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› LTA prints rare 30-year corporate bond as Singapore's infra funding ramps up

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Upfront

Levelling the field

It has been a long time coming, but global banks are finally getting some meaningful access to China's securities industry.

The draft rules from the China Securities Regulatory Commission confirm a shift in policy first announced last November. Foreign banks will be allowed to hold a controlling stake in a securities venture, will have access to the same licences as their domestic rivals, and need not partner with an existing broker.

Pointedly, the rules do not stipulate a maximum shareholding, only that it must be in line with existing regulations. That is currently 51%, but the way now seems clear for foreign investors to take a higher stake in the future without another round of rule changes.

The rules also encourage foreign shareholders – which must be top-tier financial institutions – to carry out their global range of businesses onshore. That is a clear indication that China is looking to benefit from global expertise as its capital markets develop.

> A 51% stake allows an international investment bank to control the culture, compliance and systems of its Chinese venture.

A 51% stake – with the potential for more in the future – is a game-changer for global players. It allows an international investment bank to control the culture, compliance and systems of its Chinese venture, rather than tacking its name on to an established brokerage.

In today's world of increasingly global regulation, that is a much more attractive proposition to a JP Morgan or an RBS than the partnerships they walked away from over the past 18 months.

Striking the right deal will not be easy, of course. Existing Chinese partners have no incentive to make it easy for their foreign rivals, and will charge a high price to give up control. Building a new venture, alternatively, will take time.

But there is no doubt that China's markets are opening up, and the rewards on offer from even a marginal share of this vast industry are simply too great to ignore.

The CSRC will formalise its rules a couple of months after a consultation period ends on April 8. Expect a new round of investments as soon as the ink is dry.

Credit where it's due

Rumblings of discontent are spreading through Asia's credit markets. Rather than cause for alarm, however, recent hiccups are a welcome reminder that not all credits are created equal.

The first half of March has not been an easy time for Asian credit. Three new issues have been pulled this month alone, and most of the deals that made it through are underwater. Investors are holding fire.

But apart from the dismal performance, it's hard to see what's changed from 12 months ago.

Asia's fundamentals remain strong, with China's economy looking solid and growth picking up across the developed world. Default rates are low, with Moody's predicting less than 2% of the Asian high-yield corporate issuers it rates will run into trouble in 2018.

Even long-term US rates are not too different today than they were 12 months ago, with the 10-year Treasury now at 2.82% versus 2.60% a year earlier – even if the swing since the start of the year has been dramatic.

Credit spreads are more squeezed than they were in early 2017, but not yet on a historic basis. The JP Morgan Asia Credit Index implies an average Z-spread of 166bp, still wide of the 83bp record in 2007.

Investors, however, are clearly nervous. Fed hikes, trade wars and an increasingly unpredictable US dollar threaten to derail global risk appetite at a moment's notice, and China's politicians hold the key to capital flows that are becoming ever more important to the global markets.

Sooner or later investors will need to put their cash to work, and they will be more careful when they do. Nobody wants to pick an underperformer, and buyers now know they need to choose their spots carefully.

That means greater differentiation between credits, and a much wider range of coupons than Asian issuers have been used to in recent years. In the process, the credit markets can get back to their core role of allocating capital efficiently, and ultimately making economies more productive.

While that adjustment is going on, it's clear that issuers and investors are going to have to work harder for their money in 2018.

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Bond investors bide their time

Bonds Fund managers wait for better entry window as Asian new issues underwhelm

BY FRANCES YOON

Investors are cutting back on their purchases of Asian credit, after a flood of deals and worries over interest rate rises left a majority of new issues under water.

Of the 10 high-yield bonds priced in March, six were trading below reoffer last week, according to research from Deutsche Bank.

Spreads on recent US dollar investment-grade issues from NTPC, UPL CORP, KOREA DEVELOPMENT BANK and RIZAL COMMERCIAL BANKING CORP have all widened since pricing this month, according to Tradeweb. Even a well-supported Chinese bank issuer like ICBC DUBAI saw its latest floaters drop below par.

The REPUBLIC OF INDONESIA, which was one of the top performers in Asian credit last year, has seen its first Green sukuk slump three-quarters of a point to yield 3.9%, according to Tradeweb. The five-year notes priced at par in February to yield 3.75%.

A deluge of US dollar notes from Chinese issuers with regulatory approvals expiring at the end of March has also weighed on secondary performances.

JP Morgan's Asia Credit Index is down 1.3% so far this year, versus a 5.65% return last year, when Asian credit delivered some of the best returns in global bond markets.

"We acknowledge that the poor performances of recent new issues is a bit concerning," said Harsh Agarwal, head of Asian credit research at Deutsche Bank. "Our bigger concern is fund outflows, though (and less so supply)."

ICICI gives ground on valuation

Equities Investors stick with Indian finance sector, despite recent troubles

BY S ANURADHA

Two Indian financial institutions are poised to complete their listings later this month even after volatile market conditions and a massive banking scandal dented valuations in the sector.

ICICI Bank is looking to raise Rs40bn (US$617m) from the float of ICICI SECURITIES, its broking unit, while IFC-backed BANDHAN BANK is in the market with a Rs45bn IPO.

The two are betting that investors remain convinced about the long-term prospects of India's financial sector, despite news of a large-scale fraud at Punjab National Bank.

The volatility that followed the PNB scandal has forced ICICI Securities to lower its valuation target to Rs167bn, or US$2.5bn, from US$3.5bn under discussion at the start of the year and around half the US$5bn touted during premarketing late last year.

As of March 14, the benchmark S&P BSE Sensex was down 0.9% year to date and a steeper 1.3% since the start of March. It rose 28% in 2017 and was one of the best-performing bourses in Asia.

"The current price is based on market feedback. It must have been a rude awakening for the management," said an ECM banker away from the IPO.

ICICI Bank originally planned to sell 64.4m ICICI Securities shares, according to the draft prospectus, but is now offering 77.2m to meet its target of raising more than US$500m from the IPO. The shares on offer represent a 24% stake. The top of the Rs519–Rs520 price range implies a forward P/E multiple of 26, lower than the industry average of 30.

The sale is crucial for ICICI Bank as it needs more capital to provide for non-performing loans. The bank's provisioning coverage ratio, the percentage of bad loans to be provided for, rose to 60.9% in the December 2017 quarter from 48% a year earlier. An analyst at a Mumbai-based broking house said the ratio is expected to rise further in the March quarter.

ICICI Bank's net non-performing asset ratio rose to 4.2% in the nine months to December 31, from 3.96% in the same period of 2016.

Stricter provisioning norms

The underwhelming performance coincides with volatile market conditions that have driven investors out of junk bonds and US equity funds as risk appetite weakens.

With accelerating US inflation and more aggressive interest rate increases on the horizon, investors are worried that the bull run in Asian credit markets is drawing to a close.

Some fund managers have decided to wait until markets stabilise, with a possible entry point after the Federal Reserve monetary policy meeting ends on Wednesday.

"We believe investors are either investing only a little or holding off until a clearer picture emerges post the Fed meeting," said Arthur Lau, co-head of emerging markets and head of Asia ex-Japan fixed income at PineBridge Investments.

"At the earliest, investors may wait until the end of March when the near-term supply risk from Chinese issuers eases somewhat."

SIGNS OF STRAIN

While investors say they are still optimistic about Asian credit in the long run, the immediate signs are not positive.

In Asia, three US dollar bond offerings were pulled just this month, and four so far this year.

Order books in Asian primary debt deals have been sluggish, underscoring the lack of excitement, despite rising new-issue concessions.

"I believe it is prudent to be patient and more selective about the new issues to participate in," said Suanjin Tan, senior portfolio manager at Thirdrock Group.

"While it is tempting to participate in deals with sizable new-issue premiums, there is always the risk that this seemingly attractive premium will be eclipsed by another also keen to issue."

On Tuesday, TOBA BARA SEJAHTRA, rated B3/B– (Moody's/Fitch), postponed a US dollar five-year non-call three bond due to unfavourable market conditions, even though it announced initial guidance at a hefty 9.75% area with an expected issue size of only US$150m–$200m. On Thursday, China's GANGTAI GROUP priced a 1.5-year bond to yield 10.75%, the highest yield of the year for any Asian issue in dollars.

In investment grade, COMMONWEALTH BANK OF AUSTRALIA and NTPC tightened guidance by only 10bp on their new issues – a far cry from 20bp-plus revisions that were the norm last year. CBA paid higher concessions of 13bp and 9bp for tenors of five and 10 years, respectively, than a Westpac deal less than two months ago.

Indian utility operator NTPC issued a US$400m 10-year bond that widened 2bp a day after pricing. It offered a new-issue premium of about 5bp–10bp, which was seen as slim, and the issue garnered modest orders of US$750m.

"Some deals do not offer enough premium to compensate for the near-term supply risk and demand for a higher cushion for liquidity and volatility premiums," said Lau. "Investors need to do their homework to identify deals that are less attractive and simply to pass on deals that are just fair."

LOOKING ELSEWHERE

Instead of playing aggressively in primary, Tan at Thirdrock is looking for value in secondary markets. He has kept duration short across the board, now that that part of the curve has become more attractive.

Tan is also increasing exposure to Dim Sum bonds, since they are generally short-dated, come from high-quality borrowers and pay relatively higher yields.

Desmond How, head of fixed income at GaoTeng Global Asset Management, said it was arguably more attractive to buy Chinese renminbi-denominated bonds from some issuers than their US dollar paper, given the retracement in onshore spreads and rates.

Still, How is hopeful that the region's steady fundamentals will help Asian credit bounce back.

"The outlook remains favourable for longer-term investing in Asia US dollar bonds," he said. "Asia fundamentals are a direct beneficiary of synchronised global growth and technicals have improved on continuing inflow into the region and rising cash balance among investors.

"It is a buyers' market now, and investors holding that power should take advantage of it." ■

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from the Reserve Bank of India have forced Indian banks to provide more for bad loans.

"This sale is important for the bank as it doesn't have many options to sell significant stakes, having sold shares in ICICI Prudential and ICICI Lombard," said the Mumbai-based analyst.

The group listed ICICI Prudential in 2016 and ICICI Lombard in 2017, also in all-secondary floats.

BANDHAN PREMIUM

Bandhan Bank, meanwhile, is benefiting from investors' long-standing preference for the country's private-sector banks, which boast better asset quality than their state-run peers. It also has backing from the International Finance Corp, the World Bank's private-sector arm, and has been growing rapidly since it started operations in 2015.

India's private-sector banks are among the most expensive in the world, and Bandhan Bank is set to outdo them in pricing.

The price range of Rs370–Rs375 per share implies a 2019 price-to-book multiple of 4 at the top of the range, higher than market favourite HDFC Bank at 3.73, IndusInd Bank at 3.67 and Kotak Bank at 3.66.

"The price to book may appear expensive, but its return on assets ratio at 4.5% is the highest in the industry," said a banker on the Bandhan IPO.

Bandhan Financial Services, the largest micro-finance organisation in India, is the main shareholder of the Kolkata-based bank. IFC currently owns a 3.2% stake in the bank, while IFC FIG holds 1.7%.

Up to 119.3m shares, or 10% of the equity capital, will be sold, comprising 97.7m primary and 21.6m secondary shares.

IFC will be selling 14m of the secondary shares and IFC FIG Investment 7.6m.

Bandhan posted a net profit of Rs11bn in the financial year to March 31 2017, up from Rs2.8bn in 2016.

The response so far has been strong with foreigners bidding for 60% of the 35.7m-share anchor book. Around 60 investors participated in the anchor tranche, which was opened for one day last Wednesday.

The rest of the institutional and retail offer will close on March 19, and the shares are due to begin trading around March 27.

Axis, *Goldman Sachs*, *JM Financial*, *JP Morgan* and *Kotak* are the bookrunners

Bank of America Merrill Lynch, *Citigroup*, *CLSA*, *Edelweiss*, *IIFL* and *SBI Capital Markets* are the bookrunners on the ICICI Securities IPO. The shares will begin trading around April 5. ■

LTA sets pace for infra funding

■ **Bonds** Statutory board prints Singapore's first 30-year bond since 2012

BY KIT YIN BOEY

LAND TRANSPORT AUTHORITY of Singapore returned to the bond market last week after almost three years with a S$1.2bn (US$914.3m) offering that will set a template for future infrastructure financings in the city state.

The dual-tranche jumbo comprised a S$300m 10-year portion priced at 2.75% and a S$900m 30-year piece at 3.35%, both in line with guidance. Distribution statistics were not released, but the book was heard to be well covered.

The Singapore statutory board, responsible for public transportation projects and seen as a proxy for the government, increased the total issue size from an original target of S$1bn.

Demand was healthy for the very rare 30-year maturity, a tenor not seen since Keppel sold a S$300m 4% 30-year bond in September 2012. While Keppel was the first non-financial issuer to print at the 30-year mark, the notes included a call in year 20, making LTA's bonds the first true 30-year corporate benchmark since 2009, when sovereign wealth fund Temasek Holdings raised S$300m from 4.2% 30-year notes.

Outside the banking sector, only Temasek has gone beyond that maturity, selling a S$1bn 4.2% 40-year bond in 2010.

LTA's 30-year benchmark will clear the way for more long-term financings from statutory boards and government-linked companies as they plan massive infrastructure spending in the coming years.

Major projects include a S$3bn integrated waste-management facility, the S$11.9bn Kuala Lumpur-Singapore high-speed rail link, the development of Terminal 5 at Changi airport, expected to run into tens of billions of dollars, and the Johor-Singapore rapid transit link, for which there are no cost estimates yet.

Minister for Finance Heng Swee Keat said last month that the government might grant guarantees to state-owned companies and statutory boards to facilitate future large infrastructure projects. A direct guarantee would compress the pricing of already tightly priced bonds from statutory boards, leaving little on the table for investors.

Clifford Capital is the only government-linked issuer to benefit from an explicit guarantee of its debt. The

KKR doubles down on Japan

■ **Bonds** US buyout firm's fundraising follows busy year for Japanese deal-making

BY TAKAHIRO OKAMOTO

Private equity giant KKR made its debut in the yen bond market last week with a ¥40.3bn (US$380m) Global bond to raise funds for its deal-making in Japan.

The fundraising is similar to last year's Global yen offerings from Walmart and Corning, both of which are believed to have used the funds locally.

KKR said the bond proceeds would be used for "general corporate purposes, including to fund potential acquisitions and investments in Japan".

Market sources said the deal also served other objectives, helping KKR diversify its funding channels and improve its name recognition in Japan.

While KKR preferred raising long-term funds for business reasons, investors favoured the shorter end as this was a maiden issue and also a first from the private-equity sector.

Of the tranches of five, seven and 20 years, the shortest drew good demand, leading KKR to cap the size at ¥25bn. Demand came mainly from big domestic banks, though many regionals also participated.

KKR also raised ¥5bn from the seven-year piece and ¥10.3bn from the 20-year portion. The seven-year maturity reflected KKR's preference for longer notes, though investors hesitated to buy this tenor.

Japanese investors usually prefer tenors of five and 10 years, not seven. However, this time, demand seemed limited for the 10-year piece.

"We couldn't expect to see the demand we usually see for a 10-year piece in deals involving financial institutions," said a banker on the offering.

The buyers of the seven-year tranche were asset managers, trust banks and regionals. The 20-year piece went mainly to life insurers.

Fair value was tough to calculate, as KKR does not have comparable bonds in yen. It is also not a frequent issuer in US dollars and has no direct comparables outstanding in seven-year or 20-year maturities.

Global banks with similar credit ratings were also poor benchmarks. As such, price guidance was based on feedback from investors.

"It was based on investors' preference for maturities and their ideas on spreads, rather than just adding extra basis points on its US dollar curve," said another banker on the deal.

Price guidance at the start of marketing on Monday was 35bp–

Temasek subsidiary sold its first US dollar bond last month, a US$300m 10-year issue priced at 49bp over US Treasuries.

LTA's bonds, the proceeds of which will fund land transport infrastructure projects, were issued on a standalone basis. The 30-year piece paid a higher spread for the long duration at around 37bp over Singapore dollar SOR, or around 39bp over Singapore government securities, while the 10-year piece priced at 15bp over SOR. Housing and Development Board, a frequent issuer with a Aaa rating from Moody's, paid about 16bp over SOR on its recent S$600m 2.303% five-year bond and only 13bp on its S$515m 10-year note in January.

One banker expressed concern that a rush of infrastructure-related issues from statutory boards could weigh on investor appetite, noting that liquidity in the Singapore dollar bond market is not as deep as last year, with more investors holding out for higher yields. Demand for longer-dated assets is typically limited to insurance companies and pension funds, effectively determining how much supply the market can bear, and at what price.

Debt bankers are hoping for some structured deals in which the government can tailor its guarantee as a credit enhancement to mitigate risks inherent in a greenfield infrastructure project, instead of giving a direct guarantee to the issuer. That way, they argue, the deal can provide better yields to widen the investor base.

Increased issuance of longer-duration corporate bonds may also dent demand for lower-yielding government debt and impact Singapore's government yield curve. Although the primary bond market typically uses the SOR as a reference rate, the lack of liquidity at 30 years means the government security is seen as a more reliable benchmark at that tenor.

"Longer-tenor SGS are likely to face headwinds from increased issuance as the government looks to the capital markets to fund infrastructure projects," said Eugene Seow, rates strategist at DBS.

"If there are implicit or explicit government guarantees, these bonds – if issued over the coming couple of years – will be in direct competition for longer-term SGS."

DBS and *UOB* were joint lead managers and bookrunners for the LTA issue, which settled on March 10 off a S$12bn multi-currency MTN programme. ■

37bp over yen offer-side swaps for the five-year, 55bp–57bp for the seven-year, and 90bp for the 20-year. The 20-year was marketed at a fixed spread from the beginning as demand had already been confirmed.

Guidance for the five-year and seven-year pieces swiftly narrowed to a single number on Tuesday. The tranches priced at 35bp and 55bp over swaps, respectively.

The coupons for the three tranches are 0.509%, 0.764% and 1.595%, respectively.

Bankers hope that KKR will now issue yen bonds frequently.

"We hear it wants to be a frequent issuer [in yen]," said the first banker. "I don't know how frequently it will issue, but I think it will continue to issue in yen, and this debut deal is a good starting point."

KKR has been an active player in Japan, as local conglomerates restructure and spin off non-core assets. It recently acquired the semiconductor manufacturing equipment activity of Hitachi Kokusai Electric and a 60% interest in its video and communications business. Earlier last year, it sealed a ¥147.1bn LBO of Hitachi's power tools unit Hitachi Koki and a ¥498.3bn buyout of auto parts maker Calsonic Kansei.

Mizuho and *SMBC Nikko* were leads on the 144A/Reg S issue, which domestic agencies R&I and JCR see as A+, while S&P and Fitch both have expected A ratings. ■

Foreign banks step up in Taiwan

■ **Loans** Mizuho expands footprint with acquisition loan for shoemaker Pou Chen

BY EVELYNN LIN

Taiwan's ultra-competitive loan market, dominated by highly-liquid domestic lenders, is turning out to be an unlikely source of opportunities for international banks.

Mizuho Bank is the coordinator on a NT$28.5bn (US$977m) acquisition loan for POU CHEN CORP, the world's biggest footwear maker, in a rare instance of a Japanese bank leading a high-profile domestic currency loan in Taiwan.

The five-year loan, which will fund Pou Chen's buyout of Chinese sportswear retailer Pou Sheng International Holdings, follows a NT$90bn acquisition financing for ADVANCED SEMICONDUCTOR ENGINEERING also with a foreign bank as lead – in this case *Citigroup*.

"We are seeing more competition from our overseas counterparts in cross-border acquisition deals as they have branches in Taiwan and they are more experienced in this field, and sentiment is quite positive," said a senior loan manager at a top-tier Taiwanese state-owned bank.

On Pou Chen's loan, two other Japanese mega banks – *MUFG* and *Sumitomo Mitsui Banking Corp* – are also joint mandated lead arrangers and bookrunners along with Mizuho and Taiwanese lenders *Bank of Taiwan*, *Bank Sinopac*, *CTBC Bank* and *Taipei Fubon Commercial Bank*.

Mizuho has been a coordinator previously on domestic currency loans in Taiwan, but has not led an acquisition financing since 2014.

Japanese banks are expanding overseas in search of higher yields than the ultra-thin returns on offer in Japan.

Pou Chen's five-year loan offers an interest margin of 50bp over Taibor and a top-level upfront fee of 12.5bp. MUFG and SMBC have also committed to ASE's loan, which offers an interest margin of 55bp over Taibor and a top-level fee of 30bp.

Both loans for Pou Chen and ASE come with pre-tax interest rate floors of 1.7%, which is a far more lucrative proposition than most domestic loans in Japan.

"It makes sense that Japanese banks are eyeing offshore deals for better returns," said the senior loan manager.

It is not just the Japanese lenders increasing their presence in Taiwan. Around a dozen of the 35 banks committing to ASE's giant financing are foreign lenders.

NT dollar loans are not known for paying juicy returns, given the flush liquidity in the banking system in Taiwan. Still, the blowout response to Pou Chen, with commitments totalling around NT$200bn, shows the appeal of the borrower's strong credit profile and the loan's rarity value.

Pou Chen makes shoes for international sports brands including Nike, Adidas, New Balance and Puma.

Taiwanese lenders also welcome borrowers from the traditional manufacturing sector as an opportunity to diversify beyond the semiconductor industry.

"We see traditional manufacturing business as more stable than the semiconductor industry," said a second loan manager at a state-owned bank looking to take part in Pou Chen's financing.

The loans for Pou Chen and ASE total about US$4.1bn – nearly half of the US$8.7bn raised from M&A loans in Taiwan in the last four years. M&A lending peaked at US$5.4bn in 2016. ■

ABC plans record equity recap

Equities China's other big three lenders unlikely to follow

BY KEN WANG, FIONA LAU

AGRICULTURAL BANK OF CHINA last week announced plans for a record Rmb100bn (US$15.85bn) private placement of A-shares to the Ministry of Finance and six state-owned enterprises, joining the growing queue of Chinese lenders seeking to boost capital.

The deal is set to become the biggest A-share private placement by a listed Chinese commercial bank, according to Thomson Reuters data.

ABC is the first of China's four global systemically important banks to carry out an equity recapitalisation since the sector's last round of financings in 2010 and 2011.

Analysts, however, do not believe that the three other G-SIBs – Bank of China, China Construction Bank and Industrial and Commercial Bank of China – will follow suit with massive recaps of their own any time soon.

"ABC's placement does not mean the beginning of a new wave of equity refinancings for the banking sector, given that most banks are currently well capitalised," wrote analysts at SWS Research in a report.

Moody's estimates the placement will add roughly 8% of additional equity capital to the bank and lift its Common Equity Tier 1 ratio to 11.38% from 10.58% as of end-September 2017. As one of China's four G-SIBs, ABC is required to have a CET1 ratio of 8.5% by the end of 2018.

ABC's placement comes as China is actively expanding fundraising channels for commercial lenders to strengthen the banking sector and support the real economy.

The China Banking Regulatory Commission said on March 12 it was mulling rule changes to allow banks to issue innovative capital instruments, such as perpetual bonds, convertible capital instruments, and other loss-absorbing debt instruments, according to guidance published on its website.

Bankers expect refinancing to remain a major theme for the sector throughout the year, after a number of listed banks announced recap plans in 2017.

"ABC's placement provides a reference for banks seeking to replenish capital through equities, after the regulators clamped down on follow-on offerings last year," said a banker.

"Other banks may replicate the deal, given it secures long-term support from major shareholders and avoids pressuring the secondary market."

ABC's two leading shareholders, Central Huijin Investment and the Ministry of Finance, will take up about 79% of the placement shares, with a lock-up period of five years. China National Tobacco, along with three wholly owned subsidiaries, and New China Life Insurance are the other subscribers, all with a 36-month lock-up.

Most banks turned to convertible bonds or preferred shares to replenish their capital after the regulators tightened rules on private share placements and rights issues to ease pressure on the stock market.

CICC analysts said in January that the recaps of listed banks (including both completed and new proposals) had reached Rmb494bn since 2017. CBs and

Record demand for NZ sovereign

Bonds Offshore bid remains strong, despite dwindling yield advantage of NZGBs

BY JOHN WEAVERS

NEW ZEALAND attracted a record order book in excess of NZ$5bn (US$3.7bn) for its first syndicated sovereign nominal bond offering in 19 months last Tuesday as investors fought for a slice of the scarce government paper.

The strong demand – double the previous level – enabled joint leads *ANZ*, *BNZ*, *Deutsche Bank* and *UBS* to easily secure the New Zealand Debt Management Office's maximum NZ$2.0bn target and price the 3.0% April 20 2029s at the tight end of the April 2027s plus 16bp–19bp guidance.

Non-Australasian investors bought 58% of the bond, their second highest allocation, including significant European real-money interest alongside the traditional strong Asian bid.

"Offshore demand for New Zealand government bonds clearly remains strong, despite their traditional yield pick-up having largely evaporated," said Glen Sorensen, syndication manager at ANZ Bank New Zealand.

Although NZGBs, rated Aaa/AA/AA, continue to offer the highest absolute yield among sovereigns with at least one Triple A rating, Sorensen noted that the 10-year pick-up over Treasuries has declined from over 75bp just a year ago to less than 20bp currently.

The new 11-year April 2029s priced to yield 3.135% at a time when benchmark 10-year Treasuries and Australian Commonwealth government bonds were yielding 2.88% and 2.82%, respectively.

"My sense is that many offshore investors may have come into the New Zealand fixed-income market for yield pick-up and for diversification, and are now encouraged to stay for other reasons," said Sorensen.

"The NZDMO's development of the portfolio mix of debt in recent years, with longer duration and index-linked bonds, has undoubtedly opened up New Zealand government debt to a more diverse potential investor base, which is going to help."

Buyside interest has been fortified by limited government supply which, in turn, has been compounded by a delay in the new line's introduction. Last November, the NZDMO postponed the launch of the April 2029s that had been earmarked to print before the end of 2017, due to a stronger-than-expected Core Crown residual cash position.

Gross New Zealand government bond issuance is projected to be NZ$7bn in the current fiscal year to June 30. With NZ$9.1bn due to be redeemed or repurchased, net issuance is forecast at minus NZ$2.1bn. For the next three fiscal years, net issuance is seen at minus NZ$900m, minus NZ$300m and minus NZ$4.1bn, respectively.

New Zealand's small government debt, which is expected to fall to 25.2% of GDP as of June 30 and reach 20.2% at the end of fiscal year 2020-21, does raise liquidity concerns, especially as the country does not qualify for Citigroup's nominal World Government Bond Index, which many global portfolio managers like to track.

The WGBI, established in 1987, requires outstanding government bonds, with maturities of over one year, to be the equivalent of at least US$50bn, €40bn (US$49.6bn) or ¥5trn (US$47bn).

With the NZ$11.9bn March 15 2019s having just fallen out of the qualifying total, New Zealand

preferred shares accounted for 81%of that amount and private share placements for 19% only.

ABC plans to offer not more than 27.47bn A-shares to seven investors, at a floor price to be set on the first day of issuance.

The bank will also seek shareholder approval on a general mandate to issue up to 58.81bn A-shares and/or 6.15bn H-shares, representing 20% of the respective total issued capital.

Mainland regulations forbid follow-on shares offerings for 18 months after the completion of previous issues, meaning that ABC would only be able to issue H-shares in the short term following the onshore share placement.

Shareholders will review the proposal on March 29. Regulatory approval for the placement, which Moody's says could take up to six months, is also required.

Proceeds will be used exclusively to replenish the bank's Core Tier 1 capital. ■

has approximately NZ$49.4bn of nominal government bonds outstanding, equivalent to about US$34.5bn, €42.7bn and ¥3.7trn at current exchange rates.

However, Sorensen said the NZDMO helped alleviate offshore investors' liquidity worries in last December's mid-year statement when it committed to maintaining NZGBs on issue to be worth at least 20% of GDP over time.

One consequence of aggressive sovereign pricing is the extra spread Triple A rated supranationals and agencies offer in the Kauri market versus alternative international jurisdictions.

Five-year SSAs have recently been pricing about 20bp over five-year Treasuries, 25bp over Bunds and 40bp wide of Gilts.

This additional spread has supported demand for Kauri paper, underpinning the issuance surge in the current quarter to NZ$3.8bn, already beating the 2017 full-year total of NZ$2.9bn. ■

Door opens for China property debt

■ **Bonds** Domestic bond market warms to sector as policy becomes more supportive

BY INA ZHOU

Chinese property developers have been ramping up onshore bond issues in the past two weeks in a sign that an unofficial freeze on domestic offerings from the sector is coming to an end.

Developers launched at least seven domestic bonds in the past two weeks, a pace unseen since regulators tightened scrutiny of this market segment in September 2016 against the backdrop of surging house prices.

Onshore issues picked up as the offshore US dollar bond market turned unfavourable towards Chinese developers, following heavy supply in the last week of February.

GREENTOWN GROUP highlights the change of mood on March 9, when it finally printed Rmb2bn (US$317m) of five-year non-put three notes on the Shanghai Stock Exchange, some 16 months after initially submitting the plan to the bourse. It only received approval in January.

The company, an onshore subsidiary of Hong Kong-listed Greentown China Holdings, quickly raised another Rmb2bn last week from two offerings of 365-day notes in the interbank bond market.

In addition, CHINA RESOURCES LAND, SHANGHAI SHIMAO, GEMDALE and OVERSEAS CHINESE TOWN, raised a total Rmb13.7bn in the past two weeks from onshore notes. The four and Greentown all have AAA ratings from the domestic credit agencies.

PRICING DIFFERENCES

Market participants said sound liquidity conditions during the two-week National People's Congress sessions, which began on March 5, and a partial regulatory relaxation over developers' financing activities provided the groundwork for the flurry of deals from developers.

"Many issuers in the property sector are looking to roll out deals to capture the current benign market conditions," said a Beijing-based credit analyst at a big Chinese securities house.

He noted that onshore liquidity improved during the NPC sessions as there were no negative headlines and investors were also building positions before the end of the quarter.

Nevertheless, investors were unwilling to go down the credit curve to look at developers without a domestic Triple A rating, he said.

Another Shanghai-based DCM banker said that China Resources Land's Rmb6bn bond offering on March 8 demonstrated the depth of the market and caught the eye of many other developers.

CR Land's offering was the largest single trade for corporate issuers in the Panda bond market.

However, pricing varied greatly for the five issuers. Central state-owned company CR Land offered the lowest coupon of 5.38% for three-year notes, while Shanghai Shimao paid the highest of 6.33% for Rmb700m three-year notes.

"Chinese investors have their own understandings of credits and, if issuers can get in some orders on their own, it often makes big difference on pricing," said the analyst.

BREATH OF LIFE

Meanwhile, developers are lining up special housing rental bonds in the exchange-traded market. This is a new instrument with proceeds pledged mainly to support building rental housing projects. The government is encouraging the construction of rental housing to ease upward pressure on property prices and accommodate migrant workers and young couples.

A Beijing-based DCM banker said the special bonds had caught on with developers, which could get fast-track approval from the two bourses.

Some developers, who withdrew issues stuck in regulatory limbo for more than a year, were dusting them off and simply changing the use of proceeds to rental housing projects, in the hope that regulators would give them the green light this time, he said.

So far, at least five developers have applied to the SSE to issue rental housing bonds, according to preliminary filings. The list includes Greentown's Rmb4bn scheme and Bermuda-incorporated HOPSON DEVELOPMENT HOLDINGS' Rmb10bn plan.

LONGFOR CHONGQING ENTERPRISE DEVELOPMENT is set to issue the first batch of rental housing bonds this week on the SSE.

The company, an onshore subsidiary of Hong Kong-listed Longfor Properties, intends to raise up to Rmb3bn from a dual-tranche offering to fund seven projects.

The base issue size is Rmb1.5bn with an overallotment option of Rmb1.5bn. Books will open on March 20 for the five-year non-call three notes and seven-year non-call five notes.

Citic Securities is lead underwriter on the offering with *China Securities* as joint lead underwriter.

Still, bankers caution that the present momentum is not a prelude to a deluge of supply from developers, as low-rated names still struggle to win over regulators and investors.

"Developers will not have as happy a time as they did back in 2015 in terms of bond financing, but they have been given a breath of life," said the DCM banker. ■

Noble sweetens workout offer

■ **Restructuring** Commodities trader makes concessions to shareholders, perp investors

BY DANIEL STANTON

Struggling commodities trader NOBLE GROUP moved closer to restructuring its liabilities with the signing of an agreement with holders of around half its senior debt, having improved the terms for some stakeholders.

An ad hoc group representing 46% of the senior claims has signed a restructuring agreement. In addition, *Deutsche Bank* has signed the agreement and *ING Bank* is seeking internal approval to do so. The two banks together represent a further 4% of existing senior claims and will participate in a new US$700m trade finance facility.

Noble is in touch with holders of a further 15% of the existing senior claims, who have indicated broad support for the proposed restructuring, according to a stock exchange filing.

The group's 2022 bonds rose around three points on the announcement of the updated restructuring proposal, and were quoted at a cash price of 53 on Thursday.

The offer for senior creditors is unchanged from an earlier proposal. They will receive a combination of equity in a new Noble holding company and bonds issued by different parts of the group, which will be split into the trading business and a unit which holds Noble's assets.

For the restructuring proposal to go ahead requires a vote of senior creditors holding at least 75% of the debt, of which 75% must vote in favour. Noble shareholders must also approve, since the restructuring will require spinning off assets.

Shareholders and holders of Noble's perpetual securities have been offered improved terms.

Abu Dhabi-based investment firm Goldilocks, which holds an 8.2% stake in Noble, on March 9 complained that the earlier proposal was too generous to the existing management, which was set to receive a 10% stake that could rise to 20% if performance targets were met. Other shareholders would have been diluted to a combined 10% stake, with senior creditors taking 70%.

"After having lost almost US$5bn in FY2017, it is unacceptable for Noble directors to agree to any upfront share allotment to Noble's management," said a Goldilocks spokesperson. "Management compensation should be benchmarked to future profits, and should contain provisions for clawback in case such profits are reversed in subsequent years."

Now, other shareholders will be able to subscribe to half

"After having lost almost US$5bn in FY2017, it is unacceptable for Noble directors to agree to any upfront share allotment to Noble's management. Management compensation should be benchmarked to future profits, and should contain provisions for clawback in case such profits are reversed in subsequent years."

China SOEs diversify into euros

■ **Bonds** Two issuers pay for diversification, but China banks remain main buyers

BY CAROL CHAN

A desire to expand funding channels and low nominal coupons have attracted some Chinese corporate issuers into the euro bond market.

Last week, state-owned pair TIANJIN RAIL TRANSIT GROUP and CHENGDU XINGCHENG INVESTMENT GROUP raised a combined €900m (US$1.1bn) from their first euro-denominated bond issues in a relatively quiet week for the Chinese G3 bond market.

Neither has a strong need for euros, but both wanted to expand their funding channels and investor bases, despite having to pay higher funding costs than in US dollars, according to bankers on the deals.

Tianjin Rail, rated A3/A–/A, priced €400m 4.25-year 1.625% euro Green bonds at mid-swaps plus 145bp, slightly tighter than initial guidance of 155bp area.

Xingcheng Investment, one of the financial vehicles of Chengdu municipal government in Sichuan province, priced €500m of senior unsecured bonds in two tranches.

The company, with a BBB+ Fitch rating, priced 2.50% €365m three-year bonds at mid-swaps plus 250bp, inside initial guidance of 265bp area. It also priced €135m five-year bonds at mid-swaps plus 285bp, flat to initial guidance.

Both issuers previously issued US dollar bonds, but it was the first time for them to tap the euro bond market.

They add a recent run of euro issues from China's state-owned enterprises, including a €500m seven-year from China General Nuclear Power Corporation in December and a €1.2bn long four-year from China National Chemical Corporation (ChemChina) earlier this month.

"The issuer [Xingcheng] wants to issue euro bonds because it wants to have financial innovation for its debt instruments, which could help it to expand different funding channels and investor base," said a banker on the deal.

The company was not concerned about having to pay more than it would have for dollar bonds, she pointed out.

Cross-currency swaps put Xingcheng Investment's implied costs at around 100bp above its US dollar notes, according to the same banker.

It is not known whether either issuer planned to swap the proceeds or keep them in euros.

CHINESE BANK SUPPORT

Euro-denominated bonds carry very low nominal coupons, allowing the issuers to lower their debt service costs, said one credit analyst.

He said SOE officials were also focused on expanding overseas funding channels, adding that it also aligned with the government's "going global" policy.

But euro investors are not always convinced. The main buyers of both the Xingcheng and Tianjin Rail new issues were said to be Chinese banks.

Final statistics on the two issues were not disclosed at the time of writing. Orders were said to be over €1bn for Tianjin Rail at the release of final guidance, while those for Xingcheng Investment were over €750m.

of the optional management stake of 10%, to be bought from senior creditors, from time to time. The option will be exercisable in stages within five years of the completion of the restructuring, at an exercise price that puts the total value of the shares at US$85m.

Noble's management will be able to subscribe to a further 5% stake in the new company, exercisable within five years, subject to its achieving a market capitalisation of approximately US$2.1bn. The current market capitalisation is around S$200m (US$153m).

The exercise price for the optional 5% stake will be set to value it at a total of US$110m, and half of it will be available to other shareholders for subscription. That means Noble's management and existing shareholders could each end up with a 15% stake on completion of the restructuring and more in future if the share price rose dramatically.

Goldilocks remained unconvinced, calling the revised terms "window-dressing" in a strongly worded statement last Thursday.

PERPETUAL PUSHBACK

Holders of Noble's subordinated perpetual capital securities had pushed back against an earlier offer that would have given them US$15m in value, equivalent to under 4 cents on the dollar.

A group of perp holders on Monday had offered to provide a trade finance facility to Noble if the perps were given improved treatment under a restructuring scheme.

The group said it would provide a US$700m four-year trade finance facility at "considerably lower cost" than the facility Noble's senior unsecured creditors had suggested under the current proposal, although it did not state the terms of the facility.

Pinpoint Asset Management, a hedge fund based in Hong Kong and Shanghai, sent the release on behalf of the group, the other members of which were not identified.

"In exchange, the ad hoc group seeks fair treatment of its claims in the Noble restructuring process," said the release.

The pressure may have played a part in earning a better offer for the perpetual securities in the revised restructuring proposal. Under the new offer, they can exchange them for a new US$25m non-accumulative pay-if-you-can perpetual capital instrument to come from the new Noble entity. The new offer works out to 6.25 cents on the dollar.

However, holders of the perps have very little room for negotiation. If senior creditors and shareholders approve the scheme and perp holders veto the new securities offer, Noble's assets will be moved into a new vehicle, and perp investors will be left holding perpetual securities issued by an entity with no assets or cashflow. Failure to pay coupons on the old perps would prevent Noble from paying share dividends from the empty shell, but not from the new company.

Noble expects to hold a consent solicitation and exchange offer for the existing perpetual securities in early May. Senior creditors will vote on the scheme in mid-June, with the restructuring expected to become effective in mid-to-late July if approved.

The commodities trader missed a coupon payment on its US$750m 8.75% 2022 bonds on March 9 and has a 30-day grace period before payment can be accelerated, while it has a US$379m bond maturing on March 20. Typically, restructuring support agreements have conditions preventing the participants from making claims against the issuer.

Houlihan Lokey is adviser to the ad hoc group of senior creditors. *PJT Partners*, *Comprador* and *Moelis* are financial advisers to the company. ■

So far, not many Chinese SOEs have tapped the euro bond market. Among those that have issued euro bonds, some were driven by business needs, including M&A in Europe, such as ChemChina, CGNPC and State Grid Corporation of China.

Others, such as Gansu Provincial Highway Aviation Tourism Investment Group and Shougang Group, do not have much need for euros as their businesses are still concentrated in mainland China.

Tianjin Rail plans to use proceeds to finance Green projects or assets as defined in its Green bond framework, such as low-carbon transportation.

Rail Transit International Development is the issuer of the Reg S notes and Tianjin Rail Transit Group (Hong Kong) the guarantor.

The notes will have the benefit of a keepwell and liquidity support deed and a deed of equity interest purchase undertaking from ultimate parent Tianjin Rail.

The senior unsecured bonds have expected Baa1/A ratings (Moody's/Fitch).

HSBC, *ICBC International*, *Standard Chartered Bank* and *ABC International* were joint global coordinators on the Tianjin Rail deal. They were also joint bookrunners and joint lead managers with *CCB International*, *Bank of China* and *Wing Lung Bank*.

HSBC was the green structuring adviser.

On the Xingcheng Investment issue, *CICC* and *Societe Generale* were joint global coordinators, as well as joint bookrunners with *China Minsheng Banking, Hong Kong branch*, *ICBC Asia* and *SPD Bank Singapore*.

Xingcheng Investment has businesses in primary land development, urban development, city infrastructure construction and affordable housing.

Proceeds from the Reg S issue will be used for general corporate purposes, including investments in onshore project development and refinancing existing debt. The notes have an expected BBB+ rating from Fitch. ■

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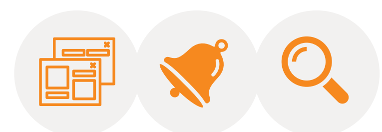

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TOP STORY PEOPLE

UBS revamps capital markets team

Asian DCM head adds equity oversight as sanctions loom

UBS has merged its debt and equity underwriting teams in Asia Pacific, just days after the bank said it was facing an 18-month ban from sponsoring IPOs in Hong Kong.

The Swiss bank named *Gaetano Bassolino* head of the combined group, according to an internal memo.

David Chin, head of corporate client solutions for APAC, said in the memo that combining the ECM and DCM businesses would help UBS improve its coverage and allocate resources more flexibly.

Other banks, notably Citigroup and Morgan Stanley, already have a similar set-up in the region to better coordinate the services they offer clients.

However, the reshuffle also hands responsibility for the Asian ECM franchise to a debt markets specialist at a time when UBS is fighting to retain market share in Asian equity underwriting.

Bassolino was previously head of debt capital markets and client solutions for APAC. He has been with UBS since 2000 and in Hong Kong since late 2015.

UBS revealed in its annual report on March 9 that the Securities and Futures Commission of Hong Kong had handed it a HK$119m (US$15m) fine and an 18-month suspension of its licence to sponsor IPOs.

It has faced an SFC investigation over its role as sponsor of certain Hong Kong listings, including the 2009 IPO of China Forestry, whose shares have been suspended since 2011. UBS said it planned to appeal against the decision.

David Chin, head of corporate client solutions for APAC, said in the memo that combining the ECM and DCM businesses would help UBS improve its coverage and allocate resources more flexibly.

Andrea Orcel, president of UBS's investment bank, and Chin told staff after news of the sanctions that it was "business as normal" and it could continue sponsoring IPOs until its appeal was heard.

The bank also told staff that it expected the appeal hearing to take place in the fourth quarter with a final decision due early next year.

The potential penalties come as Hong Kong is enjoying a surge of interest in IPOs, in part due to a revamp of its listing rules to attract a wider range of issuers from the technology sector.

Xiaomi Technology, the Chinese smartphone and home appliance maker, is considering a Hong Kong IPO, alongside a domestic listing, while Lufax, the Chinese wealth-management platform backed by insurance giant Ping An is also looking to list in the city.

UBS is working on the listings of Chinese biotechs SHANGHAI HENLIUS BIOTECH and HUA MEDICINE, as well as the sports business of conglomerate DALIAN WANDA GROUP, among others. Sponsor roles are typically not confirmed until shortly before the first filing.

MERGED LINES

Last year, UBS sponsored two Hong Kong IPOs, for ZhongAn Online P&C Insurance

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Banks eye bigger stakes in China JVs

Global banks are stepping up their pursuit of controlling stakes in their China securities joint ventures after regulators drafted formal rules to grant foreign-owned firms a greater role in the mainland capital markets.

Several banks have told IFR they are in talks with their JV partners to acquire majority stakes and most agreed they would eventually look to take full control.

"We've held talks with our partner for a while and it is aware that we want to increase our stake to a controlling one once the regulations allow us to do so," said one source at a major global bank.

"Our aim is to move eventually towards full ownership as we operate fully owned subsidiaries in every other market where we have a presence."

"It's very much the same pattern that we saw in India about a decade ago."

On March 9, the China Securities Regulatory Commission issued a consultation paper that brings the goal of majority control within reach of foreign banks, sparking the renewed interest.

The guidelines say foreign financial institutions will be allowed to control securities JVs, without specifying a maximum stake. They also say, without providing further details, that securities JVs will be able to apply for additional licences.

Meanwhile, individual investors will be allowed to own up to 30% of listed securities companies.

The draft rules follow a speech last November by vice finance minister Zhu Guangyao, when he unexpectedly announced that the limit on foreign ownership in JVs involved in the futures, securities and funds sectors would be raised to 51%.

Zhu said full foreign ownership of local firms involved in these markets would be permitted after three years.

This was welcome news for foreign banks, which have endured years of frustration from having their ownership capped at 49%, often leaving their JV partners in control of key licences.

TINY MARKET SHARE

According to the most recent data from the Securities Association of China, all seven Sino-foreign securities JVs in operation at the time posted profits for the second consecutive year in 2016.

The combined earnings, however, were a paltry Rmb628m (US$99.4m). Citi Orient Securities, the newest entrant, was the top performer, posting a net profit of Rmb258.47m.

Without majority control, banks have struggled to gain much of a foothold, while regulations preventing JVs from engaging in businesses where their Chinese shareholders already operate have hindered opportunities for most to expand beyond underwriting and advisory.

and Razer, but stayed away from other high-profile, low-margin floats.

The bank ranked 18th last year for fees on equity and equity-linked deals in Asia, excluding Japan and Australia, according to Thomson Reuters data, generating US$132.5m in fees for a 2.1% share of wallet. This was the second year in a row UBS finished outside the top 10 for ECM fees and is a far cry from previous years when it jostled for the top spot.

By volumes it ranked sixth in 2017, down from second in 2015 but up from a lowly 16th in 2016.

In DCM, the bank ranked 12th by volume for G3 currency issuance in Asia ex-Japan last year, down two places from the previous year.

Like other global banks, UBS has been hit by competition from Chinese banks and brokerage houses, which have been undercutting their international rivals on fees and leveraging their relationships with cornerstone investors in the mainland to win leading roles on Hong Kong IPOs.

It is, however, looking to grow its share of Asian listings in the US, which tend to come with higher underwriting fees and smaller bookrunning syndicates. UBS is currently working on the Nasdaq listing of IQIYI, the video-streaming unit of Chinese internet giant Baidu, and the NYSE listing of Shanghai-based ONESMART INTERNATIONAL EDUCATION GROUP.

Under the new capital markets structure, *Hannah Malter*, chief of staff for APAC, will return to the equity capital markets group to help with the Asia-to-US listing push. She earlier worked in ECM and equity syndicate in Sydney, Hong Kong and New York.

Peihao Huang, previously head of ECM solutions for Asia, will become head of cash ECM for the region.

Huang was appointed co-head of ECM solutions for Asia in May 2016 and became sole head in December 2016 after fellow co-head Damien Brosnan left.

The Asian investment bank of UBS has been through a series of upheavals in the last 18 months, with changes at the top of the business and a string of senior departures. UBS rehired Chin as IB head last August as his predecessor, Sam Kendall, relocated to New York to become global head of ECM.

Under Kendall's leadership, UBS has revamped its ECM business in the US, laying off at least six people earlier this year across origination, derivatives and syndication.

It has also hired Chris Cormier, a long-time Deutsche Bank and Bank of America Merrill Lynch ECM banker, to oversee technology, media and telecommunications origination in the Americas, as well as several other bankers across TMT, healthcare and financial institutions.

THOMAS BLOTT

In response, several banks have walked away from their JVs, the most recent being JP Morgan, in the hope of launching new entities when the rules are relaxed.

Others, including UBS and Morgan Stanley, have instead doubled down, seeking to raise their shareholdings and betting that they would be well positioned to benefit once China lifts some of these restrictions.

HSBC is an exception. It became the first foreign bank to take a majority stake in a Sino-foreign JV last December, when HSBC Qianhai Securities opened its doors.

This leverages changes introduced to the Closer Economic Partnership Arrangement between China, Hong Kong and Macau in 2013, allowing SAR-funded institutions to hold majority stakes in JVs in Shanghai, Guangdong province and Shenzhen.

Unlike other banks, which have tied up with established players, Qianhai Financial Holdings is not a securities firm, but rather the investment arm of the Qianhai administration bureau.

HSBC has touted this as an advantage, allowing it to stamp its culture on the new entity.

Rules introduced in 2015 also allow foreign banks to set up JVs in the Shanghai free trade zone with Chinese partners that are not securities firms.

Some banks could consider this option as an alternative to buying out their partners, according to market observers.

"There are obvious advantages to having a passive partner, from a governance and operational standpoint, but it depends on the relationship banks have with the other shareholders and also the price," said Benjamin Quinlan, CEO and managing partner of consultancy firm Quinlan & Associates.

"If you consider where securities firms are trading against in terms of valuations, even an increase from 33% to 51% can be expensive."

Respondents to the consultation have until April 8 to submit their feedback.

THOMAS BLOTT

Natixis buys majority stake in China M&A house

NATIXIS said last Tuesday it had agreed to buy a majority stake in China-focused boutique advisory house Vermilion Partners.

Natixis did not disclose the acquisition price, saying the deal was still subject to regulatory approval, expected to be completed in the next several months.

The investment banking arm of France's BPCE has been known historically as a structured finance shop. However, Natixis has sought to develop its IB coverage in Asia for several years, even as many European peers have pulled back from the region.

Last year, Alain Gallois, CEO of corporate and IB for Asia Pacific, told IFR that Natixis was looking to grow its mergers and acquisitions capabilities.

Vermilion, which has offices in Beijing, Shanghai, Shenzhen, Hong Kong, London and Munich, focuses on cross-border M&A deals between China and the rest of the world.

It has acted in China for fast-food chain McDonald's, drinks producer Diageo and tobacco company Imperial Brands. It also advised Yunyi Guokai (Shanghai) Sports Development in 2016 on the purchase of English premiership football club West Bromwich Albion.

Its current management, under chairman Peter Batey, a well-known British businessman, will remain after the acquisition.

The Vermilion acquisition was one of three deals Natixis announced last Tuesday. It also agreed to acquire a 51% stake in Fenchurch Advisory Partners, a London-based financial services boutique, and a minority interest in French technology advisory company Clipperton.

Natixis did not say how much it paid for the investments, but disclosed that the three deals would cut the group's core equity Tier 1 ratio by around 8bp. At the end of December, it stood at 10.65% under Basel III rules.

THOMAS BLOTT

Japanese insurers snap up project debt

Japan's top insurers are targeting the higher yields on offer in the global project-financing market, with investments surging nearly five-fold in the past year.

The foray into the US$230bn global loan market for infrastructure and energy projects underscores the challenges Japanese insurers face at home, where persistently low interest rates have driven down yields on their staple diet of government bonds.

Investments in overseas PF from Japan's top four life insurers, Dai-ichi Life Insurance, Nippon Life Insurance, Sumitomo Life Insurance and Meiji Yasuda Life Insurance, jumped to about ¥160bn (US$1.5bn) in the current financial year to March 31 from ¥35bn in the same period in 2017, according to Reuters calculations.

The sharp increase in PF comes at the expense of their exposure to JGBs and other domestic bonds, which generate ultra-low yields.

Richer returns on offshore PF deals, which pay interest margins of 150bp–200bp on average, far greater than single-digit yields on domestic corporate bonds, hold an obvious appeal for insurers prepared to study the credits.

"PF does take time and effort, but returns in proportion to risks taken are good," said Shinji Kuge, general manager of the structured finance department at Nippon Life Insurance.

Nippon Life, Japan's largest private-sector life insurer with US$700bn in assets, said it had already committed over ¥120bn to about 10 overseas PF deals since setting up a dedicated structured finance department in April 2017.

"PF does take time and effort, but returns in proportion to risks taken are good," said Shinji Kuge, general manager of the structured finance department at Nippon Life Insurance.

FOREIGN AFFAIRS

Last July, Nippon Life and Dai-ichi Life committed ¥17.5bn and ¥10bn, respectively, to a ¥163bn financing for the Ikitelli hospital public-private partnership project in Turkey. That was the first time both insurers participated in an offshore PF in the primary market.

"Given the tight credit spreads, we are looking for fields where not many investors have entered yet," said Akinao Nishio, general manager of structured finance group at Dai-ichi Life, Japan's second-largest private-sector insurer.

The pricing on the ¥200bn Ikitelli PPP loan is not known, but the two insurers participated in another borrowing in Australia, providing indications of the risk and returns they are chasing.

In October, Australian desalination company Aquasure closed a A$766m (US$603m then) 15-year refinancing where Nippon Life and Dai-ichi Life took A$176m and A$50m, respectively.

The loan has a large Australian dollar tranche, paying an interest margin of 160bp over BBSY and a small one in US dollars at 120bp–130bp over Libor.

Nippon Life's commitment was the second-largest of any participating lender and its first PF in Australia.

Meanwhile, Dai-ichi Life has been a pioneer among peers, investing in overseas PF since 2014. Those investments were always through the secondary market until the Ikitelli project.

In the current financial year, Dai-ichi has already committed about ¥25bn combined

Thumbs down for Kiwi RMBS proposal

The Australian Securitisation Forum has given a resounding thumbs down to the Reserve Bank of New Zealand's proposed new format for mortgage bonds, intended to revive the country's moribund RMBS market.

The ASF, the trade body of the Australian and New Zealand securitisation markets, argues that Residential Mortgage Obligations, as the new format is called, cannot be tailored to meet specific investor requirements and will suffer from investors' lack of familiarity with the new type of security.

The RBNZ is looking to replace self-securitised RMBS, called Internal-RMBS, which represent the largest source of available collateral for banks when transacting with the central bank.

I-RMBS are not tradable, which would be a significant problem in the event of a future financial crisis and make banks heavily dependent on liquidity from the RBNZ.

The country's four dominant banks have completely abandoned the public RMBS market, which has only seen four, non-major bank, trades since the global financial crisis.

The Big Four have been allowed to issue mortgage-backed covered bonds since 2010, but they only access offshore jurisdictions with ASB, Westpac New Zealand and Bank of New Zealand raising a combined €2.25bn in the covered Eurobond market last year alone.

RMOs are an effort to combine the strength of covered bonds and RMBS, while avoiding their weaknesses, with a standardised instrument that offers consistent loan portfolio quality, combined with high loss resilience. This would allow for economies of scale and help to reduce liquidity premiums, the RBNZ said last November in its consultation paper.

The RBNZ believes the RMO standard will improve the risk position of the central bank by promoting the use of higher quality, comparable, transparent and potentially more liquid, mortgage bonds as collateral in policy bank's lending operations.

The ASF argues in response that the RMO structure is not sufficiently flexible to encourage investors seeking high-quality securities and the opportunity for a high yield.

The key to creating an active securitisation market, according to the ASF, is to attract new domestic investors, notably Kiwisaver, New Zealand's voluntary long-term savings scheme, mainly used for retirement and house deposits, and superannuation funds, and offshore investors already active in the Australian, US, European and even Asian RMBS markets.

The problem with the latter is they are more likely to participate in a security they are familiar with rather than a new instrument like RMOs, which has no track record.

Another problem the ASF has identified is the requirement to cherry pick high-quality assets in RMO pools. This will cause high-risk loans to remain on the balance

to four offshore PFs and expects to close a few more within the next couple of weeks. Deals in which it participated include a ¥4.5bn-equivalent commitment to the High Speed 1 railway line concession project in the UK.

Other Japanese insurers are open to investing in offshore PF either through primary or secondary markets.

"Secondary deals are likely to be our main focus in the next financial year, but we would consider primary deals if there were any good ones," said Meiji Yasuda Life's spokesman.

A Sumitomo Life spokesman said: "As we are diversifying our investments, we started PF this financial year. We would like to step up efforts in the area."

The entry of Japanese life insurers into the global PF market comes at a time when banks face growing restraints on lending and use of their balance sheets due to stricter capital adequacy norms and rising costs of dollar funding.

Tomonori Miyagawa, a senior banker in the PF office at MUFG, said long-term loans tended to be expensive for borrowers relying on the bank market given the short-term funding structure of the lenders.

"Life insurers manage long-term assets and they are suitable providers of long-term finance for PF," he said.

WAKAKO SATO, TAIGA URANAKA

sheet and mean RMOs do not represent the lenders' entire mortgage book.

The ASF has pointed out the Australian regulators seek to avoid cherry-picking assets from a bank's balance sheet to be sold into a securitisation.

The RBNZ has shown itself to be very open to market feedback, which is overwhelmingly opposed to the RMO model.

"The consensus view is that RMOs are not a good idea, particularly regarding the difficulty in making investors comfortable with a new instrument not seen anywhere else in the world," said one major bank DCM manager.

He believes the way forward may be to beef up existing RMBS structures and standards regarding cashflow and repayments, etc, and allow banks to sell on 20% to third parties, including subordinated tranches, to provide true market pricing levels.

The RBNZ is expected to respond to the initial feedback within weeks and publish its final recommendations before the year-end.

JOHN WEAVERS

Indian state bank AT1 not equity, says S&P

S&P no longer considers Indian public-sector bank Additional Tier 1 securities to be equity, the rating agency has said in a press release.

The move follows the government's pre-emptive actions to support PSU banks' AT1 bonds.

Several public sector banks have begun redeeming their AT1 securities ahead of schedule, after receiving instructions from the Reserve Bank of India, because they have been placed under the Prompt Corrective Action framework as the government recapitalises weaker state-owned banks.

"Based on recent events, we now have diminished confidence that AT1 instruments issued by Indian public sector banks would absorb losses on a going-concern basis, if needed, or be a permanent part of the banks' capital structure," said Nikita Anand, a credit analyst at S&P.

S&P has raised its rating on State Bank of India's US$300m AT1 securities to BB– from B+ previously. SBI is the only Indian bank to sell offshore AT1s so far.

Typically, S&P rates AT1s from investment-grade banks four notches below the standalone credit ratings of the institutions, to reflect risks like coupon deferral and loss absorption, while the differential is five notches for banks with high-yield issuer ratings. For Indian public-sector banks, the difference will now be three notches for those with IG ratings.

S&P has said it expects the government and regulators to continue to be reluctant to allow losses on public sector AT1s for at least the next two years.

"We believe the government is concerned that loss absorption by an AT1 – by way of coupon deferral, a principal write-down, or conversion into common equity - could potentially have a contagion impact on the Indian financial system and hurt stability," Anand said.

DANIEL STANTON

SFC takes action against eight firms

Hong Kong's securities regulator is pursuing disciplinary action against eight firms for alleged misconduct in their roles as sponsors of IPOs in the Asian financial hub, a senior official has said.

The move comes days after UBS disclosed that the Securities and Futures Commission had blocked it from sponsoring IPOs for 18 months. The suspension is not effective until the Swiss bank's appeal against it has been ruled upon.

The SFC is looking to lift the standards of sponsors, which are liable for any misinformation in the IPO prospectuses. It said in October it was probing "substandard work" by 15 firms that had acted as sponsors.

On Wednesday, Thomas Atkinson, the SFC's enforcement head, said the work was "coming to a head".

"We were investigating 15 sponsor firms. We've issued eight proceedings … and now we're looking at the sponsor principals and we're moving against those. So, there will be another round coming up."

He previously said that the work in question from the 15 unnamed sponsors had led to billions of dollars in investment losses with shortcomings, including basic issues like not verifying customers or revenue data for listing candidates.

On Wednesday, Atkinson said the cases the SFC was pursuing reflected different issues.

"Some of it is negligence, some of it what I would consider extremely reckless conduct. There's a different range of sanctions that we'll seek on each of them," he said.

"Over the next six months you may see some are either resolved or point firmly towards a hearing, but I think we've really set the tone in terms of sponsorship and I hope we're raising the bar."

"What we're trying to show people is there is serious reputational risk if you don't do your job."

UBS and Standard Chartered disclosed in 2016 that they were under SFC investigation for their roles as sponsors of unidentified IPOs in Hong Kong.

In an internal memo, as Reuters reported last week, UBS estimated that its appeal would be heard in the fourth quarter of this year and a decision reached early in 2019.

Hong Kong, the world's biggest equity capital-raising centre for four of the last 10 years, is looking to revive its appeal as a venue for IPOs after its worst period in a decade for equity raising last year.

JENNIFER HUGHES, SUMEET CHATTERJEE

IN BRIEF

SSE/SZSE

Plans for tougher delisting rules

Chinese stock exchanges on March 9 published draft rules that would force a company to delist in the event of serious rule violations, as regulators step up efforts to discourage speculative trading.

The rules, which the Shanghai and Shenzhen stock exchanges published, came a week after China's stock regulator said the bourses should bear more responsibility in delisting enforcement.

According to the draft rules, among the violations that could trigger a delisting are fraudulent IPOs, serious information distortion in financial disclosures and grave illegal activities in daily operations.

China set up a delisting mechanism in 2014, but tougher delisting rules were needed to keep the stock market healthy and protect small investors' interests, the Shanghai Stock Exchange said in a March 9 statement.

China to merge banking, insurance bodies

China has unveiled plans to merge its banking and insurance regulators and transfer more power to the central bank, in its biggest regulatory shake-up in many years.

The move comes as the government continues to grapple with risky lending practices and high corporate debts, which critics have said threaten the financial system.

The new entity, combining the China Banking and Regulatory Commission and the China Insurance Regulatory Commission, will report to the State Council, the country's central government, according to a proposal unveiled during the annual session of the National People's Congress.

Some of the current functions of the CBRC and CIRC, including drafting regulations and prudential oversight, will be transferred to the People's Bank of China, according to the proposal. The new regulator will mostly be charged with implementing the PBoC's directives, according to sources.

The head of the new regulator is expected to be announced before the close of the annual session of parliament on March 20.

Speculation has been rife about the creation of a super financial regulator since the stock-market crash of 2015, which highlighted poor inter-agency coordination.

The merger of the CBRC and the CIRC is a response to issues like unclear responsibilities and cross-regulation, according to observers.

"Both China's insurers and its banks are a lot more diversified today than in the past. Anbang Insurance is a major shareholder in Minsheng Bank, for example, while Ping An holds a large stake in HSBC," said Hao Zhou, senior emerging markets economist at Commerzbank.

"It makes much more sense for a single regulator to oversee these groups as it reduces the opportunities of regulatory arbitrage."

In the last year, China has stepped up efforts to reduce leverage in the banking system, while its regulators have repeatedly warned of the risks associated with shadow financing.

According to Nomura research, the shadow-banking sector peaked at around Rmb122.8trn (US$19.45trn) at the end of December 2016.

In January, the CBRC issued draft regulations that would limit a bank's exposure to unidentified counterparties in the underlying assets of structured investments to 15% of its Tier 1 capital.

This means banks will be forced to identify counterparties on all investments above this threshold, which would likely result in an increase in the amount of capital they need to hold.

The same month, the banking regulator also issued guidelines banning the use of entrusted loans, a common feature in shadow banking, to invest in bonds, financial derivatives and asset management products.

Last November, the PBoC also issued sweeping guidelines to tighten rules on the asset-management business as part of a clampdown on shadow banking.

Most analysts believe China's Big Four of Agricultural Bank of China, Bank of China, China Construction Bank and Industrial and Commercial Bank of China will be less adversely affected by these reforms as they have extensive retail deposits to fall back on.

Nevertheless, AgBank said last week it had received board approval for a proposed private placement of A-shares of up to Rmb100bn as it looks to replenish its capital due to the country's deleveraging campaign.

THOMAS BLOTT

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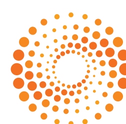

THOMSON REUTERS

RBI demands more powers over state banks

India's central bank chief has asked for more powers to police state-run lenders in the wake of a US$2bn fraud at Punjab National Bank.

In a thinly veiled rebuke to the government, which criticised the regulator and auditors for failing to spot the alleged scam, Reserve Bank of India Governor Urjit Patel said in a speech last Wednesday the RBI had "very limited authority" over public-sector banks.

Patel said there were numerous limitations in the RBI's powers, such as its inability to remove directors of PSBs, replace management, force a merger or initiate liquidation.

The combination of RBI oversight and government-owned majority stakes in PSBs had, in effect, led to a system of "dual regulation", said Patel, opening a "fault line [that] is bound to lead to tremors such as the most recent fraud".

Patel said the government "might consider … informing itself about what to do with the public-sector banking system going forward as part of optimising over the best use of scarce national fiscal resources".

Last November, the government unveiled a US$32bn bank recapitalisation for the debt-laden sector.

Patel said exemptions in the Banking Regulation Act meant the "RBI's regulatory powers over PSBs are weaker than those over the private-sector banks".

"It is an open issue whether centralised government control alone can be effective enough at designing and implementing governance of banking franchise, comprising over two thirds of the sector's deposits and assets. It would be better instead to restore regulatory and market discipline," Patel said.

His comments came after Finance Minister Arun Jaitley last month criticised inadequate oversight of the country's financial sector by auditors and regulators, without naming anybody in particular.

INCREASED SCRUTINY

Reuters reported earlier, citing four banking sources, that the RBI had asked commercial lenders to provide it with details of all letters of undertaking (LoUs) – the form of credit guarantee at the centre of the alleged PNB fraud – they had issued in the past several years.

One of the sources said the regulator had asked for details of LoUs issued as far back as 2011, while another said the deadline for banks to respond was last week.

"If there is a problem in one bank, they will be checking the whole system. What's the outstanding? Is it correctly reflecting in the book or not? That kind of thing," said a third source, a senior banker.

In sweeping changes to bank protocols after the fraud, the RBI asked banks to comply within strict deadlines on more than two dozen checkpoints, most notably to connect the SWIFT interbank messaging system with their core banking software by April 30.

Two jewellery groups were accused last month of defrauding PNB through fraudulent guarantees, based on LoUs issued by rogue bank employees, that they used to raise credit overseas. The key accused in the case have denied any wrongdoing.

Previous central bank letters to banks that Reuters had reviewed had shown that the RBI had warned banks as early as 2016 on technical loopholes that it said could expose the lenders to a heightened risk of fraud, but there was no indication of any fix on most counts.

DEVIDUTTA TRIPATHY, ABHIRUP ROY

WHO'S MOVING WHERE…

■ *Sergio Morita*, former head of secondary loans sourcing for Asia Pacific at BNP Paribas, is joining **CREDIT SUISSE**'s financing group in the region, say people familiar with the matter.
Morita, who left the French lender a couple of weeks back, is expected to start soon at Credit Suisse in a senior role.
Credit Suisse declined to comment.
Morita's move comes shortly after Ashish Sharma quit Credit Suisse as head of APAC loan syndications earlier this month.
Sharma's departure surprised market participants as the Swiss lender has been pushing hard to grow its Asian revenues under chief executive Tidjane Thiam's strategy to target wealthy Asian clients.
Sharma had worked at Credit Suisse for five years, focusing mainly on originating and syndicating high-margin loans, and was a key part of the APAC financing group, set up in 2016 to oversee lending to institutional and private wealth clients.
Carsten Stoehr, who was also appointed as Greater China CEO for Credit Suisse earlier this year, heads the APAC financing group.
Morita's recent experience has largely been in loan sourcing from secondary markets. He worked at BNP for nearly three years since joining in August 2015.
His previous roles include a brief, three-month stay at HSBC as head of sourcing, APAC, and almost five years at Bank of America Merrill Lynch from July 2009, handling distressed debt and illiquid credit sourcing for non-Japan Asia.
Before BAML, he was with Lehman Brothers in Asia for nearly 13 years from November 1995 with responsibility for leveraged loan syndications and distressed credit sourcing.

■ **HANG SENG BANK** has hired *Ryan Yue Sheng Song* as vice chairman and chief executive of its China unit.
Song joins from Hang Seng parent HSBC, where he was most recently executive vice president and head of global markets at HSBC in China.
Song will take up his new position on May 1, replacing Gordon Lam, who will become an adviser.

■ **HSBC** has appointed *Pradeep Rao* as head of corporates for South-East Asia within its global banking division, effective immediately.
Based in Singapore, he reports to Stephen Williams, head of global banking for South-East Asia.
Rao has been with HSBC for over five years and was most recently managing director for the consumer and retail sector in Asia Pacific.
He was previously with Citigroup, where he held a variety of positions in the corporate and investment banking group in London, Hong Kong and Mumbai.

■ **BNP PARIBAS** has hired *Carl Davey* in the newly created role of head of prime brokerage sales for Asia Pacific.
Based in Hong Kong, Davey reports to Benjamin Dufour, head of prime solutions and financing, Valery Bloud, head of equities and credit flow distribution and head of institutional clients, and Matthew Clark, global head of prime brokerage sales.
Davey joins from Citigroup, where he led the Asia hedge fund sales team covering prime finance, futures and custody products. He has also worked at Morgan Stanley.

■ **ONTARIO TEACHERS' PENSION PLAN** has hired *Ben Chan* as regional managing director for Asia Pacific, effective June 1.
Based in Hong Kong, he will lead the pension fund's investment activities throughout the region.

Chan joins from Khazanah Nasional, where he was co-head of investments and led their investment activities in China.
He was previously director of research at several investment houses in Malaysia, covering Malaysia and Singapore. He has also been with Cazenove & Co, the UK-based investment bank which JP Morgan later bought out.

■ *Benjamin Son* has quit from **UBS** as director in the leveraged finance and special situations group.
Son joined the Swiss lender in July 2014 in Sydney, before moving to Singapore slightly over a year later and then to Hong Kong at the beginning of last year.
He resigned on March 5 and is now on gardening leave.
Prior to joining UBS, he was with Golub Capital as credit asset manager for two years in New York. Before that, he worked at Credit Suisse and Macquarie Bank, also in New York.

■ *Mark Follett* has moved from head of debt capital markets origination, Asia ex-Japan, to a newly created role at **JP MORGAN**, focusing on jumbo deals.
Follett, who has been with JPM for over two decades, will now focus on large, complex transactions across asset classes that transform businesses. He now reports to John Hall and Murli Maiya, co-heads of global investment banking coverage for Asia Pacific.
Amy Tan, formerly JPM's head of DCM origination for East Asia, has succeeded Follett. She reports to Sudhir Goel, head of DCM and country sales and marketing, markets and investor service, Asia ex-Japan.
The appointments are effective immediately.

■ **ANZ** is hiring *Richard Dawson* as head of loans and specialised finance, international, according to a press release.
Dawson, formerly global head of debt advisory at KPMG in London, will start with the Australian lender on April 23.
Based in Hong Kong, he will report to Christina Tonkin, managing director, loans and specialised finance, and Farhan Faruqui, group executive, international.
Dawson joined KPMG in January 2011 in Hong Kong as head of debt advisory for Asia before relocating to London in April 2016.
Prior to KPMG, he was at Royal Bank of Scotland in Hong Kong for nearly three years as head of corporate and structured debt capital markets, Asia, according to his LinkedIn profile.
Before that, he was global head of syndicated loans at ABN AMRO for 12 years.

■ *Nirvikar Jain* has quit as chief executive officer of **FIRST ABU DHABI BANK**'s operations in India.
His last day was March 9. Jain is evaluating his options for the next step in his career.
He joined First Gulf Bank in July 2012 and was chief representative of the India representative office until March 2017 before it merged with National Bank of Abu Dhabi. He was then appointed CEO of FAB, the merged entity.
Previously, Jain was with National Australia Bank for nine months as director of trade finance from November 2011, according to his LinkedIn profile.
He started in banking with ICICI Bank as a senior relationship manager in July 2002 and worked in New Delhi for three years before moving to Citibank as vice president, structured trade and commodity finance for two years in Mumbai. He then spent four years at Bank of America Merrill Lynch, heading global transaction services sales for Western and Eastern India.

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AUSTRALIA

DEBT CAPITAL MARKETS

CBA TACKLES TOUGH US MARKET

COMMONWEALTH BANK OF AUSTRALIA (Aa3/AA–/AA–) raised US$2.25bn from last Monday's three-part offering of 144A/Reg S bonds, which proved a bit of a struggle by the recent lofty standards of Aussie major bank visits to the Yankee market.

Facing competition from nine investment-grade borrowers and Treasury note auctions that raised US$12.35bn and US$49bn, respectively, joint bookrunners *Bank of America Merrill Lynch*, *Goldman Sachs*, *JP Morgan* and *CBA*'s own syndication team were not able to move a great deal from initial price talk.

Although the transaction attracted a combined order book in excess of US$4bn from over 300 investors, the US$500m 3.45% five-year and US$1bn 3.90% 10-year fixed-rate notes priced just 10bp inside respective IPTs at Treasuries plus 85bp and 105bp. The US$750m five-year FRN priced 70bp wide of three-month Libor.

Using the CBA 2.5% September 2022s and 3.15% September 2027s as comparables, the new five-year notes priced with a 13bp new-issue concession, while the 10-year paid 9bp.

On January 17, fellow Aussie major Westpac priced a US$1bn 3.4% 10-year SEC-registered bond, alongside US$1.5bn dual-tranche three-year notes, 18bp tighter than CBA's new 10-year at Treasuries plus 87bp, having paid a smaller NIC of 4bp.

A banker on the trade said CBA achieved a decent result, given the level of competing supply and a much reduced corporate bid for three-year and five-year Aussie bank FRNs as US blue chips assess the implications of company tax reforms.

"There is no doubt the balance of power has shifted towards the investor in recent weeks amid the prospect of higher US and global interest rates and the removal of quantitative-easing support," he said.

ANZ SELLS STERLING EUROBOND

AUSTRALIA AND NEW ZEALAND BANKING GROUP (Aa3/AA–/AA–) accessed the Eurobond market last Thursday with £275m (US$384m) three-year floating-rate notes, priced 32bp wide of three-month Libor.

Nomura was sole bookrunner for the London-listed Reg S issuance off ANZ's EMTN programme.

ASCIANO TAPS REG S DEMAND

Rail-freight operator ASCIANO (Baa3/BBB–/BBB–) made full use of the elevated Asian bid for Australian corporate paper to raise US$400m from its maiden Eurobond sale.

The 4.75% 10-year Reg S note priced 205bp wide of Treasuries, 10bp inside initial price thoughts.

ANZ, *CBA* and *Credit Suisse* were joint bookrunners on last Thursday's trade, which was underpinned by Asian investors looking to diversify their China-dominated portfolios.

"Asian accounts, which bought a majority of the Asciano bond, are attracted by Australia's high corporate governance, transparency and strong banking system," said a banker on the transaction.

"The level of demand enabled Asciano to print a large amount at tighter levels than currently available in the local market".

Asciano made its debut in the domestic market last May with a A$350m (US$273m) two-part 10-year bonds, priced 260bp wide of asset swaps and three-month BBSW.

CBA SETS MARGIN FOR PERLS X

COMMONWEALTH BANK OF AUSTRALIA has set the margin for its indicative A$750m Tier 1 hybrid note offer, Commbank PERLS X Capital notes, at the tight end of the 340bp–360bp guidance range over 90-day BBSW.

CBA is arranger on the perpetual non-call seven issue and joint lead manager with *ANZ*, *Morgan Stanley*, *Morgans Financial* and *Westpac*. The offer closes on March 29.

BTMU SYDNEY NETS A$650M

BANK OF TOKYO-MITSUBISHI UFJ, SYDNEY BRANCH, rated A1/A (Moody's/S&P), raised A$650m from last Wednesday's sale of five-year transferrable certificates of deposit.

A A$500m five-year floating-rate note priced at the tight end of 100bp area guidance at three-month BBSW plus 98bp. The A$150m 3.4% March 20 2023s priced at 99.840 for a yield of 3.435%, 98bp wide of asset swaps.

MUFG, *Morgan Stanley*, *ANZ*, *NAB* and *Westpac* were joint lead managers on the trade.

INSURANCE AUSTRALIA PUSHES T2 NOTE

INSURANCE AUSTRALIA GROUP, rated A (S&P), will hold final investor meetings in Australia on March 19–20 after last week's Asian roadshow for a potential domestic issue of a 26-year non-call six-year to seven-year Tier 2 note.

JP Morgan and *Westpac* are arranging the meetings.

QBE TO BUY BACK MAY 2023S

QBE INSURANCE GROUP, rated A– (S&P), will close a tender offer to buy back its outstanding US$300m 3.0% May 25 2023 Reg S bond on March 19.

The repurchase of the 2023, just six months after the bond was issued, will help reduce QBE's debt-to-equity ratio from 40.8% towards its 25%–35% target range.

HSBC is dealer manager for the tender. The results will be announced on March 20.

IFC, KBN TAP LONG BONDS

INTERNATIONAL FINANCE CORP printed the biggest Kangaroo trade of a very quiet week with last Tuesday's A$200m tap of the 3.2% October 18 2027s, lifting the size of the line to A$850m.

The reopening, via joint leads *Daiwa* and *Mizuho*, priced at 99.896 for a yield of 3.2125%, 41bp and 50.1bp wide of asset swaps and the April 2027 ACGB.

On Friday, KOMMUNALBANKEN AS NORWAY (KBN), added A$50m to its 3.40% July 24 2028 line, taking the outstanding size up to A$405m.

Deutsche Bank and *RBC Capital Markets* were joint leads for the increase, priced at 100.954 to yield 3.29%, 1bp wide of guidance at 52bp and 61bp over asset swaps and the May 2028 ACGB.

NISSAN AUSTRALIA RAISES A$200M

NISSAN FINANCIAL SERVICES AUSTRALIA, rated A (S&P), raised A$200m from last Tuesday's three-year MTN issue via joint lead managers *ANZ* and *Citigroup*.

The 3.0% March 22 2021s priced at 99.843 for a yield of 3.055%, in line with asset swaps plus 83bp area guidance and 86.5bp over the May 2021 ACGB.

MERCEDES-BENZ RAISES A$125M

MERCEDES-BENZ AUSTRALIA/PACIFIC (A2/A/A–) raised A$125m from its latest offering of three-year Eurobonds via joint lead managers *TD Securities* and *Westpac*.

The 2.75% March 22 2021s priced at 99.886 for a yield of 2.79%, 58bp wide of mid-swaps.

In January, the regular issuer sold a A$100m three-year Eurobond 59.1bp wide of mid-swaps, following another A$100m three-year sale last November at mid-swaps plus 60bp.

› HERITAGE RETURNS FOR MORE

HERITAGE BANK, rated Baa1/BBB+ (Moody's/S&P), is marketing a potential Australian dollar bond issue via joint leads *ANZ* and *NAB*.

Heritage Bank last visited the local senior unsecured market in April 2027 to sell a A$200m three-year floating-rate note, priced 130bp wide of three-month BBSW.

STRUCTURED FINANCE

› MYSTATE RMBS NETS A$400M

Tasmania's MYSTATE BANK completed a no-grow A$400m (US$312m) offering of prime RMBS last Friday through ConQuest 2018-1 Trust.

The A$368m Class A1 notes, with a 2.9-year weighted-average life, priced in line with guidance at one-month BBSW plus 103bp.

The A$12m Class A2s, the A$9.2m Class ABs, the A$6.2m Class Bs, the A$3.8m Class Cs and the A$0.8m Class Ds, all with 5.2-year WALs, priced 130bp, 165bp, 200bp, 290bp and 574bp wide of one-month BBSW, respectively.

These margins were either inside or, in the AB notes' case, in line with respective guidance of 135bp–140bp area, 165bp area, low 200s area, 300bp area and high 500s area.

Respective credit support for the A1 to C tranches is 8%, 5%, 2.7%, 1.15% and 0.02%.

NAB was arranger and joint lead manager with *Macquarie Bank* and *Westpac* for the issue.

› PEPPER PRICES REFINANCING NOTES

PEPPER GROUP priced A$124m of Pepper Residential Securities Trust No 16 Class AR-u refinancing notes in line with one-month BBSW plus 105bp area guidance.

NAB was sole lead manager on the issue, proceeds of which were used to repay US dollar Class A1-u2 notes maturing on March 13.

The AR-u notes have an expected weighted-average life of 1.8 years and 47.2% credit support.

› PEPPER READIES NON-CON

Non-bank lender PEPPER GROUP has released initial price talk for four tranches of the dual-currency Pepper Residential Securities Trust No 20 Australian non-conforming RMBS ahead of the expected launch this week.

Guidance for the A$136.5m Class A1-S notes, with a weighted-average life of 0.4 year, is one-month BBSW plus 65bp. Respective guidance for the A$210m A1-a, A$91m A2 and A$59.5m B notes, with WALs of 2.7, 2.7 and 3.8 years, is one-month BBSW plus 120bp area, 160bp–165bp area and 190bp–200bp area.

The structure also includes US$136.5m Class A1-u1 notes, with a 1.0-year WAL, A$21m Class C notes and A$14m Class D notes, both with 3.8-year WALs, A$10.5m Class E notes, with a 3.6-year WAL, A$7m Class F notes, with a 2.6-year WAL, and A$7m Class G notes, with a 5.0-year WAL.

The A1-S, A1-a and A2 notes are rated Aaa/AAA (Moody's/S&P). The Bs to Fs are rated AA, A, BBB, BB and B to S&P, respectively. The A1-u1 notes are seen as P-1/A- 1+ (Moody's/S&P).

NAB is arranger and joint lead manager with *CBA* and *Westpac*.

› LATITUDE RELEASES IPT FOR ABS

LATITUDE FINANCE AUSTRALIA is sounding out a A$500m issue of asset-backed securities – the Latitude Australia Credit Card Loan Note Trust, Series 2018-1.

A A$353.45m Class A1 tranche is expected to be rated AAA/AAA/AAA (S&P/Fitch/DBRS), a A$52.325m Class A2 tranche is seen as AAA/AAA (Fitch/DBRS), a A$28.8m Class B tranche as AA/AA (Fitch/DBRS), a A$26.175m Class C tranche as A/A (Fitch/DBRS), a A$20.93m Class D tranche as BBB/BBB (Fitch/DBRS), and a A$18.32m Class E tranche as BB/BB (Fitch/DBRS). All have weighted-average lives of five years.

Initial price thoughts are one-month BBSW plus 110bp–115bp for the Class A1s, 150bp–160bp for the Class A2s, low 200s for the Class Bs, mid 200s for the Class Cs, mid 300s for the Class Ds, and high 400s for the Class Es. There is a lead order on the Class A1 tranche, of which A$150m is expected to be pre-placed.

Bank of America Merrill Lynch is sole arranger and joint lead manager with *Deutsche Bank* and *NAB*. Pricing is expected on Tuesday.

SYNDICATED LOANS

› SUNDANCE RAISING US BUY FUNDS

SUNDANCE ENERGY AUSTRALIA has said it is raising a US$250m second-lien term loan and a US$87.5m revolving credit facility to acquire and develop shale gas assets in the US.

The term loan also refinances a US$125m facility and extends its maturity to mid-2023. The revolver, which includes a US$12m letter of credit, matures in late 2022.

The Australia-listed company is also raising US$260m of equity to back the acquisition of the Eagle Ford fields for US$221.5m. The capital raising and refinancing will give Sundance about US$136m of additional liquidity to develop the assets.

The fields, covering 21,900 net acres, have expected production capacity of 1,800 barrels of oil equivalent per day.

› VIVA ENERGY REFI PROVES POPULAR

A two-year refinancing loan of US$600m for Vitol subsidiary VIVA ENERGY AUSTRALIA has been more than twice oversubscribed, showing the depth of liquidity available to top-tier borrowers.

Only Vitol's relationship lenders were invited to join the facility, which includes a greenshoe option to increase the size to US$700m. The loan refinances a borrowing-base facility raised to back the 2014 takeover of Shell's Australian refining operations and petrol stations.

Viva Energy has an option to extend the loan for 12 months and increase the amount a further US$200m through an accordion feature. Allocations are being finalised.

The mandated lead arrangers and bookrunners are ANZ, Mizuho Bank, NAB and UOB. The interest margin is 110bp over Libor and the upfront fee is 20bp for commitments of US$50m or US$100m. The borrower Viva Energy Holding is rated BBB– (S&P).

Viva Energy owns more than 900 Shell-branded service stations, along with 20 fuel import and storage terminals and Victoria's Geelong refinery.

In 2016, global energy and commodity trader Vitol carved out the freehold properties underpinning Viva Energy's fuel retailing and convenience store network and spun it off into listed property trust Viva Energy REIT.

› QANTAS BACK FOR A$250M REFI

Australian national carrier QANTAS AIRWAYS is returning to the loan market for a A$250m (US$197m) five-year bullet financing.

ANZ, *Bank of China* and *Commonwealth Bank of Australia* are mandated lead arrangers and bookrunners on the financing, which pays interest margins tied to a ratings grid.

The margins are 225bp over BBSY for Ba3/BB– (Moody's/S&P) or lower; 190bp for Ba2/BB; 155bp for Ba1/ BB+; 130bp for Baa3/BBB–; 115bp for Baa2/BBB; 105bp for Baa1/BBB+ or higher.

As Qantas has split ratings of Baa2/BBB– (Moody's/S&P), the initial margin of 122.5bp over BBSY is calculated on the average of the margins for the two ratings.

Lead arrangers with A$30m and above

will receive a top-level upfront fee of 50bp, while arrangers with less than A$30m receive a 45bp fee.

Bank presentations were slated to be held in Sydney on March 13 with more to follow in Hong Kong on March 14 and in Taipei on March 15. The deadline for commitments is April 6.

Proceeds are for refinancing.

The latest borrowing is not part of a facility programme Qantas set up last September to allow it to switch the types of aircraft used as collateral in the world's first aviation financing of this type.

Qantas raised an eight-year loan of A$350m, the first under the programme. BNP Paribas and NAB were MLABs on that loan, which refinanced part of secured aircraft and other amortising debt of A$442m, maturing in the financial year to June 30 2018.

EQUITY CAPITAL MARKETS

WESFARMERS TO SPIN OFF COLES

Australian retail giant Wesfarmers plans to spin off its supermarket chain COLES on Australia's stock exchange, as the conglomerate looks to focus on growth opportunities in its remaining businesses.

If the demerger is implemented, Wesfarmers shareholders will receive shares in Coles proportional to their existing Wesfarmers holdings, after taking into account any shares Wesfarmers would retain, according to the company.

Wesfarmers proposes to retain up to 20% interest in Coles after the demerger,

In May 2017, Wesfarmers pulled its plans to list office products retailer OFFICEWORKS in a A$1.4bn (US$1.1bn) IPO amid difficult market conditions.

UBS, *JP Morgan*, *Macquarie*, *Morgans* and *Gresham Partners* were working on the IPO.

CHINA

DEBT CAPITAL MARKETS

QINGDAO SOE RAISES US$500M

QINGDAO CHINA PROSPERITY STATE-OWNED CAPITAL OPERATION (GROUP) raised US$500m from dual-tranche US dollar bonds for working capital and refinancing.

It priced US$300m 4.50% three-year bonds at 99.510 to yield 4.677%, or Treasuries plus 225bp, and US$200m 5.00% five-year bonds at 98.978 to yield 5.235%, or Treasuries plus 260bp. The final pricings were inside initial guidance of 250bp area and 280bp area, respectively.

Huasing International Holdings is the issuer of the Reg S notes and the state-owned parent is the guarantor.

The senior unsecured bonds have expected ratings of BBB–/BBB (S&P/Fitch), on par with the guarantor.

Final deal statistics were not available at the time of writing, but orders were said to be over US$3bn, including interest from leads, at the release of final price guidance.

Standard Chartered, *CNCB HK Capital* and *Cinda International* were joint global coordinators, as well as joint lead managers and joint bookrunners with *Bank of China*, *Bank of Communications*, *HSBC*, *Industrial Bank*, Hong Kong branch, *Wing Lung Bank* and *Zhongtai International*.

The guarantor is a state-owned entity that the Qingdao municipal government has commissioned to promote industrial development and SOE reform.

WENS TARGETS US DOLLAR TRADE

GUANGDONG WENS FOODSTUFF GROUP plans to raise up to US$500m from an offering of Reg S US dollar notes for onshore purposes, including debt repayment.

The Chinese chicken breeder said in a filing to the Shenzhen Stock Exchange that it had hired *CICC* for the proposed offering at a maturity of no more than five years.

The plan has received clearance from the company board and is now subject to the approval of shareholders and regulators.

YANGO GROUP TRIES AGAIN

Property developer YANGO GROUP was on Friday marketing a 1.5-year senior unsecured US dollar bond at initial price guidance of 9.5% area.

The size was capped at US$250m. The Reg S issue had not priced when IFR went to press.

Yango Justice International was the issuer and Shenzhen-listed parent Yango Group, rated B2/B/B, the guarantor. The notes were expected to score a B– S&P rating.

Haitong International was sole global coordinator, as well as joint bookrunner with *CNCB HK Capital*, *China Citic Bank International*, *Guotai Junan International* and *Huatai Financial Holdings (Hong Kong)*.

Proceeds were earmarked to refinance debt.

In January, Yango pulled a US$250m three-year bond offering that had been marketed at initial guidance of 8.875% area.

XINYUAN PAYS UP FOR TWO-YEAR

Property developer XINYUAN REAL ESTATE, rated B/B (S&P/Fitch), priced on Monday a capped US$200m 9.875% two-year Reg S note at par, in line with guidance.

The fixed-rate notes have initial ratings of B–/B (S&P/Fitch).

Haitong International, *UBS*, *Guotai Junan International*, *Morgan Stanley* (B&D) and *Bank of America Merrill Lynch* were joint global coordinators. They were also joint bookrunners with *Orient Securities (Hong Kong)*.

GANGTAI SELLS AT YEAR'S TOP YIELD

Chinese conglomerate GANGTAI GROUP, rated B (Fitch), priced US$100m of 1.5-year US dollar bonds, offering the highest yield in the Asian G3 sector this year.

The Reg S bonds, carrying a coupon of 9.75%, were priced at 98.648 to yield 10.75%, unchanged from guidance. The senior unsecured bonds have an expected B rating from Fitch.

The yield is the highest year to date in the Asian G3 sector. The year's previous highest yield came from Guorui Properties, rated B/B (S&P/Fitch), which on February 27, priced a US$250m 364-day US dollar senior unsecured note at par to yield 10.20%.

Gangtai Group is a jewellery retailer and real-estate developer. It owns a 39.2% stake in Shanghai-listed jewellery retailer Gansu Gangtai Holding Group.

It had earlier sounded out the market for a potential issue of three-year bonds, but turned to a shorter tenor.

It plans to use proceeds for general corporate purposes, including debt repayment.

Haitong International was sole global coordinator, sole bookrunner and sole lead manager on the transaction.

HUAYANG E&T HIRES FOR DOLLARS

CHINA HUAYANG ECONOMIC AND TRADE GROUP, rated B+ (S&P), has hired banks for a proposed offering of US dollar senior unsecured bonds.

Tensant Securities, *DBS Bank*, *OCBC Bank* and *Natixis* are joint global coordinators, as well as joint lead managers and joint bookrunners with *China Goldjoy Securities* and *Dongxing Securities (Hong Kong)*.

The Chinese trading company, which is under the supervision of the China Council for the Promotion of International Trade (CCPIT), met investors in Hong Kong and Singapore from March 13.

The proposed Reg S bonds have an expected B+ rating from S&P.

The CCPIT is a national foreign trade and investment promotion agency directly under the State Council.

As of January 31 2018, the Asset Management Centre of the CCPIT owned

30% stake in the issuer. Three of its five directors are CCPIT appointees.

› GUANGYANG ANTAI WORKS ON DOLLARS

Chinese stainless steel producer **GUANGYANG ANTAI HOLDINGS**, rated B+/BB– (S&P/Fitch), met investors in Hong Kong and Singapore from March 12 for a proposed offering of US dollar senior unsecured notes.

HSBC, *Shanxi Securities International* and *Zhongtai International* are joint global coordinators on the Reg S issue, as well as joint bookrunners and joint lead managers with *Haitong Bank*.

The proposed notes will be issued in the name of wholly owned subsidiary Guangyang Antai (HK) with Guangyang Antai as guarantor.

The notes have an expected BB– rating from Fitch.

› BJ CAPITAL EYES GREEN DOUBLE

BEIJING CAPITAL GROUP, rated Baa3/BBB–/BBB, has hired banks for a proposed offering of senior unsecured Reg S Green bonds in US dollars and/or offshore renminbi.

HSBC and *China Citic Bank International* are joint global coordinators, as well as joint lead managers and joint bookrunners with *ICBC International*, *Agricultural Bank of China*, Hong Kong branch, *Bank of China*, *CCB International*, *Bank of Communications*, *Standard Chartered*, *ANZ*, *Commonwealth Bank of Australia* and *Natixis*.

Bank of China, HSBC, and Natixis are the green structuring advisers.

Beijing Capital Group, which the Beijing municipal government owns in its entirety, has met investors in Hong Kong and Singapore, from March 14.

The Green bonds, with expected ratings of Baa3/BBB–/BBB, will be issued through Beijing Capital Polaris Investment with the state-owned parent as guarantor.

The issue is subject to registration with the National Development and Reform Commission and market conditions.

Proceeds will be used in accordance with the company's Green Bond Framework to fund or refinance eligible green assets and projects in sustainable waste management, air pollution control, sustainable water management, low-carbon transportation, sustainable agriculture, and green buildings.

Beijing Capital Group has business in environmental protection, infrastructure, real estate and financial services.

› GUANGSEN READIES DOLLAR ISSUE

Chinese property developer **SHENZHEN GUANGSEN INVESTMENT GROUP** hired CEB International to arrange investor meetings in Hong Kong and Singapore from March 14 for a proposed offering of US dollar notes.

The bonds will be issued in the name of Panjin Orient Ginza Central City Property, a wholly owned subsidiary of Shenzhen Guangsen.

The notes will carry an unconditional and irrevocable guarantee from Shenzhen Guangsen and subsidiary Hongkong Oriental Ginza Group.

CEB International is sole global coordinator, bookrunner and lead manager.

› SHANDONG I&S PLANS DOLLAR ISSUE

SHANDONG IRON & STEEL GROUP has hired banks for a proposed offering of US dollar senior unsecured bonds.

The state-owned Chinese steelmaker named *Zhongtai International*, *DBS Bank*, *CEB International* and *Bank of China* as joint global coordinators, as well as joint bookrunners and joint lead managers with *Guotai Junan International*.

The company started to meet investors in Hong Kong and Singapore from last Friday.

The proposed Reg S unrated bonds will be issued in the name of wholly owned subsidiary Shandong Iron with Steel Xinheng International and Shandong Iron & Steel Group as guarantor.

› TONGFANG MEETS INVESTORS AGAIN

Chinese technology company **TSINGHUA TONGFANG** has hired banks to meet fixed-income investors again for a proposed offering of US dollar senior unsecured bonds.

The Shanghai-listed company will meet investors in Hong Kong, Singapore and London, starting Monday.

UBS, *DBS Bank* and *Bank of China* are joint global coordinators, as well as joint bookrunners and joint lead managers with *Cinda International Capital*.

The proposed Reg S unrated bonds will be issued in the name of wholly owned subsidiary Tongfang Aqua 2017 and Tsinghua Tongfang will be the guarantor.

Tsinghua Tongfang, with China's Ministry of Education as the ultimate controlling shareholder via Tsinghua University, operates as an information, security, and energy-saving technology company.

In mid-November, it hired five banks to arrange investor meetings for a proposed bond offering, but no issue has emerged so far.

UBS and Cinda International have been added to the list of bookrunners this time. Morgan Stanley, CMB International and Sun Hung Kai Financial were on November's list, but are not on the latest line-up.

› ICBC LEASING TO MEET INVESTORS

ICBC FINANCIAL LEASING (A1/A/A) has hired banks to arrange meetings with fixed-income investors in Singapore and London, starting on Tuesday.

The banks are *ICBC*, *Bank of China*, *BNP Paribas*, *Bank of Communications*, *Goldman Sachs*, *HSBC*, *Mizuho Securities*, *Wing Lung Bank*, *Bank of America Merrill Lynch*, *DBS Bank* and *MUFG*.

The state-owned Chinese leasing company has not said if it planned a new bond issuance.

› LENOVO WORKS ON TENDER OFFER

LENOVO GROUP has announced plans to issue new US dollar bonds due 2023 and/or 2028 off its US$3bn MTN programme to fund a tender offer.

The Chinese computer-maker will also use the proceeds to meet working capital and general corporate needs. It did not provide further details on the proposed offering of new Reg S unrated senior bonds.

The company started a tender offer on March 14 for two existing bonds – the US$1.5bn 4.70% 2019s and the US$500m 3.875% 2022s.

The tender price for the 2019s is US$1,018.75 per US$1,000.00 of principal amount, while that for the 2022s will be determined with reference to a spread of 165bp over a reference benchmark at or around the pricing date of the new bonds.

The tender offer is conditional on the issuance and settlement of the new bonds.

Moreover, the tender offer is subject to a tender cap of US$1.5bn and a non-preferred tender cap of US$400m. Holders of the 2019s, who subscribe to the new notes, will be given priority in the tender offer, while all others will be subject to the non-preferred tender cap.

Deadline for the tender offer is on March 21 and settlement is expected on or about March 29.

Pricing of the new notes is expected on or about March 22 and settlement on or about March 29.

BNP Paribas, *Citigroup* and *DBS Bank* are dealer-managers on the tender offer. The three are also joint global coordinators on the new offering. DF King is the tender and information agent.

Lenovo started to meet investors in Singapore and Hong Kong, from last Thursday for the said plans.

QINGHAI GROUP SELLING AT 8.00% AREA

QINGHAI PROVINCIAL INVESTMENT GROUP, rated BB– (S&P), on Friday was marketing three-year senior unsecured US dollar bonds at initial price guidance in the 8.00% area.

The Reg S notes, also with an expected rating of BB–, are puttable and callable at the end of year two.

The state-owned enterprise, based in north-western Qinghai province, is involved in aluminium production, electricity generation and coal mining.

Proceeds will be used for debt refinancing and general corporate purposes.

Credit Suisse is sole global coordinator, as well as joint bookrunners and joint lead managers with *GF Securities* and *Orient Securities (Hong Kong)*.

The issue was not yet priced at the timing of writing.

GREENLAND SELLS DIM SUM NOTES

Chinese property developer GREENLAND HOLDING GROUP (Ba1/BB/BB–) has raised Rmb1.5bn (US$237m) from an offering of three-year Dim Sum bonds.

The notes, expected to receive a Ba2 Moody's rating, were reoffered at 99.80, or a yield of 7.20%. The coupon is 7.125%. Initial price guidance was in the 7.375% area.

Greenland Global Investment is the issuer and Greenland Holding Group is guarantor.

Proceeds are meant for debt refinancing and general corporate purposes.

BOC International and *HSBC* were joint global coordinators, joint bookrunners and joint lead managers.

FIRST ABU DHABI MARKETS DIM SUM

FIRST ABU DHABI BANK PJSC was marketing three-year Dim Sum bonds on Friday at final price guidance of 4.80%.

The offering stemmed from a reverse enquiry with strong Taiwanese anchors.

Credit Agricole, Taipei branch, and *Standard Chartered Bank (Taiwan)* are joint bookrunners on the offering.

The bonds are expected to be rated Aa3/AA–/AA–, on par with the issuer.

LONGFOR EYES DEBUT RENTAL ISSUE

LONGFOR CHONGQING ENTERPRISE DEVELOPMENT is set to issue the first special rental housing bonds this week on the Shanghai Stock Exchange.

The company, an onshore subsidiary of Hong Kong-listed Longfor Properties, intends to raise up to Rmb3bn from a dual-tranche offering to fund seven rental housing projects.

The base issue size is Rmb1.5bn with an overallotment option of another Rmb1.5bn.

Books will open on March 20 for the five-year non-call three notes and seven-year non-call five notes.

Both the property developer and the notes have AAA ratings from China Chengxin.

Citic Securities is lead underwriter on the offering with *China Securities* as joint lead underwriter.

China last year launched a pilot programme in 13 major cities, including Beijing and Shanghai, to build rental housing projects as part of efforts to ease a housing supply shortage.

Rental housing bonds are regular notes whose proceeds must be mainly used to fund such housing schemes.

At least four other developers have applied to the SSE to issue rental housing bonds, including GREENTOWN GROUP's Rmb4bn scheme and HOPSON DEVELOPMENT HOLDINGS' Rmb10bn plan, according to preliminary filings to the bourse.

PHILIPPINES SET FOR PANDA ISSUE

THE REPUBLIC OF THE PHILIPPINES (Baa2/BBB/BBB) is set to be the first South-East Asian sovereign to issue Panda bonds in China.

The sovereign will launch this week a maiden offering of three-year Panda bonds to raise Rmb1.46bn.

Books will open on Tuesday in China's interbank bond market. The notes will also be available under Bond Connect, which gives international investors direct access to China's domestic market from Hong Kong.

Proceeds will be remitted offshore as part of the Philippines' international reserves. The proceeds, when converted to peso, can be used for budget spending and to support Belt and Road initiative, according to the bond prospectus.

Bank of China is lead underwriter on the offering with *Standard Chartered Bank (China)* as joint lead underwriter.

The Philippines and the notes have AAA ratings from China Lianhe Credit.

SHENWU DEFAULTS ON ONSHORE NOTES

SHENWU ENVIRONMENTAL TECHNOLOGY said it had failed to redeem Rmb450m of onshore notes due to liquidity stress.

The Chinese company, listed on the Nasdaq-style ChiNext board, privately placed the 8% three-year non-put two notes at par to qualified investors on the Shenzhen Stock Exchange in March 2016.

The issuer has the option to raise the coupon at the end of the second year and investors have the right to sell back the notes at the end of the second year.

Shenwu Environmental announced on February 6 that it would raise the coupon to 9%, but that failed to reassure bondholders, who registered all the notes for redemption by February 13, according to a company filing to the SZSE.

As of the March 14 due date, Shenwu was not able to pay a combined Rmb486m in principal and interest on the notes.

The manufacturer of acetylene and coal chemical products said in the filing that it was in talks to introduce strategic investors and that a big state-owned company had completed a due-diligence check on the firm.

Meanwhile, Shenwu would be actively seeking to mitigate financial pressure by way of collecting receivables and external financing, it said.

TRAFIGURA PLANS PANDA DEBUT

Commodities trader TRAFIGURA GROUP plans to issue debut Panda bonds in China as early as next month, according to market sources.

The company, headquartered in Singapore, has registered a Rmb2.35bn Panda bond programme with the National Association of Financial Market Institutional Investors, the sources have said.

The first issue off the programme will be privately placed in China's interbank bond market as early as next month, they said. The tenor is likely to be three years.

Bank of China is lead underwriter on the offering with *ICBC* as joint lead underwriter. *Standard Chartered Bank (China)* is financial adviser.

Trafigura raised US$400m from five-year US dollar bonds last week.

CINDA PRINTS JUMBO ONSHORE DEAL

CHINA CINDA ASSET MANAGEMENT has raised Rmb11bn from a second offering of onshore 10-year notes in less than two months.

The notes were priced at par to yield 5.5% in the country's interbank bond market, or 70bp over the yield of 10-year China Development Bank notes.

Both the issuer and the notes have AAA scores from China Lianhe Credit Rating.

China Cinda will use the proceeds mostly to develop its distressed-debt business.

In late January, China Cinda printed Rmb15bn 10-year notes at par to yield 5.5%.

Cinda Securities was lead underwriter

on the offering with *China Construction Bank*, *Industrial and Commercial Bank of China*, *Agricultural Bank of China*, *Bank of Communications*, *Bank of China* and *China Merchants Bank* as joint lead underwriters.

GLP PLANS PANDA BOND RETURN

GLOBAL LOGISTIC PROPERTIES plans to raise Rmb2.4bn from an offering of five-year Panda bonds in China's interbank bond market.

It will be GLP's second issue under its Rmb10bn Panda bond programme approved by the National Association of Financial Market Institutional Investors.

The bonds will be issued in the name of GLP subsidiary Iowa China Offshore Holdings (Hong Kong).

The proceeds are intended for loan repayment and for warehouse projects.

The notes and the issuer have AAA ratings from both China Chengxin and Shanghai Brilliance Credit Rating.

China Merchants Bank is sole lead on the issue.

GLP, the biggest warehouse operator in Asia, printed in October 2017 Rmb1bn five-year notes in the interbank bond market at par to yield 4.99%.

Last month, it raised Rmb1.2bn from Belt and Road Panda bonds on the Shenzhen Stock Exchange. The nine-year notes, which give investors rights for a sell-back at the end of years three and six, were priced at par to yield 5.65%.

SYNDICATED LOANS

STRONG RESPONSE FOR GEELY

ZHEJIANG GEELY HOLDING GROUP's €3.05bn loan backing its purchase of a stake in Swedish truckmaker AB Volvo has been oversubscribed, following commitments from a handful of banks.

A mix of Chinese and international banks joined during the early-bird phase. A few more lenders are processing approvals to commit in senior syndication, which is still ongoing.

Mandated lead arrangers, bookrunners and underwriters *BNP Paribas* and *China Citic Bank* launched the loan in mid-February.

Proceeds fund Geely's acquisition of an 8.2% stake in AB Volvo.

The facility is split into a €2.1bn five-year term loan and a €950m 12-month bridge, borrowed via two separate special-purpose vehicles, and paying top-level all-in pricing of 185bp and 130bp over Euribor, respectively.

Both tranches come with guarantees from Geely Sweden Holdings, which also owns Volvo Cars.

The acquisition is still awaiting Chinese regulatory approval.

Geely founder, controlling shareholder and chairman Li Shufu revealed on February 24 – only a couple of months after agreeing to buy the stake in AB Volvo in December – that he had built up a stake of around 9.7% in German rival Daimler, the maker of Mercedes cars and trucks.

The Daimler stake cost US$9bn, according to Reuters, while the AB Volvo purchase was for around €3.25bn, according to Swedish daily Dagens Nyheter. These acquisitions are Geely's largest since it bought Volvo Cars eight years ago.

Zhejiang Geely has no international ratings, but Hong Kong-listed unit Geely Automobile Holdings is a BBB– credit to S&P.

MEIHUA EYES DEBUT OFFSHORE LOAN

MEIHUA HOLDINGS GROUP is seeking a three-year transferable term financing of US$200m on its debut in the offshore loan market.

Standard Chartered is mandated lead arranger and bookrunner on the loan, paying an interest margin of 170bp over Libor for a 2.7-year average life.

Banks can join as MLAs with US$30m or more for a top-level all-in pricing of 210bp, via a management fee of 108bp, or as lead arrangers with US$20m–$29m for an all-in of 205bp, via a 94.5bp fee, or as arrangers with US$10m–$19m for an all-in of 200bp, via a 81bp fee.

The borrowers are Meihua Holdings and Hong Kong-based fully owned unit Meihua Group International Trading (HK).

Established in 2002, Shanghai-listed Meihua Holdings makes biological fermented products. It provides animal nutritional amino acids, human medical amino acids and food taste optimisation products.

GCL HIRES FOR THREE-YEAR LOAN

Hong Kong-listed GCL NEW ENERGY HOLDINGS has mandated *Credit Suisse* to arrange a US$150m three-year term loan.

The amortising facility, to be launched soon, comes nearly two months after the Chinese solar-power company, rated Ba2/BB– (Moody's/S&P), sold US$500m of three-year Reg S bonds priced at 7.1% in late January.

Proceeds from the bonds were used for developing business, repaying debt, including a Credit Suisse term loan, as well as meeting other general corporate needs.

COAM UNIT SEEKS TERM LOAN

DONG YIN DEVELOPMENT (HOLDINGS), a fully owned unit of China Orient Asset Management (International) Holding, has launched a US$100m three-year term loan.

Taipei Fubon Commercial Bank is the mandated arranger and bookrunner on the loan, which offers an interest margin of 215bp over Libor and has an average life of 2.75 years.

Lead arrangers joining with US$15m or more will receive an all-in pricing of 230bp over Libor, via a 40bp management fee, while arrangers with US$10m–$14m will get an all-in of 224bp, via a 25bp fee. Commitments are due on April 9.

Funds are for general corporate purposes.

Last May, the parent company raised a US$600m three-year loan. Taipei Fubon also led that loan, which offered a top-level all-in of 175bp over Libor, based on an interest margin of 139bp and a blended average life of 2.875 years.

COAM (International), rated BBB+/A– (S&P/Fitch), is a wholly owned subsidiary of state-owned China Orient Asset Management.

FEH LIFTS OFFSHORE LOAN SIZE

Financial services company FAR EAST HORIZON has increased its three-year bullet loan to US$1.12bn-equivalent from a US$800m target.

China Construction Bank (Asia), *E Sun Commercial Bank*, Hong Kong branch, *Fubon Financial Holding*, *ICBC (Asia)*, *MUFG*, *Taishin International Bank*, *Westpac* and *Wing Lung Bank* are mandated lead arrangers and bookrunners on the financing, split into US$875m and HK$1.95bn (US$249m) pieces.

Lead arrangers were offered a top-level all-in pricing of 155bp, based on an interest margin of 130bp over Libor or Hibor and a 75bp fee.

FEH subsidiary International Far Eastern Leasing is providing a letter of comfort.

Funds are for working capital and refinancing. Signing is slated for late March.

FEH is also in the onshore market for a Rmb1.2bn three-year term loan. *First Commercial Bank*, *Korean Development Bank*, *OCBC Wing Hang Bank* and *SMBC* are MLABs of the loan, which offers a margin of 105% of the PBoC rate and has a 2.7-year average life. MLAs with Rmb300m or more receive an all-in of 112.8% of the PBoC rate through a 100bp participation fee.

Last November, FEH completed a US$800m-equivalent three-year bullet term loan. ANZ, CTBC Bank, DBS Bank, Nanyang Commercial Bank and UOB were MLABs on that loan, which paid a top-level all-in of 158.33bp, based on an interest margin of

130bp over Libor or Hibor and a 75bp fee.

For full allocations, see www.ifrasia.com.

VANKE-LED GROUP TO BUY MALLS

A China Vanke-led group is seeking a dual-currency loan of Rmb4.15bn-equivalent to acquire shopping malls across China from Singapore's CapitaLand.

DBS Bank and *Maybank* are mandated lead arrangers and underwriters of the three-year borrowing, split into a Rmb3.3682bn-equivalent offshore tranche and a Rmb781.8m onshore portion.

The entire financing comes with an inter-creditor agreement.

SWIFT ASTUTE is the borrower on the offshore portion, which pays an interest margin of 275bp over Libor. MLAs with US$75m–$90m will receive an all-in pricing of 289bp, via a 42bp participation fee, while lead arrangers with US$50m–$74m earn an all-in of 286bp, via a 33bp fee, and arrangers with US$25m–$49m will receive an all-in of 282bp, via a 21bp fee.

Proceeds finance the consortium's proposal to buy 20 shopping malls, with a total gross floor area of around 950,000 square metres, located in core areas across 19 cities in China. The acquisition is subject to approval from Chinese regulators.

The members of the buyer consortium are Chogori Investment (Hong Kong), SCPG Holdings and Triwater Asset Management Holdings. The former two are a wholly owned subsidiary and a commercial unit of China Vanke, respectively, while the third is a subsidiary of Chinese private-equity fund Hopu Investment Management.

On January 5, SCPG Holdings said that it had teamed up with China Vanke and Triwater, to reach an agreement with CapitaLand Mall Asia, a wholly owned subsidiary of CapitaLand, to acquire jointly 100% equity and undertake corresponding loans of 20 shopping mall holding companies for Rmb8.365bn.

ZHENGTONG UNIT DEBUTS ONSHORE

Shanghai Dongzheng Automotive Finance, a subsidiary of car dealership CHINA ZHENGTONG AUTO SERVICES HOLDINGS, has launched a Rmb1bn loan, marking its debut just two months after the parent signed a US$380m three-year borrowing.

Standard Chartered is the sole original mandated lead arranger and bookrunner on the facility, split into a three-year tranche A and a two-year tranche B, with an unspecified greenshoe option.

The two tranches offer interest margins of 110% of the PBoC rate, which is at 4.75% for tenors over one year and up to five years. The average lives of tranches A and B are 2.425 and 1.7 years, respectively. Banks can commit to either tranche, or both.

MLABs with Rmb200m or more get a top-level all-in pricing of 120% and 117% of the PBoC rate for tranches A and B, based on participation fees of 116bp and 57bp, MLAs jwith Rmb100m–Rmb199m get all-ins of 118% and 115% of the PBoC rates for the two tranches, via fees of 93bp and 41bp, while lead arrangers with Rmb50m–Rmb99m get all-ins of 116% and 113% of the PBoC rates for the two tranches through 70bp and 25bp in fees, respectively.

The original deadline for commitments was March 9.

ZhengTong Auto owns 95% of the borrower, which was set up in April 2015.

ZhengTong Auto tapped the loan market in January for an increased US$380m loan from 19 banks. Morgan Stanley was global coordinator and administrative agent, but ended up with a zero final hold on the facility, which paid a top-level all-in of 358.56bp, based on an interest margin of 315bp over Libor and an average life of 2.525 years.

MEINIAN UNIT SEEKS MAIDEN LOAN

Medical equipment lessor SHANGHAI MEIXIN FINANCING LEASE, a subsidiary of Shenzhen-listed Meinian Onehealth Healthcare Holdings, is making its loan market debut for a Rmb1bn three-year term borrowing.

Standard Chartered is sole mandated lead arranger and bookrunner on the loan, which offers an interest margin of 110% of the PBoC rate and has an average life of 2.408 years. The three-year PBoC rate is at 4.75%.

MLABs with Rmb150m or more get a top-level participation fee of 115bp, including a 10bp early-bird fee, for an all-in pricing of 120.1% of the PBoC rate, MLAs with Rmb100m–Rmb149m get fees of 97bp for an all-in of 118.5% of the PBoC rate, while lead arrangers with Rmb50m–Rmb99m get a fee of 79bp for an all-in of 116.9% of the PBoC rate.

A bank meeting was held in Shanghai on March 7 and the deadline for commitments is April 6.

The borrower, incorporated in the Shanghai free trade zone in October 2015, buys and leases medical examination equipment to the parent and other subsidiaries and affiliates.

SINOPHARM UNIT GOES ON ROAD

SINOPHARM HOLDING (CHINA) FINANCE LEASING has invited banks to attend a roadshow on March 23 for an onshore deal, with *Nanyang Commercial Bank* as coordinator.

Sinopharm Holding was set up in Shanghai's free trade zone as a fully owned subsidiary of Sinopharm Group to focus on financial leasing and factoring.

Sinopharm Group, a leading pharmaceutical firm, is a unit of state-owned China National Pharmaceutical Group.

EQUITY CAPITAL MARKETS

SINOCHEM ENERGY UNIT PLANS IPO

SINOCHEM GROUP has invited banks to pitch for roles on the proposed Hong Kong IPO of its key oil assets, which could raise about US$2bn, according to three people familiar with the move.

The planned listing of the Chinese giant's energy unit is expected to involve its oil refining, oil trading, storage and logistics, as well as distribution and retail businesses, the people have said.

The float is expected to hit the market in the second half of the year, according to two of the people.

Officials of Sinochem, a state-owned chemicals conglomerate, could not be reached immediately for comment.

Last October, Reuters reported that Sinochem had hired BOC International, CLSA and Morgan Stanley to advise on a possible Hong Kong listing of its oil assets.

Those banks are likely to be awarded senior roles on the IPO, the people have said.

BAIC PENGLONG MULLS IPO

Chinese automaker BAIC Group is looking to list its car dealership in Hong Kong as early as this year, according to people familiar with the plans.

BAIC PENGLONG AUTOMOBILE, the car dealership of BAIC Group, has held initial talks with banks for a possible Hong Kong listing, according to the people.

The potential IPO could raise about US$200m–$300m, said two of the people.

BAIC Group did not return calls and emails seeking comments.

Established in 2010, BAIC Penglong runs Mercedes-Benz dealerships in China. It also sells vehicles of BAIC Motor and Beijing Hyundai Motor.

Ping An Insurance Group is also an investor in BAIC Penglong with a stake of about 40%.

According to local media, BAIC Penglong posted sales of Rmb32.9bn in 2017, up about 15% year on year.

GREENTREE OPENS IPO BOOKS

Chinese hotel chain operator GREENTREE HOSPITALITY GROUP has started bookbuilding

for a NYSE IPO of up to US$349m.

The company is selling 19.4m American depositary shares at an indicative price range of US$16–$18. Pricing is slated for March 26.

Bank of America Merrill Lynch, *Morgan Stanley* and *UBS* are joint bookrunners.

The company plans to use the proceeds for general corporate purposes.

SUNLANDS LAUNCHES US IPO

China's **SUNLANDS ONLINE EDUCATION GROUP** has launched a NYSE IPO to raise up to US$175.5m.

The provider of online post-secondary and professional education is selling 13m American depositary shares at an indicative price range of US$11.50–$13.50 each.

Pricing is slated for Thursday.

Credit Suisse, *Goldman Sachs* and *JP Morgan* are joint bookrunners on the float.

XINHUA EDUCATION EYES LISTING

CHINA XINHUA EDUCATION has started bookbuilding for a Hong Kong IPO of up to HK$1.48bn.

The private provider of higher education in China is selling 400m primary shares, or 25% of its enlarged company capital, at an indicative price range of HK$2.83–$3.69 each.

The range represents a pre-shoe 2018 P/E ratio of 14.7–19.1 and a post-shoe 2018 multiple of 15.2–19.9.

The IPO has attracted two cornerstone investors to be subjected to a six-month lock-up period. China New City Commercial Development and BOCOM International Prosperity Investment have each pledged US$10m.

Books will close on Monday with pricing slated for the same day. Trading will start on March 26.

Macquarie is sole sponsor and joint global coordinators with *ABC International*. The two banks are also joint bookrunners with *CMB International*.

HUIFU PAYMENT FILES FOR IPO

China's **HUIFU PAYMENT** has filed for a Hong Kong listing, naming *CLSA* and *JP Morgan* as joint sponsors.

IFR reported last December that the Chinese third-party payment firm intended to raise about US$400m–$500m from a Hong Kong float in 2018.

According to a regulatory filing, Huifu posted a 2017 net profit of Rmb133m, up 12% year on year.

Trixen, an affiliated company of the Sampoerna Group, owns a 29.99% stake in Huifu, while Bain Capital holds 22.45%.

Founded in 2006, Huifu began as an online payment firm and has since diversified into infrastructure services for other financial sectors, including peer-to-peer lending platforms, wealth management, consumer finance, private equity and exchanges.

CIMC PLANS H-SHARE PLACEMENT

CHINA INTERNATIONAL MARINE CONTAINERS (GROUP) plans to sell up to 343m new H-shares, or about 10.3% of its enlarged company capital, according to its filing.

The placement will raise HK$4.78bn, based on the March 13 closing price of HK$13.94. The manufacturer of road-transport vehicles and containers plans to use the proceeds for general corporate purposes.

CIMC recently scrapped a private placement of A-shares targeting up to Rmb6bn due to changes in the capital market, industry environment and relevant policies after almost two years since announcing the plan. Goldman Sachs Gao Hua Securities and China Merchants Securities were joint sponsors.

VINDA BLOCK BRINGS HK$544M

Sweden's Industrivarden has raised HK$544m from a block of shares in Hong Kong-listed **VINDA INTERNATIONAL**.

The 40m shares, or 3.3% of the existing company capital, were sold at the bottom of the indicative price range of HK$13.60–$13.90, representing a discount of 12% to the pre-deal spot.

The sale was well covered and allocation was concentrated at the top of the book.

There is a 90-day lock-up on the vendor.

Morgan Stanley was the sole bookrunner.

NANJINGSEC GETS IPO CLEARANCE

NANJING SECURITIES has cleared a China Securities Regulatory Commission hearing for a proposed Shanghai IPO of up to 825m shares, or 25% of its enlarged capital.

The brokerage could raise around Rmb2.3bn, based on its 2017 earnings per share of Rmb0.16 and the regulators' unwritten valuation cap of 23 times historical earnings.

Soochow Securities is the sponsor and joint bookrunner with *Hua Ying Securities*.

The IPO still needs written CSRC approval.

The CSRC also approved three listing applications to raise a combined Rmb1.7bn.

SICHUAN TIANYI COMHEART TELECOM, the largest of the three successful applicants, aims to raise about Rmb796m from a ChiNext IPO, with *GF Securities* as sponsor.

The supplier of optic communication products plans to offer not more than 66.85m shares, or about 25% of its enlarged company capital.

Proceeds will be used to upgrade technology and for working capital.

DATANG GETS PLACEMENT OKAY

DATANG INTERNATIONAL POWER GENERATION has received written approval from the China Securities Regulatory Commission for the A-tranche of its proposed US$2.11bn private placement of A-shares and H-shares.

The power-generation company received CSRC approval for the H-tranche placement last September.

Datang International plans to raise up to Rmb8.33bn from the placement of not more than 2.66bn A-shares to controlling shareholder China Datang.

Proceeds will be used to fund construction of power plants and repay loans.

The company also plans to raise up to HK$6.22bn from the sale of 2.79bn H-shares to Datang at HK$2.226 each. Proceeds will be used for general corporate purposes.

China Securities and *China Merchants Securities* are joint bookrunners for the A-share tranche of the placement, while China Merchants Securities, *China Securities International* and *CLSA* are financial advisers on the H-share tranche.

BEIJING JETSEN TECHNOLOGY has secured board approval for a proposed private share placement of up to Rmb3bn. The ChiNext-listed audio and video company plans to place up to 20% of its total issued capital to not more than five investors at a floor price to be set on the first day of issuance.

Strategic investor JIC Huawen Investment, a subsidiary of China Jianyin Investment, has agreed to subscribe to no less than Rmb199m of the shares, with a lock-up period of 36 months.

Proceeds will be used for film production and cloud platform projects.

The placement still needs approvals from shareholders and regulators.

GUANGHUI LAUNCHES RIGHTS ISSUE

GUANGHUI ENERGY launched a rights issue of up to Rmb4bn, with bookbuilding slated to start on Tuesday.

The natural gas and coal company plans to offer up to 1.57bn rights shares on a 3-for-10 basis. The price has been set at Rmb2.55, a discount of 42.4% to the March 14 close of Rmb4.43.

Proceeds will be used for a liquefied natural gas project and debt repayment.

China Securities is the sole bookrunner.

CHANGJIANGSEC SEALS CB ISSUE

CHANGJIANG SECURITIES raised Rmb5bn from six-year convertible bonds, with the public tranche 807 times covered.

About 50.3% of the CBs went to existing shareholders, 28.7% to institutional investors and 20.9% to retail.

The coupon for the CB is 0.2% in year one, stepping up to 2.0% in year six. The initial conversion price was set at Rmb7.60, a 2% premium to the pre-deal spot. The unsecured bonds received a AAA from United Ratings.

Guotai Junan Securities and *Changjiang Financing Services* were joint bookrunners on the issue. Proceeds will be used for working capital.

JILIN AODONG PHARMACEUTICAL GROUP raised Rmb2.41bn from six-year CBs, with the public tranche 808 times covered.

Existing shareholders took about 50.90% of the CBs and retail investors got the remainder.

The coupon is 0.2% in year one, stepping up to 2.0% in year six. The initial conversion price was set at Rmb21.12, a 0.1% premium to the pre-deal spot. The unsecured bonds received a AA+ rating from Pengyuan Credit Rating.

Minsheng Securities was sole bookrunner.

ZHESHANG SECURITIES secured board approval for a proposed sale of six-year CBs to raise up to Rmb3.5bn.

Proceeds will be used to replenish working capital. The proposal still needs approval from shareholders and regulators.

TONGKUN GROUP also secured board approval for a proposed issuance of six-year CBs of up to Rmb3.8bn. The manufacturer of civil-used polyester filaments plans to use the proceeds for production. Shareholders will review the proposal on April 3.

ZHEJIANG CIG FILES TO PLACE EB

ZHEJIANG COMMUNICATIONS INVESTMENT GROUP has applied to the Shanghai Stock Exchange for a private placement of six-year exchangeable bonds of up to Rmb3.5bn with shares of **WUCHAN ZHONGDA GROUP** as underlying.

Zhejiang Communications holds 892m Wuchan Zhongda shares, or 20.7% of the issued company capital.

Zheshang Securities is sole bookrunner.

DUO GETS APPROVAL FOR EB ISSUES

SHANGHAI ELECTRIC GROUP has received China Securities Regulatory Commission approval for a proposed public offering of six-year exchangeable bonds of up to Rmb3bn in the A-shares of **SHANGHAI MECHANICAL AND ELECTRICAL INDUSTRY**.

Shanghai Electric holds 484m Shanghai Mechanical A-shares, representing about 47.35% of the latter's total issued capital.

Credit Suisse Founder Securities is the sole bookrunner.

Controlling shareholder **ANSHAN IRON AND STEEL GROUP** received a no-objection letter from the Shenzhen Stock Exchange to list and transfer its planned private EB placement of up to Rmb4bn with A-shares of **ANGANG STEEL** as the underlying.

Anshan holds 4.22bn Angang A-shares, representing 58.31% of the latter's total issued capital.

Guotai Junan Securities and *Haitong Securities* are joint bookrunners.

The placement still needs CSRC approval.

HONG KONG

SYNDICATED LOANS

SHKP QUADRUPLES BORROWING SIZE

SUN HUNG KAI PROPERTIES has more than quadrupled a self-arranged five-year term loan to HK$21bn (US$2.68bn) from the initial HK$5bn after attracting 16 banks.

The real-estate giant's loan offered an all-in pricing of 75bp, based on an interest margin of 65bp over Hibor.

The borrower is Sun Hung Kai Properties (Financial Services) and the guarantor is SHKP.

Funds are for refinancing purposes. Signing is slated for March 22.

Last March, SHKP raised a HK$22bn self-arranged five-year loan from 19 banks. That loan offered an all-in pricing of 80bp, based on an interest margin of 70bp over Hibor.

For full allocations, see www.ifrasia.com.

JV CLUBS CONSTRUCTION LOAN

A joint venture between China's **LOGAN PROPERTY HOLDINGS** and **KWG PROPERTY HOLDING** has wrapped up a HK$10.575bn five-year loan to develop a project on Hong Kong island's south side.

Unicorn Bay (Hong Kong) Investments, which Logan and KWG equally own, raised the facility, split into a HK$6.72bn term loan and a HK$3.855bn revolving credit facility.

Hang Seng Bank is the facility and security agent. The club loan saw 10 others join as original lenders.

The two parents are guarantors.

Unicorn filed a winning bid of HK$16.86bn in February last year for a land parcel in Ap Lei Chau. The following month, it financed the land premium payment with a HK$7.505bn bridge loan from 10 banks. Hang Seng Bank was also the facility and security agent on that borrowing.

For full allocations, see www.ifrasia.com.

HAITONG CLUBS HK$11.8BN REFI

Chinese brokerage **HAITONG INTERNATIONAL SECURITIES GROUP** has clubbed a HK$11.8bn three-year refinancing with 13 banks.

The bullet financing, signed last Tuesday, is split into a HK$3.54bn term loan and a HK$8.26bn revolving credit facility. It offered an all-in pricing of 150bp, via an interest margin of 120bp over Hibor and a 90bp fee.

Hong Kong-listed Haitong, rated Baa2/BBB (Moody's/S&P), has been a frequent borrower and clubbed a smaller HK$6.68bn loan with seven banks in March 2017. That three-year loan paid an all-in of 150bp, via an interest margin of 140bp over Hibor and a 30bp fee.

The borrower has a HK$6bn facility due in April and another HK$4bn due in June. Those three-year loans offered top-level all-ins of 240bp and 210bp, via margins of 200bp and 180bp, respectively.

For full allocations, see www.ifrasia.com.

AOYUAN CLUBS HK$1.6BN FACILITY

Hong Kong-listed developer **CHINA AOYUAN PROPERTY GROUP** has clubbed with three banks a HK$1.6bn-equivalent dual-currency term loan.

Hang Seng Bank is facility agent and the other two joining are *China Minsheng Banking Corp* and *Nanyang Commercial Bank*.

Drawdown on the three-year facility took place on Thursday, but other banks could still participate later through a greenshoe option.

The loan, signed on March 13, paid an all-in pricing of 455.6bp, based on an interest margin of 395bp over Hibor/Libor, a 150bp upfront fee and an average life of 2.475 years.

Aoyuan is the borrower, while some of its subsidiaries are guarantors. Shares of Aoyuan and its subsidiaries serve as the collateral.

Funds are for refinancing and general corporate purposes.

Aoyuan, rated B2/B+/BB– (Moody's/S&P/Fitch), last raised a US$191.5m-equivalent three-year facility in January 2017 from six banks. Hang Seng was also the facility agent on that loan, which paid an all-in of 510.6bp, via an interest margin of 450bp over Hibor/Libor, for an average life of 2.475 years.

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INDIA

DEBT CAPITAL MARKETS

› HDFC BANK PRINTS MASALA

HDFC BANK on Thursday sold Rs23bn (US$354m) of seven-year Masala bonds at par to yield 8.10%, having tightened from initial price guidance of 8.15% area.

The trade drew orders of over Rs28bn from more than 40 accounts. EMEA investors bought 55% of the Reg S notes and Asian accounts purchased 45%.

In terms of investor types, 82% were fund managers, 15% were banks and 3% were private banks.

The bonds are expected to be rated Baa2/BBB– (Moody's/S&P), in line with the issuer.

Barclays, *HSBC*, *Standard Chartered* and *Sun Global* were joint bookrunners.

› REC PRINTS OFFSHORE BONDS

RURAL ELECTRIFICATION CORP on Thursday raised US$300m from the sale of 10-year senior unsecured bonds at Treasuries plus 200bp, in from initial price guidance of plus 215bp area.

The Reg S bonds are expected to be rated Baa3/BBB– (Moody's/Fitch).

ANZ, *Barclays*, *HSBC*, *Mizuho* and *MUFG* were joint bookrunners.

› JSW STEEL MEETS INVESTORS

JSW STEEL has mandated *Deutsche Bank*, *ANZ*, *BNP Paribas*, *Citigroup*, *Credit Suisse*, *First Abu Dhabi Bank*, *JP Morgan*, *Mizuho Securities*, *SBICAP (Singapore)* and *Standard Chartered Bank* for a US dollar bond offering.

The Indian steel-maker, rated Ba2/BB (Moody's/Fitch), last week began meetng fixed-income investors and hold calls in Singapore, for an offering of 144A/Reg S bonds with maturities of five and/or 10 yeasr.

The proposed notes have initial ratings on par with the issuer.

This is JSW's first US dollar bond since Moody's upgraded its corporate family rating and senior unsecured bond rating to Ba2 from Ba3 in March.

A benign operating environment and higher steel sales from the company's brownfield expansion were drivers of the upgrade, Moody's said, adding that India's steel consumption would continue to grow on the back of the government's push for infrastructure, construction and growing demand from the car industry.

JSW made a previous foray into international bond markets last April, when it printed US$500m of five-year bonds, priced at par to yield 5.25%.

› BHARTI AIRTEL PLANS BONDS

BHARTI AIRTEL said its board had approved plans to issue rupee corporate bonds of up to Rs100bn and foreign-currency notes of up to US$1bn.

Proceeds will be used to refinance debt, among other things.

The Indian telecom company, rated Baa3/BBB–/BBB–, last visited the dollar bond market in 2015 to sell US$1bn 10-year paper at Treasuries plus 210bp.

EQUITY CAPITAL MARKETS

› SANDHAR SETS IPO PRICE RANGE

SANDHAR TECHNOLOGIES aims to raise up to Rs5.1bn (US$79m) from its IPO, having set a price range of Rs327–Rs332, according to a public notice.

It will open the books on March 19 and close them on March 21.

The IPO will involve the sale of Rs3bn in primary shares and an offer for sale of up to 6.4m secondary shares from private-equity firm GTI Capital.

NTPC finds 10-year demand in tough market

Bonds Indian utility pays smaller-than-expected new-issue concession

NTPC found appetite for its US$400m 10-year notes despite global investors becoming increasingly discerning about long-duration bonds in the face of volatile markets and rising interest rates.

The Indian power generator priced the bonds at Treasuries plus 170bp, which was only 10bp inside initial price guidance. Final books were a modest US$750m.

Still, the government-owned utility was able to lock in long-term borrowing at the high end of size expectations of US$300m–$400m, at a time when fickle offshore markets have made it harder for Asian bond issuers to price deals. Indonesian coal miner Toba Bara had to postpone a live deal last Monday after failing to receive sufficient demand.

NTPC's new-issue premium was also smaller than expected, with bankers saying the issuer paid about 5bp–10bp, based on a curve extension from its US$500m 4.25% 2026s, which were spotted at G plus 155bp. However, the 2026s had widened about 10bp since the start of the month, according to Thomson Reuters data.

NTPC's premium was still in line with higher-rated Commonwealth Bank of Australia, which paid a new-issue concession of about 9bp last Monday on US$1bn 3.90% 10-year fixed-rate notes.

NTPC is rated Baa2/BBB–/BBB–, while CBA is rated Aa3/AA–/AA–.

"Investors such as the real money funds are definitely worried about taking on longer duration, which is why books were smaller," said a banker on the deal. "It helps that this issuer is government-owned, and it's also a familiar name that doesn't come to markets often."

"I know funds are still high on cash, and they still need to deploy them," said another banker on the deal. "This transaction satisfies some of the yield bogeys, and we had sticky, high-quality orders."

Finding size and tenor has also proved testing in the Indian onshore market in a rising rate environment.

The yield on Indian onshore AAA rated 10-year corporate paper was hovering at 8.42% last week, up 107bp since September 1. NTPC is rated AAA by domestic rating agencies Crisil and Care.

The more testing onshore environment has prompted several other Indian issuers to look offshore. Rural Electrification Corporation, Axis Bank, Birla Carbon and Mytrah Energy have appointed banks for potential dollar bond offerings, according to market sources.

The new Reg S NTPC notes weakened in the aftermarket, with bids at 172bp.

Asia was allocated 79% of the notes, EMEA 18% and the rest went to US offshore accounts.

Fund managers took 46% of the notes, insurers 36%, the public sector 12% and banks the rest.

Axis Bank, *Barclays*, *MUFG* and *Standard Chartered* were joint bookrunners.

The government of India owns 62.27% of NTPC and there is a change of control clause if it ceases to hold a majority stake.

FRANCES YOON

Major shareholder Jayant Davar owns 61.2% of the company and GTI Capital holds a 17.47% stake, or 8.9m shares. The rest is under the control of 10 individuals and companies categorised as promoter group in the prospectus.

The top of the price range implies a 2017 P/E ratio of 46.37, versus the industry average of 35.63.

Sandhar makes components for the automobile industry.

Axis Capital and *ICICI Securities* are bookrunners.

MIDHANI TARGETS RS4.2BN FROM IPO

State-owned specialised metal alloys maker MISHRA DHATU NIGAM (Midhani) is targeting IPO proceeds of Rs4.2bn after setting a price range of Rs87–Rs90 per share, according to a public notice.

Books will be open from March 21 to March 23.

The government is selling 46.8m shares, or 25% of the company capital, in the IPO, with *IDBI Capital* and *SBI Capital* as bookrunners.

DEFENCE PAIR TO FILE FOR FLOATS

State-owned defence companies MAZAGON DOCK SHIPBUILDERS and GARDEN REACH SHIPBUILDERS & ENGINEERS plan to file with the Securities and Exchange Board of India later this month for respective IPOs of Rs9bn and Rs7bn.

Axis, *Edelweiss*, *IDFC*, *JM Financial* and *Yes Securities* are managing the Mazagon IPO, while *IDBI Capital* and *Yes Securities* are bookrunners on the Garden Reach float.

The Indian government aims to sell stakes of 25% each in Mazagon Dock and Garden Reach.

Mazagon Dock builds warships, frigates and submarines and posted a net profit of Rs5.85bn in the financial year to March 31 2017, down from Rs5.96bn a year earlier.

Ship-maker Garden Reach registered net profit of Rs122m for 2017, down from Rs1.62bn for 2016, because of delays in ship deliveries.

The pipeline of IPOs for state-owned defence companies is building with Bharat Dynamics launching a Rs9.6bn IPO last Tuesday and Hindustan Aeronautics planning a Rs42bn float last Friday. Mishra Dhatu Nigam will also open books for a Rs4.2bn IPO later this month.

HDFC AMC PREMARKETS IPO

HDFC ASSET MANAGEMENT is premarketing a US$500m–$600m IPO with a launch targeted for May, according to people with knowledge of the plans.

Stakeholders Housing Development Finance Corp and Standard Life Investments are selling a combined 25.5m shares, or an interest of 12.09%. Of the shares, 8.6m, or a stake of 4.08%, will come from HDFC and 16.9m, or a stake of 8.01%, will be from Standard Life.

According to the draft prospectus, HDFC owns 57.36% of the AMC and Standard Life controls 38.24%. A group of individual investors hold the remaining interest.

HDFC AMC is one of India's leading mutual fund companies with assets of Rs2.93trn as of December 31 2017. The AMC's net profit rose to Rs5.5bn in the year to March 31 2017 from Rs4.78bn in 2016.

Reliance Nippon AMC was the first Indian mutual fund to list last year in India.

Axis, *Bank of America Merrill Lynch*, *Citigroup*, *CLSA*, *HDFC Bank*, *ICICI Securities*, *IIFL Holdings*, *JM Financial*, *JP Morgan*, *Kotak*, *Morgan Stanley* and *Nomura* are the bookrunners.

TCS BLOCK BRINGS TATA RS90BN

Tata Sons has raised Rs90bn from an enlarged block of shares in flagship TATA CONSULTANCY SERVICES.

Tata Sons sold 31.3m shares, up from the original 28.27m shares, on the back of strong demand. The shares were priced at the bottom of the Rs2,872–Rs2,925 indicative range.

The shares represent 1.63% of the company's equity capital. Before the block, Tata Sons owned 73.5% of TCS.

The final price was at a 5.9% discount to the pre-deal close of Rs3,052.15.

There is a 90-day lock-up on the vendor.

There were around 50 accounts in the book with equal participation from local and international investors, according to people with knowledge of the sale.

Citigroup and *Morgan Stanley* were the bookrunners

TCS is India's leading software services exporter. Tata Sons sold the shares to improve its capital and also invest in other group companies. Tata Sons has been buying into group companies such as Tata Motors. Last year it bought Rs20bn or a 1.71% stake in Tata Motors and in 2016 it bought 1.73% in the same company for Rs24bn.

INDONESIA

DEBT CAPITAL MARKETS

TOBA BARA POSTPONES ISSUE

TOBA BARA SEJAHTRA, rated B3/B– (Moody's/Fitch), has postponed a proposed offering of five-year non-call three US dollar bonds due to unfavourable market conditions.

The Indonesian coal-miner marketed the 144A/Reg S bonds last Monday at initial price guidance of 9.75% area with an expected issue size of US$150m–$200m. Later in the day, it set the final price guidance at 9.75% after drawing orders of around US$250m. At the time, it said the issue size was expected to be US$150m.

The senior notes had expected ratings of B3/B– (Moody's/Fitch).

Citigroup, *Morgan Stanley*, *CLSA* and *Mandiri Securities* were joint lead managers and bookrunners on the issue.

Toba Bara Sejahtra had intended to use up to US$50m of the proceeds to refinance debt, up to US$30m to partially fund equity contributions to subsidiaries GLP and MCL and up to US$70m–$120m to pay partially for acquisitions and investments in coal-mining or power assets.

BAYAN DROPS OFFSHORE BOND PLAN

BAYAN RESOURCES has decided not to proceed with a proposed offshore bond offering, according to its filing in Bahasa to the Indonesia Stock Exchange.

The Indonesian company said that, after evaluating its funding options, it had decided to use internal cash and/or loans instead.

In July 2017, Bayan said in an IDX filing that it planned to issue offshore bonds of US$600m, under the 144A/Reg S format, for a listing on the Singapore Exchange. It was targeting a maximum tenor of seven years and maximum interest rate of 10%, according to the filing at the time.

Bayan Resources is a coal producer and also operates a major coal terminal.

BSD HIRES FOR SENIOR DOLLARS

BUMI SERPONG DAMAI has hired *Citigroup*, *UBS*, *BNP Paribas* and *Credit Suisse* as joint bookrunners and joint lead managers for an offering of senior unsecured US dollar bonds.

The Ba3/BB– rated (Moody's/Fitch) issuer began meet fixed-income investors in Hong Kong, Singapore and London last week for the Reg S issue, expected to be rated on par with the Indonesian property developer.

Despite weakness in the Indonesian property market since the second half of 2015, Bumi Serpong was able to produce strong marketing sales through new project launches and sales of commercial plots of land, said a Moody's note.

Moody's raised Bumi Serpong's outlook to positive from stable on Wednesday, saying that an increase in its recurring income and strong financial metrics could support a credit upgrade.

Last May, the developer priced a US$70m tap of its 5.50% 2023 senior unsecured US dollar bonds at 101.625, lifted the total size of the 5.50% 2023s to US$270m.

SYNDICATED LOANS

› STP PREPARES TO LAUNCH REFI

Telecom tower operator SOLUSI TUNAS PRATAMA is preparing to launch into general syndication a US$350m five-year refinancing loan through seven banks.

BNP Paribas, *Citigroup*, *ING Bank*, *Mizuho Bank*, *MUFG*, *Standard Chartered* and *SMBC* are mandated lead arrangers, bookrunners and unequal underwriters on the loan, slated to hit the market later this month. The seven banks were mandated last month.

The amortising loan comprises US dollar and rupiah tranches. The US dollar portion is for around US$325m.

Funds will refinance debt. STP has outstanding bonds of US$300m on which the non-call period expired last month. STP had issued the five-year non-call three bonds in February 2015 at a yield of 6.25%.

In October 2016, the borrower raised a US$350m 4.5-year loan, comprising a Rp1.63trn (US$125m then) tranche and a US$225m piece. Bank Mandiri, BNP Paribas, Citigroup, HSBC, Indonesia Infrastructure Finance and Sarana Multi Infrastruktur committed to the Indonesian rupiah tranche, while Citigroup, CTBC Bank, ING Bank, JP Morgan and StanChart provided the US$225m piece as MLABs.

StanChart provided an underwritten commitment to the US dollar portion, while the other four came in on a take-and-hold basis. The US$225m loan, which was launched into limited syndication, paid a top-level all-in pricing of 246.67bp based on an interest margin of 230bp over Libor.

JAPAN

DEBT CAPITAL MARKETS

› TOYOTA INDUSTRIES PRICES TWO-PIECE

TOYOTA INDUSTRIES, rated A1/AA– (Moody's/S&P), on Monday priced a US$1bn two-part 144A/Reg S bond offering through seven bookrunners.

The US$500m 3.325% five-year and US$500m 3.566% 10-year were sold at 60bp and 70bp over Treasuries versus 70bp–75bp and 85bp area initial price thoughts, respectively.

The new-issue concessions were estimated at 6bp for the five-year piece and 7bp for the 10-year portion.

The notes have expected ratings of A1/AA– (Moody's/S&P).

Nomura, *Morgan Stanley*, *SMBC Nikko*, *Mizuho Securities*, *JP Morgan*, *Bank of America Merrill Lynch* and *Citigroup* were the bookrunners.

› NISSAN MOTOR ACCEPTANCE PRINTS

NISSAN MOTOR ACCEPTANCE CORP, rated A2/A (Moody's/S&P), on Thursday raised US$850m from three-part 144A/Reg S bonds.

The US$300m 3.15% three-year and US$300m 3.45% five-year notes priced 77bp and 87bp wide of Treasuries, inside 85bp area and 95bp-100bp initial price thoughts. The US$250m three-year FRN priced 52bp over three-month Libor.

The new-issue concession was estimated at 7bp-8bp.

Citigroup, *Mizuho*, *MUFG* and *US Bancorp* were bookrunners.

SYNDICATED LOANS

› LOAN AND CASH FOR TORAY BUY

TORAY INDUSTRIES, the world's largest maker of carbon-fibre composite materials, has said it will use cash in hand and a loan to acquire TenCate Advanced Composites Holding for €930m (US$1.15bn).

Toray expects to complete the acquisition, which is subject to regulatory approvals, in the second half of this year.

Netherlands-based TenCate makes the material thermoplastic prepreg, which improves the efficiency of moulding. Toray expects demand for the material to increase in line with demand for medium and small-sized mass-produced aircraft.

Toray has been building its carbon-fibre business, beginning with the 2014 acquisition of US-based Zoltek for US$584m. The company funded the acquisition with a US$97.5m direct loan from Japan Bank for International Cooperation and a US$253.5m two-step loan from MUFG, Mizuho Bank and SMBC.

Toray last tapped the syndicated loan market in November 2017 for a ¥50bn

Hungary prices first Samurai since 2007

■ **Bonds** Issue marks new step in sovereign's rehabilitation after Panda debut

HUNGARY returned to the yen market last week after more than 10 years with a ¥30bn (US$283m) offering of three-year Samurai bonds.

The bonds priced at a 0.37% coupon, or 25bp over yen offer-side swaps, in the middle of the initial guidance range of 20bp–30bp and at the tight end of the final 25bp–27bp.

Hungary's return continues its rehabilitation in the global capital markets, following the eurozone sovereign debt crisis, and reintroduces a known name to the Samurai arena.

After its debut in 2004, the central European country issued Samurai bonds once a year until a ¥25bn 10-year in October 2007, but it has been absent since amid a series of credit downgrades with Moody's lowering its ratings from A2 to A3 in 2008, Baa1 in 2009, Baa3 in 2010, and Ba1 in 2011. The sovereign had to wait until 2016 for Moody's to restore its ratings to an investment-grade Baa3.

Hungary made its debut in the Panda market and returned to the euro market in 2017, and a comeback in yen has been on the cards since its outstanding Samurai balance dropped to zero with the maturity of its 2007 issue last October. Reuters quoted Economy Minister Mihaly Varga in December as saying Hungary could issue a Samurai bond in the first half of 2018 in order to maintain its presence on the Japanese market.

A shelf registration was filed in July to issue up to ¥100bn of Samurai bonds and up to ¥100bn of Uridashi bonds.

For this Samurai transaction, Hungary chose three years, a tenor which leads thought would maximise investor demand, but had considered going longer as well before marketing officially began on March 8.

The book built steadily on the back of demand from a variety of investors, including regional buyers, and the size was capped at ¥30bn.

Daiwa and *SMBC Nikko* were leads on the issue, with a BBB+ rating from JCR and expected Baa3 from Moody's and BBB– from both S&P and Fitch.

TAKAHIRO OKAMOTO

(US$438m then) one-year revolving credit through arranger SMBC.

› MARUBENI ROLLS OVER REVOLVER

Trading house MARUBENI CORP rolled over last month its annual US$555m 364-day revolving credit facility.

Citigroup was the arranger, while *Credit Agricole* came in to share the mandated lead arranger title, as in the rollover completed in February 2017.

Also joining were all existing lenders, including *ANZ*, *Bank of America Merrill Lynch*, *BNP Paribas*, *Deutsche Bank*, *HSBC*, *ING Bank*, *JP Morgan*, *Societe Generale* and *Standard Chartered*.

The new facility pays a 60bp all-in pricing via an interest margin of 50bp over yen Libor and a facility fee of 10bp, unchanged from the 2017 loan.

Marubeni, rated Baa2/BBB/A+/A (Moody's/S&P/JCR/R&I), posted a surge of 53% in net profit for the April-December period and lifted its full-year forecast by 18%, on a boost from higher copper and coal prices.

› JAL SIGNS AIRCRAFT FINANCING

JAPAN AIRLINES signed last Friday with 16 lenders a ¥21.8bn aircraft financing, carrying a guarantee from *Japan Bank for International Cooperation*.

MUFG and *Mizuho Bank* were mandated lead arrangers on the 10-year loan, while *SMBC* was co-arranger, a source said.

Funds are to buy aircraft from Boeing.

Last March, the borrower obtained a ¥20.9bn 10-year JBIC-guaranteed aircraft financing.

› PROLOGIS REIT SIGNS TAKE-OUT

Tokyo-listed NIPPON PROLOGIS REIT said it signed on Friday a ¥11.8bn 10-year bullet term loan to take out partially a ¥32.2bn two-year bridge loan funded on March 1.

The latest loan pays an interest margin of 30bp over one-month Tibor.

MUFG and *SMBC* were mandated lead arrangers, while *Development Bank of Japan*, *Mizuho Bank*, *Resona Bank* and *Sumitomo Mitsui Trust Bank* joined in syndication. Drawdown was slated for last Tuesday.

The borrower will use proceeds from the loan and cash to pay back the ¥32.2bn bridge from MUFG and SMBC, which pays a margin of 20bp over one-month Tibor.

EQUITY CAPITAL MARKETS

› DAIWA REIT COMPLETES FOLLOW-ON

DAIWA HOUSE REIT INVESTMENT has raised ¥53bn (US$500m) from a global offering of new investment units.

The company sold 222,000 units, comprising 150,900 via a Japanese public offering and 71,100 via an international offering.

The units were sold at ¥239,806 each, or a 2% discount to the pre-deal spot.

There is an over-allotment option of up to 15,000 units.

There is a 90-day lock-up for the issuer and a 180-day lock-up for sponsor Daiwa House Industry.

The company will mainly use the proceeds to purchase 16 additional properties.

Daiwa, *Morgan Stanley* and *Nomura* were the joint global coordinators, and joint bookrunners on the international offering.

MALAYSIA

DEBT CAPITAL MARKETS

› OSK UNIT PLANS ISLAMIC MTN

Property developer OSK I CM, a unit of OSK Holdings, has set up a M$1.8bn (US$467m) Islamic MTN programme under the murabahah concept.

Maybank and *RHB* are joint principal advisers, lead arrangers, lead managers and bookrunners on the unrated programme. Proceeds will be used for sharia-compliant activities, including working capital and debt refinancing needs.

The Malaysia-based company and investor OSK Holdings has M$827m of outstanding bonds, according to Thomson Reuters data.

› SOLID DEMAND FOR PUTRAJAYA SUKUK

PUTRAJAYA BINA sold four-tranche Islamic bonds last Thursday in line with final price guidance, but, despite strong demand, kept the issue size at M$600m.

The offering was 4x covered, but the Malaysian construction company did not lift the size as it did not need additional funds.

A three-year tranche pays 4.34%, a five-year pays 4.50%, a seven-year pays 4.56% and a 10-year pays 4.77%. The size of each tranche was M$150m. Respective price guidance was 4.20%–4.35%, 4.40%–4.54%, 4.50%–4.60% and 4.70%–4.80%.

AmInvestment Bank, *CIMB* and *Maybank* were joint lead managers for the trade, which settles in the week of March 26. The notes will be drawn from a M$1.58bn sukuk wakalah programme.

› GAMUDA PLACES M$400M BONDS

GAMUDA has raised M$400m from a private placement of five-year bonds at 4.875% through joint lead managers *AmInvestment Bank* and *CIMB*.

The new notes, with a AA3 rating from RAM, were settled last Friday.

The Malaysian construction and engineering company has M$400m of 4.17% bonds, maturing on March 21.

› AMMB RAISES T2 CAPITAL

AMMB HOLDINGS has raised M$350m from the sale of 10-year non-call five subordinated notes at 5.23%.

The Malaysian financial institution, a AA3 credit to RAM, will use the proceeds to invest in capital instruments issued by subsidiaries, including AmBank and AmInvestment Bank.

The subordinated notes, rated A1, will qualify as Tier 2 capital and will be drawn from a M$10bn subordinated notes programme. They will be callable on March 14 2023.

› SUNWAY SELLS PERPETUAL SUKUK

SUNWAY has printed M$200m of Islamic perpetual securities in its first issue off a newly established M$5bn Islamic MTN programme.

The perpetual sukuk, with a call option in year five, pays 5.5%.

Settlement of the notes, which will not be listed on any exchange, was done on March 9 after the Malaysian property company privately placed the paper to Kenanga Investors.

Kenanga Investment Bank is principal adviser and lead arranger on the programme, as well as lead manager for the print.

› ECO SETS UP MTN PROGRAMME

Malaysia's ECO BOTANIC has established a M$250m MTN programme, which state-owned insurer Danajamin Nasional will partly guarantee.

The programme involves M$100m of unrated notes on a standalone basis and a further M$150m of unrated notes, wrapped with a Danajamin guarantee.

Proceeds will be used partly to fund the development projects at the Eco Botanic township, which is being developed in Johor. Eco Botanic is a unit of property developer Eco World Development Group.

MIDF Amanah Investment Bank is principal adviser, lead arranger and lead manager on the programme.

NEW ZEALAND

DEBT CAPITAL MARKETS

ANZ TACKLES TOUGH EURO MARKET

ANZ NEW ZEALAND (A1/AA–/AA–), acting through its London branch, had to deal with a difficult European market to print a modestly covered €500m (US$620m) 1.125% seven-year senior unsecured Eurobond.

BNP Paribas, *UBS*, *DZ Bank* and *ANZ* were joint lead managers on last Tuesday's issue, which drew an order book of €650m and was sold at mid-swaps plus 40bp, just inside the low 40s initial price thoughts.

One obvious comparable was the €750m five-year Eurobond that ANZ New Zealand's Australian parent, Australia and New Zealand Banking Group (Aa3/AA–/AA–), issued on February 14. This note priced at mid-swaps plus 15bp with the margin subsequently widening out to 22bp in secondary.

"The leads would have hoped to move on more from IPTs, but there has been a lot of recent supply, while market conditions are clearly choppy at the moment," said a banker away from the trade.

"The removal of QE and the prospect of more rate increases, especially in the US, has boosted volatility and prompted some investors to shift asset allocations away from credit and towards risk-free government bonds, primarily Treasuries, where returns are becoming more attractive."

IDB EXTENDS KAURI CURVE

INTER-AMERICAN DEVELOPMENT BANK, rated Aaa/AAA (Moody's/S&P), raised NZ$500m (US$370m) from the year's first sale of 10.5-year Kauri bonds, with sole lead manager Deutsche Bank as arranger.

The 3.74% September 26 2028s priced last Tuesday at par, 47bp wide of mid-swaps and 80bp over the April 2027 NZGB.

Kauri issuance year to date has focused squarely on the five-year sweet spot, where a combined NZ$3.3bn has been raised from nine bonds.

This year's overall Kauri sales of NZ$3.8bn, already trump the 2017 full-year total of NZ$2.9bn, with the 2014 and 2015 annual Kauri records of NZ$6.3bn potentially in sight.

RABOBANK TRIPLES ISSUE SIZE

RABOBANK, NEW ZEALAND BRANCH (Aa2/A+/AA–), raised NZ$300m, three times the minimum indicative issue size, from last Thursday's sale of three-year floating-rate notes via joint lead managers *ANZ* and *BNZ*.

The March 22 2021s priced in line with guidance at three-month BKBM plus 75bp.

INVESTORE OFFERS SIX-YEAR NOTE

INVESTORE PROPERTY has set price talk at mid-swaps plus 150bp–170bp for an unrated six-year retail note offer, subject to a minimum coupon rate of 4.40%.

Westpac is arranger and joint lead manager, with *ANZ*, *Deutsche Craigs* and *Forsyth Barr* on the issue The margin on the note will be set on March 20 after bookbuilding.

The issuer is looking to raise up to NZ$75m with the ability to accept oversubscriptions of up to NZ$25m.

The offer is expected to open on March 21 and close on April 12.

PHILIPPINES

DEBT CAPITAL MARKETS

NLEX WORKS ON PS6BN ISSUE

Indirect Metro Pacific Investments subsidiary **NLEX** has applied for regulatory approval to sell bonds to raise up to Ps6bn (US$115m), according to a stock exchange filing of the parent company.

NLEX, operator of the biggest toll-road network in the Philippines, plans to raise Ps4bn, with an option to increase the issue size a further Ps2bn.

PhilRatings sees the bonds as Aaa.

NLEX, formerly known as Manila North Tollways Corp, has also filed a Ps25bn shelf bond registration.

The company was set up to rehabilitate the North Luzon Expressway. In 2016, it signed a concession to build and operate the North Luzon Expressway-South Luzon Expressway connector road project, expected to cost Ps17.6bn, according to PhilRatings.

Proceeds from the issue will be used primarily to fund upcoming projects.

EQUITY CAPITAL MARKETS

METROBANK PRICES RIGHTS OFFER

METROPOLITAN BANK & TRUST (Metrobank) aims to raise Ps60bn (US$1.2bn) from a rights offer of 799.8m shares, on a 1-for-3.9760 basis, priced at Ps75 per share.

The Philippine bank's offer will be open for subscription on March 22–April 4.

The rights price represents a 22% discount to last Tuesday's closing of Ps96.

The funds will be used to acquire the remaining 20% stake in Metrobank Card the bank does not already own.

Local conglomerate GT Capital Holdings, which owns 30% of the bank, will subscribe to its entitlement.

As of September 30, Metrobank's capital adequacy ratio stood at 16%, above the mandated 10%.

First Metro and *UBS* are joint global coordinators on the offer.

BPI ANNOUNCES RIGHTS ISSUE

BANK OF THE PHILIPPINE ISLANDS plans to raise up to Ps50bn from a fully underwritten rights issue of up to 600m shares.

Ayala Corp will take up its entitlement and subscribe to additional shares, as long as its stake in BPI does not exceed 49.5% of the issued and outstanding capital of the lender.

Ayala held a 48.2% stake as of November 2017, according to the BPI website.

Joint bookrunner *BPI Capital*, *Deutsche Bank*, *Goldman Sachs* and *JP Morgan* will underwrite the remaining shares.

BPI will use the proceeds mainly to finance loan growth. There is a 180-day lock-up period on the issuer.

The rights price will be set on March 27 and the offer period will be April 16-25.

DOUBLEDRAGON PLANS FOLLOW-ON

Real estate developer **DOUBLEDRAGON PROPERTIES** has said it plans a follow-on offering of Ps7.5bn to improve liquidity in the stock.

The offering involves a base deal of 135m shares with an option for a 15m increase at a maximum price of Ps50 each.

DoubleDragon shares closed up 9.5% at Ps33.95 last Monday on the Philippine Stock Exchange.

The timing of the offering will be decided later.

BPI Capital, *Credit Suisse*, *Maybank* and *UBS* are the banks on the transaction.

SINGAPORE

DEBT CAPITAL MARKETS

TRAFIGURA PRINTS IN US DOLLARS

Singapore-headquartered commodities trader **TRAFIGURA GROUP** on Monday sold an unrated US$400m 5.25% five-year Reg S

bond at par, below initial price thoughts in the 5.375% area.

The notes will be listed on the Irish Stock Exchange.

Bank of America Merrill Lynch, *Citigroup*, *DBS* and *Standard Chartered* were leads on the trade.

› DBS WORKS ON EURO T2 PLAN

DBS GROUP HOLDINGS, rated Aa2/AA– (Moody's/Fitch), has mandated banks to arrange investor meetings in Europe from Monday.

DBS Bank is sole global coordinator, *Societe Generale* is sole structuring adviser, and both are joint bookrunners with *Deutsche Bank*.

A euro-currency benchmark 10-year non-call five Tier 2 subordinated issue, expected to be rated A3/A+ (Moody's/Fitch), may follow, subject to market conditions.

› MCT RAISES 6.5-YEAR FUNDS

MAPLETREE COMMERCIAL TRUST, rated Baa1 (Moody's), raised S$120m (US$91.2m) from an offering of 6.5-year bonds last Thursday.

The notes were sold at 3.28%, with a spread of 97.5bp over Singapore dollar SOR. Initial price guidance was 3.32% area.

Orders came to S$225m from 38 accounts. Fund managers and insurance companies bought 79% of the deal, with agencies and banks taking 12% and private banks and others 9%. Singapore accounted for 99%.

MCT's outstanding 3.25% 2023s were used as a reference. They were quoted at 2.98% on Friday morning, meaning the new notes yielded minimal new-issue concession for a 1.5-year extension.

DBS was sole lead manager and bookrunner for the issue, which will settle on Friday.

The REIT, part of the Mapletree group, counts Singapore sovereign wealth fund Temasek Holdings as a major shareholder.

› FRAGRANCE MULLS NEW ISSUE

Singaporean property company FRAGRANCE GROUP met fixed-income investors last week for a potential offering of Singapore dollar bonds.

The meetings, which sole lead *DBS* had arranged, were touted as a non-deal roadshow to update investors on the issuer's financial and corporate status. If market conditions are conducive, a bond issue may follow.

The company has only one outstanding bond – a S$100m 4.75% due in November 2021.

A credit report from bond research company iFAST said Fragrance was mulling either a tap of existing notes or new three-year bonds. The company recently purchased an asset, Eunos Mansion, for S$220m.

› MM2 ASIA EYES S$ BONDS

Singapore-listed MM2 ASIA has mandated *HSBC*, *Standard Chartered Bank* and *Haitong International Securities* for a potential unrated Singapore dollar Reg S bond.

The media entertainment and content company held fixed income investor meetings in Singapore and Hong Kong last week.

HSBC and StanChart are joint arrangers and dealers for a newly established US$300m multi-currency MTN programme that is guaranteed by subsidiaries mm2 Entertainment, mmPlus, 2mm and Cathay Cineplexes.

Under the programme, mm2 can offer bonds in various currencies and tenors.

The company acquired a chain of Cathay cinemas last year, and has teamed up through subsidiary Unusual Development with Singapore Press Holdings' Sphere Exhibits to bid for the management of Singapore Expo at an estimated cost of S$60m.

The company counts Temasek Holdings as a shareholder with a 9.8% stake, while founder and executive chairman Ang Wee Chye is a major owner with a 38.1% interest.

RESTRUCTURING

› EZION PREPARES FOR EGM VOTE

EZION HOLDINGS will hold an extraordinary general meeting on March 28 for shareholders to vote on a proposal to issue new shares as part of a debt-restructuring exercise.

There will be 10 resolutions to vote on related to the issuance of new shares and warrants to all creditors, including legal and financial advisers.

If the resolutions are passed, the EGM would mark the final phase of the company's effort to refinance its debt. In a presentation to the Singapore Exchange last Monday, Ezion said about US$1.5bn in refinanced debt would be tied up with secured lenders, while another S$575m (US$433.3m) of bonds and around US$18m of unsecured bank loans would be refinanced.

In November, holders of six bonds agreed to waive certain covenants, including events of default. The six bonds were S$110m of 4.7% 2019s in series 003, S$60m of 4.6% 2018s in series 004, S$50m of 4.85% 2019s in series 005, S$55m of 5.1% 2020s in series 006, $150m of 4.875% 2021s in series 007 and S$150m 7% subordinated perpetual securities in series 008.

Close to 60% of holders of series 003 to 007 senior bonds had chosen to swap into 0.25% series B convertible bonds due 2023, while 16% chose series A 0.25% non-CBs due 2024. A further 20.78% of holders of series 008 perpetuals voted for amended notes, also convertible into shares.

EQUITY CAPITAL MARKETS

› OXLEY PLACEMENT RAISES S$80M

Property developer OXLEY HOLDINGS has raised S$80m (US$61m) from a placement of 156.8m shares, up from an original 98m, at the bottom of an indicative price range of S$0.51–$0.53.

The shares placed account for 4% of the company capital at a final price representing an 8.1% discount to the pre-deal close of S$0.555.

Around 40 accounts participated in the placement and the top five investors got 55% of the shares.

There is a 90-day lock-up period on the issuer.

Credit Suisse, *DBS* and *Maybank* were bookrunners.

› OUE RAISES CB AND EB FUNDS

Singapore's OUE raised S$304.75m from the sales of convertible bonds and exchangeable bonds with OUE Hospitality Trust as the underlying asset.

It raised S$154.75m from the five-year put three CB, sold at a 1.5% coupon from a marketed range of 1%–1.5% and a 2.5% yield-to-put/maturity from a 2%–2.5% range. The conversion premium was set at the bottom of the 10%–20% range.

OUE also raised S$150m from the five-year put three EB, exchangeable for stapled securities of OUE Hospitality Trust. The EB carries a coupon of 3%, versus the marketed range of 2.35%–3% and a yield-to-put/maturity also settled at the top end of the 2.35%–3% range. The exchange premium was set at the bottom of the 10%–20% range.

The company is understood to have decided to do a dual CB and EB issue as it wanted to raise maximum proceeds in one go, eliminating any arbitrage in terms of pricing if the deals came to the market one at a time.

For both issues, allocations were concentrated heavily at the top of the books with the top five investors taking about half of the papers. About 60% of the demand came from Asia and 40% from Europe.

Credit spread was assumed at 185bp, implied volatilities at 9.6% for the CB and 7.8% for the EB. Bond floors were 96.2 for the CB and 97.5 for the EB.

OUE plans to use the proceeds to repay debt and meet general corporate needs.

HSBC was the sole bookrunner on both issues.

SOUTH KOREA

DEBT CAPITAL MARKETS

KOOKMIN MAKES FORMOSA FORAY

KOOKMIN BANK (A1/A+/A) on Monday priced US$300m five-year floating-rate Formosa bonds at three-month Libor plus 78bp, the tight end of final guidance of 78bp–80bp.

The Reg S notes are expected to be rated A1 by Moody's. They will be listed in Taipei and Singapore.

Societe Generale and *Standard Chartered* were joint bookrunners.

SHINHAN USES SIX FOR DOLLAR T2

SHINHAN BANK (Aa3/A+/A) has mandated six joint bookrunners for a US dollar Tier 2 Reg S bond offering, slated for this week.

Bank of America Merrill Lynch, *HSBC*, *BNP Paribas*, *Mizuho*, *Credit Suisse* and *Commerzbank* are the six.

The Korean lender last issued international bonds in September, pricing US$350m of 10-year T2 notes at Treasuries plus 167.5bp.

KWRC READIES DOLLAR ISSUE

KOREA WATER RESOURCES CORP plans to meet fixed-income investors in Asia and Europe, starting Monday, for an offering of US dollar Green/Water bonds.

The Aa2/AA rated (Moody's/S&P) company, of which the government owns 92% and Korea Development Bank holds 8%, had last month mandated for the Reg S notes, which may come in short to intermediate maturities, subject to market conditions.

KWRC had mandated *BNP Paribas*, *Citigroup*, *Credit Agricole* and *Societe Generale* earlier this month.

KOREA EXPRESSWAY PRINTS FORMOSA

KOREA EXPRESSWAY CORP, rated Aa2/AA (Moody's/S&P), sold Rmb1.3bn (US$206m) of three-year paper at par to yield 4.73%.

Societe Generale Taipei was bookrunner for the Reg S notes.

EQUITY CAPITAL MARKETS

LOTTE COMPANIES RAISE FUNDS

Lotte Shopping has raised W303.6bn (US$285m) from the sale of exchangeable bonds, after increasing the issue size to meet demand.

The Won-denominated and US dollar-settled EB, with LOTTE HIMART as the underlying asset, was launched at a base size of W266.4bn with an option for an increase of up to W53.2bn.

The zero-coupon five-year put three EB was marketed at a yield-to-put/maturity of 0%–0.5% and exchange premium of 14%–24%. It was priced at 0.5% yield and 16% premium over the reference share price of W74,000.

According to people familiar with the issue, it met with high-quality demand as more than 60 investors participated. There was a healthy mix of long-only and hedge funds. Global market volatility, however, led to some price sensitivity.

Lotte Shopping will use the proceeds to repay debt and for general corporate purposes.

The EB traded at around 99.75 to 100.50 in the secondary market.

BNP Paribas and *Nomura* were the joint bookrunners.

Meanwhile, Lotte Group unit LOTTE DATA COMMUNICATION said last Thursday that it had sought approval from South Korea's stock exchange for an IPO.

Lotte Data Communication said the planned IPO was part of parent Lotte's pledge to simplify its holding structure through IPOs.

The company has mandated *Mirae Asset Daewoo* as lead manager and expects a listing approval before the end of April.

Lotte Data reported 2017 revenue of W691.3bn.

CJ LOGISTICS BLOCK RAISES W93BN

Asiana Airlines has raised W93bn from the sale of part of its stake in CJ LOGISTICS.

The deal, comprising 738,427 shares, was priced at the top of the indicative price range of W121,365–W126,585 each. The price represents a discount of 3% to the pre-deal spot.

The deal attracted strong demand from both local and international investors. The top five investors took about 70% of the deal.

There is a 90-day lock-up on the vendor.

Credit Suisse and *KB Securities* were the joint bookrunners.

TAIWAN

SYNDICATED LOANS

ZIRAAT BANK PRICES DOUBLE

ZIRAAT BANK has priced a US$1bn dual-currency loan, with *Emirates NBD Capital* and *Standard Chartered* as mandated lead arrangers and bookrunners.

The state-owned Turkish bank's financing comprises a 367-day euro term loan tranche A, a 367-day US dollar term loan tranche B and a two-year and one-day US dollar tranche C.

The interest margin is 90bp over Euribor on tranche A, 100bp over Libor on tranche B and 180bp over Libor on tranche C.

On tranches A and B, MLABs with US$55m or more or €50m (US$62m) or more earn upfront fees of 30bp, lead arrangers with US$40m–$54m or €37.5m–€49m earn fees of 25bp, arrangers with US$20m–$39m or €17.5m–€37.4m earn fees of 22bp and participants with US$20m or less than €17.5m will earn fees of 20bp.

On tranche C, MLABs with US$25m or more earn fees of 60bp, while lead arrangers with less than US$25m earn fees of 40bp.

Funds refinance a US$1.05bn-equivalent loan closed in April 2017. That loan comprised US$278m and €706.5m tranches, which paid 145bp over Libor and 135bp over Euribor, respectively.

The borrower has a BB+ Fitch rating.

TURK EXIMBANK SEEKS €300M

TURK EXIMBANK has launched a €300m-equivalent dual-currency loan, comprising euro and US dollar tranches, through sole coordinator *MUFG*.

The loan is split into a one-year euro tranche A1, a two-year euro tranche A2, a one-year US dollar tranche B1 and a two-year US dollar tranche B2.

The respective interest margins are 85bp and 150bp over Euribo on tranches A1 and A2, and 95bp and 160bp over Libor on pieces B1 and B2.

Mandated lead arrangers with €30m-equivalent or more will earn upfront fees of 50bp and 100bp for the one-year and two-year tranches, lead arrangers with €20m–€29m-equivalent will earn fees of 40bp and 90bp for the one-year and two-year tranches, arrangers with €10m–€19m-equivalent will earn fees of 35bp and 85bp for the one-year and two-year tranches, while lead managers with less than

€10m-equivalent will earn fees of 30bp and 80bp for the one-year and two-year tranches, respectively.

Funds are for refinancing.

Last August, Turk Eximbank signed a US$640m-equivalent one-year syndicated loan. Mizuho Bank was the coordinator of that loan, which offered 90bp over Euribor for euro drawings and 100bp over Libor for US dollar drawings.

The state-owned borrower, also known as Turkiye Ihracat Kredi Bankasi, is rated Ba2/BB+ (Moody's/Fitch).

› POU CHEN READIES PRIVATISATION

POU CHEN, the world's biggest footwear maker, has launched a NT$28.5bn (US$977m) loan to back its privatisation of Chinese sportswear retailer Pou Sheng International Holdings. (*See News.*)

Bank of Taiwan, *Bank Sinopac*, *CTBC Bank*, *Mizuho Bank*, *MUFG*, *SMBC* and *Taipei Fubon Commercial Bank* are mandated lead arrangers and bookrunners on the facility, split into a NT$11.5bn term loan tranche A and a NT$17bn revolving credit tranche B.

The loan offers an interest margin of 50bp over Taibor, with a pre-tax interest rate floor set at 1.7%.

Co-arrangers with NT$5bn and more will receive a top-level upfront fee of 12.5bp, while participants with NT$3.5bn–$4.9bn will get a 10bp fee. The deadline for commitments is April 13.

On January 21, Hong Kong-listed Pou Sheng said in a stock exchange filing that it had received a proposal from Taiwan-listed parent Pou Chen to be taken private in a deal valuing the company at HK$10.9bn (US$1.4bn).

Pou Sheng shareholder Yue Yuen Industrial Holdings agreed to sell its 62.41% stake for HK$6.8bn, or at a cancellation price of HK$2.03 per share.

Pou Chen owns 49.99% of Yue Yuen Industrial, while Tsai Chi-jui, one of Pou Chen's founders, owns 7%. The deal requires approval from Pou Sheng's independent shareholders, owning 37.2% in total.

The transaction is subject to shareholders' approval and the fulfilment or waiver of all the conditions on or before May 30 2018.

Citigroup is the financial adviser to Pou Chen.

In April 2013, Pou Chen raised a NT$10bn five-year term loan. ANZ, Bank of Taiwan, CTBC, Mizuho Bank, Standard Chartered and Taipei Fubon Commercial Bank were the MLABs on that loan, which offered a margin of 61bp over the 90 or 180-day secondary CP rate, with a pre-tax interest-rate floor set at 1.5%.

› CHENG LOONG BACK FOR MORE

CHENG LOONG is returning to the loan market after one year for a NT$6bn five-year financing, with *Hua Nan Commercial Bank* as sole mandated lead arranger and bookrunner.

The loan offers an interest margin of 60bp over Taibor, with a pre-tax interest rate floor set at 1.7%.

Banks can join as MLAs with NT$900m or more for an upfront fee of 10bp, or as managers with NT$600m–$899m for an 8bp fee, or as participants with NT$300m–$599m for a 5bp fee. The deadline for responses is March 31.

Funds are for working capital and refinancing of a NT$6bn five-year loan signed in September 2014. First Commercial Bank, Taiwan Cooperative Bank and Taipei Fubon Commercial Bank were the MLABs on the loan, which offered a margin of 62bp over the secondary CP rate, with a pre-tax interest rate floor of 1.7%.

The borrower last tapped the market with a NT$2.4bn three-year senior loan in March 2017, with Credit Agricole as MLAB.

The company is a leading maker of industrial paper and corrugated containers.

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THAILAND

DEBT CAPITAL MARKETS

› THAIBEV ATTRACTS DEMAND

THAI BEVERAGE pulled in robust demand for its first offering of bonds for almost 12 years in five tranches to take in proceeds of Bt50bn (US$1.6bn)

A Bt5bn two-year tranche pays 1.79%, a Bt11.2bn three-year tranche pays 2.1%, a Bt10bn five-year pays 2.76%, a Bt9.3bn seven-year tranche pays 3.15% and a Bt14.5bn 10-year tranche pays 3.6%. These translate to respective spreads of 40bp, 50bp, 91bp, 100bp and 104bp over Thai government bonds.

The respective tranches were offered on Wednesday in the guidance ranges of 1.73%–1.89%, 2.06%–2.30%, 2.64%–2.80%, 2.99%–3.15% and 3.50%–3.66%.

The Thai beer giant, rated AA by Tris, coughed up hefty premiums in the final pricing to ensure it met its Bt50bn target deal size. In comparison, Krungthai Card, which is rated two notches lower at A+, paid 3.43% with a spread of 88bp for 10-year notes in early February.

Bankers said demand was very good as the notes have scarcity value and investors had plenty of room for the company, which last issued bonds in 2006. Distribution details were not released by the issuer.

Bangkok Bank, *Bank of Ayudhya*, *Kasikornbank*, *Krungthai Bank*, *Phatra Securities*, *Siam Commercial Bank* and *Standard Chartered Bank* were joint lead managers and underwriters for the deal, which will settle on March 22.

› BEM READIES TRIPLE-TRANCHER

BANGKOK EXPRESSWAY AND METRO has hired two banks as joint lead managers and underwriters for a Bt10bn bond offering later this month.

The two are *Krungthai Bank* and *Siam Commercial Bank*.

The bonds will be in tenors of three, five and seven years. The seven-year tranche will have a call in year five. Bookbuilding is scheduled for March 28, with preliminary price talk for the respective tranches in the ranges of 43bp–50bp, 57bp–64bp and 78bp–86bp over Thai government bonds.

The Thai transportation company, a unit of CH Karnchang, builds and operates highways and provides mass rapid transit services. It is currently building the Blue MRT network.

BEM is a A credit to Tris.

› TPI POLENE TAKES PUBLIC PATH

TPI POLENE will sell up to Bt8bn of bonds in a public offering in April, with *CIMB Thai* as sole lead manager and underwriter.

The issue will price later this month ahead of the offering on April 9-11.

The Thai petrochemical producer, a BBB+ credit to Tris, has Bt5bn of bonds maturing in July and August.

› BETAGRO NAMES TWO FOR ISSUE

BETAGRO plans to raise Bt2bn from the sale of five-year bonds through joint lead managers and underwriters *Kasikornbank* and *Siam Commercial Bank*.

Preliminary price talk is 65bp–75bp over Thai government bonds. Bookbuilding is tentatively slated for March 28.

The Thai agribusiness company, with a Tris rating of A, typically raises between Bt1bn and Bt3bn in single issues, except for its last foray in the market to sell Bt6bn of bonds at tenors of three, five and seven years.

Betagro makes food products, as well as animal feed and animal health products. It also owns livestock farms.

› SUPALAI RAISES THREE-YEAR FUNDS

Thai property developer SUPALAI has raised Bt3bn from the sale of three-year bonds priced at 2.09%.

A one-day subscription was carried out last Wednesday for institutional and high-net-worth investors. Proceeds will be used for working capital.

Krungthai Bank was sole lead manager on the issue, which Tris rated A.

VIETNAM

SYNDICATED LOANS

› BIDV MAKES QUICK RETURN

JOINT STOCK COMMERCIAL BANK FOR INVESTMENT & DEVELOPMENT OF VIETNAM (BIDV) is returning for a US$100m three-year bullet loan, just four months after closing a larger club facility.

ANZ is the mandated lead arranger and bookrunner on the latest loan, which offers an interest margin of 130bp over Libor.

MLABs with US$30m or more receive a top-level all-in pricing of 165bp, via a 105bp upfront fee, while MLAs with US$10m–$29m get an all-in of 160bp, via a 90bp fee.

Funds are for general corporate purposes.

Last November, BIDV signed two-year club loan of a US$190m. ANZ, China Construction Bank, Citigroup, Commerzbank, CTBC Bank, ICBC, Singapore branch, and Maybank were provided that facility. Citigroup was coordinator of the loan.

The Vietnamese government owns a majority stake in BIDV.

EQUITY CAPITAL MARKETS

› WARBURG TO BUY INTO LENDER

Warburg Pincus has agreed to invest over US$370m in VIETNAM TECHNOLOGICAL AND COMMERCIAL JOINT STOCK BANK (Techcombank).

In a statement, Techcombank says this is the largest private-equity investment to date in the country.

IFR Asia earlier reported that Techcombank planned to launch an IPO of US$500m–$600m in the next couple of months.

The IPO is likely to involve primary and secondary shares. A group of stakeholders, including Masan Group, will be vendors of the secondary shares.

People with knowledge of the matter said the Warburg Pincus investment had been planned for a while and would not alter the bank's IPO plans.

Deutsche Bank, *Morgan Stanley* and *Viet Capital* are working on the IPO.

Warburg Pincus has committed to invest US$1bn so far in Vietnam.

Last year, it sold a stake in Vincom Retail in a D16.1trn (US$703m) equity offering.

Techcombank is one of Vietnam's largest private-sector banks. It posted a 2017 operating income of D16.1trn and pre-tax profit of D8.5trn.

› VINAFOOD 2 IPO BRINGS D1.16TRN

State-owned food manufacturer VIETNAM SOUTHERN FOOD (Vinafood 2) has completed a D1.16trn IPO.

The government sold 114.8m shares, or a 22.97% stake, at an average price of D10,101 per share.

In a stock exchange announcement Vinafood 2 said it received bids for 115.6m shares. Of these local institutions bid for 115m shares, domestic individual investors for 500,000 shares and foreigners for 6,800.

Vinafood 2 also plans to sell another 25% stake to strategic investors after the IPO.

The company's main products are rice, monosodium glutamate, soya sauce, noodles and confectionery.

Vietcombank Securities was the financial adviser.

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Navigation
We've added a new Latest News tab so you can quickly access the most recent stories, and we've focused the main navigation on asset classes (you can still navigate by country once you click through to your chosen asset class). Finally, we've consolidated league table and deals data under a single 'Data' tab.

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ASIAN SYNDICATED LOAN PIPELINE UPDATES WEEK OF 14 MARCH

Company	Currency	Size (m)	Margin (All-in)	Tenor (mths)	Facility	Arrangers
Australia						
Qantas Airways	A$	250	122.5	60	Revolver/Term Loan	
China						
Swift Astute	Rmb	782		36	Term Loan	Malayan Banking, DBS
Hong Kong						
China Power International Development	US$	500	102 (116)	36	Term Loan	SCB
Dong Yin Development (Holdings)	US$	100	215 (230)	36	Term Loan	Fubon Financial Holding
Swift Astute	US$	5	275	36	Term Loan	DBS, Malayan Banking
India						
Birla Carbon	US$	450		36	Term Loan	CA-CIB, BNP, ICICI, Citi, Mizuho
	US$	150		36	Revolver/Line >= 1 Yr.	ICICI, SCB, DBS, BNP, ANZ
State Bank of India	US$	750		36	Revolver/Term Loan	CA-CIB, First Abu Dhabi Bank, UOB, HSBC, Barclays
Indonesia						
Mitra Pinasthika Mustika Finance	US$	100	150 (175)	36	Term Loan	OCBC, BTMU, Mizuho
	¥	10,606	90 (115)	36	Term Loan	BTMU, Mizuho, OCBC
Macau						
Bank of Communications Macau	US$	150	60 (73)	12	364-Day Facility	HSBC
	US$	150	71 (81)	24	Term Loan	HSBC
Malaysia						
FLY Leasing	US$	1,300		60	Term Loan	DB, Citi, BNP, Commonwealth Bank of Australia
Taiwan						
Cheng Loong Corp	NT$	6,000		60	Term Loan	Hua Nan Financial Holdings
Vietnam						
Joint Stock Commercial Bank for Industry and Trade of Vietnam	US$	100	130 (165)	36	Term Loan	ANZ

Source: Thomson Reuters LPC

MERRILL LYNCH ASIAN DOLLAR INDEX

Index	Description	Index level	1 week total return	1 month total return	3 months total return	OAS
ADIG	Asian-dollar high-grade index	384.899	0.068	0.278	–1.702	123
ADHY	Asian-dollar high-yield index	611.009	–0.060	0.261	–0.303	394
AGIG	Asian-dollar government high-grade index	356.898	0.183	0.285	–2.231	113
AGHY	Asian-dollar government high-yield index	713.193	–0.434	–0.145	–2.164	333
ACIG	Asian-dollar corporate high-grade index	410.617	0.027	0.277	–1.521	126
ACHY	Asian-dollar corporate high-yield index	503.214	0.015	0.341	0.083	407

Source: Merrill Lynch

LAST WEEK'S ECM DEALS

Stock	Country	Date	Amount	Price	Deal type	Bookrunner(s)
Daiwa House REIT Investment	Japan	09/03/18	¥53bn	¥239,806	Follow-on (Primary)	Daiwa, Morgan Stanley, Nomura
Tata Consultancy Services	India	12/03/18	Rs90bn	Rs2,872	Follow-on (Secondary)	Citigroup, Morgan Stanley
Vinda International	China	14/03/18	HK$544m	HK$13.60	Follow-on (Secondary)	Morgan Stanley
Oxley Holdings	Singapore	15/03/18	S$80m	S$0.51	Follow-on (Primary)	Credit Suisse, DBS, Maybank

Source: IFR Asia

LAST WEEK'S EQUITY-LINKED ISSUANCE

Issuer	Country	Date	Amount	Greenshoe	Maturity	Coupon (%)	Premium (%)	Bookrunner
OUE	Singapore	13/03/18	S$154.75m		2023	1.5	10	HSBC
OUE Hospitality Trust	Singapore	13/03/18	S$150m		2023	3	10	HSBC
Lotte Himart	South Korea	14/03/18	W266.4bn	W53.2bn	2023	0	16	BNP Paribas, Nomura

Source: IFR Asia

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INDONESIAN PROJECT BONDS ROUNDTABLE

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The PFI Indonesian Project Bonds Roundtable takes place in Jakarta, Indonesia on the morning of Monday April 23 2018.

Moderated by PFI's Editor, Rod Morrison, the Roundtable will consist of two 90-minute sessions: one on **local/domestlic bonds** and one on **international dollar bonds**.

Each panel will contain the most senior and experienced market practitioners – including lawyers, project sponsors, investors and rating agencies.

For more information and to register for this free to attend event, please visit goo.gl/beAwUY.

DATE

Monday April 23 2018

TIME

09:00 – Registration
09:30 – Local/Domestic Bonds
11:00 – Break
11:15 – Int'l Dollar Bonds
12:45 – Lunch and networking
14:00 – End

VENUE

The Ritz Carlton – Pacific Place
Jakarta, Indonesia

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