Asian Credit Daily

OCBC Bank

28 Jul 2017

Credit Headlines (Page 2 onwards): Industry Outlook – Singapore Residential Property, Sembcorp Industries/ Sembcorp Marine, Mapletree Commercial Trust, Ascendas Real Esatte Investment Trust, Singapore Airlines Ltd, Frasers Hospitality Trust, United Overseas Bank Ltd, Keppel Corp Ltd/ Wing Tai Holdings Ltd, CK Hutchinson Holdings Ltd

Market Commentary: The SGD swap curve traded downwards yesterday, with swap rates trading 2-4bps lower across all tenors.Flows in SGD corporates were heavy, with better buying seen in HSBC 4.7%-PERPs, HRAM 3.2%'21s, and mixed interest seen in ABNANV 4.75%'26s and OLAM 5.5%-PERPs. In the broader dollar space, the spread on JACI IG Corporates rose 1bps to 189bps, while the yield on JACI HY Corporates traded little changed at 6.90%. 10y UST yields rose 2bps yesterday, as yields advanced with the announcement of AT&T's USD22.5bn debt offering and durable goods orders came in stronger than expected.

New Issues: BNZ International Funding Ltd, through its London Branch, has priced a USD650mn 5.25-year bond (guaranteed by Bank of New Zealand) at CT5.25+85bps, tightening from initial guidance of CT5.25+95bps area. The expected issue ratings are 'NR/A1/NR'. Incitec Pivot Finance LLC has priced a USD400mn 10-year bond (guaranteed by Incitec Pivot Ltd) at CT10+167.5bps, tightening from initial guidance of CT10+195bps area. The expected issue ratings are 'BBB/Baa2/NR'. Azure Power Energy Ltd has priced a USD500mn 5.25NC3 green bond (guaranteed by Azure Power Global Ltd, guarantee falls away after certain metrics are met) at 5.5%, tightening from initial guidance of 5.625%. The expected issue ratings are 'NR/Ba3/BB-'. Shougang Group has priced a EUR400mn 3-year bond at CT3+145.2bps, tightening from initial guidance of CT3+142.5bps. The expected issue ratings are 'NR/NR/A-'.

Rating Changes: Moody's has withdrawn Soilbuild Business Space REIT's (Soilbuild REIT) 'Baa3' issuer and senior unsecured ratings, as well as the negative outlook on the issuer rating. Moody's states that it has withdrawn the ratings for its own business reasons.

Table 1: Key Financial Indicators

	28-Jul	1W chg (bps)	1M chg (bps)		28-Jul	1W chg	1M chg
iTraxx Asiax IG	82	-3	-4	Brent Crude Spot ($/bbl)	51.38	6.91%	8.60%
iTraxx SovX APAC	20	-1	0	Gold Spot ($/oz)	1,258.20	0.26%	0.71%
iTraxx Japan	40	1	0	CRB	181.14	1.54%	5.95%
iTraxx Australia	76	-3	-8	GSCI	383.93	3.44%	5.88%
CDX NA IG	57	0	-3	VIX	10.11	5.53%	0.80%
CDX NA HY	108	0	1	CT10 (bp)	2.301%	6.39	7.35
iTraxx Eur Main	51	-1	-3	USD Swap Spread 10Y (bp)	-4	-1	0
iTraxx Eur XO	230	-6	-7	USD Swap Spread 30Y (bp)	-33	-3	-2
iTraxx Eur Snr Fin	50	0	-3	TED Spread (bp)	22	4	-8
iTraxx Sovx WE	4	0	-2	US Libor-OIS Spread (bp)	15	0	2
iTraxx Sovx CEEMEA	49	-4	-5	Euro Libor-OIS Spread (bp)	3	0	0
					28-Jul	**1W chg**	**1M chg**
				AUD/USD	0.797	0.67%	4.31%
				USD/CHF	0.970	-2.49%	-1.05%
				EUR/USD	1.169	0.21%	2.72%
				USD/SGD	1.361	0.12%	1.55%
Korea 5Y CDS	55	-2	3	DJIA	21,797	0.85%	1.59%
China 5Y CDS	63	-3	-7	SPX	2,475	0.08%	1.42%
Malaysia 5Y CDS	81	-4	-4	MSCI Asiax	657	1.08%	5.02%
Philippines 5Y CDS	70	-2	-6	HSI	26,959	0.95%	4.97%
Indonesia 5Y CDS	111	-5	-6	STI	3,325	0.31%	3.38%
Thailand 5Y CDS	61	-3	-1	KLCI	1,769	0.58%	-0.11%
				JCI	5,809	0.75%	-0.36%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
28-Jul-17	BNZ International Funding Ltd	'NR/A1/NR'	USD650mn	5.25-year	CT5.25+85bps
28-Jul-17	Incitec Pivot Finance LLC	'BBB/Baa2/NR'	USD400mn	10-year	CT10+167.5bps
28-Jul-17	Azure Power Energy Ltd	'NR/Ba3/BB-'	USD500mn	5.25NC3	5.5%
28-Jul-17	Shougang Group	'NR/NR/A-'	EUR400mn	3-year	CT3+145.2bps
26-Jul-17	Suntec REIT MTN Pte Ltd	Not Rated	SGD100mn	6-year	2.85%
25-Jul-17	CDBL Funding 2	'NR/A2/A+'	USD600mn	5-year	CT5+125bps
25-Jul-17	PT ABM Investama Tbk	'NR/Ba3/BB-'	USD300mn	5NC3	7.375%
24-Jul-17	Industrial Bank of Korea	'NR/Ba2/BB+'	USD300mn	Perp NC5	3.95%

Source: OCBC, Bloomberg

Rating changes (Cont'd): S&P has affirmed CK Hutchison Holdings Ltd (CK Hutchinson) corporate credit rating and senior unsecured rating at 'A-', while affirming its guaranteed subordinated notes rating at 'BBB'. In the meantime, S&P also affirmed CK Hutchinson's subsidiaries, CK Infrastructure Holdings Ltd (CKI) and Power Assets Holdings Ltd's (PAH) corporate credit ratings at 'A-'. S&P has also revised the outlook on all three companies to positive from stable. The rating action on CK Hutchinson reflects S&P's expectation that CK Hutchinson's financial performance is likely to remain strong, and that the pace of the group's new investments are likely to moderate further. The rating action on CKI and PAH was due to the fact that CKI and PAH are core subsidiaries of CKHH, and therefore the ratings on these two companies are tied to CKHH's group credit profile. Moody's has affirmed China Resources Gas Group Limited's (CR Gas) issuer and senior unsecured ratings at 'Baa1', while revising the outlook to positive from stable. The rating action reflects CR Gas' strengthened credit profile that was underpinned by its robust operating performance, and Moody's expectation that the company will maintain its prudent financial policy. Fitch has assigned Kyobo Life Insurance Company Limited's (Kyobo) subordinated securities a rating of 'A-'. The rating action reflects Moody's assumption that the securities have 'below-average' recovery prospects in the event of a default, given the level of subordination.

Credit Headlines:

Industry Outlook – Singapore Residential Property: URA released the 2Q17 real estate statistics. Private residential property prices fell 0.1% q/q (compared to preliminary estimates of -0.3%). This was due largely to prices of non-landed properties in the Core Central Region falling by 0.5% q/q (1Q17: -0.4% q/q) and the Outside Central Region declining by 0.3% q/q (1Q17: -0.1% q/q), though prices in Rest of Central Region continued to inch up by 0.6% q/q (1Q17: +0.3% q/q). Developers moved 3,077 units (excl ECs) in 2Q17, consistent with the 2,962 units sold in 1Q17. Annualising the total units sold over 1H17, the remaining supply of 15,085 unsold units (excl ECs) look very manageable. As such, we continue to hold the view that the Singapore residential property market has bottomed. (URA, OCBC)

Sembcorp Industries ("SCI") / Sembcorp Marine ("SMM"): SMM reported 2Q2017 results with revenue declining 27.8% y/y to SGD655.5mn. Revenue was also lower q/q by 13.8%. Like previous quarters, the slump in revenue was driven by lower revenue recognized on drilling assets, such as rigs and floaters, which declined 22.5% y/y to SGD322.3mn. Segment weakness remains driven by the anaemic offshore E&P activity, which in turn suppresses newbuild demand. The Offshore Platform segment, which performed well during 1Q2017, plunged 47.8% y/y to SGD171.5mn, potentially due to SMM's outstanding FPSO contracts being consumed. Offshore Platform net order compressed from 11% of end-2016's SGD7.8bn total order book to 6% of end-1H2017's SGD6.7bn total order book. The Repairs & Upgrades was also soft with segment revenue declining 5.6% to SGD145.7mn. Gross profits improved q/q though from just SGD19.9mn to SGD76.3mn, which allowed a gross margin of 11.6% (1Q2017: 2.6%). Net order book (including SGD3.1bn worth of Sete Brasil orders) has continued to decline from SGD7.1bn (end-1Q2017) to SGD6.7bn (end-2Q2017). Rebuilding the order book remains a challenge, with no new orders won during 2Q2017. SMM has updated that Sete Brasil will be having a general creditors' meeting in August 2017. Management has reiterated that the SGD329mn in provisions taken in 4Q2015 over the Sete Brasil contracts remain adequate. There were also minimal new updates regarding the two jack-up rigs to be delivered to Perisai Petroleum Teknologi (currently in default) and three jack-up rigs deferred by Oro Negro. SMM has indicated that Transocean has requested SMM to actively resume work on the two drillships that Transocean currently has on order with SMM. However, as announced previously, the standstill agreement with North Atlantic Drilling (first announced 03/12/15) regarding the West Rigel semi-submersible was again extended till 06/01/18. Management reiterated that the SGD280mn in provisions taken in 4Q2015 over non-Sete Brasil orders remain adequate. Operating profit fell to SGD28.5mn (-46.8% y/y) due to overall weak performance, with SMM generating just SGD3.7mn in net profit. Operating cash flow worsened with SGD247.1mn operating cash burn, due to working capital needs. This, coupled with SGD45.8mn in capex for the quarter (on its Tuas and Brazil yards), resulting in ~SGD293mn in negative free cash flow. The cash burn was largely funded by SMM drawing on its cash balance, as well as additional borrowings. This caused net gearing to increase q/q to 131% (from 118%). As mentioned in previous quarters, SMM credit profile deterioration had impacted SCI. Given the recent mixed performance of SCI's utilities segment (specifically its second Indian GenCo), we will be monitoring SCI's 2Q2017 results closely. (Company, OCBC)

Credit Headlines (Cont'd):

Mapletree Commercial Trust ("MCT"): MCT reported 1QFY2018 results (ending June 2017), with gross revenue up 46.9% y/y to SGD107.8mn while NPI was up 49.6% y/y to SGD84.2mn. As mentioned in previous quarters, the sharp gains were mainly due to contribution from Mapletree Business City Phase 1 ("MBC"), which was acquired on 25/08/16. That said, MCT's performance remains strong as after adjusting for MBC, MCT still saw a 4.1% and 3.4% y/y increase in gross revenue and NPI respectively for the quarter. Performance was again driven by the strong showing at VivoCity (NPI up 4.6% y/y), with the property likely benefitting from the completion of AEI works in Basement 2 and Level 3 during 2QFY2017. Mapletree Anson also performed (NPI up 7.7%), with the property benefitting from the y/y recovery in occupancy to 99.2% (1QFY2017: 94.7%). Like the previous quarter though, Bank of America Merrill Lynch HarbourFront ("MLHF") remains a drag, with MCT still ramping up the space that Bank of America Merrill Lynch vacated on the sixth floor. Though MLHF's occupancy improved q/q to 91.6% (4QFY2017: 79.2%), it was not enough to offset the 8.1% y/y decline in property NPI. In aggregate, portfolio occupancy improved slightly q/q to 98.1% (4QFY2017: 97.9%), with the q/q improvements at MLHF helping to offset declines at the PSA Building. Retention rates remained robust at Retail at 79.4% across 57 leases during the quarter. MCT still managed to increase rents by 1.7% (though this was much lower than the +12.0% reversion seen in FY2017). Office / Business Park retention was weaker at 69.4%, though this might be a function of just 8 leases being renewed for the segment. Rental reversion for the segment was also weak at -3.3%, though it was largely driven by the -5.9% MBC rent reversion. VivoCity (accounting for 47% of total gross revenue) performance continues to be resilient, with 1QFY2018 Shopper Traffic up 7.2% y/y and Tenant Sales up 3.8% y/y. WALE for both Retail and Office/Business Park remained relatively stable at 2.0 years and 3.4 years respectively. The lease expiry profile looks manageable, with MCT having 5.0% and 3.9% of gross rental revenue expiring for Retail and Office/Business Park respectively for the balance 9 months of FY2018. Aggregate leverage remained flattish at 36.4% (4QFY2017: 36.3%) with MCT's balance sheet relatively unchanged. MCT's portfolio remains entirely unencumbered, while proportion of fixed debt worsen q/q to 73.7% (FY2017: 81.2%). We will retain our Neutral Issuer Profile on MCT, as we don't foresee major near-term improvements to MCT's leverage levels. (Company, OCBC)

Ascendas Real Estate Investment Trust ("AREIT"): AREIT announced its results for the quarter ended 30 June 2017 ("1QFY2018"). Revenue was up 2.7% to SGD213.3mn driven by contributions from acquisitions in Sydney, Melbourne and Science Park in Singapore, which partly offset divestments in China and the decommissioning of 50 Kallang Avenue for asset enhancement works. EBITDA (based on our calculation which excludes other income and other expenses) grew more at 3.2% to SGD138.9m. Interest expense was lower at SGD26.8mn (down 29.7%), due to absence of a loss on fair value in exchangeable collaterised securities ("ECS") and lower debt balance. Correspondingly, EBITDA/Interest improved to 5.2x (1QFY2017: 3.5x). Including 50% of perpetual distribution into the coverage ratio, we find EBITDA/(Interest plus 50% perpetuals) at 4.6x. As at 30 June 2017, AREIT's aggregate leverage was healthy at 33.9%, relatively flat against 31 March 2017. Adjusting 50% of perpetuals as debt, we find adjusted aggregate leverage at 35.4%. Short term debt at AREIT remains high at SGD841.8mn (and representing 24% of total gross debt) though we see refinancing risk as manageable. SGD615mn relates to revolving credit facilities which are likely to be renewed. 89.5% of investment properties (amounting to ~SGD8.9bn) remains unencumbered and can be used to raise secured financing if need be and the market for AREIT's listed equities remains conducive if a fundraising needs to be carried out. Within AREIT's Singapore portfolio, net property income ("NPI") for the light industrial and integrated development, amenities and retail segment has fallen by 6.1% and 17.9% respectively y/y. Occupancy weaknesses was also spotted, with some buildings in Singapore only-half occupied. Nonetheless, AREIT's diversified portfolio (including those in Australia) helps mitigate the sector downturn in Singapore. No single property accounts for more than 5.4% of monthly gross-revenue. We expect AREIT's expansion in Singapore to be focused on the business park and science park segments and for the REIT to continue expanding in Australia. On 27 July 2017, AREIT announced the appointment of Mr Paul Toussaint as CEO – Australia. Mr. Toussaint was most recently the Chief Investment Officer of Commercial & Industrial Property Pty Ltd and has over 25 years of experience in the real estate sector. We maintain AREIT's issuer profile at Neutral. (Company, OCBC)

Credit Headlines (Cont'd):

Singapore Airlines Ltd ("SIA"): SIA reported its financial results for the quarter ending June 2017 ("1QFY2018"). 1QFY2018 revenue was up 5.6% y/y to SGD3.9bn, mainly driven by increased in passenger flow traffic (up 7.6%), which helped offset the decline in passenger yield (down 3.1%). Passenger yield is a measure of average fare paid per mile. Cargo revenue also improved. COGS (we include fuel, aircraft maintenance and overhaul costs, handling charges and rentals on leased aircrafts) was up 5.3% to SGD1.7bn. In particular, higher average jet fuel prices contributed to the increase, while non-fuel costs was partly attributable to enlarged operations of SilkAir and Budget Aviation Holdings (comprising Scoot and Tiger Airways). Reported operating profit was stronger at SGD280.8mn (up 45%). This was driven by increased operating profits at SIA's flagship carrier ("SQ"), SIA Cargo and SIA Engineering. SIA Cargo reporting an operating profit of SGD6mn, reversing its SGD34mn loss in 1QFY2017, driven by strong freight carriage growth and improvement in cargo yield. SIA Engineering also saw an operating profit of SGD18mn, turning around from the SGD2mn loss in 1QFY2017. This was driven by lower expenditure as revenue was relatively flat. Overall operating profit margin improved to 7.3% (5.3% in 1QFY2017). EBITDA (based on our calculation which does not include other income and other expenses) was SGD691.3mn (up 19% y/y). Despite the improvement in EBITDA, EBITDA/Interest coverage though was lower at 34.4x (1QFY2017: 55.5x). Though starting from a low base, interest expense doubled to reach SGD20.1mn during the quarter as a result of increased in debt. As at 30 June 2017, SIA's gross gearing had increased to 0.2x (31 March 2017: 0.1x). The company is still in cash surplus position of SGD676mn (though significantly lower than the SGD1.8bn as at 31 March 2017). Net gearing as at 30 June 2017 was negative 0.05x versus negative 0.13x as at 31 March 2017. During the quarter, SIA spent SGD1.7bn in investing outflows (largely for aircrafts) and this was funded via a combination of bonds issued and using existing cash balances. The company has guided that indebtedness will increase. We expect SIA to turn net debt going forward as the company continues its capex plans. Nonetheless, as SIA is starting from a commendable credit profile position, we are maintaining its issuer profile at Neutral. (Company, OCBC)

Frasers Hospitality Trust ("FHREIT"): FHREIT announced its results for the quarter ended 30 June 2017 ("3QFY2017"). Gross revenue was up 22.6% to SGD38.9mn, this was largely attributable to the contribution from Novotel Melbourne on Collins (acquired in October 2016). Net property income ("NPI") though improved only 8.5% to SGD29.3mn. As the stapled structure is the Master Leasee itself of Novotel Melbourne on Collins, NPI margin for the property is computed after taking into account of operating costs such as operations, maintenance, marketing and administrative expenses. Overall NPI margin for FHREIT was 75% for 3QFY2017 (versus 85% in 3QFY2016) and this will be more reflective of the company going forward. All markets saw flat-to-positive NPI growth, except Singapore and the UK. Singapore continued to be plagued by higher operating costs (eg: marketing costs at Intercontinental Singapore) and also continued weakness from corporate demand for Frasers Suites Singapore. Operating costs in FHREIT's UK portfolio faced pressure from minimum wage increases. EBITDA (based on our calculation which does not include other income and other expenses), was SGD26.1mn (up 7.7% y/y). Interest expense was 3.4% higher at SGD4.6mn (company disclosed this is due to unfavourable foreign exchange rate). EBITDA/Interest improved to 5.7x (3QFY2016: 5.5x). In 3QFY2017, SGD2.2mn was paid in distribution to perpetual holders. Including 50% of perpetual distribution into coverage, we find EBITDA/Interest plus 50% at 4.6x, still healthy in our view. As at 30 June 2017, aggregate leverage was 34.1%, somewhat higher versus the 33.4% as at 31 March 2017. Including 50% of perpetuals as debt, we find adjusted aggregate leverage at 36.1%. Short term debt stood at SGD130mn as at 30 June 2017, though SGD115mn had been repaid as of 7 July 2017 using proceeds from the SGD120mn bonds issued (ie: the FHREIT 2.63%'22). We see refinancing risk as low at FHREIT. Cash flow from operations (before interest) was SGD29.8mn although the REIT paid out SGD46.7mn in distribution to stapled security holders (distributions are paid semi-annually). This was funded via a combination of borrowings and a SGD12.3mn draw down on cash balance. Cash balance at FHREIT remains ample at SGD67.5mn as at 30 June 2017. Investing outflows during the quarter was minimal at SGD3.8mn. We maintain FHREIT's issuer profile at Neutral. (Company, OCBC)

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Credit Headlines (Cont'd):

United Overseas Bank Ltd ("UOB"): UOB reported its 2Q2017 results with operating income up 2.9% q/q due to a 4.1% rise in net interest income with the average rates on interest bearing assets up 4bps against the 2bps rise in average rates on interest bearing liabilities. This led to net interest margin ('NIM') expansion q/q to 1.75% for 2Q2017 against 1.73% for 1Q2017. Fee and commission and other non-interest income performance was more moderate with combined q/q growth of 1.0% due to growth in credit cards, fund management and wealth management for fees and commissions. On the other hand, net gains from investment securities balanced out a q/q fall in net trading income. On a y/y basis, operating income was up 7.9% due to 12% growth in net interest income from a 7bps improvement in NIMs as well as 7.4% growth net customer loans as well as an 8.8% growth in fee and commission income from credit cards, fund management and wealth management. UOB's 2Q2017 expenses grew 3.9% q/q and 7.3% y/y mostly from staff expenses and IT-related investments and due to operating income growth trends, the cost to income ratio rose q/q but fell y/y to 45.6% (1Q2017 - 45.1%; 2Q2016 – 45.8%). Allowances fell q/q by 3.7% mostly from noticeably lower specific allowances in Singapore and Malaysia. This was partially offset by higher specific allowances in Thailand and Indonesia and higher general allowances in line with UOB's countercyclical provisioning strategy. In terms of segment performance, Retail continues to perform well along with Global Markets, with Group Wholesale Banking performance down 4.3% q/q due to higher allowances for its offshore and marine exposures. UOB's balance sheet has stayed more or less constant q/q with total assets up 0.5%, largely due to subdued loan growth with total loans and advances (net of allowances) down 0.6% q/q (however remains up 7.4% on a y/y basis). Of note was loan growth in Singapore, Malaysia, Thailand and Indonesia which was completely offset by a 6.6% fall in loans in Greater China. This is a stark difference to the y/y loan growth trends with Greater China loans up 14.5% y/y in 2Q2017 (Singapore and Thailand loans also up y/y). By industry, loans grew q/q in building and construction and personal loans (professionals and individuals, housing) only which in general indicate quite concentrated loan growth trends in our view. Loan quality indicators continue to stabilize with non-performing loans up 2.0% q/q with substandard loans up 6.1% but doubtful and loans classified as loss down 20.1% and 1.3% respectively. By geography, NPLs rose in UOB's main markets (Singapore, Malaysia, Thailand and Indonesia) but fell in Greater China. By segment the rise in NPLs came mostly from general commerce related loans. Given the q/q fall in loans and advances, the NPL ratio rose slightly to 1.52% from 1.48%. Total allowances fell 1.7% q/q mostly from lower specific allowances while general allowances rose marginally with total allowances/NPA ratios falling to 113% in 2Q2017 from 117% in 1Q2017. Total allowance/unsecured NPA's remain strong at 232% for 2Q2017. UOB's funding and liquidity position remains strong with the loan to deposit ratio improving marginally to 86.1% in 2Q2017 from 86.7% in 1Q2017 with deposit levels stable and loan contraction. The Singapore dollar and all currency liquidity coverage ratio was 218% and 156% respectively. UOB's capital position improved in 2Q2017 due to both earnings performance as well as a fall in risk weighted assets with CET1/CAR ratios at 13.8%/17.8% (1Q2017: 13.2%/17.3%). On a fully loaded basis, CET1 ratios improved y/y to 13.3% in 2Q2017 from 12.8% in 1Q2017. In summary, the results remain on trend with moderate balance sheet growth in 2Q2017 following solid balance sheet growth in 2H2016. The focused movements in loan composition could indicate UOB taking a more conservative view for 2H2017 (we note that new non-performing asset formation remained somewhat elevated in 2Q2017) despite overall loan quality stabilization and a broadly positive outlook for regional economic performance. We maintain our Neutral Issuer Profile on UOB. (Company, OCBC)

Keppel Corp Ltd ("KEP") / Wing Tai Holdings Ltd ("WTH"): KEP and WTH jointly announced that they have topped the bid for a residential site in Serangoon North Avenue 1 at SGD446.28mn (SGD965 psf). Assuming the JV is 50-50 split between KEP and WTH, we expect the net gearing of WTH to increase to 9.5% (from 3QFY2017's 6.3%) after accounting for the privatisation of Wing Tai Malaysia, sale of Shanghai site, repurchase of debt and issuance of perp. We continue to hold WTH's issuer profile at Neutral. Meanwhile, the impact to KEP is limited as the size of the land bid is small relative to its total assets of SGD28.2bn as of 2Q2017. (Company, OCBC)

Credit Headlines (Cont'd):

CK Hutchison Holdings Ltd ("CKHH"): CK Infrastructure Holdings Ltd ("CKI", ~72%-owned by CKHH) and Cheung Kong Property Holdings Ltd (an entity controlled by CKHH's major shareholders though outside the CKHH structure) will acquire Ista International GmbH for ~USD5.3bn (HKD41.4bn). The target company will be 65% held by Cheung Kong Property Holdings Ltd and the remaining 35% held by CKI. The maximum financial commitment of CKI will be ~HKD14.5bn and the company intends to finance this via internal resources and/or external borrowings. Ista is a smart-metering company and specialises in heat and water meters for apartments and commercial properties. S&P had on 27 July 2017 affirm the A- rating and lifted the outlook to Positive from Stable. S&P had opined that CKHH's financial leverage will improve over the next two years. We are reviewing the issuer profile of CKHH. (Company, S&P, OCBC)

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