Asia Credit Research

Singapore Mid-Year Corporate Credit Outlook

Friday, July 13, 2012

Key credit highlights

- **Significant corporate perpetual issuance in 2012:** 2012 is a watershed year, as corporate perpetual issuance took off in the Singapore bond market, with total issuance of S$5.6bn by nine issuers. By issuer profile, all are well-known names in the Singapore and Hong Kong markets, spanning the property, gaming, water treatment, postal and commodity sectors. Genting Singapore Plc became the benchmark issue for the segment, with an initial institutional tranche of S$1.8bn, followed subsequently by a S$500mn retail tranche re-tap.

  The popularity of these instruments was driven by the hunt for yield, as investors migrated down the capital structure and extended duration to achieve a higher absolute return. Issuers took advantage of the climate of historically-low rates to lock-in long-dated funding at relatively low costs, augmenting their credit profiles by terming out debt maturities.

  In terms of structure, recent issuance has settled on a perpetual non-call 5-year/5.5 year structure, with a coupon step-up in Year 5/Year 10 of 100 - 150bp. Coupon resets are generally based on the interest rate swap ("IRS") benchmark in Year 5 plus the initial credit spread while other features like dividend stopper and dividend pusher are de rigeur. However, there are many differences in other characteristics such as the period of call protection, seniority, change of control coupon step-up, deferrals, equity credit, look-back periods, etc.

- **First high-yield issuance by Chinese property developers:** Amidst the imposition of home price restrictions ("HPR") by the PRC government against housing speculation and greater regulation of trust financing (which PRC property developers widely adopt as part of their funding base), these measures had an impact on their liquidity position. Consequently, as part of the diversification of funding sources beyond the traditional syndicated loan, offshore USD bond markets and onshore CNY trust financing, issuers such as Shui On Land Ltd ("SHUION") and Central China Real Estate ("CENCHI") tapped the SGD bond market, with issuance of S$250mn and S$175mn respectively.

  In terms of tenor, the SHUION issue came at 3-years, similar to its USD and synthetic USD issuance, suggesting this was driven by credit-specific factors. As for CENCHI, the SGD issuance was done at a 4-year tenor, slightly shorter than its USD bond which had a 5-year tenor. As for funding cost, both issues managed to price inside of their USD paper, as the significant yield advantage offered by the new issues over existing SGD high-yield bonds drew in material interest from private banking accounts.

  While the second-tier PRC property developers were able to tap the SGD bond market, it remains to be seen if large Tier 1 developers are able to do the same, given their relatively large issuance size (e.g. benchmark EVERRE'15 had an issue size of US$1.35bn while LNGFOR'16 was US$750mn). While weaker PRC property developers have recently raised cash by issuing shares and/or selling completed projects and undeveloped land (e.g. Wharf Holdings/Greentown China, Evergrande Real Estate Group/SPG Land Holdings), we do not believe that liquidity issues have gone away. Potential new issuance may still come from

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stressed property developers like SHUION or property developers who are looking to diversify their funding sources like CENCHI.

- **Inaugural high-yield issuance by an Indonesian REIT:** July also saw the inaugural Indonesian high-yield issuance in the SGD market, with Lippo Malls Indonesia Retail Trust ("LMRTSP") pricing a dual tranche issue - the S$200mn 3-year tranche came at 4.88% while the smaller S$50mn 5-year tranche came at 5.875%. Despite pricing tighter to its parent Lippo Karawachi in the USD space, yields have come in significantly since pricing, last indicated at 101.65 offer/4.28% and 101.95 offer/5.42% respectively.

  LMRTSP was able to do well for the deal, given that it was a REIT and being listed on the SGX, was already familiar with local investors. We believe that any future deals will depend on the nature and "branding" of the issuer.

- **Limited liquidity for marginal issuers:** On the other end of the credit spectrum, we continue to see marginal issuers like Swiber Holdings Ltd tapping the market frequently as it continues to refinance lumpy debt maturities in the next 3 years. With a weak credit profile and sub-par profitability, issue sizes tend to be small (S$75mn – S$95mn) and anchored by a small number of accounts, possibly due to limited investor participation driven by credit concerns.

- **Private banking investors constitute a significant source of anchor demand for a primary issue:** Since the beginning of the year, the private banking investor base has become an important investor base in the SGD bond market, accounting for 35% of total allocations. Flush with SGD liquidity and with rates at historical lows, the proliferation of more high-yield and corporate perpetual issuance has seen greater participation from this yield-sensitive investor segment, driving 1H2012 issuance to S$15.7bn. This is impressive, in light of total issuance of S$21.3bn in 2011 and S$24.7bn in 2010.

- **Credit differentiation is important despite a cyclical trough in the office and high-end residential property segments:** Despite secular downturns in the high-end residential property segment in Singapore from the imposition of the additional buyer stamp duty in late-2011 and headwinds to the office segment from the weak global economy, a slowdown in earnings growth for Singapore property developers is only one side of the story. In general, stronger Tier 1 developers have retained good access to the capital markets and termed out debt maturities through refinancing, increased the proportion of unencumbered assets, have strong cash balances, are raising debt financing at the operating company level instead of only at the parent level and on-lending to subsidiaries (i.e. Mapletree Logistics Trust, Mapletree Industrial Trust, Frasers Centrepoint Limited) and are monetizing assets through spin-offs of mature assets into REITs (i.e. Ascendas Pte Ltd).

  For names like Keppel Land Ltd, we believe its credit profile will remain intact as historical leases up for renewal are likely to face positive rental reversion while new office supply in the near-term remains moderate. For smaller developers like Wing Tai Holdings Ltd, a conservative landbanking approach, strong liquidity and a termed-out debt maturity profile supports debt-service, regardless of slower property sales.

  The same cannot be said of highly-leveraged developers like Overseas Union Enterprise ("OUESP") and Guocoland Ltd ("GUOLSP"). For OUESP, a high leverage and lumpy maturing debt in 2014 poses refinancing risks while for GUOLSP, weak profitability and insufficient cash to cover maturing short-term debt also exposes it to the vagaries of the capital markets.

  For the high-yield PRC property names, we prefer CENCHI to SHUION on better operating performance, a better parentage via its significant Capitaland ownership and a manageable funding profile. SHUION continues to face refinancing risks, with slow property sales and the uncertainty of the timing of its Xintiandi IPO potentially exacerbating liquidity pressures.

- **Underweight credits with deteriorating credit profiles:** We remain cautious on highly-leveraged credits like Olam International Ltd and Neptune Orient Lines Ltd. Both companies have been aggressive in capital expansion, with the former seeking inorganic growth through M&A to achieve its profit target of US$1bn by 2016 while the latter's net gearing has increased significantly as a result of funding newbuild container ships. For Genting Singapore Plc, the potential for a bidding war with Crown Ltd over Australian casino operator Echo Entertainment Group increases the risk of overpaying for M&A and may place downward pressure on credit metrics.

- **Neutral on Hong Kong property developers but supply risk needs monitoring:** FY2011 operating performance for the Hong Kong property developers remained strong while gearing levels were relatively stable. In terms of technicals, supply risk is rising for Cheung Kong Holdings, given that there may be further supply, on the back of the recent issuance of a HK$1bn perpetual and another potential 5-year USD issuance. For Wharf Holdings Ltd, we view the recent investment in Greentown China as a credit negative given the lack of strategic clarity over the investment, though this will not impact the company's credit metrics as the transaction is wholly-funded by existing internal resources.

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Ascendas Pte Ltd

Credit Outlook – Despite a good asset portfolio generating recurrent rental and fee incomes, Ascendas is embarking on debt-fueled growth, entailing significant capex. Growth plans bears close monitoring to ascertain future deleveraging capacity. At 4.45%YTW, the JTCSP perp is trading too tight and we prefer the CHEUNG perp for the higher yield of 5.15%YTW despite capital structure seniority, shorter duration and lower gearing.

Underweight

S&P: Not rated Outlook: N/A

Moody's: Not rated Outlook: N/A

Fitch: Not rated Outlook: N/A

Ticker: JTCSP

Company profile

Ascendas is one of Asia's leading provider of business space, spanning high-tech, science, business and industrial parks. Owned by Jurong Town Corporation, a Singapore government statutory board, Ascendas manages a 52mn sq ft portfolio worth S$12.2bn across 10 key Asian countries as of 31st December 2011. With 30 years of experience and 2,000 clients, its core activities include real estate development, investment and services as well as fund management.

Key credit considerations

- **Stable cashflows derived from key domestic market and asset-light business strategy:** Singapore is the company's key market (63% of revenues or S$152mn for 9MFY2012). China, Korea and India are the next largest segments, accounting for 11% - 14% of revenues each. By business line, rental income accounts for 39% of revenues and is a core income stream. Based on its S$12.2bn AUM, Ascendas generates significant fund management and property fees – S$95.4mn or 40% of revenues.

- **Better operating performance in 9MFY2012:** During the period, Ascendas' revenue was 6.1% higher y/y to S$241.3mn, on the back of higher fund management fees, development fees, acquisition fees and agency fees from its fund management affiliates. SGA expenses increased materially due to higher staff costs and utilities expense (up S$9mn), though this is somewhat offset by lower cost of development properties sold. A higher share of associates' profits - S$58.4mn (twice FY2010 levels), brought net profit to S$148mn (up 56.4% y/y).

- **Significant increase in leverage since March 2011:** Net debt increased by S$450mn in 9MFY2012, driven by the consolidation of debt at the Singapore Suzhou Industrial Holdings Group and Teletech Park Pte Ltd level (both companies acquired in 3QFY2012) as well as an increased in group borrowing of S$374mn, driving net debt/net capitalization from 7.1% to 24%. On a net debt/EBITDA basis, leverage is slightly elevated at 4x, though EBITDA margin of 46% (up from 43.5% in FY2010 and 45.1% in FY2011) and FFO/gross interest of 7.3x and EBITDA/gross interest of 4.5x provides some comfort.

- **Negative free operating cashflows limit deleveraging headroom:** Capital intensity remains elevated, as Ascendas continues to expend significant cash outlays on acquisitions and development of investment properties as well as acquisitions of companies. Notwithstanding the steady operating cashflows generated from its high quality portfolio, this has resulted in negative FOCF of S$403mn for 9MFY2012 (FY2011: -S$58mn). Coupled with a high dividend payout of 50%, dividends paid in FY2010, FY2011 and 9MFY2012 were S$89mn, S$50mn and S$122mn respectively, further limiting deleveraging headroom by driving free cashflows further into the red.

- **Cash balance is sufficient to repay maturing short-term debt while a pending listing of hotel assets may aid repayment of longer-term debt:** Pro-forma for cash proceeds of S$183mn realized from the divestment of some leasehold land to Ascendas REIT, cash balance of S$621mn is sufficient to repay S$354mn of debt coming due within the year. Despite its negative free cashflow position amidst elevated capex, Ascendas plans to raise as much as S$823mn through a listing of its hotel assets and this may help it service S$451mn of debt coming due within the next 1 – 5 years, depending on the timing of the IPO.

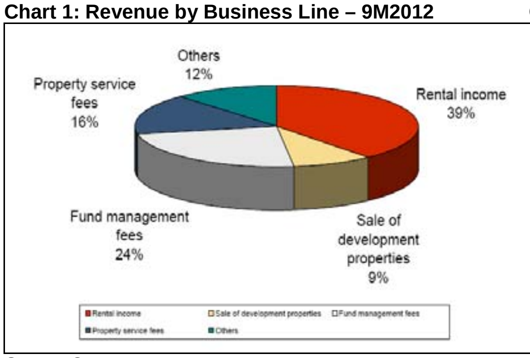
Ascendas Pte Ltd

Table 1: Summary Financials

	FY2010	FY2011	9M2012
Income statement (S$ mn)			
Revenue	293.5	318.6	241.3
EBITDA	127.8	143.8	111.0
Gross interest expense	36.3	32.0	23.6
Profit before tax	132.8	225.2	168.5
Net income	95.0	191.0	135.8
Balance sheet (S$ mn)			
Cash and equivalents	318.2	433.2	438.0
Total assets	3,118.7	3,044.9	3,542.1
Total debt	663.1	575.7	1,030.5
Net debt	344.9	142.6	592.5
Shareholders' equity	1,800.3	1,871.8	1,880.4
Cash flow (S$ mn)			
FFO	135.8	232.1	166.1
CFO	116.7	75.5	51.7
Capex	163.1	56.4	120.7
Adjusted FOCF	-162.1	-57.9	-402.9
Key Ratios			
EBITDA margin (%)	43.5%	45.1%	46.0%
Net margin (%)	32.4%	60.0%	56.3%
Total debt/EBITDA (x)	5.2x	4.0x	7.0x
Net debt/EBITDA (x)	2.7x	1.0x	4.0x
Total debt/equity (x)	0.4x	0.3x	0.5x
Net debt/equity (x)	0.2x	0.1x	0.3x
Total debt/total capital (%)	26.9%	23.5%	35.4%
Net debt/net capital (%)	16.1%	7.1%	24.0%
Adjusted FOCF/gross debt (%)	-24.4%	-10.1%	-52.1%
EBITDA/total interest (x)	3.5x	4.5x	4.7x

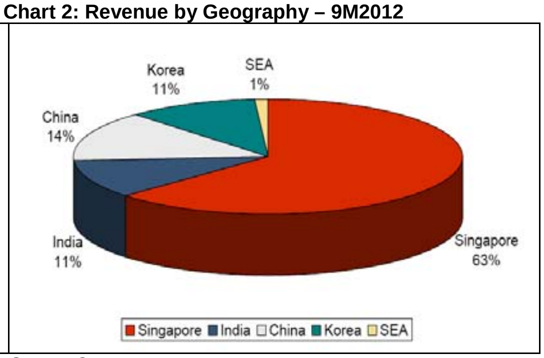
Source: OCBC estimates

Chart 1: Revenue by Business Line – 9M2012



Source: Company

Chart 2: Revenue by Geography – 9M2012



Source: Company

Credit Outlook – While operating performance is strong, heavy capex on AEIs and acquisitions have resulted in negative FCF for the past 3 years, keeping leverage metrics elevated. At 101.30 offer/3.84% yield, we believe the AREIT'22 is too tight. We prefer switching into ARTSP'18 for a credit with comparable government parentage and gearing for a higher yield of 4.03%.

Neutral

S&P: Not rated Outlook: N/A

Moody's: A3 Outlook: Stable

Fitch: Not rated Outlook: N/A

Ticker: AREIT

Company profile

Listed in 2002, Ascendas REIT ("AREIT") is the largest business space and industrial REIT in Singapore. With a portfolio of 101 properties in Singapore and China spanning business and science park, hi-tech industrial and light industrial properties and logistics & distribution centres, NAV was S$6.6bn. Its key shareholder is Ascendas Pte Ltd who owns 18.1% of the trust. Ascendas is a wholly-owned subsidiary of Jurong Town Corporation (JTC), a statutory body managing industrial estates in Singapore.

Ascendas Real Estate Investment Trust

Key credit considerations

- **Portfolio geographic concentration risk is mitigated by industry diversification:** 38% of the portfolio consists of single-tenanted buildings with longer lease terms (up to 10 years) and periodic rental escalation rates (32.2% pegged to CPI), providing greater cashflow visibility and collateralization via security deposits (7 – 12 months of rentals). Despite 62% of the portfolio made up of multi-tenanted buildings with rolling lease terms of 3 years and rental rates marked to market upon renewal, we note that current market rentals are higher than existing ones, with AREIT to benefit from positive rental reversions.

- **Low vacancy risk due to diversified tenant base:** Concentration risk is low with the top 10 customers making up 25.5% of gross revenues (largest customer constitutes 4.5% of the total). Weighted average lease to expiry is moderate at 4 years, with some leases extending beyond 2024, keeping renewal risk low.

- **Strong operating performance underpins profitability and leverage metrics:** In FY2012, the blended occupancy rate remains high at 96.4% while positive rental reversions were achieved for the Business & Science Park, High-Tech Industrial, Light Industrial and Logistics & Distribution Centre segments. With current market rentals at 16% - 32% higher than existing rates, the 13.8% of AREIT's leases coming due this year are likely to achieve positive rental reversion as well. EBITDA was S$335.4mn in FY2012 (up 9.3% y/y) while EBITDA margin was a robust 66.6%. Although net debt increased 25.9% y/y to S$2.38bn, edging net debt/net capitalization up to 37.8%, AREIT's strong profitability helped keep interest coverage ratios strong with FFO/gross interest of 7.8x and EBITDA/gross interest of 5.3x.

- **Proactive capital management initiatives increased financial flexibility:** During the year, the issuance of a S$200mn fixed rate note due 2022 and a JPY10bn note due 2024 (swapped into S$153.7mn) was used for refinancing of maturing debt. Furthermore, S$298.5mn was raised from an equity private placement for use in acquisitions. The terming out of the debt maturity profile from 3.2 years in FY2011 to 4.2 years and the reduced reliance on uncommitted revolving credit facilities to fund asset acquisitions better matches asset-liability duration and is a credit-positive. Unencumbered assets are S$3.6bn currently and makes up 58.6% of total assets (FY2011: 55.3%).

- **Refinancing risk mitigated by available liquidity and ability to access the capital markets:** As of March 2012, cash balance was $19.6mn. Despite the low cash balance, remaining debt maturities for 2012 amounts to just S$22mn of term loan repayments, which we expect to be manageable, in light of another S$96mn in undrawn committed revolving credit facilities as of May 2012. Though FOCF has been negative for the past two years due to heavy capex outlays as AREIT embarked on asset enhancement initiatives and acquisitions (6 properties in Singapore and 1 property in China were acquired in FY2012), AREIT has demonstrated its ability to access the capital markets to raise new financing to rollover maturing debt. We believe this will remain intact, based on support from its parent, Ascendas Ltd.

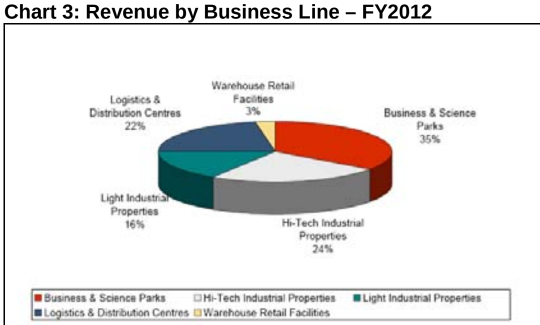
Ascendas Real Estate Investment Trust

Table 2: Summary Financials

	FY2011	FY2012
Income statement (S$ mn)		
Revenue	447.6	503.3
EBITDA	306.9	335.4
Gross interest expense	70.9	63.5
Profit before tax	579.6	494.8
Net income	578.6	493.2
Balance sheet (S$ mn)		
Cash and equivalents	8.1	19.6
Total assets	5,419.8	6,564.4
Total debt	1,897.4	2,398.2
Net debt	1,889.3	2,378.6
Shareholders' equity	3,291.7	3,915.4
Cash flow (S$ mn)		
FFO	579.9	494.3
CFO	300.6	328.8
Capex	100.2	234.1
Adjusted FOCF	-38.9	-416.4
Key Ratios		
EBITDA margin (%)	68.6%	66.6%
Net margin (%)	129.3%	98.0%
Total debt/EBITDA (x)	6.2x	7.2x
Net debt/EBITDA (x)	6.2x	7.1x
Total debt/equity (x)	0.6x	0.6x
Net debt/equity (x)	0.6x	0.6x
Total debt/total capital (%)	36.6%	38.0%
Net debt/net capital (%)	36.5%	37.8%
Adjusted FOCF/gross debt (%)	-2.0%	-17.4%
EBITDA/total interest (x)	4.3x	5.3x

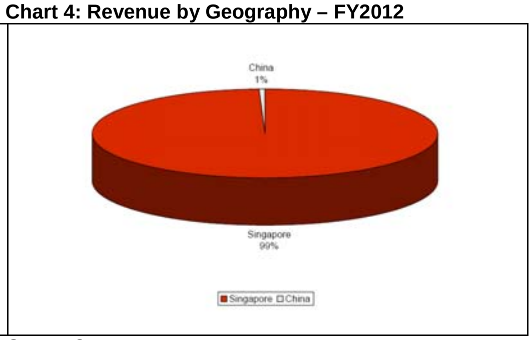
Source: OCBC estimates

Chart 3: Revenue by Business Line – FY2012



Source: Company

Chart 4: Revenue by Geography – FY2012



Source: Company

Credit Outlook – We believe the market's concern about ARTSP's exposure to the European market (41% of NAV) is mitigated by all 26 properties operating under master leases or management contracts with minimum income guarantees. Despite being the most highly leveraged in the SREITs space, its 49% ownership by Capitaland is a key mitigating factor. We like the ARTSP'18 for its high 4.03%YTM (101.5 offer) and recommend a tactical long.

Overweight

S&P: Not rated Outlook: N/A

Moody's: Baa3 Outlook: Stable

Fitch: Not rated Outlook: N/A

Ticker: ARTSP

Company profile

Ascott REIT ("ARTSP") invests primarily in serviced residences and rental housing properties. 49%-owned by Capitaland Ltd, its asset size has more than tripled to about S$3.3bn since listing in 2006. ART's properties are operated under the Ascott, Citadines and Somerset brands. As of 31st March 2012, its portfolio consists of 6,681 apartments in 65 properties in 23 cities across 12 countries in Asia-Pacific and Europe.

Ascott Residence Trust

Key credit considerations

- **Revenue profile is balanced:** 40% of ARTSP's leases are made up of master leases or management contracts with a guaranteed minimum income. These have lease terms of 6 – 7 years, providing revenue stability.

- **Financial flexibility:** ARTSP has a high percentage of encumbered assets, at 80% of total assets. This is likely to stay high as it relies on secured debt to fund its operations.

- **FX and interest rate risks are low:** ARTSP has a policy of matching its borrowings to underlying assets as far as possible to minimize FX risks. However, to address funding vulnerabilities arising from exposures to European banks, S$145mn from its MTN issuance was previously used to repay European bank loans, bringing EUR-denominated debt down to S$377.6mn currently. Interest rate risks are low, with 70% of debt consisting of fixed rate debt, with the remainder being floating rate exposures.

- **Cashflows from European properties are subject to minimum income guarantees:** As of 31st March 2012, ARTSP has 26 European properties constituting 40.9% of net asset value. Of this, properties in U.K. and France form the bulk of exposure at 15.9% and 19.1% respectively. The 26 Citadines serviced apartments in Europe all operate under master leases or management contracts with minimum income guarantees, providing revenue visibility over the next 6 – 7 years. The obligations under these contracts are also guaranteed by Ascott Limited and its subsidiaries.

- **Leverage remains elevated:** Net debt was flat at S$1.08bn, with net debt/net capitalization of 40.7% at end-1Q2012 while net debt/EBITDA remains high at 7.5x. 1Q2012 EBITDA is fairly stable at S$36mn, in line with the previous 4 quarters, with EBITDA/gross interest coverage stable at 3.4x.

- **Refinancing of near-term debt maturities is likely:** Assuming ARTSP maintains current profitability, we estimate annual FOCF of c.S$100mn (CFO of S$125mn, maintenance capex of c.S$25mn). However, high dividend payouts of S$50mn – S$77mn in the last 3 years imply that FCF is likely to be minimal at the S$25mn area. With a cash balance of S$128mn as of 31st March 2012, we expect little likelihood of debt service from internally-generated cashflows and near-term debt maturities will likely require refinancing (2012: S$221.2mn, 2013: S$105.8mn, 2014: S$275.3mn, 2015: S$241.3mn).

- **Credit impact of recent M&A transactions is neutral:** ARTSP recently announced that it will divest Somerset Grand Cairnhill Singapore to Capitaland Ltd for S$350.8mn and purchase Ascott Raffles Place Singapore ("ARPS"), Ascott Guangzhou and the new Cairnhill SR (integrated hotel/high-end residential development) for S$220mn, S$63.3mn and S$405mn respectively. As the Cairnhill SR transaction will complete only in 2017, ARTSP will have net cash inflows of S$67.5mn from the rest of the transactions, lowering net debt/net capitalization marginally to 37.9% in the interim period. The ARPS and Cairnhill SR will be on master leases, with the fixed rent component making up 70% of total rent payments. We are neutral on this transaction since the stable cashflows from the master leases will be offset eventually from potentially higher leverage ratios once ARTSP raises the remaining S$100mn in perpetual securities and S$283.4mn in other debt under its MTN programme.

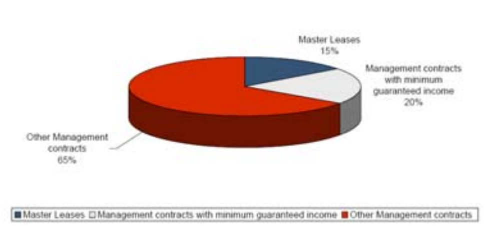
Ascott Residence Trust

Table 3: Summary Financials

	FY2010	FY2011	1Q2012
Income statement (S$ mn)			
Revenue	207.2	288.7	71.6
EBITDA	96.1	146.0	36.1
Gross interest expense	27.6	39.5	10.7
Profit before tax	196.1	225.0	22.1
Net income	163.0	180.3	16.7
Balance sheet (S$ mn)			
Cash and equivalents	132.7	145.5	128.0
Total assets	2,803.8	3,023.0	2,977.0
Total debt	1,099.5	1,204.6	1,211.4
Net debt	966.8	1,059.1	1,083.4
Shareholders' equity	1,490.1	1,628.0	1,579.8
Cash flow (S$ mn)			
FFO	202.6	234.1	19.7
CFO	123.8	132.0	31.3
Capex	24.0	24.6	4.5
Adjusted FOCF	-478.3	101.5	25.7
Key Ratios			
EBITDA margin (%)	46.4%	50.6%	50.5%
Net margin (%)	78.6%	62.5%	23.4%
Total debt/EBITDA (x)	11.4x	8.3x	8.4x
Net debt/EBITDA (x)	10.1x	7.3x	7.5x
Total debt/equity (x)	0.7x	0.7x	0.8x
Net debt/equity (x)	0.6x	0.7x	0.7x
Total debt/total capital (%)	42.5%	42.5%	43.4%
Net debt/net capital (%)	39.3%	39.4%	40.7%
Adjusted FOCF/gross debt (%)	-43.5%	8.4%	8.5%
EBITDA/total interest (x)	3.5x	3.7x	3.4x

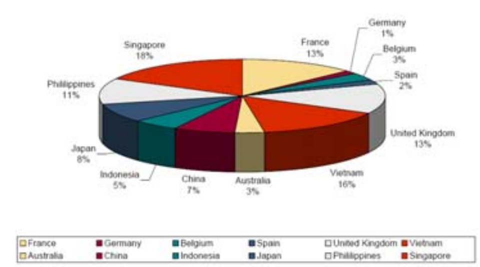
Source: OCBC estimates

Chart 5: Revenue by Business Line – 1Q2012



Source: Company

Chart 6: Revenue by Geography – 1Q2012



Source: Company

Credit Outlook – Despite market concerns about Capitaland's China exposure, we remain sanguine, given that its developments tend to be retail/mixed-use focused while the residential segment is limited. Existing cash of S$6bn is sufficient for debt service till 2015 and we expect continued capital market access to facilitate debt refinancing. We prefer the long-end of the CAPLSP curve and see better value here than other government-linked names like KEHSP or NOLSP.

Overweight

S&P: Not rated Outlook: N/A

Moody's: Not rated Outlook: N/A

Fitch: Not rated Outlook: N/A

Ticker: CAPLSP

Company profile

Capitaland Ltd is Singapore's leading real estate developer, operating across residential real estate development, serviced residences, retail and office REITs and real estate fund management across 6 funds and 3 REITs. Together, the portfolio comprises of over 40 projects in Singapore worth over S$30bn. Capitaland is 39.5%-owned by Temasek Holdings Ltd.

Capitaland Ltd

Key credit considerations

- **Good operating performance:** During 1Q2012, EBIT of S$331.4mn was 16.9% higher y/y, driven by the core markets of Singapore, China and Australia, which together accounted for S$261.7mn. Net profit was up 31% y/y to S$133.2mn, which was in turn, due to portfolio gains on the divestment of the Hilton Double Tree Hotel (S$28.8mn) and revaluation gains on the remaining stakes in the Innov Tower in China, three acquired malls in Japan and a share of Lai Fung's fair value gains.

- **Leverage increasing significantly but debt maturity profile is termed out:** Capitaland continues to embark on aggressive expansion plans in China and elsewhere, with capex outlays outstripping operating cashflows while dividends continue to be a significant cash outflow. Consequently, it continues to be in a negative free cashflow position as debt-financed expansion drove net debt up 18.1% q/q to S$7bn, bringing net debt/net capitalization to 26.6%. Interest coverage ratios are weak with FFO/gross interest at 1.4x and EBITDA/gross interest at 1.2x respectively. Notwithstanding this, its debt maturity profile is fairly termed out, with cash balance of S$6.03bn sufficient to meet 2012 – 2014 debt maturities in full and part of the 2015 maturity.

- **China continues to be a key market:** Going ahead, Capitaland will continue to grow the shopping mall business in China, with another 7 malls to be opened in FY2012, adding to the 42 malls already in operation. The mixed-use Raffles City developments are also on-track, with 1 mall in Chengdu and 1 mall in Ningbo scheduled to be launched in phases from 2H2012. Other Raffles City projects in Shanghai and Beijing recently saw positive rental reversions while construction progress on other similar projects are ongoing. For its residential segment, only 350 units were sold over the last two quarters (c.65% take-up rate), underscoring the challenging environment for this segment. Our equity analyst expects prices and volumes have likely reached a trough, barring a widespread macro shock. At 38% of total portfolio exposure, Capitaland's China exposure remains a key driver of the credit.

- **Singapore operations also gaining traction:** Capitaland expects retail operations to provide a boost to CapitaMalls Asia's malls, as completed and pending completion of AEIs in JCube in April 2012, Bugis in July 2012, The Star Vista and The Atrium at end-2012, are expected to boost rental contributions upon stabilization of occupancy rates. On the residential front, private home sales also rebounded to 6,682 units in 1Q2012, mainly from mass-market projects. In 2H2012, new phases of The Interlace, d'Leedon, Urban Resort Condominium and the Sky Habitat will be launched, subject to market conditions. For the commercial property segment, despite a sequential 3.6% q/q decline to S$10.60/psf, overall occupancy rate has stabilized at the 96% level. The recent acquisition of Anson Twenty by CapitaCommercial Trust for S$430mn is in line with its plan to increase its commercial footprint in Singapore's CBD and regional commercial hubs located next to Mass Rapid Transit stations.

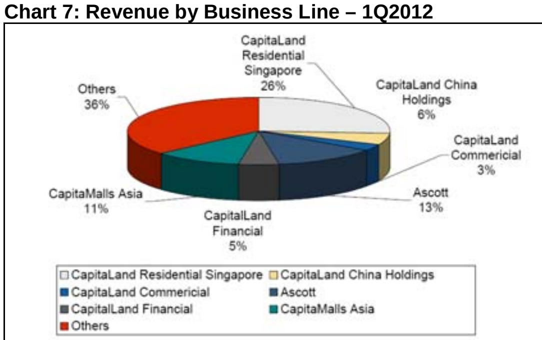
Capitaland Ltd

Table 4: Summary Financials

	FY2010	FY2011	1Q2012
Income statement (S$ mn)			
Revenue	3,383.4	3,019.6	641.1
EBITDA	792.4	536.8	129.9
Gross interest expense	540.6	600.1	105.1
Profit before tax	2,136.3	1,613.8	226.4
Net income	1,425.7	1,057.3	133.2
Balance sheet (S$ mn)			
Cash and equivalents	7,190.1	6,264.5	6,031.2
Total assets	31,887.1	35,319.4	36,477.5
Total debt	10,358.0	12,190.6	13,030.5
Net debt	3,168.0	5,926.2	6,999.3
Shareholders' equity	17,865.2	19,239.5	19,355.8
Cash flow (S$ mn)			
FFO	1,485.3	1,097.9	145.1
CFO	902.2	-808.7	-76.0
Capex	88.3	135.5	11.4
Adjusted FOCF	-3,002.5	-3,934.8	-827.1
Key Ratios			
EBITDA margin (%)	23.4%	17.8%	20.3%
Net margin (%)	42.1%	35.0%	20.8%
Total debt/EBITDA (x)	13.1x	22.7x	25.1x
Net debt/EBITDA (x)	4.0x	11.0x	13.5x
Total debt/equity (x)	0.6x	0.6x	0.7x
Net debt/equity (x)	0.2x	0.3x	0.4x
Total debt/total capital (%)	36.7%	38.8%	40.2%
Net debt/net capital (%)	15.1%	23.5%	26.6%
Adjusted FOCF/gross debt (%)	-29.0%	-32.3%	-25.4%
EBITDA/total interest (x)	1.5x	0.9x	1.2x

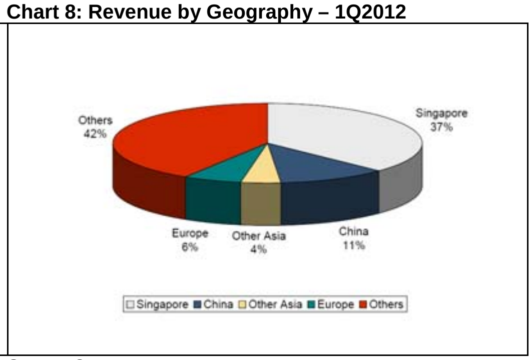
Source: OCBC estimates

Chart 7: Revenue by Business Line – 1Q2012



Source: Company

Chart 8: Revenue by Geography – 1Q2012



Source: Company

Credit Outlook – Despite its acquisitive growth which has resulted in a significant increase in leverage in 1Q2012, gearing remains moderate while debt maturity profile remains manageable. Within the CMASP curve, we prefer the CMASP'17 to the CMASP'22c17 given similar yields of 3.34% (based on yield-to-worst) while not having the call risk of the latter.

Neutral

S&P: Not rated Outlook: N/A
Moody's: Not rated Outlook: N/A
Fitch: Not rated Outlook: N/A

Ticker: CMASP

Company profile

CapitaMalls Asia Ltd ("CMA") is the leading Asian shopping mall developer, owner and manager, with a footprint across Singapore, China, Malaysia, Japan and India, consisting of 98 retail properties across 51 cities with a GFA of 88.6mn sq ft, at an appraised value of S$29.5bn. By assets, Singapore and China are the largest markets, constituting 46% and 42% of the portfolio respectively. Malaysia is 8% while India and Japan make up the remaining 2% each. CMA is 65.4%-owned by Capitaland Ltd.

CapitaMalls Asia Ltd

Key credit considerations

- **Expansion plans remain on track:** Growth plans in China remain on track as CMA acquired the 39,500 sqm Tiangongyuan site in Beijing for a shopping mall development as well as completing the acquisition of the remaining stakes in Minhang Plaza and Hongkou Plaza in Shanghai. Post-acquisition, its portfolio in China consists of 57 malls in 35 cities, underpinning NPI growth (15.7% y/y to RMB418mn in 1Q2012).

- **Stronger operating performance in 1Q2012:** During the quarter, revenue increased by 41.2% y/y to S$70.9mn, primarily driven by - 1) the acquisition of three malls in Japan in February 2012 and the Queensbay Mall in Malaysia in April 2011, which increased the topline by S$9.7mn and; 2) higher fee income from management of funds, projects and properties, due to better performance of shopping malls and new projects undertaken. Net profit of S$66.8mn was up 36.1% y/y, driven by a significant revaluation gain of S$30.7mn from the acquired Japanese malls.

- **Net debt increased significantly though gearing remains low:** In line with CMA's growth plans, net debt increased 391% q/q to S$993.5mn in 1Q2012, significantly increasing net debt/net capitalization by 9.5pp to 13.3%. While FFO/gross interest is a strong 4.8x, EBITDA/gross interest coverage is a weak 0.7x.

- **Elevated capex over next two years is likely to raise supply risk:** Free cashflows have been negative for the past three years as CMA actively embarks on M&A mode. With operating cashflows insufficient to fund its growth initiatives (estimated capex outlays of S$600mn – S$800mn p.a. for the next two years), we expect leverage to increase, with supply risk from new bond issuance being a distinct possibility.

- **Capital management is actively employed to term out debt maturity:** With S$929mn of cash on the balance sheet as of 31st March 2012, CMA has sufficient resources to meet S$329mn of debt coming due within the year. The company is actively managing its debt maturity profile such that maturing debt in any one year does not exceed 10% of its net asset value. Capital recycling via asset injection into related REIT vehicles is a possibility should funding needs increase materially.

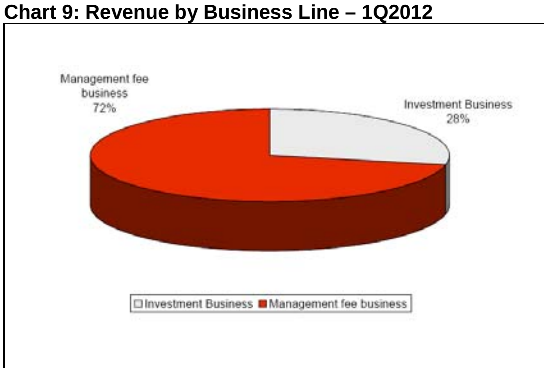
CapitaMalls Asia Ltd

Table 5: Summary Financials

	FY2010	FY2011	1Q2012
Income statement (S$ mn)			
Revenue	245.4	246.2	70.9
EBITDA	47.3	7.7	10.7
Gross interest expense	39.9	33.3	14.4
Profit before tax	577.8	568.6	73.4
Net income	541.3	456.0	66.8
Balance sheet (S$ mn)			
Cash and equivalents	1,318.3	975.5	929.9
Total assets	6,982.2	8,078.0	9,220.6
Total debt	700.0	1,229.7	1,923.4
Net debt	-618.4	254.3	993.5
Shareholders' equity	5,888.2	6,477.1	6,488.9
Cash flow (S$ mn)			
FFO	543.5	462.8	68.6
CFO	55.2	7.9	-38.8
Capex	168.2	399.7	27.9
Adjusted FOCF	-233.1	-1,119.8	-275.6
Key Ratios			
EBITDA margin (%)	19.3%	3.1%	15.1%
Net margin (%)	220.6%	185.2%	94.3%
Total debt/EBITDA (x)	14.8x	159.8x	45.0x
Net debt/EBITDA (x)	-13.1x	33.0x	23.3x
Total debt/equity (x)	0.1x	0.2x	0.3x
Net debt/equity (x)	-0.1x	0.0x	0.2x
Total debt/total capital (%)	10.6%	16.0%	22.9%
Net debt/net capital (%)	-11.7%	3.8%	13.3%
Adjusted FOCF/gross debt (%)	-33.3%	-91.1%	-57.3%
EBITDA/total interest (x)	1.2x	0.2x	0.7x

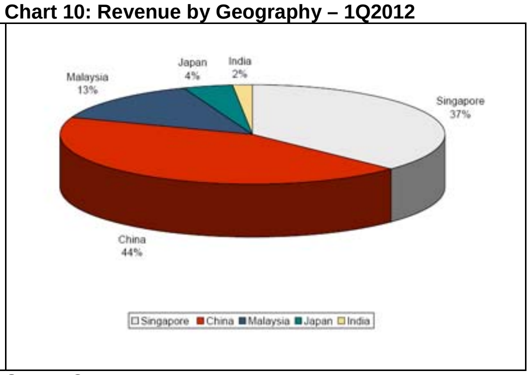
Source: OCBC estimates

Chart 9: Revenue by Business Line – 1Q2012



Source: Company

Chart 10: Revenue by Geography – 1Q2012



Source: Company

CapitaCommercial Trust

Credit Outlook – Despite market concerns about the commercial market in Singapore, the low supply pipeline, positive rental reversion of expiring leases and high occupancy rates underpin CCT's performance. Recent refinancing has increased financial flexibility and we remain positive on the CCTSP curve, with a slight preference for the CCTSP3.25%'15 for the higher yield. BUY.

Overweight

S&P: BBB+ Outlook: Stable

Moody's: Baa1 Outlook: Stable

Fitch: Not rated Outlook: N/A

Ticker: CCTSP

Company profile

Listed in 2004, CapitaCommercial Trust ("CCT") is Singapore's first listed commercial REIT, with a NLA of 3mn sq ft. It is also the largest commercial REIT on the SGX by asset size - S$6.7bn as at 31st March 2012, comprising ten prime properties in Singapore, as well as investments in Malaysia. CCT's properties in Singapore are Capital Tower, Six Battery Road, One George Street, HSBC Building, Raffles City (60%), Bugis Village, Wilkie Edge and CapitaGreen (40% interest). CCT is 32.1%-owned by Capitaland Ltd.

Key credit considerations

- **Weaker operating results in 1Q2012:** Gross revenue of S$87.4mn was weaker by 3.9% y/y, driven by negative rental reversions on new office leases. This was mitigated by lower property expenses which kept net property income flat at c.$70mn.

- **Portfolio occupancy rate remains high while office portfolio lease expiry profile is well-termed out:** Despite portfolio occupancy rate of 96% having declined from 98.2% in 1Q2011, this is still higher than the industry occupancy rate of 90.7%. The conclusion is similar for the Grade A office segment where CCT's 94.4% occupancy rate is also higher than the industry occupancy rate of 87.1%. With only 6.4% of office leases coming due in FY2012, revenue risk is low. We note that the average current Grade A office market rent of S$10.60/psf pm is higher than the average rental of S$9.02/psf pm for 2012 lease expiries. The greater risk to portfolio occupancy is in 2013 when 20.7% of office leases come due, though even there, the average rent of expiring leases of S$7.64/psf pm is also lower than the spot Grade A office rent.

- **Tenant concentration risk remains high though mitigated by their high credit quality:** The top 10 tenants comprise 45% of monthly gross rental income while the single largest industry segment in the tenancy profile is the banking, insurance and financial services sector (34% of gross rental income). This is mitigated by high quality tenants like GIC, JPMorgan, HSBC, etc and the long weighted average lease term to expiry of 4.2 years.

- **Low supply risk mitigates the weak macro environment:** Supply risk in the office segment is limited in the near-term, with less than 1mn sq ft coming online in 2013 and 2014. 2012 new office supply of 1.3mn sq ft is in line with the expected 2012 – 2016 average, and already 70% pre-committed. Despite the uncertainties in the eurozone, CCT continues to see interest from tenants looking to upgrade to better quality premises and even new companies looking to set up operations in Singapore.

- **Increased financial flexibility post-debt refinancing for 2012:** During the year, CCT refinanced its S$570mn secured term loan into unsecured bank facilities. With 8 out of 10 properties unencumbered, the average debt duration extended from 2.8 years to 3.3 years and average cost of debt reduced by 50bp to 3.1%, CCT's financial flexibility was boosted.

- **Capital intensity increasing leverage while maturing debt requires refinancing:** The recent acquisition of Twenty Anson for S$430mn via drawdowns on bank loans and existing cash (recycled from two older buildings divested in 2010) and planned asset enhancement initiatives for Six Battery Road (expected to cost S$92mn and complete in end-2013) has led to a decline in cash by S$467mn to S$109.9mn, increasing net debt 33.5% q/q to S$1.92bn while net debt/net capitalization rose 6pp to 30.1%. Post the recent approval by unitholders for a unit buyback, we expect the equity cushion to decline further. EBITDA/gross interest coverage is moderate and flat at 3.5x. Significant debt maturities in 2013 consist of the S$146.8mn 2% puttable CB and the S$50mn straight bond (total S$197mn). With cash of only c.S$110mn, significant dividend payouts (S$175mn - $218mn over past three years) and full-year operating cashflows expected to come in below capex outlays, we expect free cashflows to be negative, necessitating refinancing of the 2013 maturing debt.

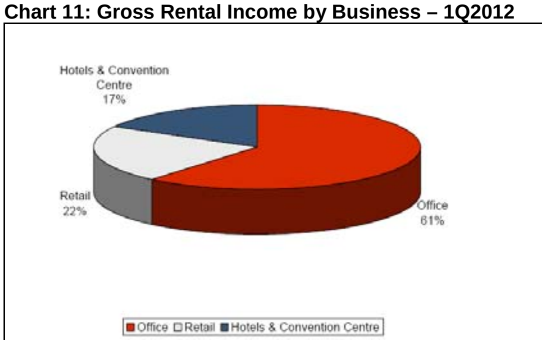
CapitaCommercial Trust

Table 6: Summary Financials

	FY2010	FY2011	1Q2012
Income statement (S$ mn)			
Revenue	391.9	361.2	87.4
EBITDA	284.8	261.4	65.8
Gross interest expense	89.1	79.3	18.9
Profit before tax	498.1	474.4	50.0
Net income	498.1	474.4	50.0
Balance sheet (S$ mn)			
Cash and equivalents	635.9	576.9	109.9
Total assets	6,196.2	6,753.9	6,735.1
Total debt	1,752.6	2,017.5	2,032.6
Net debt	1,116.7	1,440.6	1,922.7
Shareholders' equity	4,273.7	4,541.4	4,489.5
Cash flow (S$ mn)			
FFO	503.8	480.2	51.5
CFO	323.3	208.0	98.8
Capex	30.2	279.9	15.0
Adjusted FOCF	293.1	-71.9	-363.0
Key Ratios			
EBITDA margin (%)	72.7%	72.4%	75.3%
Net margin (%)	127.1%	131.3%	57.2%
Total debt/EBITDA (x)	6.2x	7.7x	7.7x
Net debt/EBITDA (x)	3.9x	5.5x	7.3x
Total debt/equity (x)	0.4x	0.4x	0.5x
Net debt/equity (x)	0.3x	0.3x	0.4x
Total debt/total capital (%)	29.1%	30.8%	31.2%
Net debt/net capital (%)	20.7%	24.1%	30.0%
Adjusted FOCF/gross debt (%)	16.7%	-3.6%	-71.4%
EBITDA/total interest (x)	3.2x	3.3x	3.5x

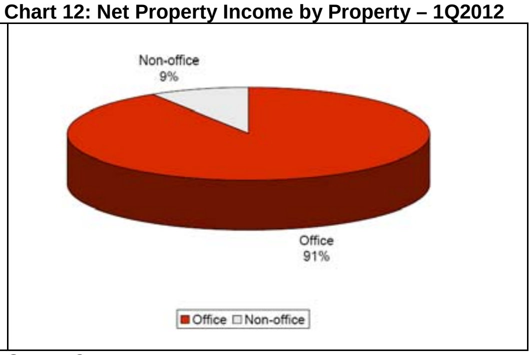
Source: OCBC estimates

Chart 11: Gross Rental Income by Business – 1Q2012



Source: Company

Chart 12: Net Property Income by Property – 1Q2012



Source: Company

Credit Outlook – Rental cashflows are expected to trend up on positive rental reversion from expiring leases as well as better rates, post AEI at JCube, Iluma and Atrium@Orchard. While near-term maturing debt requires refinancing, this has been successful and we believe CMT will continue to enjoy good capital market access. For investors with higher risk appetite, we prefer the CAPITA 3.55%'17 at 103 offer/2.92%YTM.

Overweight

S&P: Not rated Outlook: N/A

Moody's: A2 Outlook: Stable

Fitch: Not rated Outlook: N/A

Ticker: CAPITA

Company profile

Listed on the SGX in 2002, CapitaMall Trust ("CMT") is the largest REIT by market capitalization and asset size in Singapore - approximately S$6bn and S$9.7bn respectively, as at 30th March 2012. CMT's portfolio consists of income-producing property predominantly used for retail purposes in Singapore. Its portfolio comprises a diverse list of more than 2,500 leases with local and international retailers and achieved an average committed occupancy of 96.4%. It is 28.55%-owned by Capitaland Ltd.

CapitaMall Trust

Key credit considerations

- **Good operating performance:** Revenue for 1Q2012 was $155.2mn, almost flat to 1Q2011 levels (S$154mn). Excluding The Atrium@Orchard which was undergoing asset enhancement initiatives ("AEI"), gross revenue would have been up 3.6% y/y. Cost control underpinned the bottomline as a 2.9% y/y decline in opex to S$46.9mn, drove NPI up 2.5% y/y to S$108.3mn. Occupancy rates ranged between 91.4% - 100%, while those properties with low occupancy rates are those who went through AEI.

- **Relative defensiveness of portfolio:** Moody's expects CMT's portfolio to benefit from its relatively defensive characteristics. Despite the expected opening of new suburban malls, Moody's expects CMT's suburban malls to continue enjoying demand from necessity shopping. For its downtown malls, Moody's expects CMT's well-located malls to benefit from higher foot traffic, in tandem with rising tourist arrivals.

- **Significant portfolio lease expiry in 2012 expected to benefit from positive rental reversion:** For 2012, 18.7% of CMT's portfolio (506 leases) are due for renewal. We expect these leases to benefit from positive rental reversions since most of them were committed three years ago during the financial crisis at lower rates. YTD, 143 of these leases have been renewed, with rentals up 6.1%. Since 2003, CMT has enjoyed positive rental reversions on its portfolio.

- **Contributions expected from JCube, Iluma and The Atrium@Orchard, post-completion of asset enhancement initiatives:** Post-AEI, JCube opened successfully in 1Q2012 with 99% of NLA fully-committed. Iluma is also due to complete its AEI by July 2012 with over 80% of NLA committed, as is The Atrium@Orchard which is due to complete by end-2012, with 73% of NLA committed. With economies of scale likely to be realized from integration of Iluma with the adjacent Bugis Junction and The Atrium@Orchard with Plaza Singapura, CMT expects to realize higher rentals from AEIs progressively in 2012 and 2013.

- **Lumpy debt maturities from 2013 – 2016 will likely require refinancing:** CMT substantially refinanced its maturing S$783mn CMBS in 2012 via a US$400mn fixed rate issue due 2018 (swapped into S$505mn) and another HK$1.15bn fixed rate issue (swapped into S$190mn) with the remainder to be taken out via available committed bank facilities. We note that near-term debt maturities over the next few years are fairly significant (S$500mn – S$800mn). Given that operating cashflows of S$355mn – S$385mn over the last 3 years are mostly paid out in dividends to unitholders (S$265mn – S$300mn) while capex in FY2010 and FY2011 were significant (i.e. S$324mn and S$729mn respectively), CMT's negative free cashflows in the last two years has resulted in a build-up of net debt to S$2.72bn (up 25.1% y/y) in 1Q2012 while net debt/net capitalization increased 3.4pp y/y to 33.9%. While interest coverage ratios are adequate with EBITDA/gross interest at 3.1x, we expect maturing debt to continue being refinanced.

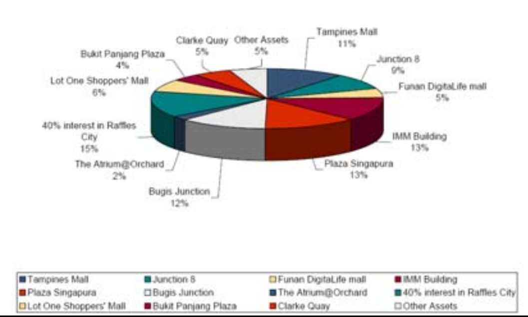
CapitaMall Trust

Table 7: Summary Financials

	FY2010	FY2011	1Q2012
Income statement (S$ mn)			
Revenue	581.1	630.6	155.2
EBITDA	361.5	376.1	97.0
Gross interest expense	118.5	135.0	31.7
Profit before tax	270.1	384.3	73.6
Net income	270.1	384.2	73.6
Balance sheet (S$ mn)			
Cash and equivalents	713.0	757.6	1,190.4
Total assets	8,125.9	9,172.2	9,703.8
Total debt	2,853.2	3,423.9	3,909.7
Net debt	2,140.3	2,666.3	2,719.3
Shareholders' equity	4,939.4	5,246.0	5,292.7
Cash flow (S$ mn)			
FFO	257.0	269.5	73.9
CFO	383.2	381.5	103.4
Capex	61.9	132.2	83.0
Adjusted FOCF	59.7	-347.2	20.4
Key Ratios			
EBITDA margin (%)	62.2%	59.6%	62.5%
Net margin (%)	46.5%	60.9%	47.4%
Total debt/EBITDA (x)	7.9x	9.1x	10.1x
Net debt/EBITDA (x)	5.9x	7.1x	7.0x
Total debt/equity (x)	0.6x	0.7x	0.7x
Net debt/equity (x)	0.4x	0.5x	0.5x
Total debt/total capital (%)	36.6%	39.5%	42.5%
Net debt/net capital (%)	30.2%	33.7%	33.9%
Adjusted FOCF/gross debt (%)	2.1%	-10.1%	2.1%
EBITDA/total interest (x)	3.1x	2.8x	3.1x

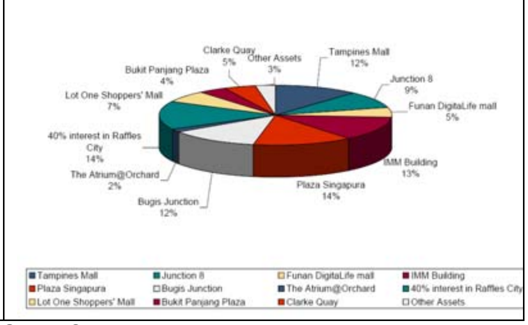
Source: OCBC estimates

Chart 13: Revenue by Property – 1Q2012



Source: Company

Chart 14: Net Property Income by Property – 1Q2012



Source: Company

Credit Outlook – Despite a reasonable operating trajectory and possessing strong credit metrics and financial flexibility, we view the CITSP curve as too tight on the long-end, with the CITSP'22 trading 11bp inside of KPLDSP'22 despite comparable credit metrics and better parentage of the latter (11.6% indirect ownership by Temasek Holdings).

Underweight

S&P: Not rated Outlook: N/A

Moody's: Not rated Outlook: N/A

Fitch: Not rated Outlook: N/A

Ticker: CITSP

Company profile

Listed in 1963, City Developments Limited ("CDL") is a property developer and owner. Through its subsidiaries, CDL owns residential, commercial, hotel, and industrial properties in Asia, Europe, North America, New Zealand and Australia. The company's Singapore holdings include Republic Plaza, Tanglin Shopping Centre, Grand Copthorne Waterfront, and the St. Regis Singapore. CDL also has a 55% interest in the M&C Group, its hotel subsidiary. CDL is a subsidiary of Hong Leong Group Singapore.

City Developments Ltd

Key credit considerations

- **Good 1Q2012 performance:** Top-line performance was good, up 9.4% y/y to S$846.7mn. This did not translate to the bottom-line with net profit of S$156.8mn (down 44.5% y/y) due to the previous recognition of significant gains in 1Q2011 from the disposal of the Corporate Office. Excluding this, CITSP's net profit would have risen 14.8% y/y. Sales from new launches and existing projects continued to do well, with sell-through rates of 73% - 94%. The commercial property segment continued to do well with an occupancy rate of 94.4% (above national average of 88.3%). In the hotel segment, 1Q2012 profit before tax rose 30.4% y/y to S$40.3mn while the M&C subsidiary saw RevPAR up 6% y/y (net of FX impact), driven by good RevPAR growth in key gateway cities like Singapore, London and New York.

- **Imposition of additional buyer stamp duty ("ABSD") has softened demand:** The imposition of the additional 10% stamp duty for foreign buyers in late-2011 succeeded in bringing down foreign purchases by 4.6% y/y to 8875 units (from 34.7% of total purchases from Jan – May 2011 to 22.7% of the total from Jan – May 2012). In the luxury property market, transactions dropped 61% y/y to 340 in Jan – May 2012 from 868 the preceding year.

- **Potential headwinds from rising supply:** Supply risk is rising as the government is shortening the completion time-frame for Build-to-order ("BTO") flats from 3 years to 2.5 years while also having more BTO launches (up from 2,400 in 2006 to 25,200 in 2011 and another 25,000 expected in 2012). According to some market estimates, potential supply may be as high as 17,000 new units per annum or 75% higher than the historical average for the past 15 years. With both demand and supply side measures having been instituted by the government, we believe the high-end property segment is likely to continue facing pricing headwinds.

- **Increasing diversification away from Singapore:** Despite being highly leveraged to the Singapore residential segment (44.8% of total landbank of 3.72mn sq ft), CITSP has selectively embarked on strategic expansion overseas to mitigate revenue volatility. CDL China Ltd is key to its strategy, with an additional S$500mn having been allocated to it to capitalize on acquisition opportunities as and when they arise. As of 31st December 2011, CDL China accounts for 38.3% of total proposed GFA of 9.51mn sq ft. Growth in the hotel segment via M&C is likely, given its low gearing (4.8% in end-2011). We expect CITSP to maintain price discipline in M&A, given that it has not concluded many deals in this segment despite actively seeking such opportunities since 2H2011.

- **Strong credit metrics and sufficient financial flexibility:** Net debt remains relatively unchanged q/q at S$1.81bn or net debt/net capitalization of 17%. Interest coverage metrics are robust with EBITDA/gross interest of 11.3x and FFO/gross interest of 14.2x. With strong operating cashflows, free operating cashflows have been robust (FY2011: S$252mn) though a strong dividend payout has kept free cashflows minimal. Amidst the constructive property market in Singapore with low interest rates and good performance in CITSP's hospitality segment, we believe that CITSP's deleveraging momentum in the past few years should be maintained, though this is predicated on its capex profile and dividend trajectory. With pro-forma cash of S$2.79bn on the balance sheet after the recent bond issues completed in June, this is sufficient to meet maturing debt of S$1.62bn in the coming year.

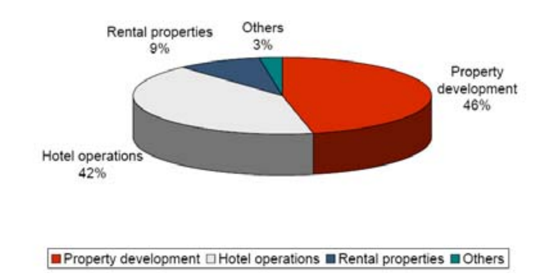
City Developments Ltd

Table 8: Summary Financials

	FY2010	FY2011	1Q2012
Income statement (S$ mn)			
Revenue	3,103.4	3,280.5	846.7
EBITDA	839.5	1,006.7	199.4
Gross interest expense	59.0	64.4	17.6
Profit before tax	1,067.5	1,136.4	215.6
Net income	784.0	798.6	156.8
Balance sheet (S$ mn)			
Cash and equivalents	1,873.8	2,603.0	2,642.0
Total assets	13,962.8	14,962.5	15,249.0
Total debt	4,205.3	4,405.8	4,450.4
Net debt	2,331.5	1,802.8	1,808.4
Shareholders' equity	7,980.3	8,696.0	8,856.0
Cash flow (S$ mn)			
FFO	924.7	931.9	250.9
CFO	512.1	983.0	169.6
Capex	129.0	394.2	57.9
Adjusted FOCF	339.2	252.5	-99.9
Key Ratios			
EBITDA margin (%)	27.1%	30.7%	23.5%
Net margin (%)	25.3%	24.3%	18.5%
Total debt/EBITDA (x)	5.0x	4.4x	5.6x
Net debt/EBITDA (x)	2.8x	1.8x	2.3x
Total debt/equity (x)	0.5x	0.5x	0.5x
Net debt/equity (x)	0.3x	0.2x	0.2x
Total debt/total capital (%)	34.5%	33.6%	33.4%
Net debt/net capital (%)	22.6%	17.2%	17.0%
Adjusted FOCF/gross debt (%)	8.1%	5.7%	-9.0%
EBITDA/total interest (x)	14.2x	15.6x	11.3x

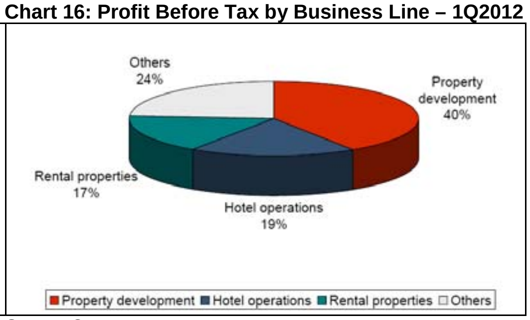
Source: OCBC estimates

Chart 15: Revenue by Business Line – 1Q2012



Source: Company

Chart 16: Profit Before Tax by Business Line – 1Q2012



Source: Company

Frasers Centrepoint Ltd

Credit Outlook – FNNSP continues to maintain a strong credit profile, predicated on the good operating performance of its core asset portfolio. We prefer the FNNSP'22 to FNNSP'19 for the 55bp yield pick-up (all-in yield of 3.71%/100.76 offer).

Neutral

S&P: Not rated Outlook: N/A

Moody's: Not rated Outlook: N/A

Fitch: Not rated Outlook: N/A

Ticker: FNNSP

Company profile

Frasers Centrepoint Ltd ("FCL") is a 100%-subsidiary of Fraser and Neave, an SGX-listed conglomerate operating in the food & beverage, publishing & printing and property development businesses. Its principal activities include development, investment and management of residential, commercial and retail properties, serviced residences and property trusts. The portfolio consists of both properties in Singapore and overseas, with 19 residential projects under development, 25 commercial properties and 70 serviced residences across 23 countries.

Key credit considerations

- **Strong parentage:** FCL is 100%-owned by Fraser and Neave, a Singapore-listed conglomerate (market capitalization of S$9.4bn as of 22nd May 2012) with diversified interests in food and beverages, property development and publishing and printing businesses.

- **High quality asset portfolio:** FCL has a leading position across its three key business segments – 1) In property development, it is one of the top three developers in Singapore with a significant pipeline in China and Australia; 2) In the commercial property segment, it is the leading retail player in Singapore with two listed REITs (retail and office/industrial) via Frasers Centrepoint Trust and Frasers Commercial Trust; 3) In the hospitality segment, it is the leading global premium serviced residences provider with a portfolio of 73 properties across 39 key gateway cities globally.

- **Collaborative business strategy underpins credit profile:** To reduce capital outlays and maintain its credit standing, FCL collaborates with industry partners on joint development projects – 1) The Punggol Central mixed-use development site (together with Far East Organization and Sekisui House) and; 2) The development of an integrated business park at Changi Business Park with Ascendas Land.

- **Strong financial position with low gearing and moderate profitability:** EBITDA margin remains strong at 26.5% in 1H2012 while net debt of S$534mn is sustainable with low net gearing of 11.5% and net debt/net capitalization of 10.4%. Interest coverage ratios are moderate with FFO/gross interest of 3.7x and EBITDA/gross interest of 3.8x.

- **Global economic headwinds may result in softer operating performance in the near-term:** The ongoing eurozone crisis and the slowdown in economic growth for developed economies may pose rising headwinds to the hospitality segment by curtailing business travel. Similarly, these factors pose risks to demand for the residential property offerings of FCL in its key markets of Singapore, China and Australia. These risks are mitigated by the strong branding of "Frasers", FCL's relatively low gearing and its conservative approach towards land banking and increasing asset turnover of its existing inventory.

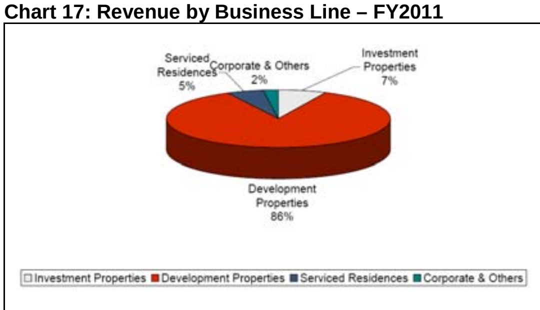
Frasers Centrepoint Ltd

Table 9: Summary Financials

	FY2010	FY2011	1H2012
Income statement (S$ mn)			
Revenue	1,933.6	2,153.9	531.2
EBITDA	521.6	515.1	140.7
Gross interest expense	78.5	74.2	37.3
Profit before tax	682.1	758.3	174.0
Net income	529.5	580.6	134.1
Balance sheet (S$ mn)			
Cash and equivalents	952.0	979.9	982.6
Total assets	9,387.9	9,657.5	9,838.4
Total debt	1,669.6	1,304.4	1,517.0
Net debt	717.7	324.4	534.4
Shareholders' equity	4,198.6	4,653.1	4,628.1
Cash flow (S$ mn)			
FFO	536.0	588.8	137.5
CFO	382.2	717.5	-71.7
Capex	70.6	329.4	18.3
Adjusted FOCF	294.5	364.5	-157.8
Key Ratios			
EBITDA margin (%)	27.0%	23.9%	26.5%
Net margin (%)	27.4%	27.0%	25.2%
Total debt/EBITDA (x)	3.2x	2.5x	5.4x
Net debt/EBITDA (x)	1.4x	0.6x	1.9x
Total debt/equity (x)	0.4x	0.3x	0.3x
Net debt/equity (x)	0.2x	0.1x	0.1x
Total debt/total capital (%)	28.5%	21.9%	24.7%
Net debt/net capital (%)	14.6%	6.5%	10.4%
Adjusted FOCF/gross debt (%)	17.6%	27.9%	-20.8%
EBITDA/total interest (x)	6.6x	6.9x	3.8x

Source: OCBC estimates

Chart 17: Revenue by Business Line – FY2011



Source: Company

Chart 18: Revenue by Geography – FY2011

Source: Company

Frasers Centrepoint Trust

Credit Outlook – FCT continues to turn in a strong and stable operating performance, with a benign debt maturity profile out till 2015. Despite this, the entire curve is tightly-priced and inside of CCTSP and CAPITA which have similar credit metrics and rated at parity/1-notch higher. We prefer switching out of the FCTSP'15 to CCTSP'15 or CAPITA'15 for the yield pick-up.

Underweight

S&P: BBB+ Outlook: Stable

Moody's: Baa1 Outlook: Stable

Fitch: Not rated Outlook: N/A

Ticker: FCTSP

Company profile

Listed on the SGX in 2006, Frasers Centrepoint Trust ("FCT") is the only pure-play suburban retail REIT in Singapore, and is also a wholly-owned subsidiary of Fraser and Neave Ltd. Its portfolio comprises 5 suburban retail malls in Singapore, and a 31% stake in Malaysia-listed Hektar REIT amounting to 3% of FCT's total assets. FCT's properties are mainly located in Singapore and consist of Causeway Point, Northpoint, Bedok Point, Anchorpoint, and Yew Tee Point. Together, FCT's portfolio is worth S$1.7bn.

Key credit considerations

- **Good operating performance:** Gross revenue for 1H2012 increased 28.7% y/y to S$72.6mn, driven by the addition of BPT to the portfolio in Sep-2011 and the contribution from Causeway Point, after completion of its AEI. The overall portfolio occupancy rate remains healthy at 93.5% as of 31st March 2012 and was lower than the recent high of 97.5% in Dec-2011 due to AEI at levels 5 and 7 of Causeway Point and the temporary closure of the food court at North Point due to a change in operator during the quarter.

- **Low revenue risk from well termed-out lease expiry profile:** Overall weighted average lease expiry durations is 2.03 years by NLA and 1.95 years by gross rent, driven by the short tenor of leases, which tend to be 3 years in tenor. Expiring leases in 2012 and 2013 are manageable, with both years accounting for 10.4% and 22.8% of gross rentals respectively. Given the relatively defensive nature of its suburban mall portfolio which is underpinned by necessity shopping, we believe lease renewals will be high and FCT to continue enjoying positive rental reversions in the near-term (2Q2012 rentals was up 11%, better than 1Q2012 rates of 9.6%)

- **Moderate gearing with strong coverage ratios:** Profitability continues to remain strong, with EBITDA margin of 62.2%. 1H2012 EBITDA of S$45.1mn was strong and likely to exceed FY2011 EBITDA of S$72.2mn. On a net debt/net capitalization basis, gearing of 31.3% is relatively stable since FY2010. Interest coverage ratios are relatively robust with FFO/gross interest of 5.2x and EBITDA/gross interest of 5.1x respectively. With unencumbered assets of S$1.04bn as of 31st March 2012 (Causeway Point, Anchor Point and Yew Tee Point), FCT retains significant financial flexibility.

- **Benign debt maturity profile:** The quantum of maturing debt from 2012 – 2015 are manageable, with S$80mn, S$55mn, S$60mn and S$25mn due in each year respectively. Despite a positive FOCF of S$39.5mn for 1H2012, an equally high dividend payout of S$36.4mn resulted in a small FCF of S$3.1mn. Consequently, we believe current gross debt of S$554mn will remain relatively flat as FCF is insufficient to facilitate significant deleveraging, with maturing debt likely to be refinanced, given the small cash balance of S$22.1mn as of 31st March 2012.

- **Asset concentration risk remains elevated:** Despite asset diversification via FCT's purchase of Yew Tee Point and NorthPoint 2 in Feb-2010 and Bedok Point in Jul-2011, Causeway Point remains a significant source of FCT's asset portfolio and revenues (48.3% and 45.6% respectively in 1H2012 versus 64.9% and 68.5% respectively in FY2009).

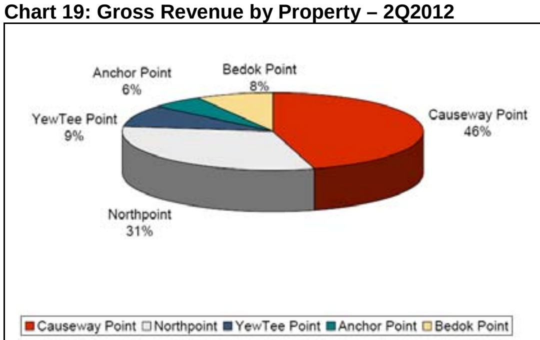
Frasers Centrepoint Trust

Table 10: Summary Financials

	FY2010	FY2011	1H2012
Income statement (S$ mn)			
Revenue	114.7	117.9	72.6
EBITDA	70.7	72.2	45.1
Gross interest expense	17.7	19.1	8.8
Profit before tax	95.0	152.3	46.0
Net income	94.4	154.9	46.0
Balance sheet (S$ mn)			
Cash and equivalents	19.7	30.4	22.1
Total assets	1,516.2	1,786.8	1,793.9
Total debt	460.0	559.0	554.0
Net debt	440.3	528.6	531.9
Shareholders' equity	989.3	1,151.9	1,165.9
Cash flow (S$ mn)			
FFO	94.5	154.9	46.0
CFO	79.7	81.6	50.6
Capex	10.0	36.8	11.1
Adjusted FOCF	-215.1	-79.1	39.5
Key Ratios			
EBITDA margin (%)	61.6%	61.3%	62.2%
Net margin (%)	82.3%	131.4%	63.4%
Total debt/EBITDA (x)	6.5x	7.7x	6.1x
Net debt/EBITDA (x)	6.2x	7.3x	5.9x
Total debt/equity (x)	0.5x	0.5x	0.5x
Net debt/equity (x)	0.4x	0.5x	0.5x
Total debt/total capital (%)	31.7%	32.7%	32.2%
Net debt/net capital (%)	30.8%	31.5%	31.3%
Adjusted FOCF/gross debt (%)	-46.8%	-14.2%	14.3%
EBITDA/total interest (x)	4.0x	3.8x	5.1x

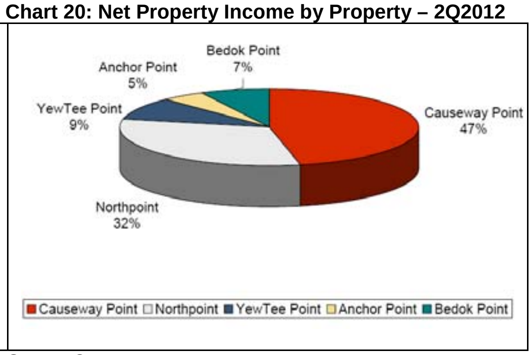
Source: OCBC estimates

Chart 19: Gross Revenue by Property – 2Q2012



Source: Company

Chart 20: Net Property Income by Property – 2Q2012



Source: Company

Genting Singapore Plc

Credit Outlook – While we like the strong cashflows from Genting's RWS property, M&A risk is rising, especially in its recent acquisition of a 9.9% stake in Echo Entertainment Group. The possibility of overpayment for this investment is high, given that Crown Ltd is likely to increase its 9% stake in the company further in a bidding war. We do not view the carry of 5.22%YTW as sufficient and prefer accumulating this on market weakness.

Underweight

S&P: Not rated Outlook: N/A

Moody's: Baa1 Outlook: Stable

Fitch: A- Outlook: Stable

Ticker: GENSSP

Company profile

Listed on the SGX in 2005, Genting Singapore Plc ("GS") has a market cap of S$16.65bn as of 13th July 2012. Its principal asset is the 49ha flagship project of Resorts World Sentosa ("RWS") in Singapore, the largest integrated resort in South-East Asia, with 6 hotels, a 15,000 sqm casino and the Universal Studios theme park. RWS has 562 tables, 1,720 slot machines and 720 ETGs. GS' largest shareholder is Genting Bhd ("GB"), a conglomerate listed in Bursa who holds a 52% stake in GS.

Key credit considerations

- **Gaming duopoly in Singapore for 10 years:** Both Marina Bay Sands and Resorts World Singapore have a gaming duopoly of 10 years until 2016 and a concession period of 30 years. With a construction period of 3-4 years, any new entrants to the Singapore gaming market will occur in 2020 at the earliest.

- **Recent approval of junket operations in Singapore may drive VIP segment performance in the medium-term:** Despite the recent approval of two new junkets, the revenue impact on GS' VIP segment is unlikely to be material in the near-term. Singapore's casino regulation prohibits the sharing of commissions with unlicensed persons, effectively prohibiting partnership with sub-junkets who are important players in the Macau market. While GS is hopeful of more licensing of junkets in 2013 (some large Macau junkets were in the 12 rejected applications), this is likely to be only from 2013 onwards and will at most constitute 40% of GGR (versus 90% average in Macau).

- **Profitability is driven by both market share and credit risk management of marker play in the VIP segment:** While market share in the VIP segment is important (47% currently), the underlying profitability of GS is also predicated on its ability to manage credit risks via credit extension to VIP customers. Despite decent sequential growth in GGR in 1Q2012 (up 10% q/q), higher marketing and promotions costs and higher commissions to players who pay debts promptly reduced EBITDA margin from 49.4% in FY2011 to 46.3% in 1Q2012. With current VIP play driven by direct extension of credit by GS, it remains to be seen if it will relax stringent credit extension guidelines to drive growth.

- **Gearing remains low while interest coverage metrics remain robust:** Gross debt dipped slightly from S$3.15bn in end-2011 to S$3.04bn in 1Q2012 while gross debt/annualized 1Q2012 EBITDA was relatively unchanged at 2.1x. Interest coverage ratios are strong with FFO/gross interest at 15.7x and EBITDA/gross interest at 19.2x.

- **M&A risk is elevated:** The bulk of capex for RWS has been incurred with the Western Zone slated to complete construction this year. Remaining capex of S$600mn–S$800mn for 2012, S$200mn–S$300mn for 2013, S$100mn–S$200mn for 2014 and S$200mn maintenance capex p.a. is manageable for a company generating CFO in excess of S$1.4bn. However, M&A risk is rising as GS and its sister company Genting Hong Kong Ltd recently acquired a 9.9% stake in Echo Entertainment Group, a casino operator with a monopoly in Sydney until 2019. Australian casino operator Crown Ltd also has a 9% stake in Echo and both are currently awaiting approval from regulators in New South Wales state and Queensland to raise it above the 10% threshold. With both aiming to access the rising VIP segment in Echo (more VIP Chinese gamblers are travelling to Australia), the risk of overpayment for Echo is high, which may place pressure on GS' credit metrics.

- **Liquidity buffer is sufficient for debt service:** Pro-forma for the recent S$500mn re-tap of the perpetual issue completed in March 2012, GS' has a significant cash balance of S$5.47bn. Coupled with strong recurrent operating cashflows, we estimate positive FOCF of S$400mn in FY2012 (assume CFO stays flat at S$1.4bn less growth capex of S$800mn and maintenance capex of S$200mn), S$900mn in FY2013 and S$1bn in FY2014. This is sufficient to meet maturing debt due within the year of S$456.4mn.

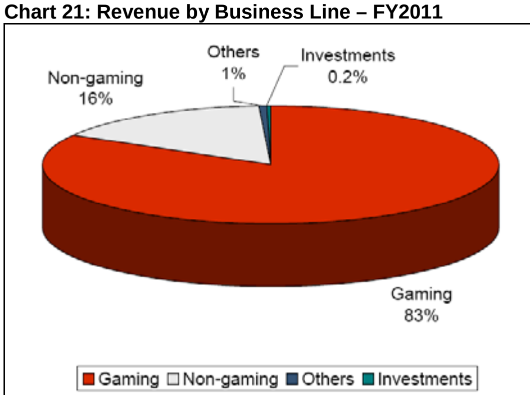
Genting Singapore Plc

Table 11: Summary Financials

	FY2010	FY2011	1Q2012
Income statement (S$ mn)			
Revenue	2,731.7	3,223.1	787.0
EBITDA	1,350.0	1,593.3	364.6
Gross interest expense	224.9	95.6	19.0
Profit before tax	237.7	1,240.6	265.2
Net income	37.8	1,019.9	210.5
Balance sheet (S$ mn)			
Cash and equivalents	3,686.6	3,421.1	4,977.1
Total assets	9,987.6	10,620.7	12,437.9
Total debt	3,512.2	3,152.5	3,043.9
Net debt	-174.5	-268.5	-1,933.1
Shareholders' equity	5,107.6	6,135.6	8,130.0
Cash flow (S$ mn)			
FFO	293.5	1,342.3	298.3
CFO	1,411.9	1,444.4	238.9
Capex	1,305.3	1,326.5	305.8
Adjusted FOCF	105.9	107.9	-91.1
Key Ratios			
EBITDA margin (%)	49.4%	49.4%	46.3%
Net margin (%)	1.4%	31.6%	26.7%
Total debt/EBITDA (x)	2.6x	2.0x	2.1x
Net debt/EBITDA (x)	-0.1x	-0.2x	-1.3x
Total debt/equity (x)	0.7x	0.5x	0.4x
Net debt/equity (x)	0.0x	0.0x	-0.2x
Total debt/total capital (%)	40.7%	33.9%	27.2%
Net debt/net capital (%)	-3.5%	-4.6%	-31.2%
Adjusted FOCF/gross debt (%)	3.0%	3.4%	-12.0%
EBITDA/total interest (x)	6.0x	16.7x	19.2x

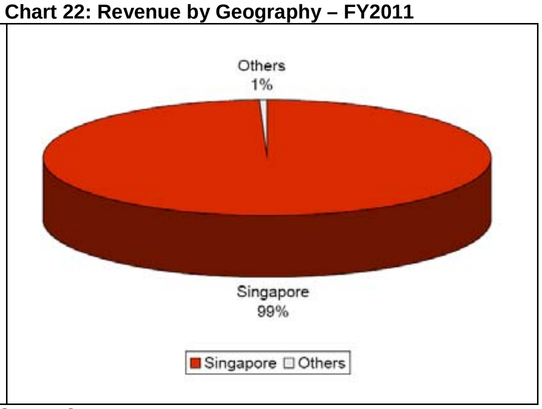
Source: OCBC estimates

Chart 21: Revenue by Business Line – FY2011



Source: Company

Chart 22: Revenue by Geography – FY2011



Source: Company

Credit Outlook – We like GLP for its strong parentage and solid competitive positions in the China and Japan logistics markets, which generate good operating cashflows. This is tempered by its near-term focus on growing the China logistics portfolio which entails significant capex outlays, limiting deleveraging headroom. At 103.65/4.63%YTW, we think the credit is fairly priced and prefer a market consolidation for a tactical long.

Neutral

S&P: Not rated Outlook: N/A
Moody's: Baa2 Outlook: Stable
Fitch: BBB+ Outlook: Stable

Ticker: GLPSP

Company profile

Global Logistic Properties ("GLP") is a major operator of modern logistics facilities in Japan and China with 69 completed properties spanning 3.6mn sqm in 7 cities in Japan and 6.4mn sqm in China across 26 major cities. As of 31st March 2012, its assets were valued at US$11bn. The Government of Singapore Investment Corporation ("GIC") is the company's largest single shareholder with a 50.6% stake.

Global Logistic Properties Ltd

Key credit considerations

- **Strong FY2012 operating performance:** GLP's operating performance in FY2012 was strong, with revenue up 19.4% y/y to US$566mn, driven by completion and stabilization of its projects in China (stabilized lease ratio of 90%) as well as positive FX impact of yen and RMB appreciation versus the US dollar. During the year, growth momentum was strong, with new and expansion leased area of 1.59mn sqm in China (up 37% y/y) while in Japan, new and expansion leased area was 101.7k sqm GFA with a stabilized lease ratio of 99% in 4Q2012.

- **Moderate weighted average lease expiry ("WALE") profile and blue-chip customer base:** The leases for the Japanese portfolio have a WALE period of 5.4 years while the China portfolio has a WALE of 3.4 years. As Japan makes up 72% of consolidated revenues, this is a key credit strength. Though the top 10 customers for Japan makes up 62% of total leased area, these tend to be solid companies/subsidiaries of large and creditworthy organizations (e.g. Panasonic Logistic and Hitachi Transport System). In China, this risk is moderate with the top 10 customers constituting 20.4% of leased area and anchored by major customers like Amazon, Toll and DHL.

- **Evolving asset profile:** GLP's mid-term strategy is to grow the China portfolio while it explores alternatives in monetizing its Japanese assets. Upon completion of this, we expect a slightly higher business risk profile as WALE gets shortened (China's WALE of 3.4 years is shorter than Japan's 5.4 years) while stable, recurrent EBITDA contributions from Japan will decline (US$300mn – US$350mn p.a. or 75%-80% of consolidated EBITDA). This is partially mitigated by the short development cycle of industrial property in China (i.e. 1 year) which gives GLP flexibility to cope with the evolving economic environment and the fact that the Chinese government is not targeting industrial land against land hoarding.

- **Low gearing with strong cashflow protection metrics:** In FY2012, GLP remains moderately-geared, with net debt/EBITDA improving from 5.8x in FY2011 to 5.3x while net debt/net capitalization is flat at 23.5%. Interest coverage ratios remain strong with FFO/gross interest at 6.9x and EBITDA/gross interest at 5.1x. Deleveraging is unlikely in the near-term as it continues to expend significant capex in growing its China portfolio – from US$189mn in FY2010 to US$409mn in FY2011 and US$1.14bn in FY2012, resulting in negative free cashflows for the past two years. Notwithstanding this, this is mitigated by its judicious management of its capital structure through onshore and offshore debt issuance as well as equity issuance in FY2011 and quasi-equity perp issuance in FY2012 through the S$750mn perp.

- **Significant financial flexibility:** Liquidity is strong in FY2012 with cash balance of S$1.62bn, sufficient to meet maturing debt of US$1bn in FY2013. FY2014 and FY2015 maturities will likely require refinancing as GLP maintains its current capex plans, with limited free cashflows. This is manageable, based on GLP's track record of capital market access and support of GIC as its key shareholder. Previously, GIC had converted US$1.1bn of shareholder loans into equity.

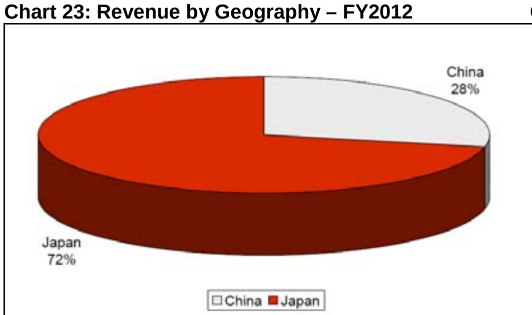
Global Logistic Properties Ltd

Table 12: Summary Financials

	FY2010	FY2011	FY2012
Income statement (US$ mn)			
Revenue	413.5	473.9	565.6
EBITDA	192.2	369.9	478.6
Gross interest expense	75.5	73.2	63.4
Profit before tax	-128.0	807.5	637.9
Net income	-176.7	706.1	540.8
Balance sheet (US$ mn)			
Cash and equivalents	412.0	1,559.9	1,616.1
Total assets	7,397.4	11,699.7	13,580.1
Total debt	3,380.6	3,692.2	4,175.4
Net debt	2,968.6	2,132.3	2,559.3
Shareholders' equity	2,342.4	6,984.1	8,308.2
Cash flow (US$ mn)			
FFO	-176.7	708.2	643.3
CFO	253.8	361.3	417.8
Capex	113.3	204.0	504.8
Adjusted FOCF	64.7	-47.6	-725.0
Key Ratios			
EBITDA margin (%)	46.5%	78.1%	84.6%
Net margin (%)	-42.7%	149.0%	95.6%
Total debt/EBITDA (x)	17.6x	10.0x	8.7x
Net debt/EBITDA (x)	15.4x	5.8x	5.3x
Total debt/equity (x)	1.4x	0.5x	0.5x
Net debt/equity (x)	1.3x	0.3x	0.3x
Total debt/total capital (%)	59.1%	34.6%	33.4%
Net debt/net capital (%)	55.9%	23.4%	23.5%
Adjusted FOCF/gross debt (%)	1.9%	-1.3%	-17.4%
EBITDA/total interest (x)	2.5x	5.1x	7.5x

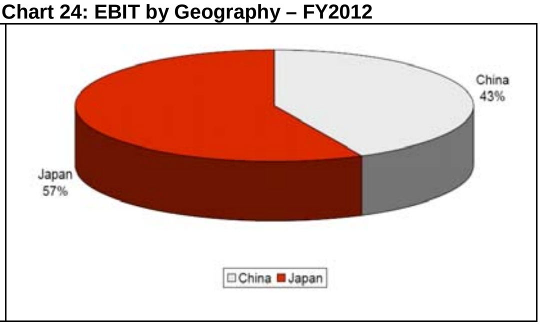
Source: OCBC estimates

Chart 23: Revenue by Geography – FY2012



Source: Company

Chart 24: EBIT by Geography – FY2012



Source: Company

Credit Outlook – The key risk to the credit profile is the potential for excessive business growth in the near-term, which may strain leverage metrics and affect holders of longer-dated paper. We prefer the GPACK'13 to the longer end of the curve given our view that existing liquidity is sufficient to repay near-term debt while giving a good yield of 2.48% YTM for a 1-year paper.

Overweight

S&P: Not rated Outlook: N/A

Moody's: Not rated Outlook: N/A

Fitch: Not rated Outlook: N/A

Ticker: GPACK

Company profile

Listed in 2000, Goodpack Ltd operates one of the world's largest fleets of over 2.6mn Intermediate Bulk Containers (IBC) that are used for packaging, transporting, and storing bulk cargo. The company's principal activities are the leasing of IBCs, as well as the provision of a range of supply chain and technical support services. Its IBCs are leased mainly to tyre and automotive manufacturers, chemicals and juice producers, and general merchandisers based in over 65 countries globally.

Goodpack Ltd

Key credit considerations

- **Strong profitability supported by its leading competitive position:** Operating performance in 3Q2012 was intact, with revenue up 4.3% y/y to US$43.5mn, bringing 9MFY2012 total to US$130.7mn (up 15.6% y/y). Operating margins remained strong at 31.8% while 9M2012 net profit of US$34mn is on track to exceed FY2011 total of US$43.2mn.

- **High barriers to entry underpin margins:** GPACK has a strong competitive moat via its 2.6mn IBC fleet (world's largest fleet) which a competitor will have to incur significant capex on, in order to attain a similar operating scale. Also, customers typically sign long-term contracts averaging 3-5 years, with some as long as 10 years. Customers' supply chain processes are also modified to integrate IBCs, strengthening customer stickiness via high switching costs for alternative packaging solutions. In addition, GPACK secured a first-mover advantage in entering the IBC industry by acquiring a high-quality customer base (i.e. leading companies in each of its key operating segments of synthetic rubber, natural rubber and juices & others). This strong customer acquisition ability is not easily achieved for any would-be rival and GPACK seems likely to replicate it in the automotive industry, underpinning 9M2012 net margins of 26%.

- **Significant room for growth in the auto-parts market via new contract win from General Motors South Africa ("GMSA"):** GPACK recently announced a contract win with GMSA of less than S$2.5mn for 15,000 IBCs for shipping catalytic converters to Germany and Mexico. While the quantum is small, GMSA's press release suggested that there are other auto-parts which may be shipped to other geographies via the IBCs, indicating further room for growth.

- **Stable leverage profile and moderate gearing:** With strong profitability and good working capital management, GPACK has managed to achieve positive FOCF in 9MFY2012 and the preceding two years. Consequently, net debt has remained relatively stable at S$50.6mn at end-March 2012, after declining from a recent high of S$97.9mn in FY2009, with net debt/net capitalization at 15.6%. Notwithstanding this, GPACK has indicated its intentions to expand into the automotive market, with potential capex estimates of c.S$900mn over FY2013 – FY2015. Given the relatively small operating cashflows being generated and little free cashflows after dividends, we do not believe that any significant capex can be funded internally. Should near-term capex be overly aggressive, credit metrics may come under pressure.

- **Better financial flexibility with terming out of debt maturity profile:** Since the beginning of the year, GPACK issued two S$-denominated bonds of S$62mn and S$65mn each, maturing in 2016 and 2017 respectively. With the bond issues, the company has termed out its debt maturity profile and pro-forma cash balance post-bond issue of US$162mn is sufficient to meet maturing debt of S$125mn (US$98.4mn) in 2013 and another S$26mn (US$20.5mn) in 2014.

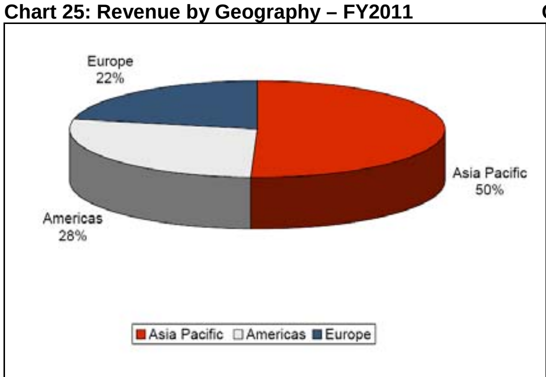
Goodpack Ltd

Table 13: Summary Financials

	FY2010	FY2011	9M2012
Income statement (US$ mn)			
Revenue	123.2	158.6	130.7
EBITDA	58.2	72.1	53.8
Gross interest expense	2.6	4.6	4.0
Profit before tax	40.0	50.6	40.5
Net income	33.6	43.2	34.0
Balance sheet (US$ mn)			
Cash and equivalents	36.6	68.5	110.8
Total assets	363.2	418.6	478.8
Total debt	109.2	120.5	226.4
Net debt	72.6	52.0	50.6
Shareholders' equity	217.6	254.5	274.4
Cash flow (US$ mn)			
FFO	55.2	59.6	46.3
CFO	36.6	27.8	29.8
Capex	29.7	19.4	24.8
Adjusted FOCF	6.9	8.3	5.0
Key Ratios			
EBITDA margin (%)	47.3%	45.5%	41.2%
Net margin (%)	27.3%	27.3%	26.0%
Total debt/EBITDA (x)	1.9x	1.7x	3.2x
Net debt/EBITDA (x)	1.2x	0.7x	0.7x
Total debt/equity (x)	0.5x	0.5x	0.8x
Net debt/equity (x)	0.3x	0.2x	0.2x
Total debt/total capital (%)	33.4%	32.1%	45.2%
Net debt/net capital (%)	25.0%	17.0%	15.6%
Adjusted FOCF/gross debt (%)	6.3%	6.9%	2.2%
EBITDA/total interest (x)	22.7x	15.6x	13.6x

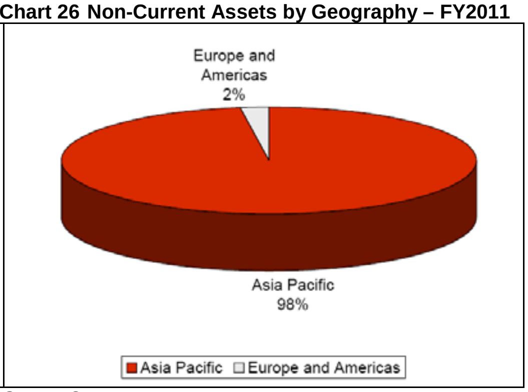
Source: OCBC estimates

Chart 25: Revenue by Geography – FY2011



Source: Company

Chart 26 Non-Current Assets by Geography – FY2011



Source: Company

Guocoland Ltd

Credit Outlook – The outlook for the company remains dim, with weak profitability and a highly-geared capital structure. The company faces significant refinancing risk and constantly needs to rollover debt, with cash balance sufficient to refinance only 37.5% of short-term debt. At yields of 3.2% - 4.6% for the curve, investors are not sufficiently compensated for the high credit risk.

Underweight

S&P: Not rated Outlook: N/A

Moody's: Not rated Outlook: N/A

Fitch: Not rated Outlook: N/A

Ticker: GUOLSP

Company profile

Listed on the SGX in 1978, GuocoLand is a property developer headquartered in Singapore, with investments in residential properties, commercial properties, integrated developments, and a REIT. The company's properties are located in Singapore, China, Malaysia and Vietnam. Its Singapore properties include Tung Centre, Goodwood Residence, Elias Terrace, and The Gardens at Bishan. GuocoLand is a subsidiary of Guoco Group, which is listed on the HKSE and is in turn, a subsidiary of Hong Leong Group.

Key credit considerations

- **Challenging 9M2012 performance:** Revenue declined 39% y/y to S$358.8mn due to the introduction of INT FRS 115, where sales of property under the deferred payment scheme was not recognized as revenue until completion. While cost control was good with SGA expenses down S$4.2mn to S$41.6mn, this was more than offset by a higher FX loss and losses on FX hedges as well as a higher interest expense of S$30.9mn from higher gearing. Consequently, net profit was only S$0.2mn for the period.

- **Weak credit metrics:** After a brief hiatus in 1Q2012, net debt rose 11% from S$3.98bn to S$4.4bn in 3Q2012. While 9M2012 operating cashflow is a turnaround from being in the red to S$128mn and FOCF is a decent S$72.4mn due to small capex outlays, free cashflows were negative due to a material dividend payment of S$90mn the previous quarter. The capital intensity of its operations has led to the incurrence of more debt than what has been repaid, driving a material rise in interest expense, which was up 66% y/y to c.S$31mn. Net debt/net capitalization deteriorated 2.8pp since the beginning of the year to 63.6% currently while EBITDA/gross interest coverage is weak at only 1.7x.

- **Elevated refinancing risk:** With pro-forma cash balance of only S$1.2bn sitting on the balance sheet as of end-June 2012 versus maturing debt of S$3.2bn within the year, GUOLSP faces significant refinancing risks. During the quarter, it has termed out debt maturity through the issuance of S$100mn 1.5 year paper, after the issuance of S$260mn 3-year paper and S$160mn 5-year paper in Feb-2012. With an elevated risk climate and material refinancing risk for this credit, we remain cautious about its ability to raise substantial longer-dated funding, given that its most recent issuance is shorter-dated and smaller in size than what it achieved earlier in the year.

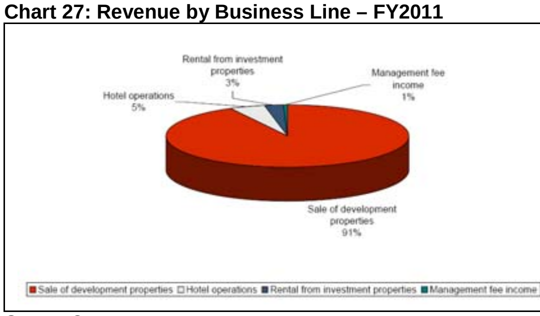
Guocoland Ltd

Table 14: Summary Financials

	FY2010	FY2011	9M2012
Income statement (S$ mn)			
Revenue	732.8	647.3	358.8
EBITDA	194.1	139.1	51.6
Gross interest expense	90.2	107.9	30.9
Profit before tax	180.5	171.4	10.8
Net income	134.3	130.2	0.2
Balance sheet (S$ mn)			
Cash and equivalents	656.4	1,188.3	1,101.9
Total assets	5,714.8	8,276.5	8,549.9
Total debt	2,615.0	5,185.6	5,516.9
Net debt	1,958.6	3,997.3	4,415.1
Shareholders' equity	2,140.2	2,573.5	2,524.8
Cash flow (S$ mn)			
FFO	139.7	138.7	6.5
CFO	507.3	-1,250.8	128.0
Capex	13.8	171.0	3.1
Adjusted FOCF	492.5	-2,506.6	72.4
Key Ratios			
EBITDA margin (%)	26.5%	21.5%	14.4%
Net margin (%)	18.3%	20.1%	0.1%
Total debt/EBITDA (x)	13.5x	37.3x	80.2x
Net debt/EBITDA (x)	10.1x	28.7x	64.2x
Total debt/equity (x)	1.2x	2.0x	2.2x
Net debt/equity (x)	0.9x	1.6x	1.7x
Total debt/total capital (%)	55.0%	66.8%	68.6%
Net debt/net capital (%)	47.8%	60.8%	63.6%
Adjusted FOCF/gross debt (%)	25.1%	-48.3%	1.8%
EBITDA/total interest (x)	2.2x	1.3x	1.7x

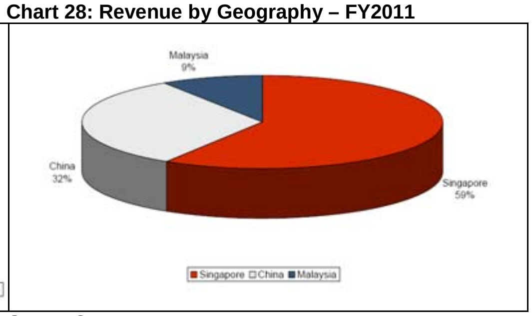
Source: OCBC estimates

Chart 27: Revenue by Business Line – FY2011



Source: Company

Chart 28: Revenue by Geography – FY2011



Source: Company

Credit Outlook – Operating performance is moderate and leverage has declined since FY2008 amidst judicious balance sheet management. Credit metrics are reasonable and a strong liquidity position and committed bank lines should cover maturing debt till 2013.

Neutral

S&P: Not rated Outlook: N/A

Moody's: Not rated Outlook: N/A

Fitch: Not rated Outlook: N/A

Ticker: HPLSP

Company profile

Hotel Properties Limited ("HPL") manages hotels, residential and retail properties in South-East Asia, China and the Czech Republic across 19 hotels with 4,000 rooms. It is a developer of prime, residential properties in Orchard Road while its rental and sales operations include assets such as Forum The Shopping Mall, Meridien Shopping Centre and a mixed portfolio in London. HPL holds franchises in Hard Rock Cafes and Haagen Daaz ice-cream in some Asian countries.

Hotel Properties Ltd

Key credit considerations

- **Better 1Q2012 results:** Revenue increased 15.7% y/y to S$141mn in 1Q2012, mainly driven by income recognition from the Tomlinson Heights condominium development as well as better performances by HPL's hotels and resorts, especially those in Singapore and Maldives. Income from associates also improved from S$3.9mn in 1Q2011 to S$11.5mn in 1Q2012 due to higher profit recognition from The Interlace condominium development at Alexandra Road and the d'Leedon condominium project in Singapore.

- **Leverage remains elevated:** Leverage metrics improved as net debt declined 2.3% q/q to S$994mn in 1Q2012, bringing net gearing down from 70% to 67% while net debt/net capitalization dipped by 1.1pp to 39.9%. Interest coverage ratios were moderate, with FFO/gross interest at 6x and EBITDA/gross interest at 6.5x.

- **Sufficient liquidity to meet debt maturities in 2012 and 2013:** As of end-2011, HPL has committed bank lines of S$438mn. Coupled with cash balance of S$89mn at end-1Q2012, we believe HPL has sufficient financial resources to repay the FY2012 and FY2013 debt maturities of S$241mn and S$132mn respectively, with the remainder to be refinanced. With moderate operating cashflows and a low capex outlay, FOCF over the past two years averaged S$126mn, about 11.7% of gross debt as of 1Q2012. Dividends over the past 5 years has averaged between S$8mn – S$25mn. Net of dividends, we expect HPL to have about S$100mn of FCF per annum, assuming it maintains its current operating trajectory while not spending significantly on capex, affording it some deleveraging headroom.

- **Uncertain business outlook:** Amidst the uncertainties in the eurozone and US economies, the outlook for the hospitality industry remains highly uncertain. In the Singapore property market, HPL expects the market to continue undergoing a period of adjustment after the latest market cooling measures imposed by the government last year. Notwithstanding this, it believes that its developments will maintain their value better due to their good location and scarcity.

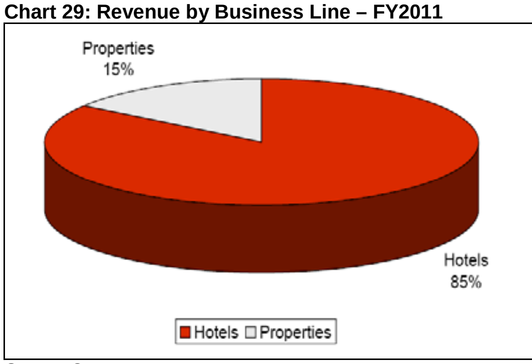
Hotel Properties Ltd

Table 15: Summary Financials

	FY2010	FY2011	1Q2012
Income statement (S$ mn)			
Revenue	442.1	493.8	141.0
EBITDA	114.1	138.5	46.6
Gross interest expense	38.9	37.7	7.2
Profit before tax	159.1	91.9	41.4
Net income	140.3	70.4	30.4
Balance sheet (S$ mn)			
Cash and equivalents	84.0	76.2	89.2
Total assets	2,707.5	2,695.6	2,701.8
Total debt	1,144.7	1,093.5	1,083.7
Net debt	1,060.7	1,017.3	994.4
Shareholders' equity	1,424.8	1,461.6	1,495.2
Cash flow (S$ mn)			
FFO	189.0	120.6	43.0
CFO	246.3	183.7	49.0
Capex	33.3	57.2	6.7
Adjusted FOCF	126.9	125.5	20.0
Key Ratios			
EBITDA margin (%)	25.8%	28.1%	33.1%
Net margin (%)	31.7%	14.3%	21.5%
Total debt/EBITDA (x)	10.0x	7.9x	5.8x
Net debt/EBITDA (x)	9.3x	7.3x	5.3x
Total debt/equity (x)	0.8x	0.7x	0.7x
Net debt/equity (x)	0.7x	0.7x	0.7x
Total debt/total capital (%)	44.6%	42.8%	42.0%
Net debt/net capital (%)	42.7%	41.0%	39.9%
Adjusted FOCF/gross debt (%)	11.1%	11.5%	7.4%
EBITDA/total interest (x)	2.9x	3.7x	6.5x

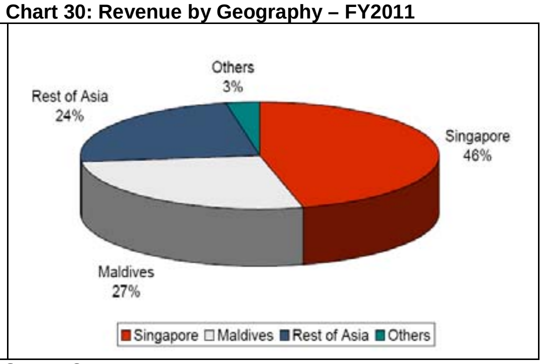
Source: OCBC estimates

Chart 29: Revenue by Business Line – FY2011



Source: Company

Chart 30: Revenue by Geography – FY2011



Source: Company

Credit Outlook – Hyflux faces increasing operating challenges as new projects are less profitable than MENA ones which are nearing completion. Capital intensity is increasing, limiting deleveraging headroom while interest coverage ratios have deteriorated. With an order book sufficient only for execution over the next two years, cashflow visibility beyond that is limited.

Underweight

S&P: Not rated Outlook: N/A

Moody's: Not rated Outlook: N/A

Fitch: Not rated Outlook: N/A

Ticker: HYFSP

Company profile

Hyflux Ltd is a leading fully-integrated water solutions company which designs, fabricates, installs, commissions and maintains treatment systems for water purification, wastewater treatment, water recycling, advanced membrane filtration, and high-purity piping systems and equipment hook-up. Operations span across Asia, Africa, Europe, the Middle East, and North America. Hyflux's largest shareholder is Olivia Lum, its CEO, with a 31.1% stake.

Hyflux Ltd

Key credit considerations

- **Revenue mix is more Asia-centric:** As existing projects in Algeria and Oman near completion and geopolitical uncertainties from the Arab Spring impact the award of new contracts, Hyflux's revenue mix has evolved to be more Asian-centric, with Singapore and other countries accounting for 47% of revenues, while China and MENA make up 29% and 24% respectively.

- **Strong order book provides revenue visibility over next two years:** Order book as of end-2011 was S$1.87bn (EPC – S$931mn, O&M - S$943mn), which will be executed over the next two years. The EPC book is underpinned by the commencement of the construction of the 318,500m^3/day Tuaspring Desalination Plant for PUB (Singapore's national water agency), which is due for completion in 2013. The O&M book is also expected to be boosted by the anticipated completion and operation of the 500,000m^3/day capacity SWRO desalination plant in Algeria in late-2012. In March-2012, Hyflux announced that it is part of the Hyflux-Hitachi-Itochu consortium to develop the largest membrane-based, seawater desalination plant at the Dahej Special Economic Zone in Gujerat, India (336,000m^3/day). Upon financial close and the signing of the water purchase agreement between the consortium and the off-taker – Dahej SEZ Ltd (developer of the Dahej SEZ), Hyflux is expected to boost the EPC order book by US$420mn.

- **Challenging profitability in 1Q2012:** Revenue during the quarter was S$139mn (up 60% y/y), due to increasing EPC contribution from Tuaspring construction. With a shift in revenue mix from MENA to Singapore, profitability declined as gross margin went down 13pp y/y from 51% to 38%, driven by higher raw material and project development costs. With Hyflux's increasing Asian focus, gross margins of 46% - 47% over the last two years are unlikely to be sustainable.

- **Increasing leverage due to ramp-up of construction for Tuaspring Desalination Plant:** During 1QFY2012, capex guidance for Tuaspring was increased from S$890mn to S$1.05bn due to the selection of the Siemens' F Class combined-cycle gas turbine (expected to lower opex). With the project's construction being funded on Hyflux's balance sheet, we expect leverage to increase in line with revised capex projections. Post-issue of the S$400mn cumulative perpetual preference shares in 2011, net gearing declined to 24% while net debt/net capitalization went down to a moderate 19.2%.

- **Near-term debt service manageable but deleveraging capacity limited:** With a significant demand on the balance sheet from working capital and capex needs, Hyflux has been in a negative FOCF position since FY2010. While existing cash of S$604mn as of end-March 2012 is sufficient to meet S$111.7mn of maturing debt in the next year, we see limited deleveraging possibilities for this credit. Interest coverage ratios have also deteriorated somewhat, with FFO/gross interest down from 9.9x in FY2009 to 1.9x in 1Q2012 while EBITDA/gross interest cushion similarly declined from 17x to 5.1x during the same period.

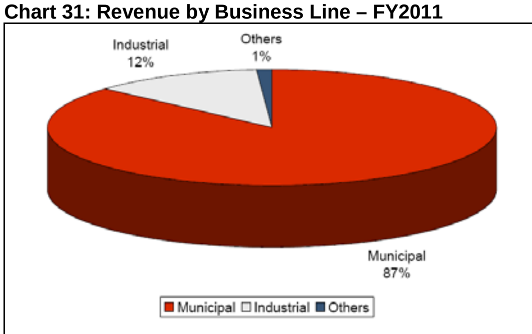
Hyflux Ltd

Table 16: Summary Financials

	FY2010	FY2011	1Q2012
Income statement (S$ mn)			
Revenue	569.7	482.0	138.9
EBITDA	204.0	162.1	34.5
Gross interest expense	16.8	23.2	6.8
Profit before tax	100.5	62.0	10.5
Net income	88.5	53.0	7.7
Balance sheet (S$ mn)			
Cash and equivalents	222.5	662.4	604.2
Total assets	1,359.9	2,032.5	2,010.1
Total debt	599.3	830.4	821.5
Net debt	376.8	168.1	217.3
Shareholders' equity	514.5	935.6	917.4
Cash flow (S$ mn)			
FFO	116.0	89.7	13.0
CFO	-49.5	-56.1	-15.0
Capex	28.1	58.5	8.8
Adjusted FOCF	-161.8	-147.7	-23.8
Key Ratios			
EBITDA margin (%)	35.8%	33.6%	24.9%
Net margin (%)	15.5%	11.0%	5.5%
Total debt/EBITDA (x)	2.9x	5.1x	5.9x
Net debt/EBITDA (x)	1.8x	1.0x	1.6x
Total debt/equity (x)	1.2x	0.9x	0.9x
Net debt/equity (x)	0.7x	0.2x	0.2x
Total debt/total capital (%)	53.8%	47.0%	47.2%
Net debt/net capital (%)	42.3%	15.2%	19.2%
Adjusted FOCF/gross debt (%)	-27.0%	-17.8%	-11.6%
EBITDA/total interest (x)	12.2x	7.0x	5.1x

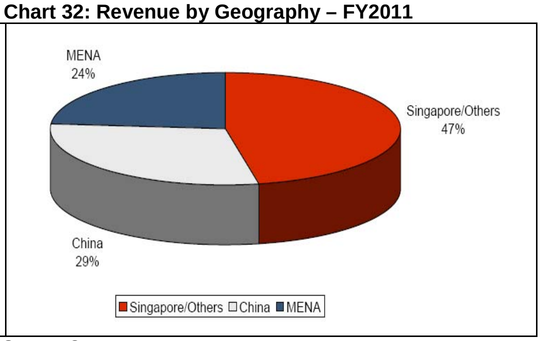
Source: OCBC estimates

Chart 31: Revenue by Business Line – FY2011



Source: Company

Chart 32: Revenue by Geography – FY2011



Source: Company

Credit Outlook – Despite good profitability, significant capex and dividends have resulted in negative free cashflows and higher leverage. Within the GLC space, we prefer the CAPLSP'20 to the KEHSP'20 for the 83bp yield pick-up (3.83% YTM) for a company with stronger parentage despite higher gearing. We also prefer switching out of the KEHSP'20 to the MAPLSP'18 for a shorter tenor paper with stronger parentage for a 9bp give-up (3.01%YTM).

Underweight

S&P: Not rated Outlook: N/A

Moody's: Not rated Outlook: N/A

Fitch: Not rated Outlook: N/A

Ticker: KEPSP

Company profile

Listed in 1986, Keppel Corp Ltd ("Keppel") 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 21.26%-owned by Temasek Holdings Ltd.

Keppel Corp Ltd

Key credit considerations

- **Property segment is the key driver of robust 1Q2012 earnings:** During the quarter, the sharp increase in net profit to S$751mn (up 141% y/y) was primarily driven by the recognition of revenues and net profit for Reflections at Keppel Bay which was sold under the Deferred Payment Scheme ("DPS") – total of S$393mn. The offshore and marine segment ("O&M") also did well with net profit coming in at S$235mn (up 9% y/y) as KEPSP continued to secure new orders and other upgrading works. Amidst the backdrop of higher day-rates, higher capacity utilization rates of jackups ("JU") and longer charter terms, the rig charter market is getting tighter, which we believe, is likely to eventually lead to new orders. Performance in the infrastructure segment was lacklustre, as net profit declined 33% y/y to S$27mn, due to lower contribution from Keppel Integrated Engineering.

- **Strong order book:** Contract wins during 1Q2012 was S$688mn, bringing the order book to S$8.4bn as of end-March 2012. Since then, KEPSP secured a third ultra-harsh environment JU order from Maersk (based on the CJ70 design) worth US$560mn, with an option for one more of the same design. With E&P activities moving into harsher and deeper water environments, drilling requirements have increased considerably which necessitate new JU designs. Despite the availability of standard JU and conventional deepwater JUs, these are not able to fulfill the specific requirements in areas like the North Sea. We believe the latest contract win cements KEPSP's position in the ultra harsh environment JU space.

- **Leverage is steadily increasing but credit metrics remain solid:** In 1Q2012, operating cashflow of S$69.7mn was lower than the previous year, due to higher working capital demands from property development and O&M contracts, though these were somewhat offset by cash proceeds realized from sales at the Reflections at Keppel Bay and disposal of investments. Capex and acquisition-related outlays continue to be significant at S$304.6mn while dividends paid was S$19.7mn, resulting in negative free cashflow of c.S$255mn. This is in line with the steady trend of negative FCF for the past three years, which has resulted in a change from a net cash position of S$177.5mn in FY2010 to net debt of S$2.02bn during the quarter, bringing net debt/net capitalization to 13.6%. Despite this, we note that EBITDA margins of 23.3% and strong interest coverage ratios – EBITDA/gross interest coverage of 32.3x and FFO/gross interest coverage of 25.9x, provide us comfort about KPLDSP's debt-servicing capacity.

- **Significant financial flexibility:** Cash balance of S$3.3bn as at end-Mar 2012 is sufficient for KEP to meet the current portion of its maturing debt amounting to S$1.2bn.

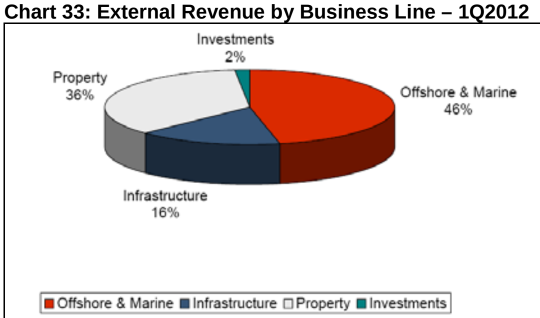
Keppel Corp Ltd

Table 17: Summary Financials

	FY2010	FY2011	1Q2012
Income statement (S$ mn)			
Revenue	9,139.6	10,082.5	4,265.6
EBITDA	1,744.9	2,105.9	996.0
Gross interest expense	83.0	148.2	30.9
Profit before tax	2,550.2	3,312.7	994.4
Net income	1,511.1	1,840.5	750.8
Balance sheet (S$ mn)			
Cash and equivalents	4,246.0	3,020.5	3,299.3
Total assets	20,461.0	24,482.6	26,138.0
Total debt	4,068.5	4,877.2	5,316.9
Net debt	-177.5	1,856.7	2,017.6
Shareholders' equity	9,281.8	11,191.1	12,857.9
Cash flow (S$ mn)			
FFO	1,699.7	2,049.1	801.0
CFO	450.2	-242.1	69.7
Capex	873.1	875.8	199.0
Adjusted FOCF	-815.8	-1,803.1	-234.9
Key Ratios			
EBITDA margin (%)	19.1%	20.9%	23.3%
Net margin (%)	16.5%	18.3%	17.6%
Total debt/EBITDA (x)	2.3x	2.3x	1.3x
Net debt/EBITDA (x)	-0.1x	0.9x	0.5x
Total debt/equity (x)	0.4x	0.4x	0.4x
Net debt/equity (x)	0.0x	0.2x	0.2x
Total debt/total capital (%)	30.5%	30.4%	29.3%
Net debt/net capital (%)	-1.9%	14.2%	13.6%
Adjusted FOCF/gross debt (%)	-20.1%	-37.0%	-17.7%
EBITDA/total interest (x)	21.0x	14.2x	32.3x

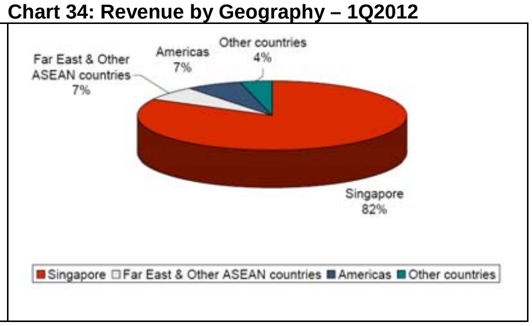
Source: OCBC estimates

Chart 33: External Revenue by Business Line – 1Q2012



Source: Company

Chart 34: Revenue by Geography – 1Q2012



Source: Company

Credit Outlook – Despite weakness in the commercial segment, KL's cautious landbanking approach and diversification to higher-growth Jakarta are credit positives. Within the Keppel Group, we prefer KPLDSP'22 to KEHSP'22 for a 63bp yield pick-up or 3.77% YTM/100.25 offer, despite both having similar gearing levels with net debt/net capitalization of 13.6%.

Overweight

S&P: Not rated Outlook: N/A

Moody's: Not rated Outlook: N/A

Fitch: Not rated Outlook: N/A

Ticker: KPLDSP

Company profile

Keppel Land ("KL"), the property arm of the Keppel Group (54.65% ownership), has a diversified portfolio of properties including office towers, residential properties, hotels, resorts, retail complexes, industrial buildings and townships worth S$8.5bn as of 30th Sep 2011, across key markets in Singapore, China, India, Vietnam and Indonesia. In 2006, KL established K-REIT Asia, a pan-Asian office REIT while Alpha Investment Partners is its fund management arm. Together, both funds have a total AUM of $14.8bn.

Keppel Land Ltd

Key credit considerations

- **Management continuity despite CEO transition:** CEO Kevin Wong will step down at the end of 2012 after 12 years with the firm, at age 57. He will be succeeded by Mr Ang Wee Gee, the current executive vice-chairman of Keppel Land China and executive director of Keppel Land International, with a tenure of 21 years with the company. We view this appointment as a credit positive as it ensures management continuity.

- **MBFC Tower 3 divestment is unlikely this year:** Having just achieved TOP in 1Q2012 with only a committed rate of 67%, the divestment of this asset to K-REIT in FY2012 is unlikely. With a strong liquidity cushion of S$1.6bn cash and low gearing (net debt/net capitalization of 13.7%), KPLDSP does not have a near-term impetus to divest itself of the asset. Our equity analyst views a potential divestment to be more likely once committed leasing rates have achieved a 80% - 90% level.

- **Cautious landbanking approach is credit-positive:** The company did not bid in the recent GLS tender for a Sengkang site besides its current project, The Luxurie, suggesting a cautious view of the residential market and potential for a more opportune time to replenish its land bank. Going forward, KPLDSP is planning more residential and commercial property development in Indonesia, especially in landed housing in Greater Jakarta, high-rise condominiums for the middle and high-end markets as well as office developments such as the International Financial Centre Jakarta. Management believes rising home ownership demand, low mortgage rates and high occupancy rates from strong demand and limited supply of Grade A office space will continue to drive growth.

- **Strong 1Q2012 performance:** Operating performance during the quarter was strong, with net profit up 70.3% y/y to S$141.9mn. This was driven primarily by the property trading division, which saw net profit more than doubling to S$133.4mn y/y as several projects/phases were sold in Singapore and China (i.e. Reflections at Keppel Bay, Marina Bay Suites, Springdale, The Botanica and Central Park City). Though still smaller than the property trading segment, net profit from the property investment segment rose 37.9% y/y to S$20mn, following the acquisition of a 87.5% stake in Ocean Financial Centre. For the China residential segment, despite challenging take-up rates – 300 – 400 units sold YTD (190 units in 1Q2012), our equity analyst views that prices and sales are likely to near a trough, as the impact of current buyer restriction curbs stabilizes.

- **Leverage remains low:** Despite an increase of net debt from S$595.5mn in end-2011 to S$976.5mn, net gearing only increased 6pp to a low 16% (1Q2011: 24%) as equity increased after posting a significant gain on its sale of Ocean Financial Centre to K-REIT and a fair value gain on investment properties of S$508mn and S$550mn respectively in Fy2011. FCF continues to be negative, as per the past two years, and deleveraging momentum remains unclear. However, interest coverage ratios seem strong with FFO/gross interest at 12.7x while EBITDA/gross interest is moderate at 2.7x.

- **Liquidity cushion sufficient for debt service:** With S$1.6bn cash on the balance sheet as of 31st March 2012, KPLDSP's liquidity buffer is strong and sufficient to meet S$206.3mn, S$696.3mn and S$309.5mn of debt due in 2012, 2013 and 2014 respectively. Unutilized credit facilities and MTN programme amounted to US$500mn as of end-March 2012.

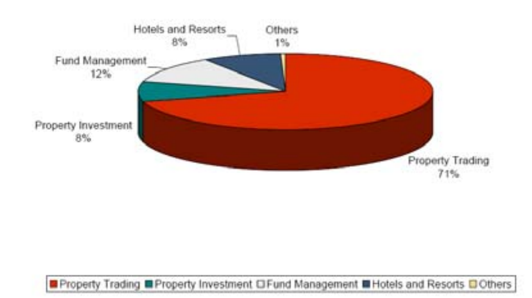
Keppel Land Ltd

Table 18: Summary Financials

	FY2010	FY2011	1Q2012
Income statement (S$ mn)			
Revenue	685.4	949.0	170.2
EBITDA	199.1	173.9	30.2
Gross interest expense	38.2	34.8	11.3
Profit before tax	1,176.8	1,503.9	179.0
Net income	1,052.9	1,365.6	141.9
Balance sheet (S$ mn)			
Cash and equivalents	1,589.0	1,941.9	1,602.5
Total assets	8,170.8	9,622.7	10,072.3
Total debt	2,516.5	2,537.4	2,578.9
Net debt	927.4	595.5	976.5
Shareholders' equity	4,585.0	5,871.0	6,155.0
Cash flow (S$ mn)			
FFO	1,061.9	1,374.4	144.1
CFO	-1,151.7	-937.7	-320.5
Capex	271.7	132.9	4.1
Adjusted FOCF	-1,535.8	-1,613.9	-511.8
Key Ratios			
EBITDA margin (%)	29.0%	18.3%	17.8%
Net margin (%)	153.6%	143.9%	83.3%
Total debt/EBITDA (x)	12.6x	14.6x	21.3x
Net debt/EBITDA (x)	4.7x	3.4x	8.1x
Total debt/equity (x)	0.5x	0.4x	0.4x
Net debt/equity (x)	0.2x	0.1x	0.2x
Total debt/total capital (%)	35.4%	30.2%	29.5%
Net debt/net capital (%)	16.8%	9.2%	13.7%
Adjusted FOCF/gross debt (%)	-61.0%	-63.6%	-79.4%
EBITDA/total interest (x)	5.2x	5.0x	2.7x

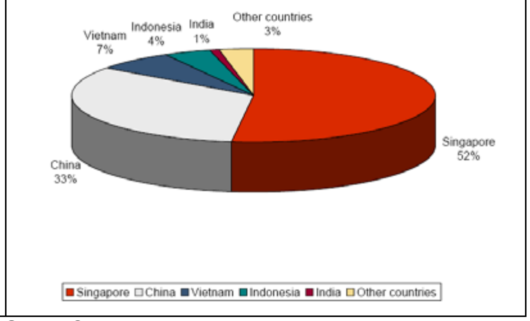
Source: OCBC estimates

Chart 35: Revenue by Business Line – 1Q2012



Source: Company

Chart 36: Asset Distribution by Geography – 1Q2012



Source: Company

Credit Outlook – While MLTSP's operations generate strong cashflows, acquisitive growth has resulted in negative free cashflows for the past three years, limiting deleveraging headroom. Support from MIPL is a positive and should facilitate capital market access. For the MLTSP perp, at 103.20 offer/4.67%YTW, we view pricing as too tight to GLPSP given the latter's stronger credit metrics and better bond structure.

Underweight

S&P: Not rated Outlook: N/A

Moody's: Baa1 Outlook: Stable

Fitch: Not rated Outlook: N/A

Ticker: MLTSP

Company profile

Mapletree Logistics Trust ("MLTSP") is a Singapore-based REIT investing in a portfolio of income-producing logistics real estate. This includes assets serving 3rd party logistics ("3PL"), supply chain management, distribution, warehousing, inventory management(oil/chemical storage, cold storage), transportation and food processing and supply. Listed in 2005, MLTSP began with 15 assets (0.8mn sqm) worth S$422mn and has since grown to 105 properties (2.7mn sqm) in the Asia-Pacific region worth S$4.1bn as of March-2012, with a market capitalization of S$2.4bn.

Mapletree Logistics Trust

Key credit considerations

- **Strong parentage:** MLTSP is 40.5%-owned by Mapletree Investments Pte Ltd ("MIPL"), a wholly-owned subsidiary of Temasek Holdings.

- **Good FY2012 results:** Gross revenue increased by S$120.6mn from FY2010 to S$339.5mn in 15MFY2012, largely due to the 15 month period in the current financial year, contributions from the 11 properties acquired in Singapore, Japan and Korea during the year and organic growth from the existing portfolio. Organic growth was driven by positive rental reversions (12% higher than preceding rents) on 310k sqm (13.7% of NLA, 93% of NLA due for renewal in FY2012) and high occupancy rates (overall rate of 98.7%).

- **Low interest rate and FX risks:** MLTSP pursues a policy of matching local currency funding to local operations. Although unhedged exposure increased from 9% in December 2011 to 18% in March 2012, this was driven by the portfolio of new Japanese assets acquired in March. We expect this exposure to be gradually reduced. Interest rate risk is low, with fixed rate debt making up 70% of total liabilities.

- **Customer diversification underpins revenue stability:** MLTSP's customer profile is well-diversified across industry types, geographies and multi-user tenancy/single-user tenancy. Concentration risk is low with the top 10 customers making up only 27% of revenues, with none of the 343 customers constituting more than 5% of revenues. 64% of tenants are single-users – these tend to have longer lease tenancies with built-in rental escalations. Also, key markets are developed economies - Singapore, Japan and Hong Kong which make up 48%, 25% and 13% of revenues respectively.

- **Stability of leases:** The weighted average lease to expiry is 6 years, with over 50% of leases expiring in FY2016 and beyond. In any one year, less than 14% of leases in the portfolio expires, providing cashflow stability to MLTSP.

- **Good medium-term growth visibility:** Strong support from Mapletree Investments provides a ready pipeline for growth, with S$300mn of completed assets ready for acquisition by MLTSP on a right of first refusal basis.

- **Leverage has moderated with recent SGD perpetual issuance:** With the recent S$350mn perp issue, MLTSP has increased average debt duration from 2.2 years to 4.2 years while reducing net debt/net capitalization from 41.4% in Dec-2011 to 34.3% in March 2012. FFO/gross interest and EBITDA/gross interest remain strong at 7.2x and 4.7x respectively.

- **Debt refinancing expected in FY2014 and FY2015:** As of 31st March 2012, cash balance of S$167.7mn is sufficient to pay off FY2013 maturing debt of S$134.6mn. While operating cashflows have doubled from S$150mn in FY2009 to S$305.4mn in 15MFY2012, lumpy capex outlays and significant dividend payments (S$568mn and S$191mn respectively in 15MFY2012) does not afford MLTSP deleveraging headroom (free operating cashflows have been negative over the past three years due to significant acquisitions). We expect maturing debt of S$299mn in FY2014 and S$135mn in FY2015 to require refinancing.

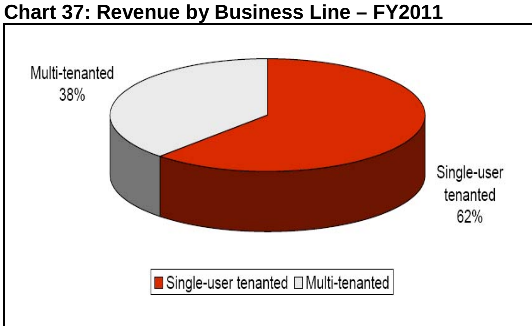
Mapletree Logistics Trust

Table 19: Summary Financials

	FY2010	FY2011	15M2012
Income statement (S$ mn)			
Revenue	218.9	268.3	339.5
EBITDA	170.1	205.3	259.7
Gross interest expense	29.2	34.6	44.4
Profit before tax	176.1	165.7	349.7
Net income	162.3	155.9	319.5
Balance sheet (S$ mn)			
Cash and equivalents	108.4	139.9	167.6
Total assets	3,614.3	3,917.0	4,272.5
Total debt	1,354.1	1,615.9	1,495.1
Net debt	1,245.7	1,476.0	1,327.4
Shareholders' equity	2,075.2	2,085.0	2,537.7
Cash flow (S$ mn)			
FFO	163.0	156.9	320.7
CFO	165.4	226.5	305.4
Capex	0.0	0.0	0.0
Adjusted FOCF	-401.0	-22.5	-262.7
Key Ratios			
EBITDA margin (%)	77.7%	76.5%	76.5%
Net margin (%)	74.1%	58.1%	94.1%
Total debt/EBITDA (x)	8.0x	7.9x	7.2x
Net debt/EBITDA (x)	7.3x	7.2x	6.4x
Total debt/equity (x)	0.7x	0.8x	0.6x
Net debt/equity (x)	0.6x	0.7x	0.5x
Total debt/total capital (%)	39.5%	43.7%	37.1%
Net debt/net capital (%)	37.5%	41.4%	34.3%
Adjusted FOCF/gross debt (%)	-29.6%	-1.4%	-14.1%
EBITDA/total interest (x)	5.8x	5.9x	4.7x

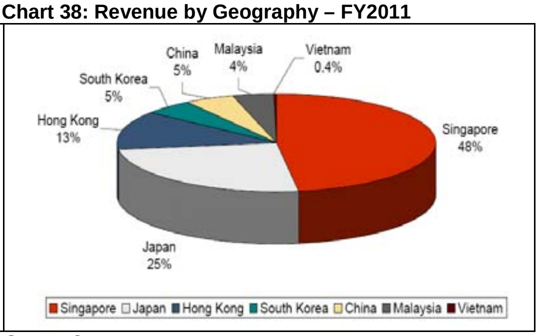
Source: OCBC estimates

Chart 37: Revenue by Business Line – FY2011



Source: Company

Chart 38: Revenue by Geography – FY2011



Source: Company

Credit Outlook – We retain a negative view on the financial trajectory of NOL, given weak industry fundamentals and an aggressive capex profile, leading to deteriorating leverage metrics (would have been worse had off-balance sheet operating leases been included). At 4.06% - 4.52% for the NOLSP curve, we believe valuations are tight. For the same yield target, we prefer the WHEELK'21s which has a better business profile and credit metrics.

Underweight

S&P: Not rated Outlook: N/A

Moody's: Not rated Outlook: N/A

Fitch: Not rated Outlook: N/A

Ticker: NOLSP

Company profile

Neptune Orient Lines Ltd ("NOL") is the largest shipping and transportation company listed on the Singapore Exchange (SGX). With over 11,000 staff across 260 countries, the Group delivers quality services through its key brands: APL and APL Logistics. Each year, its transports a volume of over 2 million forty-foot equivalent units (FEU) worldwide. NOL is 67.3%-owned by Temasek Holdings.

Neptune Orient Lines Ltd

Key credit considerations

- **Weak profitability of the liner segment:** During 1Q2012, low freight rates and high opex drove a core operating loss of S$233mn and a net loss of S$254mn. Despite higher volumes and improved unit cost efficiencies, average revenue per FEU of US$2,420 was weaker by 7% y/y as Asia-Europe freight rates declined. Notwithstanding NOL's cost control initiatives which brought opex (excluding bunker fuel) 3% lower y/y, the spike in bunker fuel cost from US$523/MT in 1Q2011 to US$684/MT in 1Q2012 wiped out cost savings. In the logistics segment, despite higher revenues of S$394mn (up 7% y/y), weak core operating profit of S$13mn (down 38% y/y) and its small contribution to total core EBIT of –S$233mn were insufficient to mitigate the anaemic performance of the liner segment, widening net loss to S$254mn. Recent collective rate hikes in major global trade lanes are the result of shippers' collective discipline and will continue to be key to NOL's profitability. Our equity analyst expects eastbound transpacific shipping demand to remain strong, though the Asia-Europe route outlook is still dismal and unlikely to see a strong peak season this year.

- **Oversupply likely to materialize:** Total new vessel commitments of 34 ships (owned and chartered) are due to be delivered from 2012 – 2014. Despite NOL's aim of replacing older, less efficient vessels with these newbuilds, it remains to be seen if new supply can be addressed with scrapping of old tonnage to address softer demand arising from the weaker macro environment.

- **Rising fuel cost is a challenge despite partial pass-through to customers:** Notwithstanding NOL's policy of hedging its bunker fuel exposure and recovering part of fuel costs from customers through bunker adjustment factors, margins get squeezed as opex are not controlled sufficiently to address weak freight rates. Currently, there is some temporary respite with Bloomberg's 380 Centistoke Bunker Fuel Spot Price Singapore Index trading at 9% below average bunker fuel prices in 2Q2012, which in turn, is also 11% lower q/q than in 1Q2012.

- **Weak free cashflows increasing refinancing risks:** Net debt rose 8.8% q/q to S$2.31bn in 1Q2012 as operating cashflows remained negative for the fourth successive quarter and NOL geared up to finance progressive payments for its vessel commitments. Net debt/net capitalization rose 4.3pp to an elevated 48.8% while existing cash balance of S$248.9mn is insufficient to meet debts coming due within the year (S$81.2mn financial debt and non-cancellable operating leases of S$678.6mn for the rest of FY2012), necessitating refinancing.

- **Capital structure likely to remain highly leveraged:** Notwithstanding NOL's initiatives to reduce opex (target of US$500mn for FY2012 and another US$70mn from FY2013 onwards), the challenging operating environment and the company's aggressive capital posture is likely to keep leverage elevated as it has little headroom to reduce gearing from internally-generated cashflows. While NOL is planning to sell its headquarters building to increase its liquidity (estimated to be worth S$400mn by media reports), it is unclear if leverage will decline materially, since this depends on the application of the proceeds from such a sale and whether it will lease back the building from the buyer.

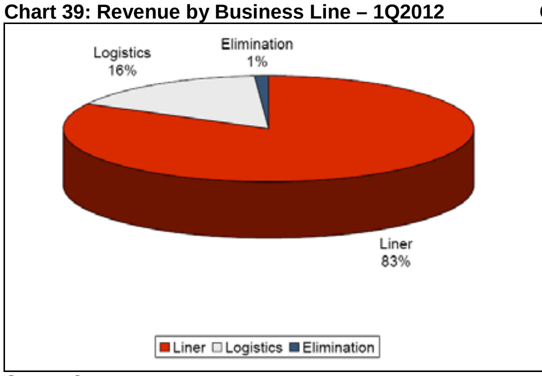
Neptune Orient Lines Ltd

Table 20: Summary Financials

	FY2010	FY2011	1Q2012
Income statement (US$ mn)			
Revenue	9,422.1	9,210.7	2,377.8
EBITDA	845.7	-104.8	-145.7
Gross interest expense	34.6	32.7	9.9
Profit before tax	529.8	-428.9	-240.9
Net income	460.9	-478.2	-253.6
Balance sheet (US$ mn)			
Cash and equivalents	977.2	227.6	248.9
Total assets	6,451.1	6,961.8	7,042.1
Total debt	1,359.2	2,353.8	2,562.4
Net debt	382.0	2,126.3	2,313.6
Shareholders' equity	3,265.8	2,652.2	2,428.6
Cash flow (US$ mn)			
FFO	746.2	-182.8	-171.1
CFO	692.9	-164.2	-131.7
Capex	446.8	1,470.7	104.2
Adjusted FOCF	240.5	-1,675.7	-237.9
Key Ratios			
EBITDA margin (%)	9.0%	-1.1%	-6.1%
Net margin (%)	4.9%	-5.2%	-10.7%
Total debt/EBITDA (x)	1.6x	-22.5x	-4.4x
Net debt/EBITDA (x)	0.5x	-20.3x	-4.0x
Total debt/equity (x)	0.4x	0.9x	1.1x
Net debt/equity (x)	0.1x	0.8x	1.0x
Total debt/total capital (%)	29.4%	47.0%	51.3%
Net debt/net capital (%)	10.5%	44.5%	48.8%
Adjusted FOCF/gross debt (%)	17.7%	-71.2%	-37.1%
EBITDA/total interest (x)	24.4x	-3.2x	-14.7x

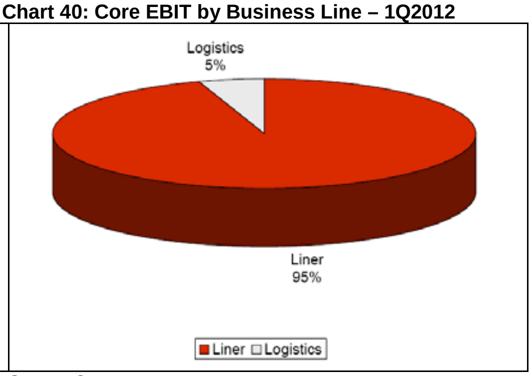
Source: OCBC estimates

Chart 39: Revenue by Business Line – 1Q2012



Source: Company

Chart 40: Core EBIT by Business Line – 1Q2012



Source: Company

Olam International Ltd

Credit Outlook – Inorganic growth through M&A continues, keeping leverage elevated. With weak profitability and significant working capital and capex needs, Olam's deleveraging momentum is limited. While capital market access is ensured by its Temasek Holdings ownership, this is a PE investment which will eventually be divested. We prefer the OLAMSP'13s to the rest of the curve, given that existing liquidity is sufficient to meet maturing short-term debt.

Underweight

S&P: Not rated Outlook: N/A

Moody's: Not rated Outlook: N/A

Fitch: Not rated Outlook: N/A

Ticker: OLAMSP

Company profile

Listed on the SGX in 2005, Olam International is an integrated supplier of agricultural commodities that sources, processes, transports, distributes, trades and markets agricultural products. Headquartered in Singapore with a presence in 65 countries, Olam has a market capitalization of S$4.4bn. The largest shareholder is the founding Kewalram family with a 18.8% stake while Temasek Holdings is the second largest shareholder with a 16% stake.

Key credit considerations

- **Strong support from key shareholder:** Temasek is the 2nd-largest shareholder in Olam with a 16% stake and has supported Olam in previous capital-raisings - US$300mn in equity and US$100mn CB in 2009 and S$246mn equity in July-2011. This should afford Olam some flexibility in managing its gearing.

- **Low directional commodity risks:** Olam's business model is that of a supply chain manager from farm gate to end-consumer. Consequently, it does not take directional commodity risks, with 87.6% of inventories sold forward or hedged.

- **Challenging 9M2012 operating performance:** Revenue in 9M2012 increased by an anaemic 6.3% y/y to S$11.95bn as better performance of the food segments (78.4% of revenue, 84.2% of volumes) was offset by weakness in the industrial raw materials (21.6% of revenue, 15.8% of volumes) and commodity financial services segments. While the edible nuts, cocoa, rice and grains businesses did well in achieving volume and profit growth, headwinds in the cotton and wood businesses drove declines. The weak performance in the cotton business is a timing issue, as the unwillingness of Australian farmers to sell at perceived unfavourable prices in the current period is expected to reverse in subsequent periods as Olam has a 34% market share in Australia. The wood business remains sensitive to global demand and margin pressures in India, China and Europe. Gross margin in 3Q2012 of 14.9% was dismal, lower than the 18.4% - 19.4% for the last 3 quarters, as is net margin of 2.2% for 9M2012.

- **Leverage to remain elevated as company embarks on M&A initiatives:** With a strategic plan in achieving net profit of US$1bn by 2016 (c.3.7x current net profit), Olam has continuously embarked on inorganic growth through acquisitions (e.g. purchase of UAP sugar mill in Brazil for US$129mn in May 2012 and rubber plantation in Gabon for US$59mn in March 2012). This has necessitated increasing debt financing, with net debt/net capitalization at an elevated 64.9% and net gearing at 1.85x. Interest coverage ratios remain weak with FFO/gross interest at 1.1x and EBITDA/gross interest at 2x.

- **Deterioration in working capital position:** Working capital accounts deteriorated across the board with stock turnover days and debtor days lengthening while trade creditor days shortened, increasing the cash conversion cycle from 112 days in 9M2011 to 142 days in 9M2012. The lower efficiency in working capital management is a factor driving the increase in leverage from the drawdown of syndicated loan facilities, with net debt increasing by S$974mn from end-FY2011 to S$6.68bn in March-2012.

- **Improvement in debt maturity profile with issue of SGD perp:** The issue of the S$275mn perp by Olam during the period increased cash balances from S$872mn in FY2011 to S$1.15bn as of end-March 2012 while terming out the debt maturity profile. Another S$3.82bn in bank lines remains unutilized, bringing total liquidity to S$4.97bn. With S$3.52bn debt due in the next year, this is sufficient to service near-term maturing debt. Notwithstanding this, we note that Olam continues to remain in a net negative free cashflow position due to negative free operating cashflows (driven by significant working capital demands) and material capex outlays from M&A initiatives, which will likely require constant refinancing of longer-dated debt of S$4.31bn.

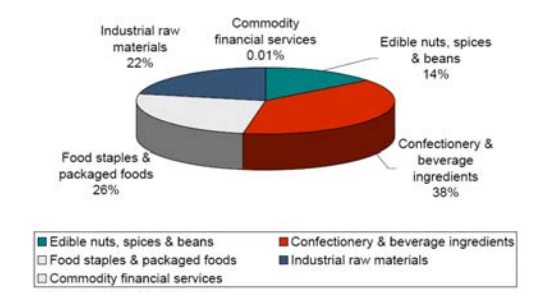
Olam International Ltd

Table 21: Summary Financials

	FY2010	FY2011	9M2012
Income statement (S$ mn)			
Revenue	10,502.4	15,803.4	11,947.7
EBITDA	434.7	700.8	637.2
Gross interest expense	227.5	344.4	326.6
Profit before tax	420.2	510.3	331.3
Net income	359.5	429.8	261.4
Balance sheet (S$ mn)			
Cash and equivalents	671.5	872.2	1,150.3
Total assets	7,804.7	12,580.1	13,465.5
Total debt	4,503.0	6,580.6	7,832.3
Net debt	3,831.5	5,708.3	6,682.0
Shareholders' equity	1,770.8	2,302.4	3,620.7
Cash flow (S$ mn)			
FFO	431.3	537.4	362.9
CFO	-853.6	-1,623.1	-1,054.2
Capex	182.1	360.6	362.5
Adjusted FOCF	-1,663.8	-2,552.6	-1,671.4
Key Ratios			
EBITDA margin (%)	4.1%	4.4%	5.3%
Net margin (%)	3.4%	2.7%	2.2%
Total debt/EBITDA (x)	10.4x	9.4x	9.2x
Net debt/EBITDA (x)	8.8x	8.1x	7.9x
Total debt/equity (x)	2.5x	2.9x	2.2x
Net debt/equity (x)	2.2x	2.5x	1.8x
Total debt/total capital (%)	71.8%	74.1%	68.4%
Net debt/net capital (%)	68.4%	71.3%	64.9%
Adjusted FOCF/gross debt (%)	-36.9%	-38.8%	-28.5%
EBITDA/total interest (x)	1.9x	2.0x	2.0x

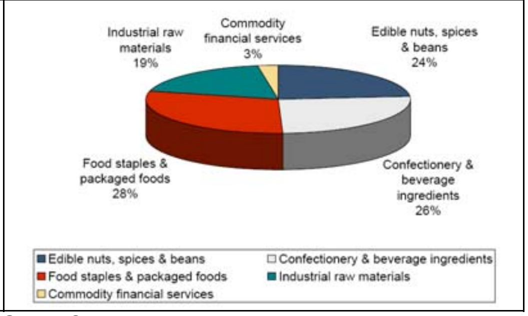
Source: OCBC estimates

Chart 41: Revenue by Business Line – 9M2012



Source: Company

Chart 42: Net Contribution by Business Line – 9M2012



Source: Company

Overseas Union Enterprise

Credit Outlook – An aggressive capex posture is the hallmark of this credit, with negative free cashflows increasing leverage in the past few years. With weak operating cashflows, deleveraging capacity is likely to be constrained. We prefer the OUESP'13 secured paper (102 offer/1.66%YTM) and avoid long-dated paper as existing cash is sufficient to cover its redemption while a debt payment of S$675mn in 2014 and beyond poses refinancing risks.

Neutral

S&P: Not rated Outlook: N/A

Moody's: Not rated Outlook: N/A

Fitch: Not rated Outlook: N/A

Ticker: OUESP

Company profile

Incorporated in 1964, Overseas Union Enterprise ("OUE") is a diversified real estate developer with a portfolio of commercial, hospitality, retail and residential properties in Singapore, Malaysia and China. The portfolio includes OUE Bayfront, One Raffles Place Tower 2, DBS Building Towers 1 & 2, Mandarin Gallery, Mandarin Orchard Singapore & Marina Mandarin Singapore. The company is c.68%-owned by the Lippo Group (through OUE Realty & Golden Concord).

Key credit considerations

- **Strong operating performance:** In 1Q2012, operating performance was strong as revenue of S$97.2mn was up 42.4% y/y, driven mainly by the hospitality and property investment divisions. Higher contributions from owned hotels like the Crown Plaza Changi Airport Hotel, helped drive revenue up 34% y/y to S$60.6mn for the hospitality segment while higher occupancy at OUE Bayfront (84.6% occupancy rate), OUE Tower and OUE Link (fully-leased out) resulted in higher revenues of S$33.3mn (up 47.9% y/y). Property development revenue remains small (S$3.2mn) and likely to remain tepid after the imposition of the additional 3% - 10% stamp duty on certain residential property purchases in Dec-2011. Cost control remained intact as EBITDA of S$48.3mn was higher by about 50% y/y with EBITDA margin at 49.7%. With the absence of the fair value gain of S$249.2mn attributed to the completion of OUE Bayfront in 1Q2011, net profit dropped back to S$21.7mn during the quarter.

- **Higher net debt requires frequent refinancing:** OUE issued a S$300mn senior unsecured bond during the quarter, driving net debt higher by 3.2% q/q to S$1.81bn, bringing net debt/net capitalization to 36%. With cash balance of S$607mn as of end-March 2012, this is sufficient to repay the S$300mn secured bond due in 2013 though another S$675mn consisting of a senior unsecured bond and term loan due in 2014 will likely require refinancing. Interest coverage ratios remain weak, with EBITDA/gross interest coverage of only 2.2x and FFO/gross interest of 1.3x.

- **Positive outlook for tourism expected to drive performance in the hospitality segment:** Visitor arrivals in FY2011 was 13.2mn (up 13% y/y) while tourism receipts hit S$22.2bn (up 17% y/y). The Singapore Tourism Board expects 13.5mn – 14.5mn visitor arrivals in FY2012 with S$23bn – 24bn in tourism receipts. Barring a global macroeconomic shock, better performance in the tourism sector is likely to drive profitability in the hospitality segment (65% of OUE's revenues and 21% of profit before tax).

- **Covenants all complied with:** The key covenants under the secured bond indenture for the OUESP'13 are: gearing ratio > 1x, interest service cover ratio > 1.25x, tangible net worth > S$1bn and the security ratio < 0.55x. As of end-March 2012, all these covenants were adhered to.

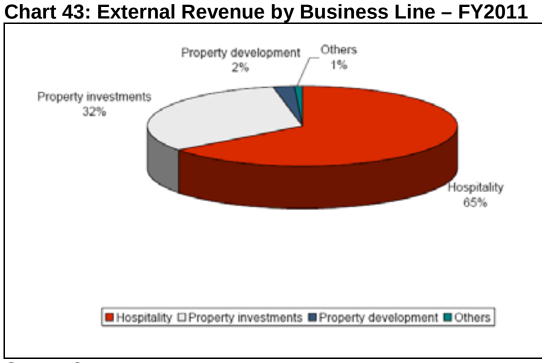
Overseas Union Enterprise

Table 22: Summary Financials

	FY2010	FY2011	1Q2012
Income statement (S$ mn)			
Revenue	215.6	332.4	97.2
EBITDA	86.7	158.9	48.3
Gross interest expense	22.5	66.2	22.4
Profit before tax	904.6	394.9	27.8
Net income	772.5	335.7	21.8
Balance sheet (S$ mn)			
Cash and equivalents	226.4	367.9	607.3
Total assets	4,721.4	5,533.5	5,793.3
Total debt	1,596.4	2,121.3	2,416.1
Net debt	1,370.0	1,753.4	1,808.8
Shareholders' equity	2,802.8	3,028.2	3,215.5
Cash flow (S$ mn)			
FFO	789.6	355.6	28.0
CFO	9.8	141.1	28.7
Capex	6.5	15.3	2.7
Adjusted FOCF	-971.5	-219.2	25.9
Key Ratios			
EBITDA margin (%)	40.2%	47.8%	49.7%
Net margin (%)	358.3%	101.0%	22.4%
Total debt/EBITDA (x)	18.4x	13.3x	12.5x
Net debt/EBITDA (x)	15.8x	11.0x	9.4x
Total debt/equity (x)	0.6x	0.7x	0.8x
Net debt/equity (x)	0.5x	0.6x	0.6x
Total debt/total capital (%)	36.3%	41.2%	42.9%
Net debt/net capital (%)	32.8%	36.7%	36.0%
Adjusted FOCF/gross debt (%)	-60.9%	-10.3%	4.3%
EBITDA/total interest (x)	3.9x	2.4x	2.2x

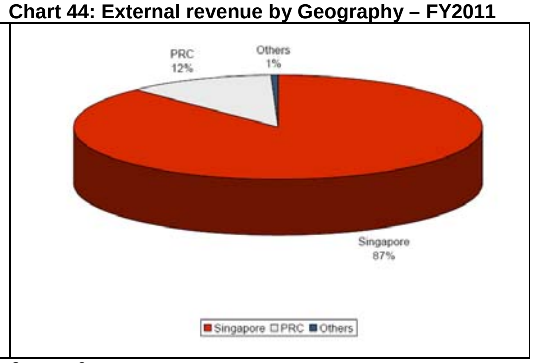
Source: OCBC estimates

Chart 43: External Revenue by Business Line – FY2011



Source: Company

Chart 44: External revenue by Geography – FY2011



Source: Company

Credit Outlook – Despite a strong competitive position in the domestic mail market, business risks are rising as it expands regionally into competitive new business segments to mitigate the structural decline of the mail business. At 102.60/3.92%YTW, the SPOST perp is tight. We prefer switching into the CHEUNG perp for a credit with equal seniority, a better business profile and higher yield (5.13%YTW).

Underweight

S&P: AA- Outlook: Negative
Moody's: Not rated Outlook: N/A
Fitch: Not rated Outlook: N/A

Ticker: SPOST

Company profile

Singapore Post Ltd ("SPOST") is the incumbent mail operator in Singapore and was granted the Public Postal License in 1992. Through Singapore Telecom Ltd, Temasek Holdings owns 14.2% of SPOST. With a large retail distribution network through the tri-channel platform of post offices, SAM machines and vPost (internet portal), SPOST is the leading mail and global logistics services provider with links to 220 countries worldwide. Since listing in 2003, it has grown into a S$1.98bn market capitalization company.

Singapore Post Ltd

Key credit considerations

- **Strong parentage:** Temasek has an indirect ownership of 14.2% in SingPost via Singapore Telecom Ltd.

- **Evolving business profile from overseas expansion and diversification:** The structural decline of the traditional mail segment is a certainty, as EBIT trended down 6% y/y to S$133.1mn in FY2012. Though SPOST is mitigating this by evolving into a logistics solutions and e-fulfillment provider via regional expansion into logistics, e-commerce, digital services and retail & financial services, Singapore will continue to dominate in the near-term by making up 87% of total revenues.

- **Headwinds from flat revenue growth and higher cost structure:** Revenue growth was flat at 2.2% y/y in FY2012 as the growth in the logistics and retail segments were offset by slowdown in the domestic mail segment. In the near-term, opex is likely to remain elevated (up 13.7% y/y to S$119.4mn) as SPOST refocuses its business model away from the traditional mail business towards the logistics and retail businesses regionally, where it has to make investments in IT, human resources and operations. Consequently, EBITDA and net margins were down to 28.3% (down 3.6pp) and 24.5% (down 3.9pp) respectively.

- **Capex likely to be manageable despite business model evolution:** Despite SPOST's new business initiatives, capex outlays have been moderate and manageable thus far, with total outlays for capex and acquisitions in FY2012 of S$70.4mn sufficiently financed by internally-generated operating cashflows, generating positive adjusted FOCF of S$106.2mn. With a strong cash position of S$617.4mn after the recent issue of the S$350mn senior perpetual in March 2012 to fund working capital and capex, we do not expect new issuance in the medium-term.

- **Low gearing and strong interest coverage ratios:** Gross debt remains largely unchanged at S$505.7mn. Post the recent S$350mn perpetual issue, SPOST has improved its gearing profile and financial flexibility (the senior perp is treated as equity under IFRS) as SPOST moved into a net cash position of S$111.6mn while net gearing changed from 0.49x in FY2011 to -0.17x. Cashflow protection metrics are robust, with FFO/gross interest of 13.1x and EBITDA/gross interest of 12.3x in FY2012.

- **Financial flexibility from well termed-out debt maturity profile:** End-FY2012 cash balance remains sizeable, with S$617.4mn. With minimal expected cash outlays in FY2013 (capex of S$30mn, dividends of S$120mn) versus expected annual CFO of S$180mn, we expect SPOST to generate S$30mn FOCF p.a. The only significant near-term debt maturity is the S$300mn 3.13% note due in April 2013 which we expect to be comfortably met with existing liquidity.

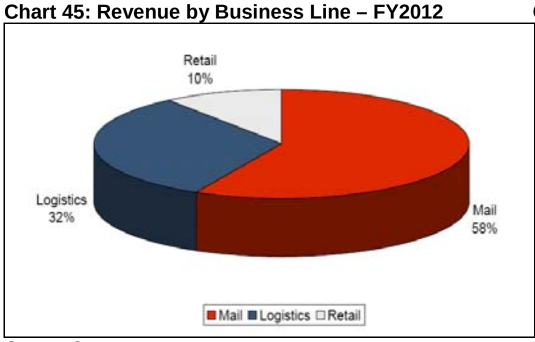
Singapore Post Ltd

Table 23: Summary Financials

	FY2010	FY2011	FY2012
Income statement (S$ mn)			
Revenue	525.5	565.8	578.5
EBITDA	178.4	180.6	163.6
Gross interest expense	7.9	14.4	13.3
Profit before tax	194.8	195.0	173.7
Net income	165.0	161.0	142.0
Balance sheet (S$ mn)			
Cash and equivalents	390.2	338.7	617.4
Total assets	1,074.9	1,092.9	1,430.2
Total debt	503.0	503.0	505.7
Net debt	112.8	164.3	-111.6
Shareholders' equity	298.5	332.3	659.8
Cash flow (S$ mn)			
FFO	194.7	187.4	173.1
CFO	208.5	186.9	176.6
Capex	12.4	12.3	26.1
Adjusted FOCF	180.8	148.5	106.2
Key Ratios			
EBITDA margin (%)	34.0%	31.9%	28.3%
Net margin (%)	31.4%	28.4%	24.5%
Total debt/EBITDA (x)	2.8x	2.8x	3.1x
Net debt/EBITDA (x)	0.6x	0.9x	-0.7x
Total debt/equity (x)	1.7x	1.5x	0.8x
Net debt/equity (x)	0.4x	0.5x	-0.2x
Total debt/total capital (%)	62.8%	60.2%	43.4%
Net debt/net capital (%)	27.4%	33.1%	-20.4%
Adjusted FOCF/gross debt (%)	36.0%	29.5%	21.0%
EBITDA/total interest (x)	22.6x	12.6x	12.3x

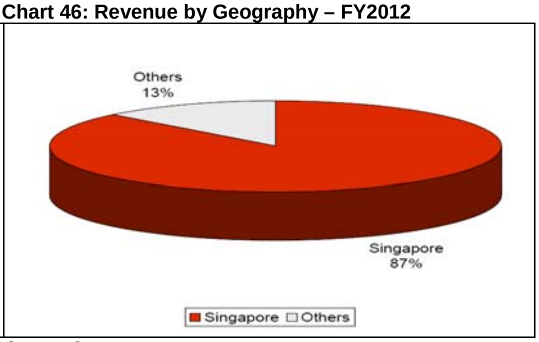
Source: OCBC estimates

Chart 45: Revenue by Business Line – FY2012



Source: Company

Chart 46: Revenue by Geography – FY2012



Source: Company

Credit Outlook – Strong operating metrics continue to underpin this credit and are likely to improve, in line with higher forecasted tourist arrivals by the Singapore Tourism Board. A moderate leverage profile and cashflow protection metrics are positives though it faces significant refinancing risk in 2013 when S$548mn in debt comes due. At 101.35 offer/2.93%YTM, the MMPSP'15 looks fairly-valued.

Neutral

S&P: BBB Outlook: Stable

Moody's: Not rated Outlook: N/A

Fitch: Not rated Outlook: N/A

Ticker: MMPSP

Company profile

Listed on the SGX in 2005, Starhill Global REIT invests primarily in real estate used for retail and office purposes, both in Singapore and overseas. It owns 13 properties in Singapore, Malaysia, Australia, China and Japan, valued at about S$2.7bn. The properties include Wisma Atria and Ngee Ann City in Singapore, Starhill Gallery and Lot 10 in Malaysia, a premier retail property in Chengdu, China, the David Jones Building in Australia, and seven properties in Japan.

Starhill Global REIT

Key credit considerations

- **Operating performance underpinned by a relatively long weighted lease term to expiry and high occupancy rates:** Starhill's performance in 1Q2012 was steady, with quarterly revenue of S$46mn flat to 1Q2011 levels. Operating metrics were strong with weighted-average lease expiry (WALE) of 6.6 years by NLA while portfolio occupancy rate continued its upward trajectory to 99.0%. The strong performance is primarily driven by the Singapore segment (61% of gross revenues) and the retail segment (88% of revenues). In Singapore, Wisma Atria continued to enjoy positive rental reversions for new and renewed leases in the retail segment and with AEI slated for completion in 3Q2012, occupancy rate should increase from the current 95.3%. For Ngee Ann City, slightly negative rental reversions in the office segment were partially offset by a higher occupancy rate while the retail segment saw full occupancy. The Malaysian segment's performance was flattish (second-largest in NPI terms), with a 1.2% y/y increase in NPI to S$7.7mn. Overall NPI in 1Q2012 was relatively unchanged from 1Q2011 levels at S$37.3mn (up 0.8% y/y).

- **Higher tourist arrivals and limited retail supply pipeline in Orchard Road shopping belt should underpin Starhill's performance:** The Singapore Tourism Board expects strong visitor arrivals and higher tourism receipts in the run-up to 2015 (17mn and S$30bn respectively). CBRE also views the outlook for Singapore prime retail space as buoyant, driven by tight supply in the prime Orchard Road shopping belt (supply here is estimated to account for only 12.4% of total supply up to 2015). Consequently, we expect Starhill to benefit from these dynamics due to its sizeable exposure to prime Singapore retail space.

- **Tenant concentration risks:** Starhill's top 5 tenants make up 46% of gross rental income, higher than other S-REITs such as Frasers Centrepoint Trust and K-REIT whose top 5 tenants made up 14% and 30% of gross rental income respectively. This is partially mitigated by the master lease agreements at its Ngee Ann City property in Singapore and the Starhill Gallery and Lot 10 properties in Malaysia.

- **Moderately-leveraged balance sheet:** Starhill has a modest leverage profile, with net debt/net capitalization of 29.0% as at end-1Q2012. Cashflow protection metrics are moderate with annualized EBITDA/gross interest coverage of 4.0x and FFO/gross interest coverage of 4.1x. With capex expected to be limited in the near-term (primarily residual capital improvement of S$10mn), Starhill may be able to generate a moderate amount of free cashflows to deleverage its credit profile.

- **Company retains financial flexibility to refinance lumpy debt maturity in 2013:** As of end-1Q2012, existing liquidity consisted of cash balance of S$92.6mn and a committed revolver of S$115mn, sufficient to meet maturing debt of S$26mn in 2012. However, a lumpy S$548mn of debt is due in 2013, which will require refinancing in light of limited free cashflows. Financial flexibility is further augmented by a significant pool of unencumbered assets (42% of total assets) and remaining capacity of S$1.9bn under its MTN programme.

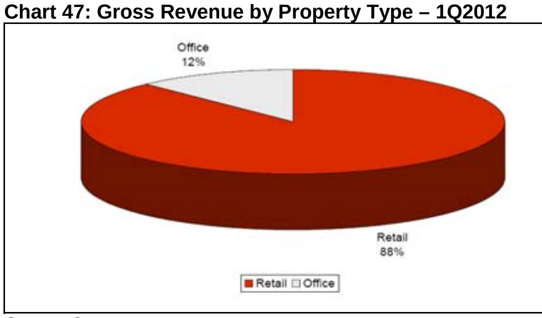
Starhill Global REIT

Table 24: Summary Financials

	FY2010	FY2011	1Q2012
Income statement (S$ mn)			
Revenue	165.7	180.1	46.0
EBITDA	114.8	126.6	33.1
Gross interest expense	32.3	34.3	8.3
Profit before tax	153.4	109.6	34.5
Net income	150.0	104.4	33.4
Balance sheet (S$ mn)			
Cash and equivalents	113.0	108.0	92.6
Total assets	2,786.6	2,839.1	2,823.3
Total debt	833.6	866.1	852.3
Net debt	720.5	758.2	759.7
Shareholders' equity	1,830.2	1,851.0	1,859.3
Cash flow (S$ mn)			
FFO	153.7	109.9	34.6
CFO	119.1	131.8	20.6
Capex	410.9	17.8	3.5
Adjusted FOCF	-291.8	114.0	17.1
Key Ratios			
EBITDA margin (%)	69.3%	70.3%	71.9%
Net margin (%)	90.6%	58.0%	72.6%
Total debt/EBITDA (x)	7.3x	6.8x	6.4x
Net debt/EBITDA (x)	6.3x	6.0x	5.7x
Total debt/equity (x)	0.5x	0.5x	0.5x
Net debt/equity (x)	0.4x	0.4x	0.4x
Total debt/total capital (%)	31.3%	31.9%	31.4%
Net debt/net capital (%)	28.2%	29.1%	29.0%
Adjusted FOCF/gross debt (%)	-35.0%	13.2%	8.0%
EBITDA/total interest (x)	3.6x	3.7x	4.0x

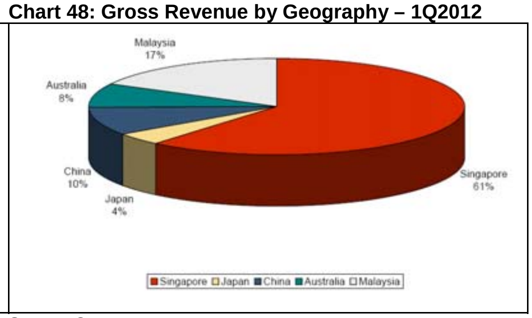
Source: OCBC estimates

Chart 47: Gross Revenue by Property Type – 1Q2012



Source: Company

Chart 48: Gross Revenue by Geography – 1Q2012



Source: Company

Credit Outlook – Headwinds in core operations are likely to persist, as weak profitability compounds higher working capital intensity and significant capex. Gearing is elevated though this is somewhat mitigated by strong liquidity and a manageable amount of maturing short-term debt. At 3.78% YTM/101.75 offer, we view the carry as insufficient and prefer switching into WINGTA'18 for a stronger credit with higher all-in yield of 3.95%.

Underweight

S&P: Not rated Outlook: N/A

Moody's: Not rated Outlook: N/A

Fitch: Not rated Outlook: N/A

Ticker: UEMSP

Company profile

United Engineers Ltd ("UEL") is one of the pioneer companies in Singapore that played an integral role in the transformation of the country. From its roots as an engineering business, it evolved into a conglomerate with businesses in integrated property services, construction and engineering (mechanical, electrical, environmental and steel engineering & fabrication). Main shareholders include Oversea-Chinese Banking Corporation, Lee Foundation and WBL Corp Ltd with stakes of 18.9%, 7.4% and 7.35%.

United Engineers Ltd

Key credit considerations

- **Weaker operating performance:** During 1Q2012, revenue declined 38% y/y to S$189mn, primarily due to the absence of revenue from property sales at the Rochester mixed development and the sale of UE Print Media Hub. Gross profit declined as a result to $35.6mn (down 37% y/y), while EBITDA margin declined from 27.5% in FY2011 to 18.2% during the quarter.

- **Sufficient liquidity for near-term debt service:** Post the S$150mn 5-year bond issue in Jan-2012, net debt increased slightly to S$943.7mn, bringing net debt/net capitalization to 42.7% (up 1.2pp). With cash of S$467.6mn as of 31st March 2012, this is sufficient to meet maturing debt of S$111mn in the next one year. While interest coverage ratios are weaker than FY2011 metrics, this may be due to the adoption of the COC method of accounting for the Austville Residences project, which will only be fully recognized in 2013 on completion, resulting in greater volatility of revenues and development profit. Notwithstanding this, EBITDA/gross interest coverage of 6.3x and FFO/gross interest of 3.8x remain a sufficient cushion for interest payments.

- **Working capital intensity is increasing:** Despite underlying profitability, working capital management is an issue, with significant development expenditures capitalized in properties held for sale and an increase in trade receivables turning cashflow from operations negative from FY2010 to 1Q2012. Capex outlays are also fairly material at S$140mn and S$214mn in FY2010 and FY2011 respectively, resulting in negative free cashflows. Consequently, deleveraging headroom is fairly limited and we expect current leverage metrics to remain elevated.

- **Cashflows likely to be underpinned by the E&C and Property Rental & Services segments this year:** Despite UEL's focus on executing the UE BizHub EAST, 8 Riversuites, Austville Residences and the orchardgateway projects, these are not expected to contribute materially to FY2012 profitability, with the main sources of income expected to be generated from recurring income under the E&C and Property Rental & Services segments. The expected TOP of the UE BizHub East integrated development in late FY2012 is also expected to lift recurring income.

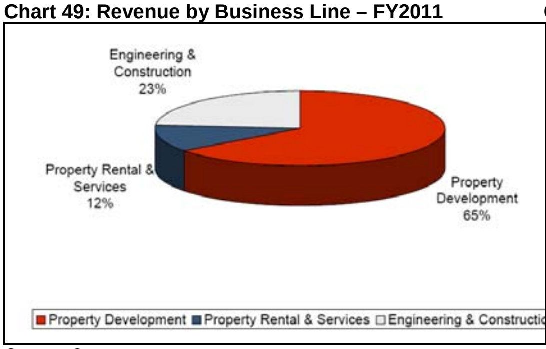
United Engineers Ltd

Table 25: Summary Financials

	FY2010	FY2011	1Q2012
Income statement (S$ mn)			
Revenue	569.4	1,187.1	116.8
EBITDA	113.8	326.9	21.2
Gross interest expense	16.5	23.7	3.4
Profit before tax	142.4	348.9	15.3
Net income	108.2	269.5	9.7
Balance sheet (S$ mn)			
Cash and equivalents	266.6	453.3	467.6
Total assets	2,267.5	3,079.5	3,187.5
Total debt	940.4	1,333.8	1,411.3
Net debt	673.8	880.5	943.7
Shareholders' equity	921.0	1,239.0	1,266.5
Cash flow (S$ mn)			
FFO	117.4	280.1	12.9
CFO	-93.0	-29.6	-43.8
Capex	140.0	214.0	23.9
Adjusted FOCF	-233.0	-243.9	-69.9
Key Ratios			
EBITDA margin (%)	20.0%	27.5%	18.2%
Net margin (%)	19.0%	22.7%	8.3%
Total debt/EBITDA (x)	8.3x	4.1x	16.6x
Net debt/EBITDA (x)	5.9x	2.7x	11.1x
Total debt/equity (x)	1.0x	1.1x	1.1x
Net debt/equity (x)	0.7x	0.7x	0.7x
Total debt/total capital (%)	50.5%	51.8%	52.7%
Net debt/net capital (%)	42.2%	41.5%	42.7%
Adjusted FOCF/gross debt (%)	-24.8%	-18.3%	-19.8%
EBITDA/total interest (x)	6.9x	13.8x	6.3x

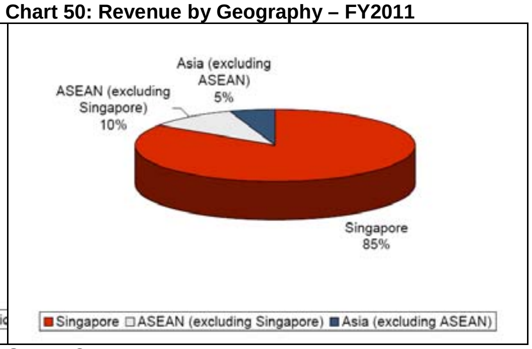
Source: OCBC estimates

Chart 49: Revenue by Business Line – FY2011



Source: Company

Chart 50: Revenue by Geography – FY2011



Source: Company

Credit Outlook – Despite market concerns about the weakness in the high-end property market to which WINGTA is highly-leveraged to, we note that net gearing has declined significantly since FY2009. A strong liquidity position, positive free cashflows and a termed-out debt maturity profile gives WINGTA the flexibility to cope with the cyclical downturn. Within the WINGTA curve, we prefer the WINGTA'18 for a high absolute yield of 3.95%.

Overweight

S&P: Not rated Outlook: N/A

Moody's: Not rated Outlook: N/A

Fitch: Not rated Outlook: N/A

Ticker: WINGTA

Company profile

Listed on the SGX in 1955, Wing Tai Holdings ("WINGTA") is an investment holding company with core businesses in developing residential, commercial, hospitality and retail properties, with properties located in Singapore, Malaysia, Hong Kong and China. Wing Tai's Singapore properties include Park Mall, Burlington Square, Lanson Place and Winsland House. The company is controlled by the Chairman Mr Cheng Wai Keung, with a 50.6% stake.

Wing Tai Holdings Ltd

Key credit considerations

- **Increase in shareholding by the Cheng family:** In June, WINGTA's chairman Mr. Cheng Wai Keung's increased his stake in the company from 41.9% to 50.6%, giving it de facto control of the company. The market views the latest purchase as indicative of insiders' view that the company's equity is undervalued. We view this development as slightly credit positive as it better aligns the controlling shareholder's interest with stakeholders.

- **Challenging 9M2012 performance:** With the imposition of the additional buyer stamp duty ("ABSD") on foreigners in Dec-2011, the high-end property market has seen slowing sales. Consequently, WINGTA's top-line growth slowed given its focus on the high-end market, with 9M2012 revenues of S$422.7mn down 34.3% y/y. Though contributions from associates of S$82.4mn from the Floidian and Ascentia Sky projects in Tanglin and Wing Tai Properties Ltd in Hong Kong were higher, this was not sufficient to mitigate the net profit decline of 50% to S$101.6mn. With 0.65mn sq ft of its landbank exposed to the Singapore high-end property market, we believe the near-term operating performance of the company will continue to face headwinds.

- **Robust credit metrics provides headroom for company to ride out the downcycle:** As of end-March 2012, WINGTA's gearing remains low, with net debt/net capitalization of 19.1% while interest coverage ratios are relatively strong with EBITDA/gross interest of 3.1x and FFO/gross interest of 4x. Amidst the headwinds in the high-end property segment in Singapore, WINGTA's conservative landbanking practices is a source of comfort and its low gearing provides it the flexibility to ride out the downcycle. We note that since 1Q2011, net gearing has declined from 41% to 24% currently.

- **Strong liquidity is sufficient to meet near-term debt maturities:** With S$692mn of cash on the balance as of 31st Mar-2012, this is sufficient to meet maturing debt of S$89.7mn in the next year. Despite the challenging operating environment, it is notable that WINGTA managed to achieve operating cashflows for the past two fiscal years and 9MFY2012. Management has been conservative in terms of keeping capex outlays low while concurrently keeping dividend distributions moderate, resulting in FCF of S$34mn, S$90.7mn and S$224.6mn in FY2010, FY2011 and 9MFY2012 respectively. We believe the company's internally-generated cashflows will continue to be a key source of debt-servicing capacity.

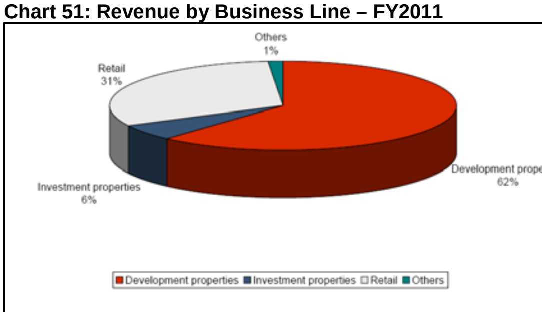
Wing Tai Holdings Ltd

Table 26: Summary Financials

	FY2010	FY2011	9M2012
Income statement (S$ mn)			
Revenue	821.9	649.1	422.7
EBITDA	246.2	211.4	86.1
Gross interest expense	31.3	39.9	27.4
Profit before tax	274.8	405.5	135.2
Net income	160.8	314.2	101.6
Balance sheet (S$ mn)			
Cash and equivalents	594.1	504.2	692.0
Total assets	3,674.1	3,727.8	3,767.2
Total debt	1,335.7	1,179.2	1,194.9
Net debt	741.6	675.0	502.9
Shareholders' equity	1,891.1	2,080.0	2,133.7
Cash flow (S$ mn)			
FFO	234.2	325.3	110.5
CFO	119.5	180.1	297.3
Capex	8.5	25.3	6.7
Adjusted FOCF	75.0	134.8	287.3
Key Ratios			
EBITDA margin (%)	30.0%	32.6%	20.4%
Net margin (%)	19.6%	48.4%	24.0%
Total debt/EBITDA (x)	5.4x	5.6x	10.4x
Net debt/EBITDA (x)	3.0x	3.2x	4.4x
Total debt/equity (x)	0.7x	0.6x	0.6x
Net debt/equity (x)	0.4x	0.3x	0.2x
Total debt/total capital (%)	41.4%	36.2%	35.9%
Net debt/net capital (%)	28.2%	24.5%	19.1%
Adjusted FOCF/gross debt (%)	5.6%	11.4%	32.1%
EBITDA/total interest (x)	7.9x	5.3x	3.1x

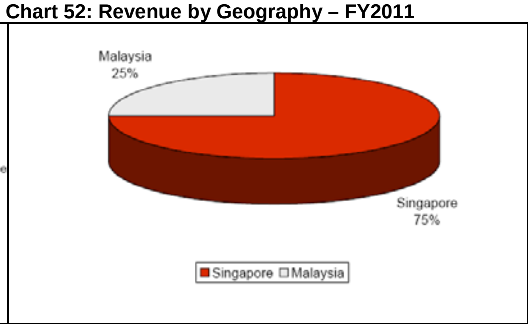
Source: OCBC estimates

Chart 51: Revenue by Business Line – FY2011



Source: Company

Chart 52: Revenue by Geography – FY2011



Source: Company

Credit Outlook – CKH continues to deliver, with strong profitability and low gearing. The recently announced succession plan from the elder Li to Victor Li is credit positive by defining a smooth transition to a long-time company insider. This is somewhat offset by potential supply concerns with a USD issue in the pipeline. In the SGD perp space, CHEUNG's 5.13%YTW is one of the highest for a senior paper. BUY.

Overweight

S&P: Not rated Outlook: N/A

Moody's: Not rated Outlook: N/A

Fitch: Not rated Outlook: N/A

Ticker: CHEUNG

Company profile

Cheung Kong Holdings Ltd ("CKH") is the investment holding and project management business established by Mr Li Ka Shing in 1958, who holds a 43.2% ownership. It is engaged principally in property development and investment in Hong Kong, China, UK and Singapore across residential, retail, office, hotel and industrial sectors. Through its 49.97% ownership in Hutchison Whampoa Ltd, it is also involved in ports, property, hotels, retail, energy and infrastructure, finance and telecommunications.

Cheung Kong Holdings Ltd

Key credit considerations

- **Property development segment doing well:** Cheung Kong Holdings ("CKH") achieved strong results in FY2011, as core top-line revenues rose 37.4% y/y to HK$32.97bn, driven mainly by strong property sales in Hong Kong and China and an improvement in hotels and serviced suites revenues. Including associates' contributions, Hutchison Whampoa's strong earnings also boosted the bottom-line as a gain on the listing of Hutchison Port Holdings Trust of HK$32.9bn drove attributable profit to shareholders for Hutchison Whampoa to HK$56bn. Another HK$4bn revaluation gain on CKH's property portfolio boosted its net profit by 174% y/y to HK$46bn.

- **Profit growth increasingly driven by overseas operations:** For key subsidiary Cheung Kong Infrastructure Holdings Ltd ("CKI"), two material acquisitions during the year - Meridian Cogeneration Plant in Canada and the Northumbrian Water Group Ltd in England - are expected to contribute significantly to earnings in future. For Power Assets Holdings Ltd ("PAH"), overall results were boosted by contributions from UK assets (40% interest in UK Power Networks Ltd and 25% interest in Seabank Power Station), which surpassed Hong Kong operations for the first time in FY2011.

- **Credit metrics are very strong:** During the year, net debt doubled from HK$10bn in FY2010 to HK$26bn in FY2011, increasing net debt/net capitalization by 4pp to 7.6% and net gearing from 4% to 8%. With strong EBITDA of HK$9.8bn (up 35% y/y) and EBITDA/gross interest of 16.8x, we view current gearing levels as manageable.

- **Debt maturity profile is manageable:** With pro-forma cash balance of HK$24.7bn (after recent US$500mn and HK$1bn bond issues), debt due within the next year of HK$23.4bn (including interest expense) is manageable, given CKH's track record of tapping the capital markets (HK$1.4bn of 5-year and 10-year debt was issued under the EMTN programme in Hong Kong, S$500mn of 5-year and 7-year debt and a S$730mn perpetual was issued in Singapore in FY2011). Other debt maturities are fairly termed out and likely to be met with existing liquidity and internally-generated cashflows (HK$4.4bn due between 1 and 2 years, HK$15.2bn due between 2 and 5 years and HK$4.68bn due after 5 years). Going forward, CKH's heavy investments in associated companies and investments (these amounted to HK$15.2bn in FY2011) bears watching, which had turned free cashflows negative in FY2011.

- **Management continuity is a credit positive:** Founder and key shareholder Mr Li Ka Shing recently spelled out a succession plan to split his business holdings between his two sons. CKH and Hutchison Whampoa will be run by his elder son Victor Li (current managing director of CKH), who will own 40% of CKH and 35.5% of Husky Energy, the Canadian oil company affiliate. We view this positively as this ensures a smooth management transition from the elder Li to Victor Li as he gradually steps back from day to day business, while also ensuring that the company is run by someone who is familiar with its operations.

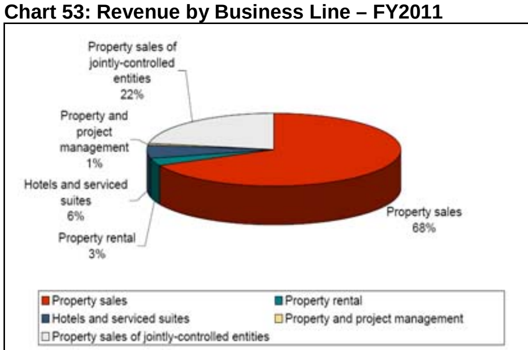
Cheung Kong Holdings Ltd

Table 27: Summary Financials

	FY2009	FY2010	FY2011
Income statement (HK$ mn)			
Revenue	17,702.0	23,983.0	32,971.0
EBITDA	6,033.0	7,280.0	9,838.0
Gross interest expense	496.0	357.0	587.0
Profit before tax	21,684.0	28,125.0	48,092.0
Net income	19,618.0	26,478.0	46,055.0
Balance sheet (HK$ mn)			
Cash and equivalents	11,423.0	25,147.0	19,894.0
Total assets	296,963.0	328,633.0	373,186.0
Total debt	32,489.0	35,154.0	45,917.0
Net debt	19,618.0	26,478.0	26,023.0
Shareholders' equity	246,897.0	269,511.0	314,285.0
Cash flow (HK$ mn)			
FFO	19,967.0	26,876.0	46,455.0
CFO	13,759.0	8,668.0	-5,976.0
Capex	711.0	144.0	1,259.0
Adjusted FOCF	11,664.0	6,707.0	-22,396.0
Key Ratios			
EBITDA margin (%)	34.1%	30.4%	29.8%
Net margin (%)	110.8%	110.4%	139.7%
Total debt/EBITDA (x)	5.4x	4.8x	4.7x
Net debt/EBITDA (x)	3.5x	1.4x	2.6x
Total debt/equity (x)	0.1x	0.1x	0.1x
Net debt/equity (x)	0.1x	0.0x	0.1x
Total debt/total capital (%)	11.6%	11.5%	12.7%
Net debt/net capital (%)	7.9%	3.6%	7.6%
Adjusted FOCF/gross debt (%)	35.9%	19.1%	-48.8%
EBITDA/total interest (x)	12.2x	20.4x	16.8x

Source: OCBC estimates

Chart 53: Revenue by Business Line – FY2011



Source: Company

Chart 54: Revenue by Geography – FY2011

Source: Company

Henderson Land Ltd

Credit Outlook – Gearing has declined post-equity injection by Chairman Lee Shau Kee though negative free cashflows limits deleveraging. Credit trajectory should improve further as development of its suburban landbank gets underway. Within the HENLND curve, we prefer the short-dated HENLND 3.65%'16 and HENLND 3.865%'16 for their relatively good yields of 3.4% and 3.55%.

Overweight

S&P: Not rated Outlook: N/A

Moody's: Not rated Outlook: N/A

Fitch: Not rated Outlook: N/A

Ticker: HENLND

Company profile

Henderson Land ("HLD) is a leading property developer with businesses in Hong Kong and China. It also holds strategic stakes in Henderson Investment Limited and 3 listed associates, including The Hong Kong and China Gas Company Limited ("HKCGC") which owns listed subsidiary, Towngas China Company Ltd, Hong Kong Ferry (Holdings) Company Limited, Miramar Hotel and Investment Company Limited. 60.75%-owned by its Chairman, Dr. Lee Shau Kee, it is one of the largest conglomerates in Hong Kong.

Key credit considerations

- **Stronger credit metrics post-equity injection from Mr Lee Shau Kee:** During the year, HENLND's chairman subscribed to HK$10bn of its new shares via exercising bonus warrants. The equity injection is a further sign of strong support from its key shareholder and improved net gearing to 15% (excluding HK$8.6bn of debt due to a fellow subsidiary). Interest coverage ratios are strong, with FFO/gross interest of 9.6x and EBITDA/gross interest of 2.4x.

- **Better operating performance in FY2011:** Net profit of HK$17.2bn was up 9% y/y, driven by better underlying profit of HK$5.56bn (up 38% y/y) as HENLND's core investment property portfolio (15.7mn sq ft GFA) saw better rental cashflows (net rental income up 25% to HK$4.17bn) as average occupancy rates in the HK portfolio went up 2pp to 97% while those of newly completed properties in China including World Financial Centre in Beijing and Henderson Metropolitan in Shanghai were 90% and 97% respectively. The property development segment also saw higher pre-tax profits of HK$2.08bn (up 286%).

- **Company's approach to landbanking is lower risk:** HENLND acquires land for property development via acquisition of old buildings in urban areas as well as purchasing farmland in suburban areas and converting the land lots into development land via land-use conversion. Currently, it has 84 urban redevelopment projects (GFA of c.8mn sq ft), of which 37 projects have low land costs of HK$4,096/per sq ft GFA. For the suburban farmland landbank, land reserve is now 41.9mn sq ft, of which the Wu Kai Sha and Yuen Long projects have average land costs of HK$3,509/per sq ft GFA and HK$2,420/per sq ft GFA and are expected to be launched for presale in 2H2012.

- **Robust liquidity position:** As at end-FY2011, HLD had a cash balance of HK$18.9bn, a 92.4% increase post- equity injection by Mr Lee Shau Kee. With another HK$10.3bn of banking facilities in place, total liquidity of HK$29.2bn as at end-FY2011 is sufficient to meet 2012 – 2013 debt maturities of HK$22.9bn (2012: HK$19.7bn, 2013: HK$3.2bn). Dividend cashflows from associates and jointly-controlled entities of HK$2.28bn was up 5.7% y/y and continues to be a steady source of liquidity (including 39.88% associate Hong Kong & China Gas with HK$1bn received in 2011, up from HK$736mn in FY2006). While operating cashflow was slightly in the red by HK$600mn, significant capex outlay of HK$1.86bn and a higher dividend payout of HK$1.66bn resulted in negative free cashflows. This is likely to continue being the case in the near future and consequently, we expect it to have limited headroom in deleveraging from internally-generated cashflows. In 2H2011 and 1QFY2012, HENLND raised HK$11bn via the S$/US$/HK$ bond markets, extending the debt maturity profile while diversifying its sources of funding. As maturing debt got repaid, net debt declined 11% to HK$28.3bn.

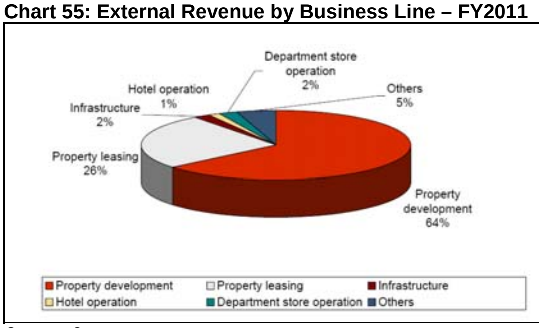
Henderson Land Ltd

Table 28: Summary Financials

	FY2010	FY2011
Income statement (HK$ mn)		
Revenue	7,092.0	15,188.0
EBITDA	1,258.0	4,346.0
Gross interest expense	1,441.0	1,812.0
Profit before tax	17,239.0	18,981.0
Net income	15,820.0	17,184.0
Balance sheet (HK$ mn)		
Cash and equivalents	9,797.0	18,850.0
Total assets	230,312.0	262,470.0
Total debt	41,639.0	47,157.0
Net debt	31,842.0	28,307.0
Shareholders' equity	164,423.0	189,925.0
Cash flow (HK$ mn)		
FFO	15,995.0	17,384.0
CFO	-17,282.0	-600.0
Capex	377.0	471.0
Adjusted FOCF	-18,564.0	-2,460.0
Key Ratios		
EBITDA margin (%)	17.7%	28.6%
Net margin (%)	223.1%	113.1%
Total debt/EBITDA (x)	5.9x	4.3x
Net debt/EBITDA (x)	4.5x	2.6x
Total debt/equity (x)	0.3x	0.2x
Net debt/equity (x)	0.2x	0.1x
Total debt/total capital (%)	20.2%	19.9%
Net debt/net capital (%)	16.2%	13.0%
Adjusted FOCF/gross debt (%)	-39.4%	-0.4%
EBITDA/total interest (x)	4.9x	6.1x

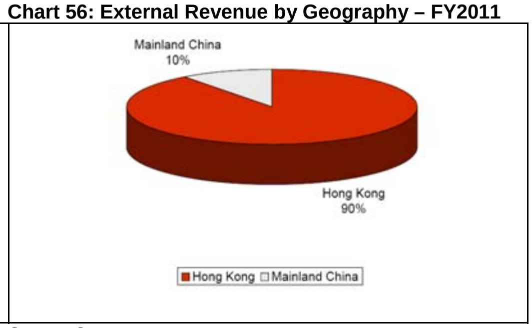
Source: OCBC estimates

Chart 55: External Revenue by Business Line – FY2011



Source: Company

Chart 56: External Revenue by Geography – FY2011



Source: Company

Hongkong Land Holdings Ltd

Credit Outlook – HKLSP continues to turn in a strong operating performance in FY2011, underpinned by its core CBD portfolio in Hong Kong. We like the credit, given its strong credit metrics and good financial flexibility. Despite this, we prefer the WHEELK'21 relative to the HKLSP'20 for the yield pick-up of 144bp (4.44% all-in yield) for a slight duration extension of 1.3 years for a credit with moderate gearing.

Underweight

S&P: A- Outlook: Stable

Moody's: A3 Outlook: Stable

Fitch: A- Outlook: Stable

Ticker: HKLSP

Company profile

Established in 1889 and listed in London, Bermuda and Singapore, Hongkong Land Holdings Ltd ("HKLSP") is a leading Asian property investment, management and development group. Its main portfolio is in Hong Kong, where it owns and manages some 5mn sq ft of prime office and retail space in Central. It is 50.3%-owned by Jardine Strategic Holdings Ltd (A3/stable) and is a core subsidiary of the Jardine Matheson Group.

Key credit considerations

- **Positive rental reversions across both office and residential segments:** FY2011 top-line revenues declined, due to a drop in residential property completions where revenue recognition is lumpy. However, rentals from the core commercial and retail portfolio in Hong Kong both enjoyed positive rental reversions, at HK$87/psf (up 3.2%) and HK$148.3 (up 8.2%) respectively. Together with a full-year of rental incomes from MBFC I and II, commercial property PBT rose 10.6% y/y to US$759mn. Despite a decline in residential property PBT to US$288mn, a higher revaluation gain of US$4.6bn (up 18% y/y) boosted net profit to US$5.3bn (up 15.4% y/y). The low vacancy rate of 2% in the HK commercial property segment is a 90bp improvement over FY2010 and the lowest in the past 20 years.

- **Clear strategy on residential property development mitigates cashflow risks:** Despite exposure to the cyclicality of the property development sector in Singapore (via subsidiary MCL Land) and China, HKLSP mitigates the risks through a strategy of selecting good locations, focusing on the premium segment, controlling costs and maximizing pre-sales to enhance cashflow. In China, the partnership with Longfor Properties Co. Ltd and China Merchant's Property Development Co. Ltd reduces execution risks. Having engaged in residential property development since 1965 and reestablishing the business in the 1990s after selling off in 1986, HKLSP is relatively cautious and experienced in this segment.

- **Focus will still be on the investment portfolio with prime office properties in Hong Kong and Singapore providing recurrent rental income:** Despite property development revenues averaging 37.8% of total revenues for the past 4 years, the rating agencies do not expect contributions from this segment to account for more than 15% of EBITDA/total assets. HKLSP opined that it will continue to focus on the core property investment portfolio to generate recurrent rental cashflows to augment debt-servicing capacity.

- **Low leverage with strong credit metrics:** Operating cashflows of US$431mn was significantly lower than FY2010's US$690mn, on lower dividends received from joint ventures. Capex was fairly significant at US$235mn while dividends paid was also lumpy at US$371.5mn, turning free cashflow negative for the year. Despite this, net debt was unchanged at US$2.36bn with a low net debt/net capitalization of 8.7% while EBITDA/gross interest coverage is a strong 10x. Given that HKLSP's residential property business is complementary to the core commercial business, we believe capex outlays will be judicious and support free cashflow generation.

- **Good financial flexibility:** As at end-FY2011, HKLSP had a cash balance of US$968mn and US$1.9bn of untapped committed credit lines, giving the company a total liquidity of US$2.9bn. Having tapped the bond market for another US$751mn since the beginning of the year, pro-forma liquidity of US$3.65bn is sufficient to meet maturing debt redemptions of US$1.9bn over the next 5 years.

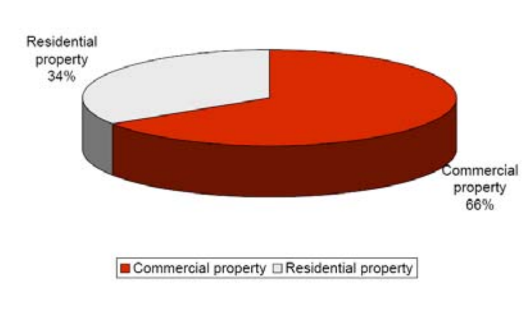
Hongkong Land Holdings Ltd

Table 29: Summary Financials

	FY2010	FY2011
Income statement (US$ mn)		
Revenue	1,340.6	1,223.7
EBITDA	877.5	829.4
Gross interest expense	104.5	82.7
Profit before tax	4,907.3	5,445.9
Net income	4,739.4	5,306.4
Balance sheet (US$ mn)		
Cash and equivalents	1,366.7	967.9
Total assets	24,142.5	29,023.6
Total debt	3,724.5	3,327.2
Net debt	2,357.8	2,359.3
Shareholders' equity	19,477.5	24,763.8
Cash flow (US$ mn)		
FFO	4,740.5	5,308.1
CFO	690.4	336.3
Capex	34.8	89.1
Adjusted FOCF	635.7	101.0
Key Ratios		
EBITDA margin (%)	65.5%	67.8%
Net margin (%)	353.5%	433.6%
Total debt/EBITDA (x)	4.2x	4.0x
Net debt/EBITDA (x)	2.7x	2.8x
Total debt/equity (x)	0.2x	0.1x
Net debt/equity (x)	0.1x	0.1x
Total debt/total capital (%)	16.1%	11.8%
Net debt/net capital (%)	10.8%	8.7%
Adjusted FOCF/gross debt (%)	17.1%	3.0%
EBITDA/total interest (x)	8.4x	10.0x

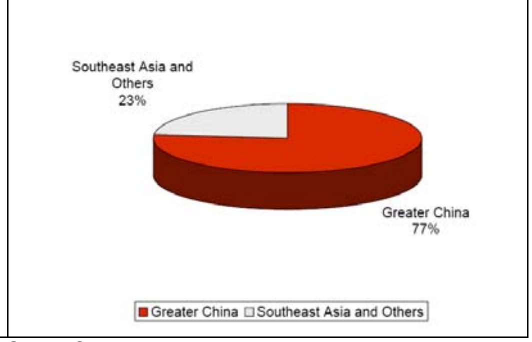
Source: OCBC estimates

Chart 57: Revenue by Business Line – FY2011



Source: Company

Chart 58: Revenue by Geography – FY2011



Source: Company

Credit Outlook – Credit metrics have undergone deterioration recently over Wharf's aggressive expansion in China. The recent investment in Greentown is a negative, given the lack of management control for a sizeable acquisition and potential for overlap with existing operations. For mid-tenor HK property paper, we prefer the HENLND 3.65%'16 & HENLND 3.865%'16 to the WHARF'16 for a yield pick-up of 50–65bp for a credit with lower gearing.

Underweight

S&P: Not rated Outlook: N/A

Moody's: Not rated Outlook: N/A

Fitch: A- Outlook: Stable

Ticker: WHARF

Company profile

The Wharf (Holdings) Ltd develops and invests in retail, hotel and office property in China and Hong Kong. The company also operates telecommunication, cable television and Internet-related businesses. It is a subsidiary of Wheelock and Company, which owns a 50% stake in the company.

Wharf Holdings Ltd

Key credit considerations

- **Core operating performance in FY2011 continues to be strong:** Full-year results were no surprise, with flagship Times Square and Harbour City malls contributing to higher rental earnings (up 18% y/y, HK$7.3bn) while development earnings grew 84% y/y to HK$2.27bn on higher completions, driving core earnings up 14% y/y to HK$8bn. A smaller revaluation surplus of HK$23.8bn for the full-year resulted in lower net profit of HK$30.6bn (down 14% y/y).

- **Ocean Terminal lease renewed in Jun-2012 for 21 years:** WHARF renewed its Ocean Terminal lease for 21 years after a protracted negotiation with the HK government, for a land premium of HK$7.9bn. This is credit positive as the long lease tenor provides it with long-lived future rental income, which may rise as WHARF can now embark on facility improvements (there was under-spending in previous years) and attract higher-paying tenants.

- **Lack of strategic rationale in Greentown investment:** WHARF agreed to invest HK$5.4bn in Greentown China Holdings Ltd ("GC") comprising equity (issued in two tranches) and perpetual subordinated convertible securities (PSCS). Following the share subscription, ownership will increase from 2.1% to 24.6%, and to 35.1% should there be a full conversion of the PSCS. GC is a major PRC property developer with 105 projects or 24m sqm attributable GFA as of end-2011. Though this seems to benefit WHARF as it was able to make a distressed investment in GC who was facing liquidity issues, we do not see the rationale for investing in a PRC developer without management control by WHARF (only 1 out of 3 seats on the investment committee and 2 out of 11 seats on the board of directors, both non-executive). Furthermore, WHARF has a landbank of 12.2mn sqm in China and the investment may create overlaps.

- **Credit metrics remained moderate despite recent investments and lease renewals:** WHARF's FY2011 leverage ratios were moderate with net gearing up 2pp to 21%, while net debt/EBITDA was 3.4x. Interest coverage ratios declined, driven by a 136% increase in interest expense, but remained relatively robust with EBITDA/gross interest at 4.2x while FFO/gross interest was 10.6x. Post-Greentown investment, the payment of land premium to the HK government for its Ocean Terminal lease renewal and non-core asset sales, we expect net debt to increase 21.4% to HK$52.8bn and edge up net debt/net capitalization by c.3pp to 20%. Depending on WHARF's acquisition appetite and the extent of dividend payouts, credit metrics may come under pressure from another significant acquisition. Deleveraging headroom is limited as free cashflows were negative for the past three years.

- **Significant financial flexibility to meet near-term debt maturities despite recent capital outlays:** As at end-FY2011, WHARF's cash balance was HK$32.5bn, with another HK$13.6bn of undrawn committed bank facilities. Pro-forma for the HK$7.9bn land premium for the Ocean Terminal lease renewal, the HK$5.4bn investment in Greentown and another HK$4bn in proceeds from non-core asset sales, cash balance will be HK$23.3bn while net debt will be HK$52.8bn. Liquidity is sufficient to meet HK$8.9bn of debt maturing in 2012 though not necessarily sufficient for contracted capex of HK$22.66bn (depending on pace of development and cash disbursements), which may require a drawdown of the committed bank facility.

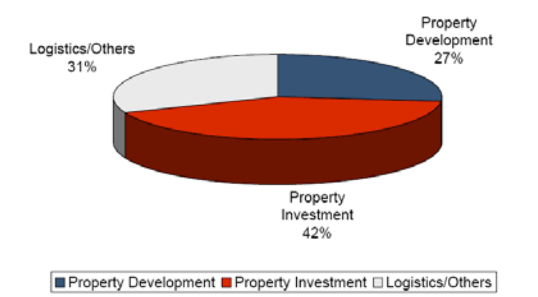
Wharf Holdings Ltd

Table 30: Summary Financials

	FY2010	FY2011
Income statement (HK$ mn)		
Revenue	19,380.0	24,004.0
EBITDA	10,700.0	12,783.0
Gross interest expense	1,275.0	3,014.0
Profit before tax	38,823.0	34,641.0
Net income	35,750.0	30,568.0
Balance sheet (HK$ mn)		
Cash and equivalents	16,900.0	32,528.0
Total assets	242,768.0	317,973.0
Total debt	49,589.0	75,993.0
Net debt	32,689.0	43,465.0
Shareholders' equity	170,649.0	210,874.0
Cash flow (HK$ mn)		
FFO	37,078.0	31,963.0
CFO	1,467.0	-40.0
Capex	3,774.0	12,030.0
Adjusted FOCF	-12,063.0	-24,100.0
Key Ratios		
EBITDA margin (%)	55.2%	53.3%
Net margin (%)	184.5%	127.3%
Total debt/EBITDA (x)	4.6x	5.9x
Net debt/EBITDA (x)	3.1x	3.4x
Total debt/equity (x)	0.3x	0.4x
Net debt/equity (x)	0.2x	0.2x
Total debt/total capital (%)	22.5%	26.5%
Net debt/net capital (%)	16.1%	17.1%
Adjusted FOCF/gross debt (%)	-24.3%	-31.7%
EBITDA/total interest (x)	8.4x	4.2x

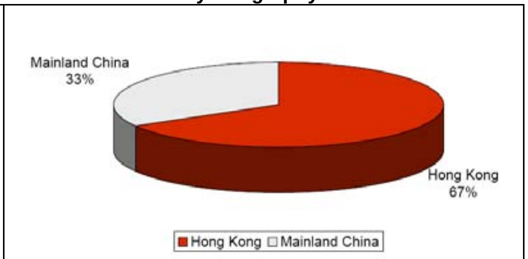
Source: OCBC estimates

Chart 59: Revenue by Business Line – FY2011



Source: Company

Chart 60: Revenue by Geography – FY2011



Source: Company

Credit Outlook – Despite aggressive expansion by Wharf into China, the group has strong financial flexibility via committed bank lines and capital market access while net debt at the Wheelock level remains lower than Wharf. Within the WHEELK/WHARF complex, we prefer the WHEELK'14 to WHARF'16 for an 8bp give-up (all-in yield of 2.72%) in return for a shorter duration by 1.6 years and migration to a stronger credit.

Overweight

S&P: Not rated Outlook: N/A

Moody's: Not rated Outlook: N/A

Fitch: Not rated Outlook: N/A

Ticker: WHEELK

Company profile

Founded in Shanghai in 1857, Wheelock and Company Ltd is a listed investment holding company headquartered in Hong Kong. Wharf (Holdings) Ltd is the Group's principal subsidiary with HK$281.8bn of consolidated assets. While prime real estate is Wharf's strategic focus, mall management remains Wheelock's strategic differentiation. Together with Wheelock Properties Ltd, both companies generate a solid recurring dividend income for the Group.

Wheelock & Co Ltd

Key credit considerations

- **Functional transformation from a pure holding company into the Hong Kong property development arm is complete**: With the acquisition of two commercial sites and one residential site in Hong Kong, Wheelock has evolved from being a pure investment holding company to the Hong Kong and Singapore property development arm of the group. In 2011 and early 2012, HK$9.4bn was invested in replenishing land bank, increasing it to 6.2mn sq ft. The successful sale of Scotts Square in Singapore and One Island South in Hong Kong accounted for 44% of profit before tax (excluding revaluation surplus), driving net profit up 13.2% y/y to HK$22.9bn. Going forward, we believe that Wheelock's Hong Kong property development operations will be a larger contributor to its earnings in the medium term as the residential projects in Lexington Hill, Kadoorie Hill and at MTR Austin Station gets underway (28% of EBIT). Sales progress of Scotts Square and Orchard View in Singapore will also drive FY2012 development income for Wheelock Properties Singapore Ltd ("WPSL") – 27% of EBIT.

- **Wharf's core operating performance in FY2011 continues to be strong:** Full-year results at WHEELK's 50.4%-owned Wharf was no surprise, with flagship Times Square and Harbour City malls contributing to higher rental earnings (up 18% y/y to HK$7.3bn) while development earnings grew 84% y/y to HK$2.27bn on higher completions, driving core earnings up to HK$8bn (up 14% y/y). A smaller revaluation surplus of HK$23.8bn for the full-year resulted in a lower net profit of HK$30.6bn (down 14% y/y). The strategic rationale for the recent HK$5.4bn investment in Greentown China Holdings Ltd is unclear, given its limited board representation and no management control of the company.

- **Moderate credit profile:** Since the beginning of the year, WHEELK raised HK$5.35bn of new debt from bond issues, bringing pro-forma gross debt to HK$101bn or adjusted gross debt/total capitalization of 30%. Interest coverage ratios remain robust with EBITDA/gross interest coverage of 5.9x and FFO/gross interest of 7.4x.

- **Significant financial flexibility:** Despite group net debt of HK$53bn at end-FY2011, actual net debt at the Wheelock parent level is significantly lower at HK15bn, with most of the remaining HK$43.5bn sitting at the Wharf level, which is non-recourse to Wheelock and other subsidiaries. Unutilized committed banking facilities for the group was HK$19.3bn at end-FY2011, of which, HK$1.0bn was at the Wheelock group level (excluding Wharf and Wheelock Properties Singapore Ltd). At the group level, cash balance of HK$42.7bn is sufficient to meet consolidated debt maturities through 2013 (2012: HK$8.9bn, 2013: HK$16.3bn). While HK$56.2bn of debt maturing in 2014 - 2018 will have to be refinanced, we believe this is mitigated by the still sizeable undrawn committed bank facilities of HK$19.3bn for the group and both Wheelock and Wharf have demonstrated their ability to access both the loan and bond markets. Recent issuance by Wheelock since Dec-2011 has included a S$185mn 3-year bond, a US$535mn 5-year bond and HK$1.15bn debt issuance over the 2, 5 and 10 year tenors.

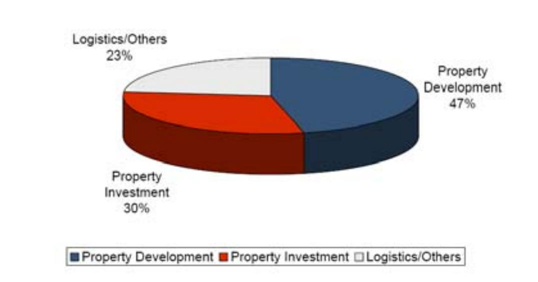
Wheelock & Co Ltd

Table 31: Summary Financials

	FY2010	FY2011
Income statement (HK$ mn)		
Revenue	24,186.0	34,558.0
EBITDA	12,716.0	19,128.0
Gross interest expense	1,388.0	3,257.0
Profit before tax	42,335.0	44,122.0
Net income	20,194.0	22,866.0
Balance sheet (HK$ mn)		
Cash and equivalents	27,540.0	42,668.0
Total assets	286,236.0	364,112.0
Total debt	65,682.0	95,682.0
Net debt	38,142.0	53,014.0
Shareholders' equity	193,076.0	235,194.0
Cash flow (HK$ mn)		
FFO	21,526.0	24,264.0
CFO	3,391.0	-3,375.0
Capex	4,039.0	12,180.0
Adjusted FOCF	-21,475.0	-19,391.0
Key Ratios		
EBITDA margin (%)	52.6%	55.4%
Net margin (%)	83.5%	66.2%
Total debt/EBITDA (x)	5.2x	5.0x
Net debt/EBITDA (x)	3.0x	2.8x
Total debt/equity (x)	0.3x	0.4x
Net debt/equity (x)	0.2x	0.2x
Total debt/total capital (%)	25.4%	28.9%
Net debt/net capital (%)	16.5%	18.4%
Adjusted FOCF/gross debt (%)	-32.7%	-20.3%
EBITDA/total interest (x)	9.2x	5.9x

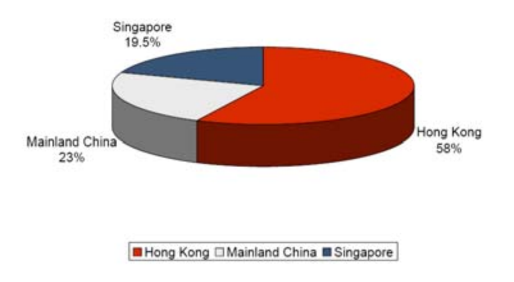
Source: OCBC estimates

Chart 61: Revenue by Business Line – FY2011



Source: Company

Chart 62: Revenue by Geography – FY2011



Source: Company

Credit Outlook – Since issuance in April 2012, CENCHI'16 has tightened significantly to 9.76%YTM. Despite this, we see further upside, given the strong tone of the PRC US$ high-yield sector, amidst signs of policy accommodation by the PRC government to prop up economic growth, and especially in Henan where CENCHI operates, where downpayments have been lowered and benchmark mortgage rates are discounted.

Overweight

S&P: BB- Outlook: Stable

Moody's: Ba3 Outlook: Stable

Fitch: Not rated Outlook: N/A

Ticker: CENCHI

Company profile

Central China Real Estate Ltd ("CENCHI") is a leading residential property developer in Henan, China. With an operating history of 20 years, it has a strong brand in Henan's residential property market and completed an aggregate GFA of 7mn sqm since inception. As of 31st December 2011, CENCHI has 42 projects in 24 cities at the Tier 2, 3, 4 and sub-county levels across Henan, with a market share of 3.7%. Key shareholders are the Chairman, Mr Wu Po Sum (47.2%) and Capitaland Ltd (27.1%).

Central China Real Estate Ltd

Key credit considerations

- **Recent change of CEO is credit neutral:** Mr Wang Jianye resigned as CEO recently due to health concerns and was replaced by the COO Mr Chen Jianye, who has been in charge of the operations in China and had a total tenure of 5 years with CENCHI in various capacities. As for capital-raising responsibilities which Mr Wang used to assume, this is now undertaken by the CFO and the Head of Investors Relations/CIO. As such, we believe there is little risk of disruption to management continuity.

- **Contracted sales on track:** Contracted sales for 1H2012 reached RMB5.1bn (up 13.6% y/y), representing a 57% lock-in rate for the full year target of RMB9bn. GFA sold was 756,804 sqm (up 6.6% y/y) while ASP rose 6.6% to RMB6,791/sqm due to the change in product mix towards higher-end properties. At RMB1.64bn, contracted sales for June was 3.5x that of May's RMB457mn while corresponding GFA sold of 233,862 sqm was 4x May's 57,318 sqm. This is in line with CENCHI's expectation of a pick-up from a slow 5MFY2012 which had fewer project launches and improving buyer sentiment.

- **Establishment of two more jointly-controlled entities ("JCEs") with Bridge Trust Co. Ltd increases financial flexibility but obscures aggregate indebtedness:** In late-April, CENCHI established two trusts with Bridge Trust Co. Ltd up to a total capital of RMB900mn (US$143mn). Under the agreement, the trust capital will be injected into project companies such that CENCHI and Bridge Trust's stake does not exceed 50% such that under the accounting standards, indebtedness is not consolidated by CENCHI. As such, the JCEs obscure the true leverage position of CENCHI. However, this improves financial flexibility by increasing its debt maturity profile since the JCEs have a maximum tenor of 5 years (3 years with two 1-year extensions) while diversifying its funding sources, albeit at a relatively high IRR of 13%. Moody's expects its gross debt/total capitalization to be c.57% at end-2012.

- **Steady operating performance likely to underpin debt service:** Pro-forma for the proceeds raised from the Bridge Trust financing and the recent S$175mn bond issue, estimated cash balance of RMB5.04bn (excluding restricted cash) is sufficient to meet maturing debt of RMB2.85bn in the next year (including a HK$765mn CB puttable in Aug-2012 with a minimum 8% IRR). With 5MFY2012 contracted sales approximately in line with the full-year target, expected cash receipts from contracted sales of RMB7bn seems achievable (implied cash collection rate of 78.1% is similar to 79.7% in FY2011). Liquidity position is intact with budgeted cash inflows of RMB9.3bn likely to be achieved and meet expected cash outflows of RMB9.19bn as CENCHI adopts a gradual land acquisition strategy (maintain landbank at c.13.8mn sqm area and replenish only what has been used).

- **Constructive view by rating agencies:** Moody's is sanguine about CENCHI, citing its ability to tap the offshore funding market while enjoying good sales from its core niche in the mass market, first-time home buyer/upgrader segment. S&P views its liquidity as adequate, underpinned by good contract sales.

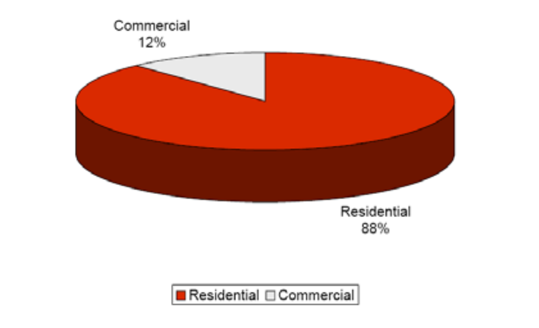
Central China Real Estate Ltd

Table 32: Summary Financials

	FY2010	FY2011
Income statement (RMB mn)		
Revenue	4,516.4	6,638.4
EBITDA	1,175.0	2,169.6
Gross interest expense	313.3	582.2
Profit before tax	1,095.5	1,817.8
Net income	544.9	668.0
Balance sheet (RMB mn)		
Cash and equivalents	3,370.3	3,255.5
Total assets	15,433.2	19,478.3
Total debt	5,015.2	5,379.4
Net debt	1,644.8	2,123.8
Shareholders' equity	3,771.7	5,041.8
Cash flow (RMB mn)		
FFO	1,110.6	1,839.9
CFO	1,812.8	343.2
Capex	212.9	456.8
Adjusted FOCF	432.4	-1,223.4
Key Ratios		
EBITDA margin (%)	26.0%	32.7%
Net margin (%)	12.1%	10.1%
Total debt/EBITDA (x)	4.3x	2.5x
Net debt/EBITDA (x)	1.4x	1.0x
Total debt/equity (x)	1.3x	1.1x
Net debt/equity (x)	0.4x	0.4x
Total debt/total capital (%)	57.1%	51.6%
Net debt/net capital (%)	30.4%	29.6%
Adjusted FOCF/gross debt (%)	8.6%	-22.7%
EBITDA/total interest (x)	3.8x	3.7x

Source: OCBC estimates

Chart 63: Contract Sales by Type – FY2011



Source: Company

Chart 64: Contracted Sales by Cities – FY2011

Source: Company

Credit Outlook – An aggressive capex posture over the past few years has led to higher leverage, raising concerns about debt-servicing capacity. Syndicated loan market access is insufficient, necessitating frequent bond issuance that tends to be short-dated. At 102.25 offer/7%YTM, the SHUION'15 is unattractive and we prefer extending duration via CENCHI'16 for its higher carry of 9.76%, a better parentage and stronger credit metrics.

Underweight

S&P: Not rated Outlook: N/A

Moody's: Not rated Outlook: N/A

Fitch: Not rated Outlook: N/A

Ticker: SHUION

Company profile

Shui On Land Ltd specializes in mixed-use and large-scale city-core development projects spanning the residential, office, retail, hotel and entertainment segments. Listed on HKEX in 2006, it is the flagship property company of the Shui On Group with Chairman Vincent Lo owning more than 50% of the company. As of end-2011, its landbank was 13mn sqm in 9 development projects across Shanghai, Hangzhou, Wuhan, Chongqing, Foshan and Dalian.

Shui On Land Ltd

Key credit considerations

- **Higher FY2011 turnover but sales mix is a concern:** Turnover of RMB8.5bn was 74% higher y/y. Excluding revaluation gains, core net profit rose 108% y/y to RMB1.57bn. Contracted sales for FY2011 was RMB10.7bn, with a significant proportion made up of en-bloc sales of commercial properties (45% of total) while property sales only made up 55% of the total or RMB5.9bn. While the en-bloc sales of the office and retail properties (Wuhan Tiandi, Chongqing Tiandi and Shanghai KIC) helped generate some cashflow, we view this as realizing upfront cashflow to make up for slow property sales by forgoing future rental income from the investment property portfolio. The RMB12bn contracted sales target for FY2012 seems aggressive given that RMB9bn of this is expected to come from property sales (53% higher y/y).

- **Capital recycling via proposed spin-off of Shanghai Xintiandi is uncertain:** SHUION opined that it is considering a potential spin-off of its flagship Shanghai Xintiandi asset, other completed investment projects and undeveloped land to monetize some of its assets while retaining control. The expected fund-raising target may be at least HK$1bn and may be carried out in 2HFY2012.

- **Rapidly rising leverage and weak credit metrics:** Leverage has been rising rapidly over the past few years, as weak operating cashflows and significant capex outlays have resulted in negative free cashflows. Gross debt rose from RMB10.2bn in FY2009 to RMB25.5bn in FY2011, driving gross debt/total capitalization up to 46.4%. Pro-forma for the recent bond issuance and the refinancing of the Xintiandi loan, this rose to 50.2%. Cashflow protection metrics remained very weak with EBITDA/gross interest coverage of 1.6x and FFO/gross interest of only 1.9x.

- **Liquidity pressures are rising:** Based on SHUION's contracted sales target of RMB12bn and assuming a cash collection rate of 80%, estimated cash receipts for FY2012 is RMB9.6bn. Including RMB2.4bn cash collection from FY2011 sales and proceeds of RMB6.39bn from new bond issues and refinancing of the Xintiandi loan, estimated total cash inflows of RMB18.4bn is insufficient to meet estimated cash outflows of RMB24.3bn (SGA, interest and tax of RMB4.5bn, construction costs of RMB5.5bn, land premium of RMB1.5bn, relocation cost of RMB4bn and debt repayment of RMB8.8bn). With unrestricted cash balance of RMB3.5bn as of end-2011, net shortfall is c.RMB2.36bn.

- **Significant refinancing risk in 2013 and 2015:** Near-term maturing debt amounts to RMB8.8bn (including RMB2.72bn 4.5% puttable CB and the RMB3bn 6.875% USD-settled CNY synthetic bond). With the CB currently trading at the 98 handle (below the par put price), it is likely that bondholders may put the CB to SHUION. Existing cash balance of RMB5.23bn is insufficient to fully repay the debt while free cashflows are likely to remain negative and unable to facilitate debt service, as operating cashflows are thin and capex outlays continue to be material. This is somewhat mitigated by SHUION exhibiting its ability to access the bond and loan markets this year with two bond issues in Jan-2012 and the refinancing of its RMB2.1bn syndicated loan for Xintiandi in Mar-2012 (though downsized from original target of US$410mn). In addition, unencumbered assets was 71% of the total while undrawn bank facilities amounted to RMB6.4bn as of end-2011, providing some headroom for SHUION to raise new financing to roll over maturing debt, if needed.

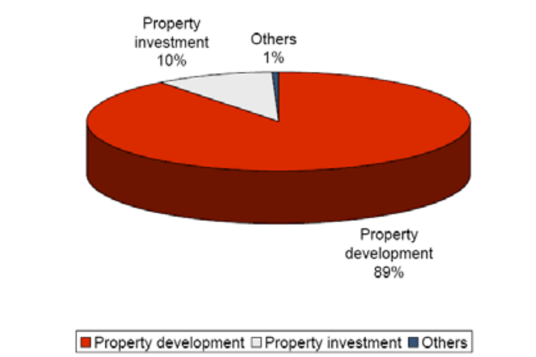
Shui On Land Ltd

Table 33: Summary Financials

	FY2010	FY2011
Income statement (RMB mn)		
Revenue	4,879.0	8,484.0
EBITDA	1,373.0	2,939.0
Gross interest expense	888.0	1,800.0
Profit before tax	4,367.0	6,060.0
Net income	2,809.0	3,428.0
Balance sheet (RMB mn)		
Cash and equivalents	5,221.0	5,227.0
Total assets	56,253.0	68,604.0
Total debt	18,245.0	25,488.0
Net debt	11,455.0	19,118.0
Shareholders' equity	26,028.0	29,471.0
Cash flow (RMB mn)		
FFO	2,875.0	3,495.0
CFO	-3,323.0	528.0
Capex	3,459.0	7,517.0
Adjusted FOCF	-6,891.0	-6,989.0
Key Ratios		
EBITDA margin (%)	28.1%	34.6%
Net margin (%)	57.6%	40.4%
Total debt/EBITDA (x)	13.3x	8.7x
Net debt/EBITDA (x)	8.3x	6.5x
Total debt/equity (x)	0.7x	0.9x
Net debt/equity (x)	0.4x	0.6x
Total debt/total capital (%)	41.2%	46.4%
Net debt/net capital (%)	30.6%	39.3%
Adjusted FOCF/gross debt (%)	-37.8%	-27.4%
EBITDA/total interest (x)	1.5x	1.6x

Source: OCBC estimates

Chart 65: Revenue by Business Line – FY2011



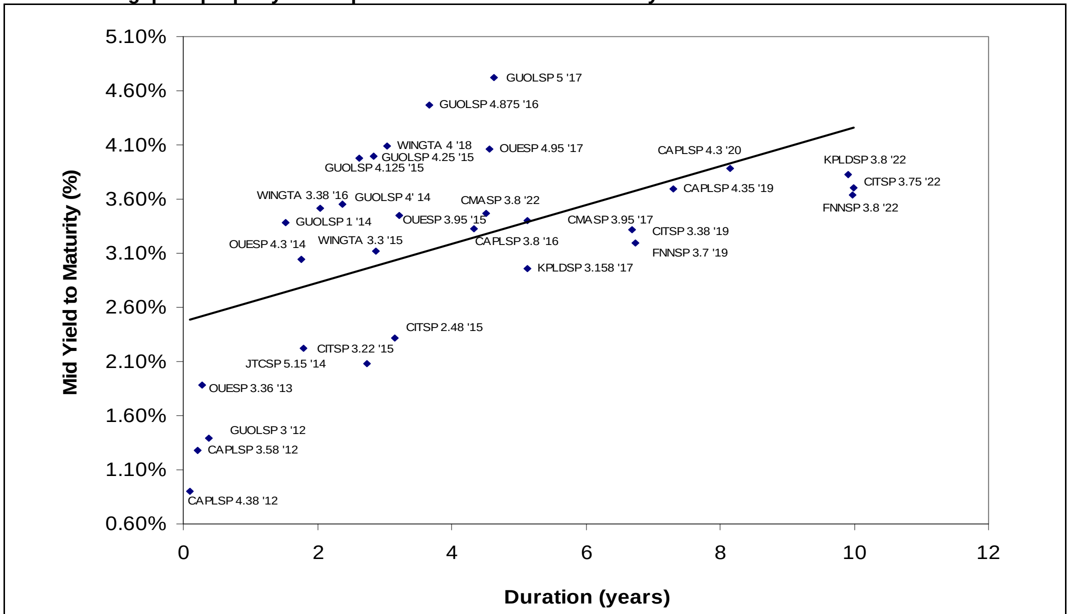
Source: Company

Chart 66: Segment Assets by Business – FY2011

Source: Company

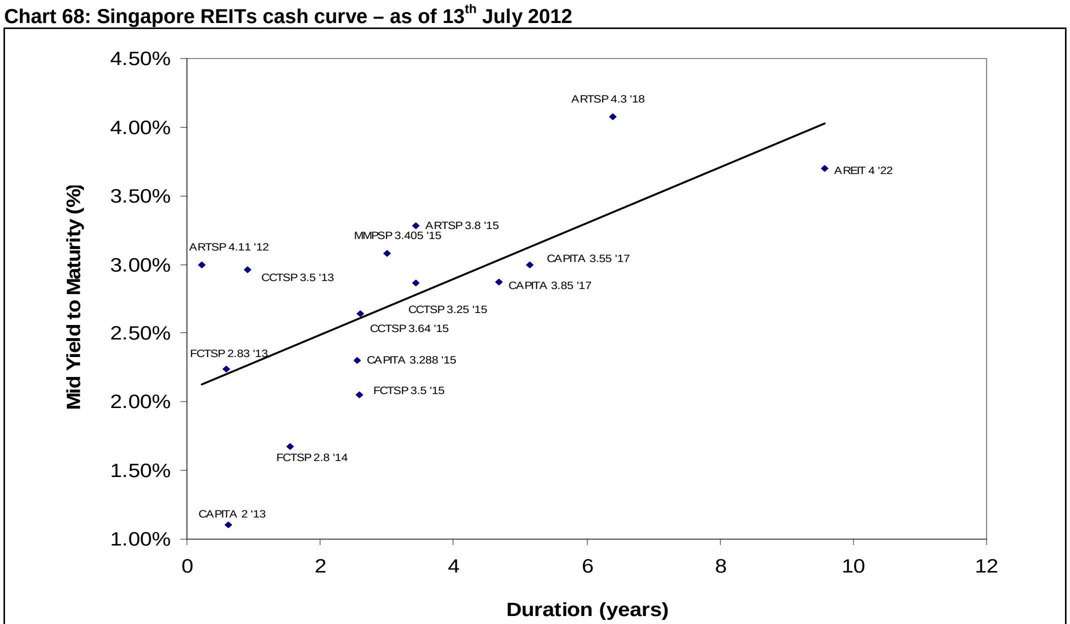
Appendix A

Chart 67: Singapore property developers cash curve – as of 13th July 2012



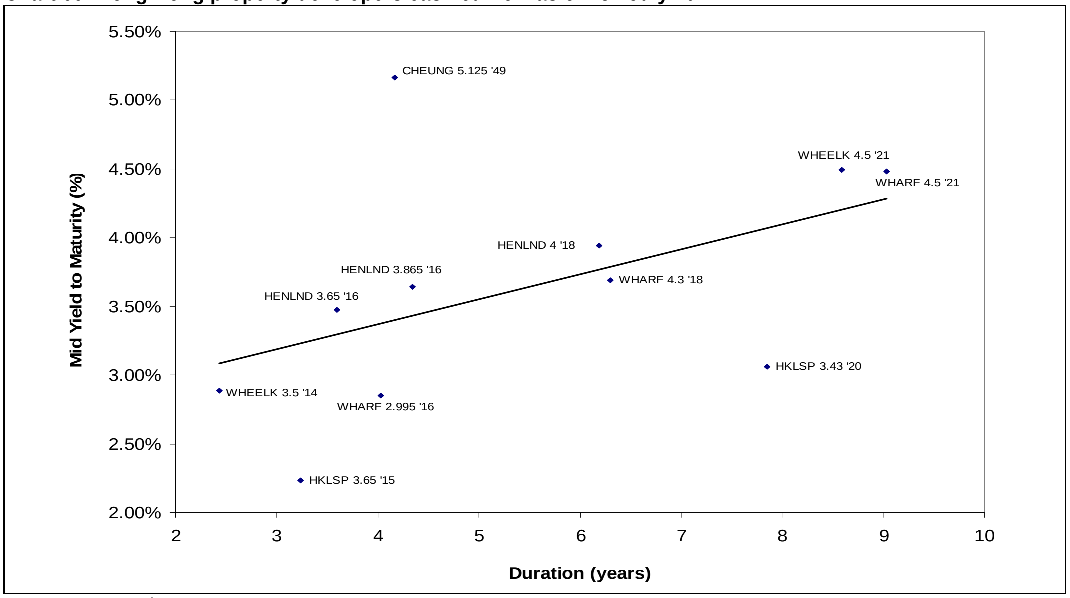
Source: OCBC estimates

Chart 68: Singapore REITs cash curve – as of 13th July 2012



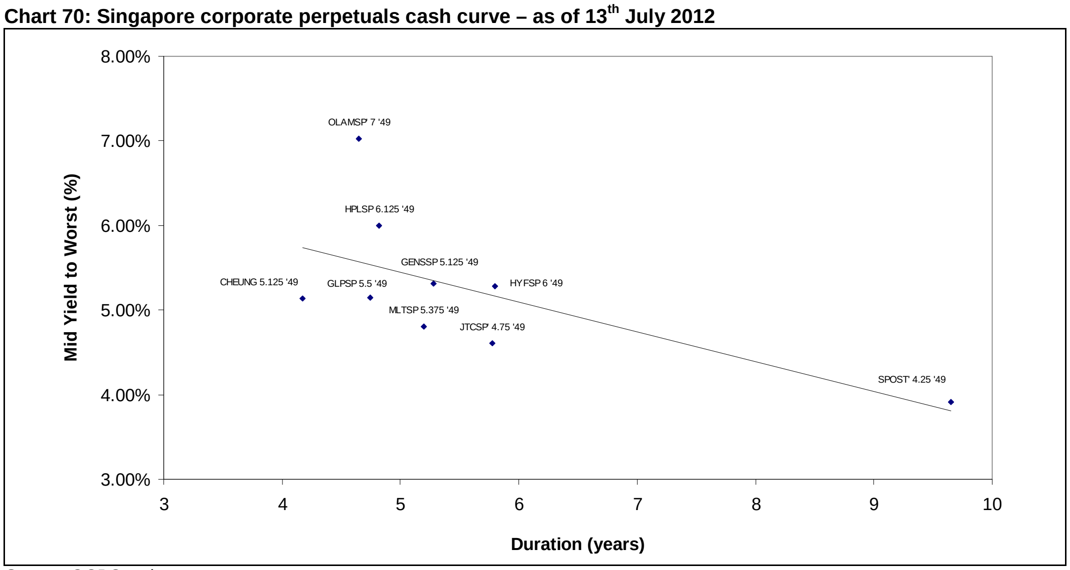
Source: OCBC estimates

Chart 69: Hong Kong property developers cash curve – as of 13th July 2012



Source: OCBC estimates

Chart 70: Singapore corporate perpetuals cash curve – as of 13th July 2012



Source: OCBC estimates