In contrast shopping center rents have remained resilient, up 6.4% in 2014. In particular HC and TS continued to perform well, recording retail sales up 3.4% y/y and 11.1% y/y, respectively. We expect this trend to continue, with some, albeit limited upside to shopping center rents, especially at malls with a good tenant mix such as HC and TS.

- **Pipeline of China IFS to provide another engine of recurring rental income to complement HC and TS in Hong Kong:** Pipeline of 5 IFSs to be completed in 2017 (including Chengdu which has launched the retail and office portion), each with scales comparable to HC and TS will provide another platform of IP rental income out of China to complement HK IP. Each IFS is essentially a replica of HC's business model in China and very similar in terms of scope and scale.

- **Stable credit profile and adequate liquidity despite high capex requirements:** Gross gearing improved slightly to 25% from 29% as revaluation gains boosted equity while the company paid down debt. Net debt/EBITDA decreased to 3.75x from 3.94x while EBITDA interest coverage improved to 6.07x from 5.76x on higher EBITDA generation. Capex requirements remain elevated mainly due to China DP and IFS. 2015 capex is projected at HKD33bn, up from HKD31.5bn in 2014. Wharf does have multiple source of funds to cover capex including contracted sales (2014: RMB22bn), operating profit from rental income (2014: HKD10.9bn), and undrawn bank facilities of HKD21.2bn. In addition, cash balance of HKD18.7bn is sufficient to cover HKD17bn of short-term debt.

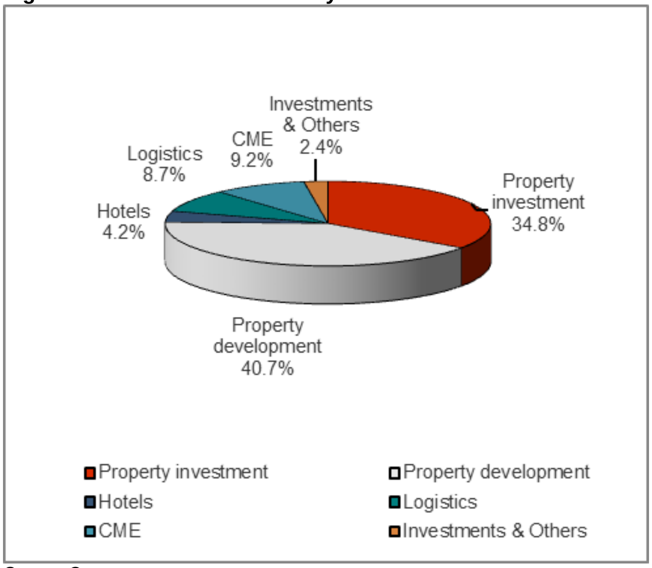
The Wharf (Holdings) Ltd

Table 1: Summary financials

Year ended 31st Dec	FY2012	FY2013	FY2014
Income statement (HK$ mn)			
Revenue	30,856	31,887	38,136
EBITDA	15,600	14,725	15,805
EBIT	14,170	13,280	14,283
Gross interest expense	2,108	2,555	2,604
Profit Before Tax	52,579	34,460	40,154
Net profit	47,263	29,380	35,930
Balance sheet (HK$ mn)			
Cash and bank deposits	18,795	24,515	18,725
Total assets	368,998	415,052	444,658
Gross debt	74,420	82,587	77,984
Net debt	55,625	58,072	59,259
Shareholders' equity	256,906	284,255	314,111
Total capitalization	331,326	366,842	392,095
Net capitalization	312,531	342,327	373,370
Cash flow (HK$ mn)			
Funds from operations (FFO)	48,693	30,825	37,452
CFO	14,346	16,437	19,542
Capex	14,809	14,036	11,277
Acquisitions	5,567	15	1,109
Disposals	2,049	763	81
Dividend	4,117	5,691	5,871
Free Cash Flow (FCF)	-463	2,401	8,265
Adjusted FCF*	-8,098	-2,542	1,366
Key ratios			
EBITDA margin (%)	50.6	46.2	41.4
Net margin (%)	153.2	92.1	94.2
Gross debt to EBITDA (x)	4.8	5.6	4.9
Net debt to EBITDA (x)	3.6	3.9	3.7
Gross Debt to Equity (x)	0.29	0.29	0.25
Net Debt to Equity (x)	0.22	0.20	0.19
Gross debt/total capitalisation (%)	22.5	22.5	19.9
Net debt/net capitalisation (%)	17.8	17.0	15.9
Cash/current borrowings (x)	3.5	2.6	2.2
EBITDA/gross Interest (x)	7.4	5.8	6.1

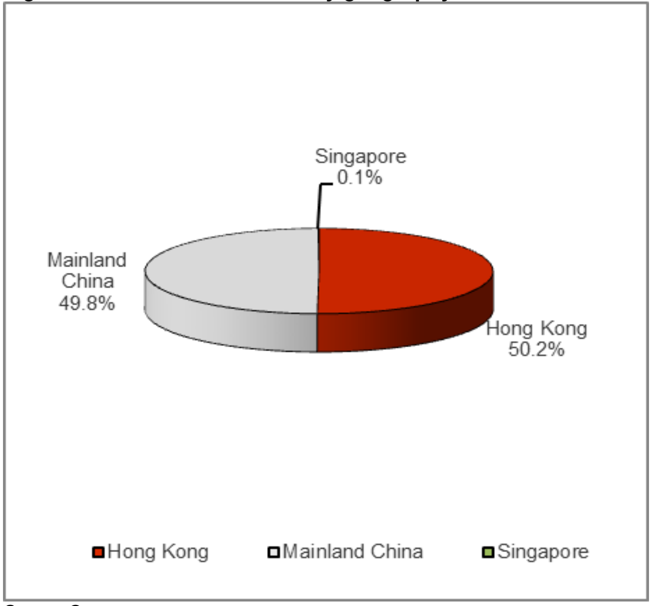
Source: Company, OCBC estimates

Figure 1: Revenue breakdown by business – FY2014



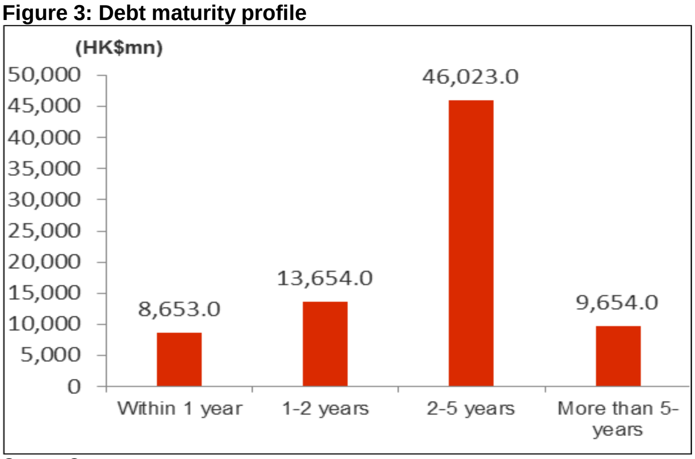
Source: Company

Figure 2: Revenue breakdown by geography – FY2014



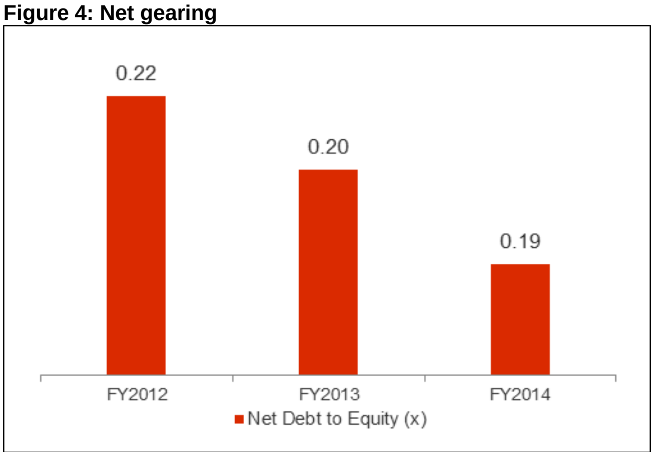
Source: Company

Figure 3: Debt maturity profile



Source: Company

Figure 4: Net gearing



Source: Company, OCBC estimates

Credit Outlook –

We like UENV's CITIC ownership and strong recurring EBITDA from long-term concession agreements in the Treatment business. Across the UENV curve we prefer the UENV '16 over the UENV'18 (337bps over swaps). The UENV'16 however, are tightly held.

Issuer Rating: Overweight

S&P: NR

Moody's: NR

Fitch: NR

Ticker: **UENV**

Company Profile

United Envirotech Ltd ("UENV") is an integrated water treatment solutions provider in China. UENV operates in 3 main business segments: 1) Engineering; 2) Water Treatment; and 3) Membrane Sales. The company is listed on the SGX with a market capitalization of SGD1.96bn as at 30 Jun 2015 and is 55% owned by CITIC Ltd and 24% owned by KKR.

United Envirotech Ltd

Key credit considerations

- **Good FY2015 results (end Mar) on continued expansionary growth:** UENV reported revenue up 72.5% y/y to a record SGD349mn on higher contributions from both the Engineering (up 42.6% y/y to SGD199.4mn) and Treatment businesses (up 63.3% y/y to SGD39.6mn), as well as new contributions from Memstar (SGD47.4mn). EBITDA consequently was up 71% y/y to SGD138.9mn while net profit jumped 197.1% y/y to SGD62.4mn due to gains from the disposal of available-for-sale investments (SGD14.2mn). UENV continues to be in an expansionary phase, intending to double existing membrane capacity to 5mn m^2 by the end of FY2016. Over the last quarter, the company continued to gain traction in securing projects including wastewater treatment in Xinjiang, Hebei and Jiangsu provinces and a JV with CNOOC to construct a plant in Guangdong. Overaggressive expansion could pose risks to the company's credit profile going forward. That said we feel the company will adopt a prudent approach while covenants limit net debt/EBITDA to no more than 4x.

- **Stable long term off-take arrangements provide a steady cash flow stream:** UENV has a recurring revenue base underpinned by long-term concession agreements in the Treatment business which can be up to 30 years. The contracts are usually from municipals or industrial clients and are backed by off-take agreements which have cost pass-throughs, resulting in margin stability.

- **CITIC ownership together with KKR support:** UENV is now 55% owned by CITIC Ltd (CITIC, BBB+/A3/NR) while KKR has a 24% stake after the close of the acquisition offer. CITIC intends to maintain UENV's listing on the SGX and develop UENV as the water treatment flagship of the CITIC Group. We believe that UENV will be able to leverage on CITIC's business network and resources in China for business development while reducing funding costs (recently issued 3-year bonds with a coupon of 4.7% compared to a 7.25% coupon for a 3-year bond in 2013). We feel that CITIC's involvement also allays possible concerns about KKR's intentions with regard to UENV i.e. possible overleveraging to increase IRR. KKR as the second largest shareholder is represented on UENV's board and will provide UENV with global expertise and experience.

- **Favorable industry dynamics:** The environmental protection industry is one of the seven strategic industries that China will nurture and develop. In April 2015, China announced the Water Pollution Prevention Plan with measures requiring industrial parks to install proper wastewater treatment facilities to meet stricter water discharge standards. UENV as the market leader in China's industrial wastewater treatment is poised to benefit from these favorable trends.

- **Increased debt leverage but liquidity remains adequate:** Leverage increased due to the increase in bank borrowings, albeit from low levels with net debt/EBITDA increasing from 0.49x to 1.48x. Gross gearing actually decreased to 43% (net gearing: 28%) from 57% however, due to the increase in equity from the issuance of shares to Memstar for the acquisition and conversion of convertible bonds by KKR. EBITDA interest coverage remained stable at 4.8x. In particular, we like the quality of UENV's cashflows, as recurring EBITDA from the treatment business (SGD47.9mn) was sufficient to cover interest expenses (SGD29mn) by ~2x. If adjusted for the SGD222mn bond issuance and SGD42mn of new share issuance to CITIC (SGD126mn was used in the Hebei project and SGD16mn in Henan), net debt/EBITDA and net gearing becomes 2.20x and 39%, respectively. Cash of SGD113.8mn was sufficient to cover SGD60.4mn of short term bank loans. In addition UENV has unutilized proceeds of SGD122mn from the bond and share issuances.

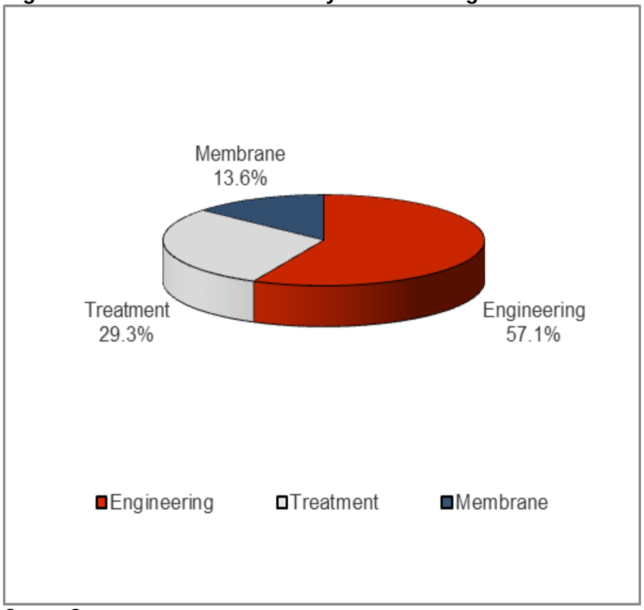
United Envirotech Ltd

Table 1: Summary financials

Year ended 31st March	FY2013	FY2014	FY2015
Income statement (SGD mn)			
Revenue	185.0	202.3	349.0
EBITDA	64.1	81.2	138.9
EBIT	62.1	74.9	125.7
Gross interest expense	13.0	17.6	29.0
Profit before tax	39.1	31.2	79.9
Net income	29.5	20.1	59.3
Balance sheet (SGD mn)			
Cash and equivalents	59.1	141.7	113.8
Total assets	567.1	786.5	1,386.7
Gross debt	70.4	181.7	319.2
Net debt	11.3	40.0	205.5
Total equity	271.3	319.2	741.3
Total capitalization	341.8	500.9	1,060.6
Net capitalization	282.7	359.2	946.8
Cash flow (SGD mn)			
Funds from operations (FFO)	31.5	26.3	72.4
CFO	21.9	84.4	32.1
Capex	1.6	1.5	10.1
Acquisitions	10.9	0.3	22.3
Disposals	0.0	6.9	6.2
Dividends	1.4	3.0	2.7
Free Cash Flow (FCF)	8.0	86.5	3.1
Adjusted FCF*	-4.4	90.1	-15.7
Key ratios			
EBITDA margin (%)	34.7	40.1	39.8
Net margin (%)	16.0	9.9	17.0
Gross debt/EBITDA (x)	1.1	2.2	2.3
Net debt/EBITDA (x)	0.2	0.5	1.5
Gross debt/equity (x)	0.26	0.57	0.43
Net debt/equity (x)	0.04	0.13	0.28
Gross debt/total capitalization (%)	20.6	36.3	30.1
Net debt/net capitalization (%)	4.0	11.1	21.7
Cash/current borrowings (x)	1.78	9.18	1.88
EBITDA/gross interest (x)	4.9	4.6	4.8

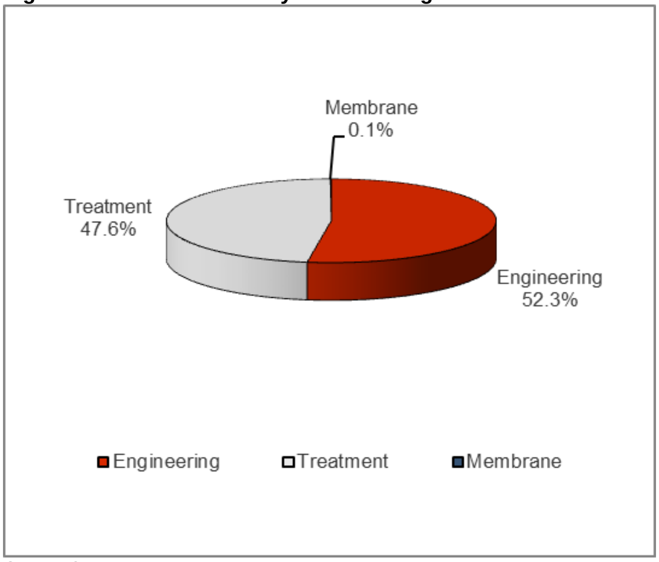
Source: Company, OCBC estimates
**Adjusted FCF = FCF –Acquisitions – Dividends + Disposals*

Figure 1: Revenue breakdown by business segment – FY2015



Source: Company

Figure 2: EBT breakdown by business segment – FY2015



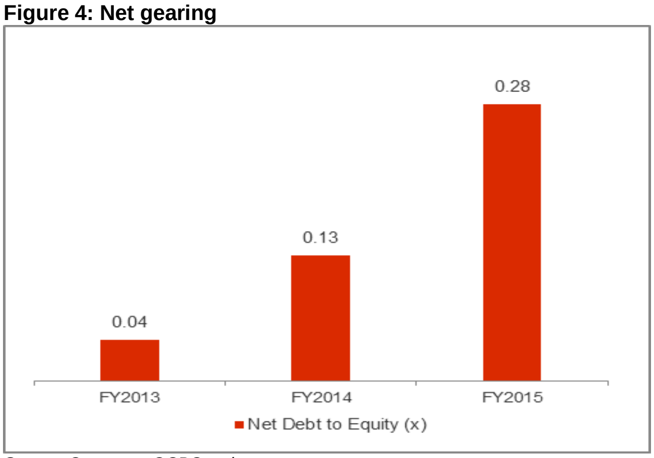
Source: Company

Figure 3: Debt maturity profile

(Amounts in SGD mn)	As at 31/03/2015	% of debt
Repayable in one year		
Secured	55.8	17.5%
Unsecured	4.6	1.4%
Sub-total	**60.4**	**18.9%**
Repayable after a year		
Secured	144.4	45.2%
Unsecured	114.4	35.8%
Sub-total	**258.8**	**81.1%**
Total	**319.2**	**100.0%**

Source: Company

Figure 4: Net gearing



Source: Company, OCBC estimates

Credit Outlook –

Wheelock's credit profile continues to stabilize after the balance sheet expansion in 2013. WHEELK'21 (167bps over swaps) with a 34bps spread pickup over WHARF'21 is a cheaper way to gain exposure to the Wharf complex.

Issuer Rating: Overweight

S&P: Not rated

Moody's: Not rated

Fitch: Not rated

Ticker: **WHEELK**

Company Profile

Founded in Shanghai in 1857, Wheelock & Co Ltd ("Wheelock") is a Hong Kong-listed investment holding company. Wheelock owns 55.1% of its principal subsidiary, The Wharf (Holdings) Ltd ("Wharf"). While prime real estate is Wharf's strategic focus, mall management remains Wheelock's strategic differentiation. Together with Wheelock Properties Ltd ("WPL"), both companies generate a solid recurring dividend income for the Group.

Wheelock & Co Ltd

Key credit considerations

- **2014 results continue to be driven by Wharf, hit by margins in China while investment property remains a bastion of strength:** Revenue was up 17% y/y to HKD40.95bn mainly on higher property sales in China and a ramp up in rental income (both attributable to Wharf). However, EBITDA was up only 5% y/y to HKD17.3bn on lower margins in China property development. Net income was up 30% y/y to HKD22bn on investment property revaluation gains of HKD14.97bn. Stripping out revaluation gains and exceptional items, underlying profit increase was more moderate to HKD8.1bn from HKD7.8bn in 2013. The Wheelock stub's (ex-Wharf and Wheelock Singapore) performance improved significantly with underlying profit up 69% y/y to HKD2.2bn on completions of the Austin and Grand Austin and the improvement in sentiment in Hong Kong residential.

- **Record year in contracted sales with revenue visibility for next 1.5 years:** HKD18.8bn of contracted sales in Hong Kong was (HKD13.1bn in residential, HKD5.7bn in commercial) achieved in 2014 (2013:HKD10bn) as Wheelock focused on asset turnover in an improving market. Major contributions were the successful launch of Grand Austin (HKD7.9bn, 100% sold), Parkside (HKD4.1bn, 94% sold) and the sale of One Bay East (HKD5.4bn) to Citigroup. Management expects contracted sales to be no less than HKD10bn in 2015 with 5 project launches in 2015 totaling 1.7mn sq ft (Mount Nicholson, Peninsula East, Shau Kei Wan, O'South Lot 125 and One Harbour Gate (grade A office)). Order book is now HKD15bn with 90% to be recognized in the next 1.5 years. One Bay East (HKD9.9bn in revenue to be recognized) is slated for completion in 2015 while the Parkside (HKD4.1bn) and Kensington Hill (HKD700mn) will be completed in 2016.

- **Quality HK landbank for future development:** Wheelock (ex-Wharf and Wheelock Properties Singapore) had 7.8mn sq ft (80% residential, 20% commercial) of landbank with 75% in the Victoria Harbour region. 1.5mn sq ft of landbank was acquired last year at Kai Tak and LOHAS Park for HKD4.6bn.

- **Credit profile continues to stabilize after balance sheet expansion in 2013:** Leverage reduced as the company held back on landbanking (HKD4.6bn spent on 2 sites) and paid down gross debt by about 5%. As a result, net gearing improved slightly to 28% from 30%. HKD28bn in revaluation gains of investment properties also contributed to the reduction in gearing. Net debt/EBITDA and interest coverage was relatively stable at 5.6x and 4.57x, respectively. Capex is expected to continue to trend lower with lower capital commitments as of end-2014 (HKD83.5bn compared to HKD100.3bn in 2013) after aggressive land acquisitions led to a balance sheet expansion in 2013.

- **Comfortable liquidity position:** Liquidity is comfortable with no bonds maturing in 2015. Cash balance of HKD21.3bn was sufficient to cover short-term debt of HKD10.74bn. Wheelock also has HKD54.7bn in bank facilities available for tap and continues to generate strong operating cash flows (HKD15.6bn in 2014). In addition, HKD13.2bn in sales receivables are expected to be recouped in the next 2 years.

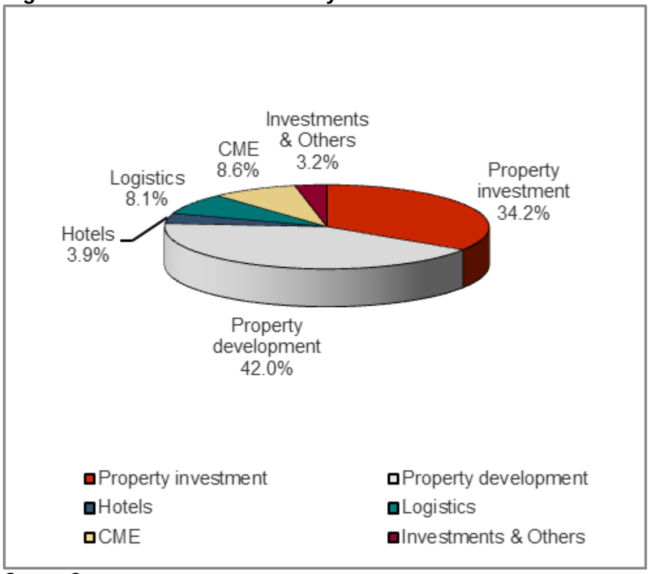
Wheelock & Co Ltd

Table 1: Summary financials

Year ended 31st Dec	FY2012	FY2013	FY2014
Income statement (HK$ mn)			
Revenue	33,124	35,071	40,953
EBITDA	17,006	16,390	17,257
EBIT	15,570	14,938	15,729
Gross interest expense	2,757	3,586	3,776
Profit Before Tax	55,703	36,557	42,984
Net profit	26,935	16,954	22,009
Balance sheet (HK$ mn)			
Cash and bank deposits	30,016	29,345	21,279
Total assets	429,766	486,814	517,567
Gross debt	103,257	123,640	117,878
Net debt	73,241	94,295	96,599
Shareholders' equity	285,880	311,572	339,916
Total capitalization	389,137	435,212	457,794
Net capitalization	359,121	405,867	436,515
Cash flow (HK$ mn)			
Funds from operations (FFO)	28,371	18,406	23,537
CFO	12,445	883	15,572
Capex	15,110	15,765	9,017
Acquisitions	7,398	1,462	7,784
Disposals	1,300	209	2,147
Dividend	3,902	5,572	5,219
Free Cash Flow (FCF)	-2,665	-14,882	6,555
Adjusted FCF*	-12,665	-21,707	-4,301
Key ratios			
EBITDA margin (%)	51.3	46.7	42.1
Net margin (%)	81.3	48.3	53.7
Gross debt to EBITDA (x)	6.1	7.5	6.8
Net debt to EBITDA (x)	4.3	5.8	5.6
Gross Debt to Equity (x)	0.36	0.40	0.35
Net Debt to Equity (x)	0.26	0.30	0.28
Gross debt/total capitalisation (%)	26.5	28.4	25.7
Net debt/net capitalisation (%)	20.4	23.2	22.1
Cash/current borrowings (x)	4.3	2.5	2.0
EBITDA/gross Interest (x)	6.2	4.6	4.6

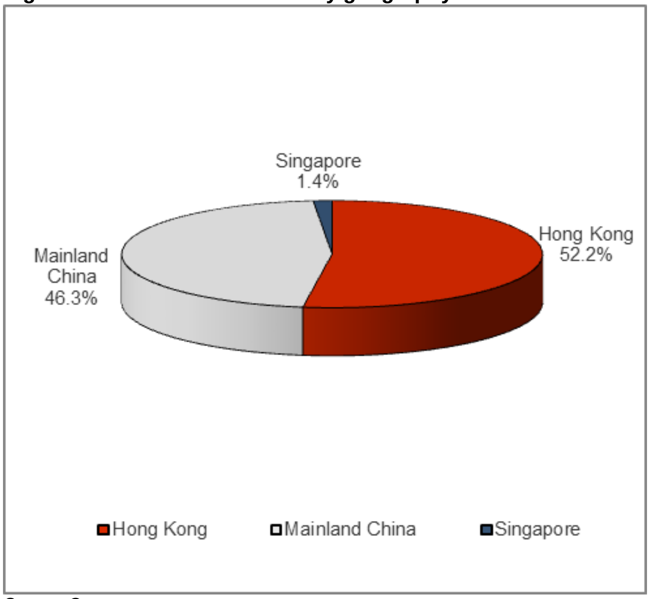
Source: Company, OCBC estimates
**Adjusted FCF = FCF – Acquisitions – Dividends + Disposals*

Figure 1: Revenue breakdown by business – FY2014



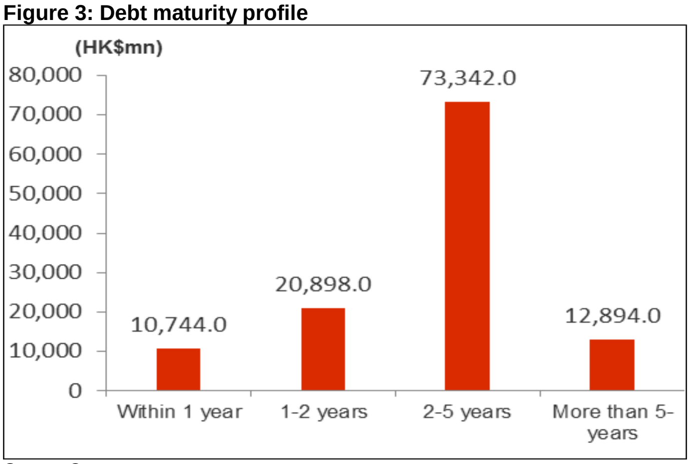
Source: Company

Figure 2: Revenue breakdown by geography– FY2014



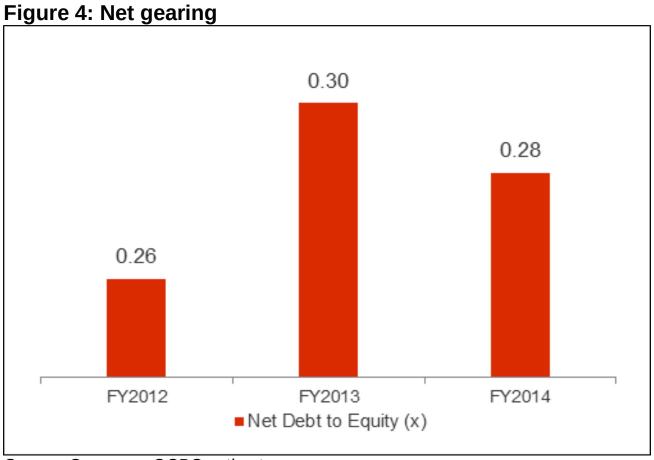
Source: Company

Figure 3: Debt maturity profile



Source: Company

Figure 4: Net gearing



Source: Company, OCBC estimates

Credit Outlook – Despite challenges in Singapore's residential market, we think WINGTA's strong liquidity profile and sound balance sheet should allow the group to withstand such headwinds. We think longer dated papers in WINGTA complex (WINGTA'21-'24) offer values at 118-169bps over swap.

Issuer Rating: Overweight

S&P: Not rated

Moody's: Not rated

Fitch: Not rated

Ticker: **WINGTA**

Company Profile

Listed on the SGX since 1989, Wing Tai Holdings ("WINGTA") is an investment holding company with core businesses in property investment and development, lifestyle retail and hospitality management in key Asian markets such as Singapore, Malaysia, Hong Kong and China. WINGTA's commercial properties include Winsland House in Singapore and Landmark East and W Square in Hong Kong. The group's Chairman Mr. Cheng Wai Keung owns a 50.3% stake in WINGTA.

Wing Tai Holdings Ltd

Key credit considerations

- **Sharp fall in 9MFY2015 (end-Mar) earnings:** WINGTA's revenue was down 26.1% y/y to SGD460.8mn, largely attributable to lower contributions from development properties. During the period, the group recognized progressive sales from projects in Singapore (The Tembusu, Foresque Residences and Helios Residences), as well as China (The Lakeview). Coupled with falling contribution from Wing Tai Properties Ltd in Hong Kong, net profit tumbled to SGD34.4mn (-69.1% y/y).

- **Mixed outlook for different geographic markets:** Singapore's property market continues to be affected by government's cooling measures, with the private residential property index falling by 4.0% y/y in 2014 and 1.0% q/q in 1Q2015. Management does not expect a recovery going forward and buying sentiment should remain soft in 2015. Similarly, buyers are expected to remain cautious in Malaysia's property market due to tightening measures implemented by Bank Negara to curb rising household debt. Meanwhile, the Hong Kong residential property market is expected to remain challenging in 2015 given the government's cooling measures as well. That said, management believes the Hong Kong residential property market will remain resilient in the longer term on the back of strong pent-up domestic household demand. Currently, Wing Tai Properties Ltd has a development pipeline of six residential projects which will extend beyond 2018. On the other hand, China residential market is the silver lining as monetary easing and property loosening measures are expected to revive residential sales.

- **Looming risks on Qualifying Certificate ("QC") deadlines:** WINGTA's high-end projects in Singapore, both Le Nouvel Ardmore and Nouvel 18 had obtained Temporary Occupation Permits in 2014 but are still largely unsold (90.7% and 100.0%, respectively). As such, WINGTA may be hit by extension charges if sales momentum remains weak. We estimate that if these units remain unsold and need to be extended for another year, WINGTA will need to pay extension charges of ~SGD33.7mn. We note that one penthouse unit at Le Nouvel Ardmore was sold for SGD51.0mn in March 2015 but more needs to be done to encourage sales of these projects. On a positive note, WINGTA still has ~1-1.5 years to develop strategies to sell its projects by 2016 before the QC deadlines. In addition, we think WINGTA's healthy balance sheet should allow it to withstand this challenge.

- **Investment properties to provide sustainable income:** Investment properties (commercial buildings and serviced residences) accounted for 34.0% of WINGTA's total assets in FY2014 and these assets should continue to provide recurring rental revenue to the group. The group's commercial investment portfolio in Hong Kong continued to achieve positive rental reversion and stable occupancy rate. Furthermore, the hospitality business under Lanson Place brand name remained robust with steady growth in revenue, backed by stable occupancy level and room rates, and increased number of rooms under management. In our view, management will continue to look out for attractive investment properties in the region to grow its portfolio and increase recurring leasing income.

- **Strong liquidity profile and sound balance sheet:** As at end-9MFY2015, WINGTA's cash position of SGD1.12bn is sufficient to repay its SGD298.9mn of short-term debt due in one year. Although EBITDA/gross interest has declined to 1.4x (FY2014: 4.2x) on the back of weaker development earnings, WINGTA's net gearing remains healthy at 0.11x, and is the lowest among the developers under our coverage. While management is eyeing acquisition opportunities, we do not foresee funding issues given the group's strong financial position. In April 2015, WINGTA successfully called its SGD65.0mn fixed rate notes due in 2016 at 101.69.

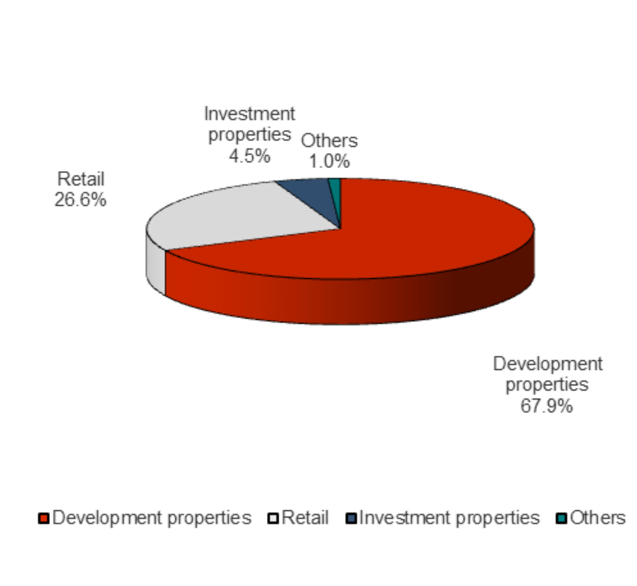
Wing Tai Holdings Ltd

Table 1: Summary financials

Year ended 30th June	FY2013	FY2014	9M2015
Income statement (SGD mn)			
Revenue	1,332.5	803.4	460.8
EBITDA	376.4	169.0	48.0
EBIT	363.9	154.7	37.3
Gross interest expense	39.4	39.9	34.6
Profit Before Tax	690.8	312.5	55.5
Net profit	531.1	254.4	34.4
Balance sheet (SGD mn)			
Cash and bank deposits	1,024.5	834.8	1,121.0
Total assets	4,977.8	4,883.4	5,086.4
Gross debt	1,438.8	1,302.2	1,472.2
Net debt	414.3	467.5	351.2
Shareholders' equity	3,027.1	3,142.8	3,284.0
Total capitalization	4,465.9	4,445.0	4,756.2
Net capitalization	3,441.4	3,610.3	3,635.2
Cash flow (SGD mn)			
Funds from operations (FFO)	543.6	268.7	45.1
CFO	237.8	37.9	208.8
Capex	20.5	20.4	5.0
Acquisitions	16.2	45.9	46.0
Disposals	5.5	59.7	27.5
Dividend	112.3	124.1	50.7
Free Cash Flow (FCF)	217.3	17.5	203.8
Adjusted FCF*	94.4	-92.8	134.6
Key ratios			
EBITDA margin (%)	28.2	21.0	10.4
Net margin (%)	39.9	31.7	7.5
Gross debt to EBITDA (x)	3.8	7.7	23.0
Net debt to EBITDA (x)	1.1	2.8	5.5
Gross Debt to Equity (x)	0.48	0.41	0.45
Net Debt to Equity (x)	0.14	0.15	0.11
Gross debt/total capitalisation (%)	32.2	29.3	31.0
Net debt/net capitalisation (%)	12.0	12.9	9.7
Cash/current borrowings (x)	11.61	4.48	3.75
EBITDA/gross Interest (x)	9.6	4.2	1.4

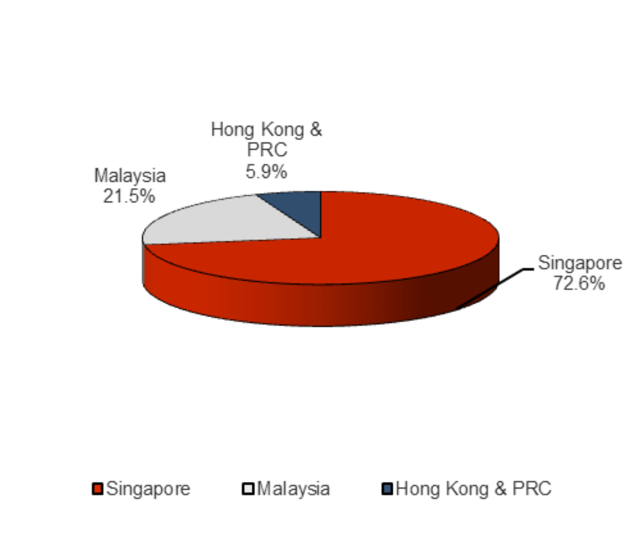
Source: Company, OCBC estimates
**Adjusted FCF = FCF – Acquisitions – Dividends + Disposals*

Figure 1: Revenue breakdown by business – FY2014



Source: Company

Figure 2: Revenue breakdown by geography – FY2014



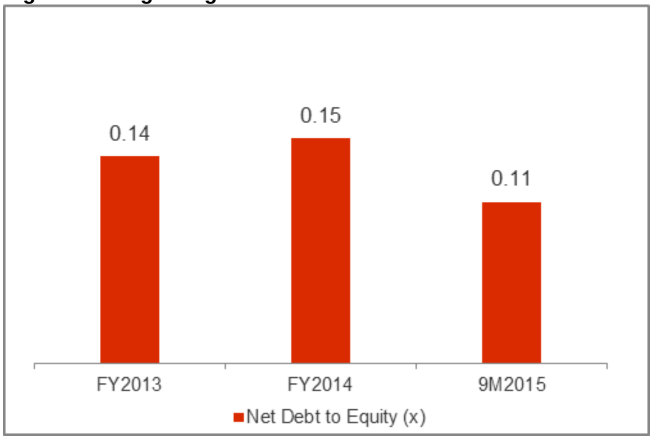
Source: Company

Figure 3: Debt maturity profile

(Amounts in SGD mn)	As at 31/03/2015	% of debt
Repayable in one year		
Secured	108.3	1.0%
Unsecured	190.6	9.9%
Sub-total	**298.9**	**10.9%**
Repayable after a year		
Secured	335.6	32.3%
Unsecured	837.7	56.9%
Sub-total	**1,173.3**	**89.1%**
Total	**1,472.2**	**100.0%**

Source: Company

Figure 4: Net gearing



Source: Company, OCBC estimates

Credit Outlook –

While we are comfortable with WTP's leverage and liquidity positions, the company's credit profile is constrained by its small operating scale compared to its larger peers. WINGTA'22 yielding 4.25% at a spread of 167.1bps does not offer much value for long-dated exposure.

Issuer Rating: Neutral

S&P: Not rated

Moody's: Not rated

Fitch: Not rated

Ticker: **WINGTA**

Company Profile

Listed in 1991 in HKSE, Wing Tai Properties Ltd ("WTP") is principally engaged in property development, property investment, and hospitality management in Hong Kong, China and South East Asia under the brand names of Wing Tai Asia and Lanson Place. It has developed an aggregate GFA of over 5mn sq ft in the luxury residential property projects and its premium serviced residences are located in China and South East Asia. WTP is 34.6% owned by Wing Tai Holdings Ltd and 13.7%-owned by Sun Hung Kai Properties Ltd.

Wing Tai Properties Ltd

Key credit considerations

- **Stable 2014 results:** WTP reported a stable set of 2014 results with strength in investment properties offset by fewer sales in property development. 2014 revenue was up 2.7% y/y to HKD1.78bn, however, net income fell 27% y/y to HKD1.94bn due to lower fair value gains on investment properties and financial instruments compared to the prior year (2014:HKD1.54bn, 2013:HKD2.12bn) and lower residential sales from joint ventures. EBITDA increased 18.4% y/y to HKD611.mn mainly on increase in contributions from investment property. Investment property revenue was up 19% y/y to HKD564mn due to rental reversions and high occupancies. Hospitality delivered another year of stable performance with revenues coming in at HKD147mn, up slightly from HKD141mn in 2013.

- **Investment properties provide stability:** Rental and property management income comprised 45.8% of the company's revenue in 2014 while property development contributed 52.9%. As of 31 Dec 14, WTP's portfolio of investment properties comprised 1.5mn sq ft of Grade-A office space and 0.7mn sq ft of industrial buildings valued at HKD17.56bn. Occupancy at Landmark East (1.34bn sq ft), WTP's flagship investment property dipped to 96% as of December 2014 and has subsequently improved to 98% in March 2015.

- **Landbank replenishment could be on the cards with thin project pipeline:** Project pipeline in property development does look on the thin side for 2015 and 2016 with Upper Riverside (50% interest) in Shanghai and Homantin Hilllside (50% interest) slated for completion in 2015 and 2016, respectively. Homantin Hillside continues to see steady sales, 7 units were pre-sold last year in November while another 17 units were pre-sold in June this year. In the meantime WTP will continue to sell down units in its completed developments: Seymour (98% sold), Providence Bay (64% sold), Providence Peak (81% sold), The Graces (83% sold), The Warren (83% sold) and The Pierre (97% sold). The company will also be looking to replenish land bank if the opportunity arises after landbank in Hong Kong dwindled to 514,000 sq ft as of 31 Dec 14 from 600,000 sq ft as of 23 Apr 14.

- **Improving credit profile:** WTP's credit profile improved after the company paid down borrowings with gross debt decreasing to HKD3.9bn as of end-2014 from HKD4.7bn in 2013. As a result net gearing improved to 10% from 16%.The reduced debt coupled with 2014 EBITDA up 18% y/y resulted in net debt/EBITDA decreasing to 3.72x from 6.67x in 2013 and EBITDA interest coverage improving to 3.85x from 3.09x.

- **Adequate liquidity:** Cash and unutilized revolving loan facilities were HKD3.8bn, more than sufficient to cover short term borrowings of HKD64mn. WTP continued to be proactive in capital management, drawing down on HKD bonds on 3 separate occasions in 2014 (HKD100mn each), and in the process demonstrating its good access to debt capital markets. The company also refinanced several bank loans in 2014. As a result, maturity profile lengthened with borrowings repayable between two to five years rising to 37% from 26% and borrowing repayable after 5 years rising to 49% from 36%.

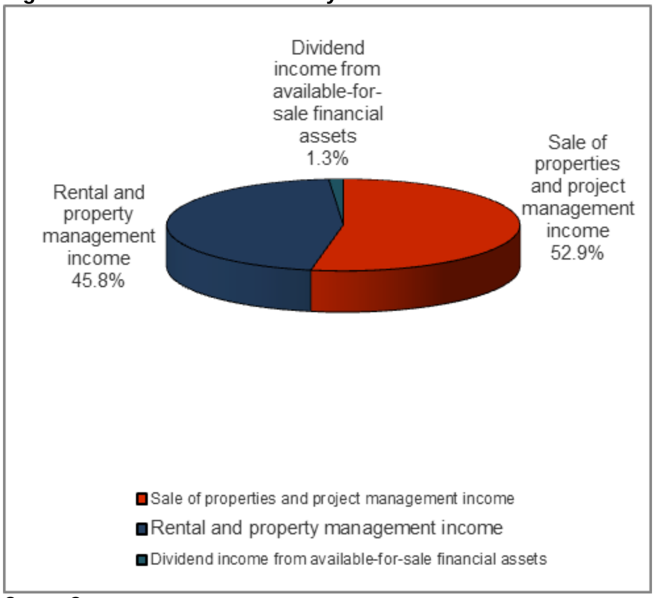
Wing Tai Properties Ltd

Table 1: Summary financials

Year ended 31st Dec	FY2012	FY2013	FY2014
Income statement (HK$ mn)			
Revenue	892	1,736	1,784
EBITDA	407	516	611
EBIT	382	496	601
Gross interest expense	105	167	159
Profit Before Tax	4,872	2,753	2,033
Net profit	4,737	2,661	1,944
Balance sheet (HK$ mn)			
Cash and bank deposits	1,080	1,242	1,606
Total assets	23,578	26,705	27,528
Gross debt	4,105	4,687	3,879
Net debt	3,025	3,445	2,273
Shareholders' equity	18,362	20,895	22,680
Total capitalization	22,466	25,582	26,559
Net capitalization	21,387	24,340	24,953
Cash flow (HK$ mn)			
Funds from operations (FFO)	4,762	2,681	1,954
CFO	364	401	1,590
Capex	23	8	6
Acquisitions	1,552	518	4
Disposals	1,469	49	1
Dividend	249	181	181
Free Cash Flow (FCF)	340	393	1,584
Adjusted FCF*	156	-257	1,400
Key ratios			
EBITDA margin (%)	45.7	29.7	34.3
Net margin (%)	531.2	153.3	109.0
Gross debt to EBITDA (x)	10.1	9.1	6.3
Net debt to EBITDA (x)	7.4	6.7	3.7
Gross Debt to Equity (x)	0.22	0.22	0.17
Net Debt to Equity (x)	0.16	0.16	0.10
Gross debt/total capitalisation (%)	18.3	18.3	14.6
Net debt/net capitalisation (%)	14.1	14.2	9.1
Cash/current borrowings (x)	1.0	0.7	25.2
EBITDA/gross Interest (x)	3.9	3.1	3.9

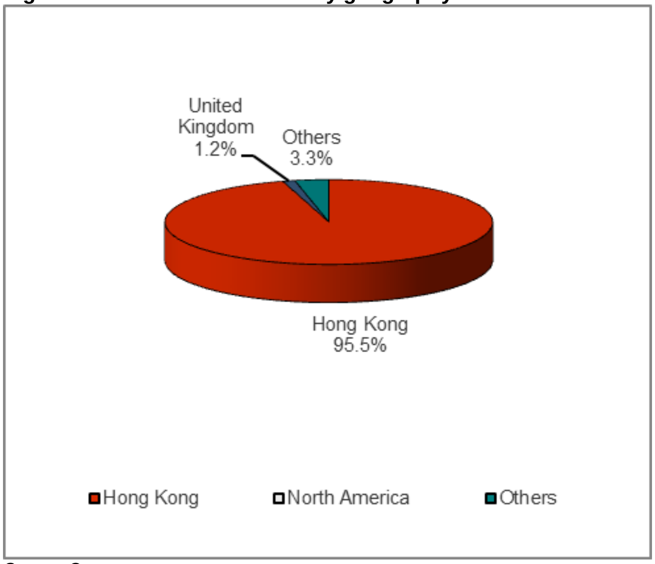
Source: Company, OCBC estimates
**Adjusted FCF = FCF – Acquisitions – Dividends + Disposals*

Figure 1: Revenue breakdown by business – FY2014



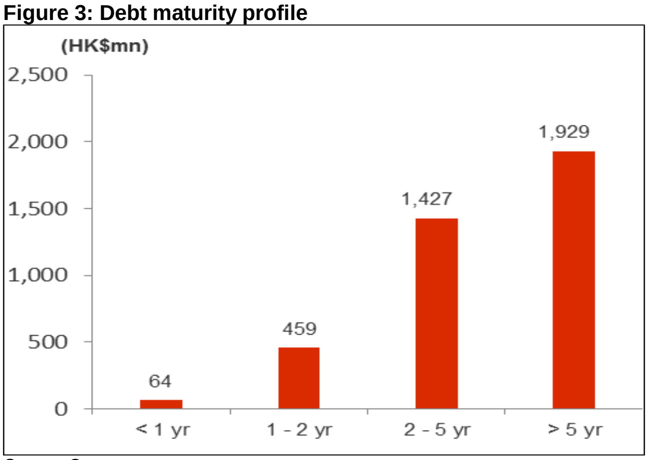
Source: Company

Figure 2: Revenue breakdown by geography – FY2014



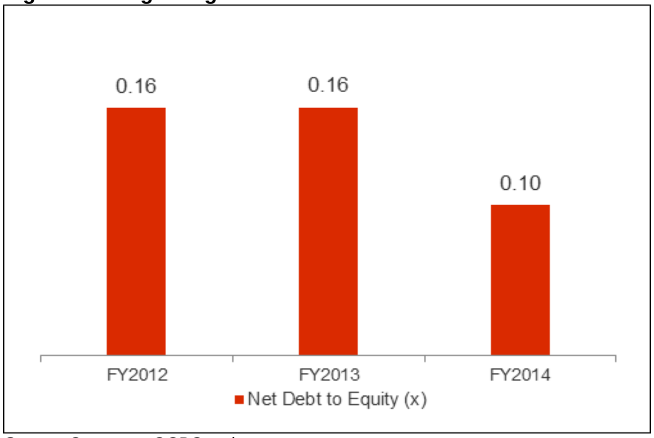
Source: Company

Figure 3: Debt maturity profile



Source: Company

Figure 4: Net gearing



Source: Company, OCBC estimates

Yanlord Land Group Ltd

Credit Outlook –

We like Yanlord's quality land bank in upper tier cities and its track record in premium developments. The spread differential between CENCHI and YLLGSP has compressed from 292bps to 32bps currently. At current levels (474bps over swaps), YLLGSP'17 looks compelling over CENCHI'17 given the larger scale and better city exposure.

Issuer Rating: Overweight

S&P: B+/Stable

Moody's: Ba3/Stable

Fitch: Not rated

Ticker: **YLLGSP**

Company profile

Yanlord Land Group Ltd ("Yanlord") is a PRC real estate developer. Established in 1993, it focuses on the high-end residential, commercial and integrated property segments. It has a strong local brand and presence in: (1) the Yangtze River Delta; (2) the Pearl River Delta; (3) Western China; (4) Bohai Rim; and (5) Hainan Island. Listed on the SGX, it is 65.6% owned by Chairman and CEO Mr Zhong Seng Jian. YLG has a market capitalization of SGD2.2bn as of 30 Jun 14.

Key credit considerations

- **Seasonally weak 1Q2015 results:** As guided by management, numbers for 1Q2015 were weak due to the back loaded delivery schedule. Revenue was down 42.7% y/y to RMB1.01bn due to lower GFA delivered, down 51.5% y/y to 28,000 sqm as Yanlord continued to sell down unsold units in completed projects (no project completions in 1Q2015). Delivered ASP was also down 3.3% y/y to RMB25,817 per sqm due to larger proportion of GFA delivered in Chengdu, Nanjing and Suzhou as opposed to Shanghai. As a result net income fell 78% y/y to RMB78.4mn.

- **Strong recovery in contracted sales as pent-up upgrader demand could be released with policy easing:** For 4M2015, Yanlord pre-sold RMB4.43bn, up 56% y/y and representing 25% of its 2015 sales target of RMB18bn. Orderbook as of end-March 2015 stood at RMB12.45bn, up 22.6% y/y. A large portion of this is expected to be delivered this year providing revenue visibility. We expect to see revenue numbers pick up in the later part of the year with new deliveries coming online from 2Q2015 onward with 81% of scheduled completions in 2015 projects to be completed in 4Q2015. Pent-up upgrader demand from improving affluence and supportive government policies could be a key catalyst for Yanlord's recovery. Tier 1 and 2 cities have led the recovery so far and Yanlord's significant exposure to these cities bodes well for the company's credit profile going forward.

- **Downgrade overhang removed:** S&P downgraded Yanlord to "B+' from 'BB-', reflecting concerns about the company's leverage and margin deterioration. This removes the downgrade overhang over the company after having been on negative watch since November 2014.

- **Strategy shift toward faster turnover:** Yanlord has a track record of premium large-sized luxury residential properties which traditionally take longer to develop and sell. However the company has targeted an acquisition to presales period of 12 months in a bid to increase asset turnover. The company has also shifted to more small and medium sized units after experiencing slow sales in its large sized residential units (200-300sqm) in 2011. We think this is positive for the company's credit profile despite the execution risks and possible margin deterioration.

- **Landbank replenishment possibly on the cards:** Yanlord was cautious in the land market in 2014, acquiring a sole 171,200 sqm GFA prime residential site in Suzhou for RMB1.35bn. GFA delivered in 2014 was 422,813 sqm resulting in depletion to the land reserves to 4.87mn sqm from 5.14mn sqm in 2013. The company has been monitoring the land market for opportunities to replenish landbank.

- **High debt leverage but adequate liquidity:** Net debt position increased from RMB10.2bn as of end-2013 to RMB13.6bn as of end-March 2015. LTM net debt/EBITDA deteriorated to 5.79x as of end-March 2015 from 4.93x in 2014 and 3.1x in 2013. Liquidity remains strong with cash balance of RMB6.26bn sufficient to cover short-term debt of RMB2.39bn by 2.62x compared to an average of 1.0-1.5x for Ba3-rated peers.

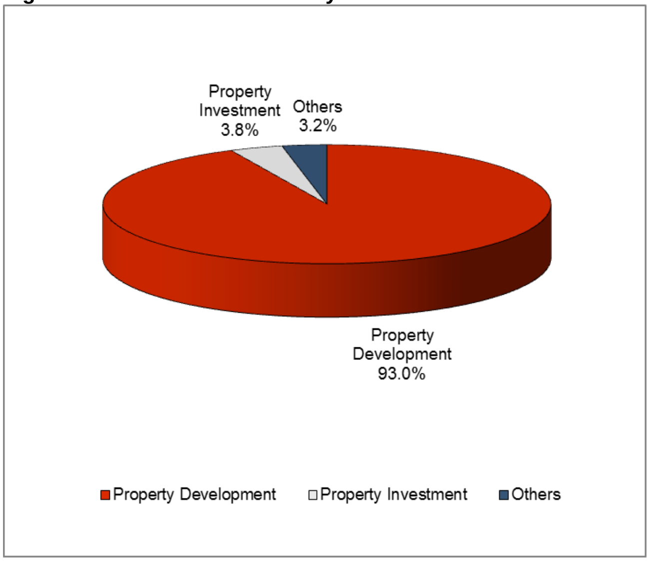
Yanlord Land Group Ltd

Table 1: Summary financials

Year ended 31st Dec	FY2013	FY2014	1Q2015
Income statement (RMB mn)			
Revenue	11,280	11,733	10,981
EBITDA	3,260	2,676	2,339
EBIT	3,225	2,645	2,308
Gross interest expense	1,197	1,490	231
Profit Before Tax	3,738	3,598	3,202
Net profit	1,474	1,359	1,109
Balance sheet (RMB mn)			
Cash and bank deposits	7,112	6,620	6,262
Total assets	61,439	67,327	69,590
Gross debt	17,310	19,806	19,814
Net debt	10,198	13,186	13,552
Shareholders' equity	27,858	29,373	29,353
Total capitalization	45,168	49,179	49,166
Net capitalization	38,056	42,559	42,905
Cash flow (RMB mn)			
Funds from operations (FFO)	1,509	1,390	1,140
CFO	2,219	-256	2,219
Capex	240	479	653
Acquisitions	177	0	0
Disposals	29	12	18
Dividend	807	721	722
Free Cash Flow (FCF)	1,979	-735	1,566
Adjusted FCF*	1,024	-1,443	862
Key ratios			
EBITDA margin (%)	28.9	22.8	21.3
Net margin (%)	13.1	11.6	10.1
Gross debt to EBITDA (x)	5.3	7.4	8.5
Net debt to EBITDA (x)	3.1	4.9	5.8
Gross Debt to Equity (x)	0.62	0.67	0.68
Net Debt to Equity (x)	0.37	0.45	0.46
Gross debt/total capitalisation (%)	38.3	40.3	40.3
Net debt/net capitalisation (%)	26.8	31.0	31.6
Cash/current borrowings (x)	2.0	3.2	2.6
EBITDA/gross Interest (x)	2.7	1.8	10.1

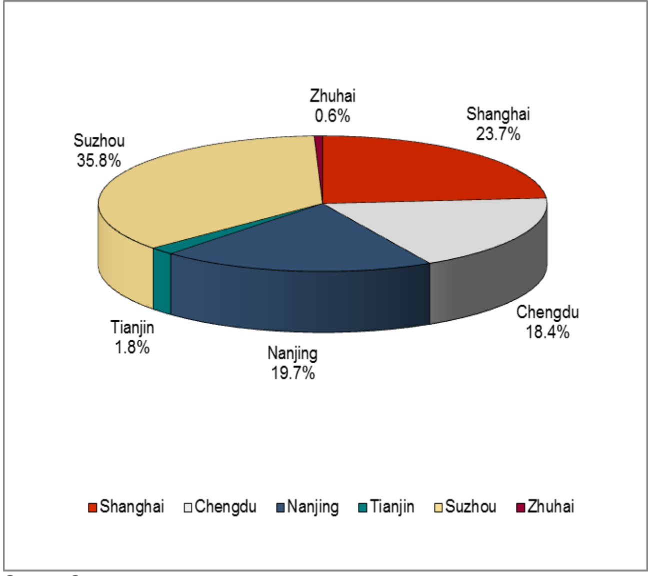
Source: Company, OCBC estimates

Figure 1: Revenue breakdown by business – FY2014



Source: Company

Figure 2: Revenue breakdown by geography – 1Q2015



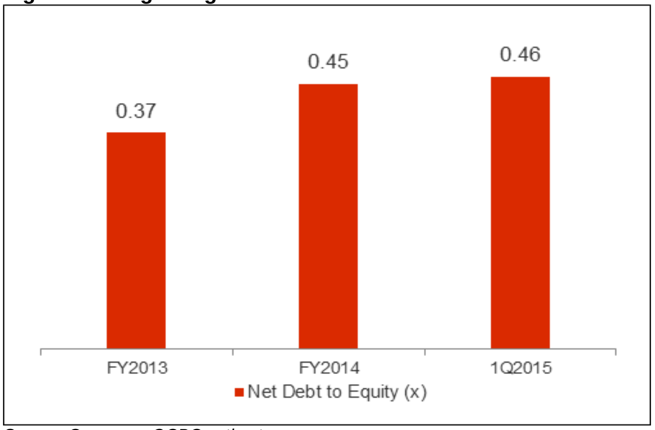
Source: Company

Figure 3: Debt maturity profile

Amounts in RMB mn	As at 31/03/2015	% of debt
Repayable within one year		
Secured	1463.4	7.3%
Unsecured	1272.7	6.3%
	2736.2	**13.6%**
Repayable after one year		
Secured	7360.8	36.5%
Unsecured	10060.9	49.9%
	17421.7	**86.4%**
Total	**20157.9**	**100.0%**

Source: Company

Figure 4: Net gearing



Source: Company, OCBC estimates

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The credit research team would like to acknowledge and give due credit to the contributions of Andrew Wong, Chen Maoye and Jensen Lim Wei Quan.