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INTERNATIONAL FINANCING REVIEW ASIA

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GREEN FINANCING ROUNDTABLE

TUESDAY MAY 22 2018 | THOMSON REUTERS BUILDING, CANARY WHARF, LONDON

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Green bond issuance broke through the US$150bn mark in 2017, a 78% increase over the total recorded in 2016, and there are hopes that it will double again this year. But is it on track to reach the US$1trn mark targeted by Christina Figueres?

This timely Roundtable will bring together a panel of senior market participants to assess the current state of the market, examine the challenges and opportunities and provide an outlook for the rest of the year and beyond.

The Roundtable is free to attend, and you can register at http://financial-risk-solutions.thomsonreuters.info/GreenFinancingRoundtable

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Upfront

Popularity contest

Hong Kong's stock exchange is making the most of its new-found popularity. When it comes to the capital markets, however, there's no telling how long it will last.

Hong Kong is heading for a bumper year for IPOs. The latest listing reforms have opened the market to hundreds – if not thousands – of new candidates, and a hefty backlog is building even before the rules take effect on Monday.

After years of trying, the exchange can finally celebrate the introduction of dual-class shares, alongside special treatment for the biotech sector. It may have lost out to New York on Alibaba's IPO in 2014, but it has won the battle for many others, including Innovent Biologics, Ascentage Pharma and – the big one – Xiaomi.

A new agreement to allow Hong Kong listings from companies quoted on China's third board may be even more significant, since it positions Hong Kong as the simplest route to IPO for the over 11,000 mainly technology-focused companies on the OTC exchange.

Hong Kong will need to strike a delicate balance between attracting more business and keeping up standards.

It is already clear that Hong Kong's new listing rules have made the city's equity market more competitive. But even this is no guarantee of long-term dominance.

China is joining the popularity contest, too, with its own drive to attract technology listings and the introduction of Chinese Depositary Receipts. As the mainland markets open up, more major Chinese issuers will bypass Hong Kong entirely.

To maintain its relevance in the long term, Hong Kong will need to strike a delicate balance between attracting more business and keeping up standards. The next five years will be crucial.

Already, the exchange is facing criticism for making its new rules deliberately vague, allowing it to pick and choose the "innovative" companies it wants to list.

Hong Kong can retain a long-term role in connecting Chinese companies with global investors, but only if those investors believe it offers higher standards. What is right may not always be popular.

The magic number

Three may be a particularly auspicious number in many cultures, but Asian issuers had little to cheer as 10-year US Treasury yields crossed the symbolic 3% barrier last week.

Long-term bond sales were quickly shelved. Both China's Huawei and Indonesian port operator Pelindo ditched plans to sell 10-year dollar bonds.

But others stuck to their plans. CNOOC and State Grid Corp of China included 10-year dollar tranches in their global offerings last week and found a solid following for their long-term debt, even at a razor-thin premium over their existing curves.

China's state issuers clearly still see value in setting an offshore benchmark, even at much higher yields than they are accustomed to paying. That is good news for origination bankers, since the Middle Kingdom accounts for well over half of all international issuance out of Asia. It could also be good news for investors.

The international markets are now more important than ever to China. Its biggest companies have come to rely on access to global capital as they spread their wings into new markets, and mainland investors need to diversify beyond their home market. Politicians also see cross-border capital flows as a big part of China's growing global influence.

All this suggests a degree of official support that will help offshore Chinese credit outperform in a downturn. Far from victimising overseas creditors – as some mainland issuers may have done in the past – China has every incentive to stay engaged.

Some global investors are taking that bet. CNOOC sold half of its five-year and a quarter of its 10-year bonds to US buyers, and State Grid managed a similar result.

Investors who liked CNOOC's 2024s at 88bp over Treasuries last October should like them even more at close to 130bp today. And the sheer scale of the investments coming from China's banks and institutions should keep offshore credits in good shape – no matter what the US Treasury curve is up to.

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Rising yields hit Asian issuers

■ **Bonds** Two borrowers shelve 10-year tranches after Treasuries hit 3%

BY FRANCES YOON

Rising long-term US Treasury yields forced Asian issuers to rethink their funding plans last week, with two borrowers dropping plans for 10-year tranches rather than lock in higher borrowing costs.

PELABUHAN INDONESIA III (Pelindo III) scrapped a 10-year US dollar tranche during marketing and HUAWEI INVESTMENT & HOLDING said it would target euros instead after the yield on the 10-year US Treasury hit 3% for the first time since January 2014.

But Chinese SOE STATE GRID still priced a US$800m 4.25% 10-year bond on the same day as Pelindo III. Chinese oil major CNOOC also printed a US$1bn 10-year on Wednesday. (*See News*.)

The yield on the 10-year US benchmark crossed the 3% threshold and Wall Street stocks sold off last Tuesday. This dampened interest in Pelindo's deal, even though bankers said there was real-money demand at the start of marketing in Hong Kong.

"The tone was cautious," said a banker on the deal. "It's affecting the whole market. Duration is not really the flavour of the month right now with Treasuries performing as such."

Inflation concerns linked to rising commodity prices, along with worries about growing Treasury supply, have stoked selling in Treasuries, analysts said.

Against that backdrop, state-owned Pelindo was less keen to press on with its 10-year, having set its sights on tight pricing and a benchmark size, said the banker.

Initial pricing was announced at 4.85% area for a five-year piece and 5.35% area for the 10-year last Tuesday morning. Guidance tightened to a final 4.75% and 5.15% during New York hours, with a combined

Health website stirs IPO fever

■ **Equities** Investors cheer Ping An Healthcare but volatile markets remain a concern

BY FIONA LAU

The Hong Kong IPO of PING AN HEALTHCARE AND TECHNOLOGY has drawn an overwhelming response from both institutional and retail investors, setting a positive backdrop for the long line of forthcoming floats in the city.

The Ping An Insurance unit, China's largest online healthcare and medical website by user numbers, wrapped up its HK$8.77bn (US$1.12bn) float last Thursday, pricing it at the top end of the HK$50.80–$54.80 indicative range to value the company at US$7.5bn pre-shoe.

Demand was strong from day one with the books heavily oversubscribed after the first day of bookbuilding. Margin financing volumes soared at the beginning but slowed down afterwards when margin rates shot up.

Still, more than 220,000 retail investors pledged their money for a piece of the deal, resulting in an enormous HK$376bn subscription and leaving the tranche more than 658x oversubscribed, according to people close to the float.

Bankers working with Ping An Healthcare said the line-up of strong cornerstone investors gave investors confidence, despite the recent market jitters.

"It's a deal with rare support from global top-tier investors. We haven't seen such cornerstone line-up for a Hong Kong IPO for quite some time," said one of the bankers.

Seven cornerstone investors took up a combined US$550m of shares. They are US asset manager BlackRock (US$125m), Singapore sovereign wealth fund GIC (US$100m), Canada Pension Plan Investment Board (US$100m), Capital Research and Management Company Funds (US$75m), Malaysian sovereign wealth fund Khazanah Nasional (US$50m), Thailand's Charoen Pokphand Group (US$50m) and insurer Swiss Re (US$50m).

"Ping An Healthcare is the first big Hong Kong IPO in some time. Investors are hungry for good-quality and sizable floats," said another banker on the deal.

Ping An Healthcare is the largest Hong Kong IPO since China Literature's HK$9.6bn listing in November last year.

NOT CHEAP

Some investors reckon the offering is not cheap as Ping An Healthcare's valuation has jumped 39% in just four months from US$5.4bn, when SoftBank Vision Fund bought a 7.4% stake for US$400m last December.

US$1.3bn order book.

In the end, the US$500m five-year drew over US$900m in total orders. The bonds were allocated 71% to the US, 15% to EMEA and 14% to Asia. By investor type, fund managers received 75%, agency, insurers and pension funds 17%, and banks and private banks 8%.

The bonds widened 8bp–9bp in aftermarket trade by Wednesday afternoon.

DURATION AVERSE

Pelindo's surprising move to drop the 10-year came as investor demand for long tenors has waned amid volatility and concerns over higher rates, driving yields on Indonesian credits wider.

The yield on Pelindo III's US$500m 4.875% 2024s jumped 37bp at the beginning of last week, according to Thomson Reuters data. Even the Indonesian sovereign's long-end of the curve weakened, with the yield on the country's US$1bn 4.1% 2028s blowing out 35bp wider, according to Tradeweb.

The yield on the sovereign's US$1.75bn 10-year sukuk, which priced two months ago, was also up 25bp early last week, according to Tradeweb.

Indonesia's curve has been hit harder than Chinese sovereign proxies such as state-owned companies. State Grid's 3.5% May 2027s widened 9bp during the third week of April, but tightened 3bp last week.

State Grid managed to price a US$800m 4.25% 10-year bond at Treasuries plus 130bp, with bankers suggesting it paid less than 5bp of new issue premium.

Huawei, meanwhile, cancelled its euro trade only minutes before a pricing call after reports of a US investigation into its dealings with Iran.

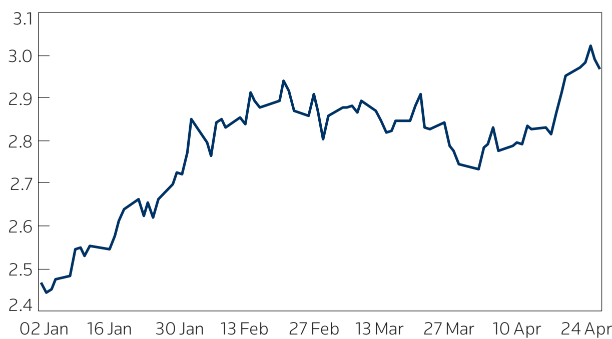
Despite the yield uptick in Indonesia's comparables, bankers argued that it still made sense for Pelindo III to announce the deal as weak market conditions could persist.

"When there is a window, I don't think it's prudent to wait for secondaries to recover, unless you think there's not going to be sufficient demand," said another banker on the deal.

State-owned Indonesian power utility PERUSAHAAN LISTRIK NEGARA announced plans to issue US dollar-denominated and/or global rupiah 144A/Reg S notes a day after Pelindo priced, even though its outstanding US$1.5bn 4.125% 2027s widened 36bp at the beginning of last week, according to Tradeweb. Those bonds dropped 1.5 points the day the PLN mandate was announced on Wednesday.

HIGHER BASE

US 10YR TREASURY CROSSES 3% YIELD FOR FIRST TIME SINCE 2014



Source: Thomson Reuters Eikon

This was Pelindo III's second offshore offering since 2014. The 144A/Reg S senior unsecured notes have expected ratings of Baa3/BBB– (Moody's/Fitch), on par with the issuer.

Moody's rates Pelindo III one notch lower than the sovereign, which it upgraded this month to Baa2 from its earlier rating of Baa3.

Pelindo III, which operates 43 ports across Indonesia, has an expansion programme of up to Rp21trn (US$1.5bn), or more than 80% of its total assets over the next three years, which will expose it to execution risk and material funding requirements.

Proceeds will be used to refinance credit facilities, fund expansion plans and other general corporate purposes.

ANZ, *Mandiri Securities* and *Standard Chartered Bank (B&D)* were joint bookrunners and lead managers. ■

The final price also represents a 2020 EV/revenue of 4.5 and a 2020 price/sales multiple of 6.2.

"The deal is not cheap. But given half of the float went to cornerstone investors and the retail tranche is likely to trigger a full clawback, not much is left for institutional investors. The stock should be able to make a strong debut," said an investor.

After the clawback mechanism, Ping An Healthcare sold 25% of its IPO shares to retail investors instead of the original 6.5%.

The institutional books were more than 68x covered, excluding the cornerstone tranche, with about 400 investors participating.

The strong response to the deal comes as a string of companies are lining up to sell shares in Hong Kong. The pipeline of mammoth floats coming to the city in the second half of the year has reached a combined US$43.5bn.

This is especially important for the US$2bn–$3bn IPO of sister company ONECONNECT FINANCIAL TECHNOLOGY, a provider of fintech solutions to financial institutions under Ping An Insurance.

"It's definitely a good start. Whether it can grant support for the future IPOs will depend on how it trades after listing. Investors are definitely more cautious now amid the market turmoil," said a third banker on the deal.

Smartphone maker XIAOMI plans to file its listing application to the Stock Exchange of Hong Kong at the start of May for an IPO of up to US$10bn. The company is also considering a domestic listing through Chinese Depositary Receipts.

Mobile phone infrastructure company CHINA TOWER is also targeting to file a listing application in May for a Hong Kong IPO of up to US$10bn with a listing in the third quarter.

MEITUAN-DIANPING, China's largest provider of on-demand online services, plans to raise about US$3bn–$4bn from a Hong Kong IPO in the second half. Chinese online wealth management and peer-to-peer lending firm LUFAX is also eyeing a US$5bn–$6bn IPO at the end of the year.

Other sizable floats this year include the US$2bn listing of Sinochem Energy and the US$1.5bn float of Biel Crystal Manufactory. Shandong Gold Mining, Zhejiang Dahua Technology, Guangdong Midea Property, Shanghai Tasly Pharmaceutical, Ganfeng Lithium, Tianqi Lithium, Maoyan Weying, meanwhile, plan to raise about US$1bn each from their Hong Kong floats.

Shares of Ping An Healthcare will start trading on May 4.

Citigroup and *JP Morgan* are joint sponsors on the float. The two banks are also joint global coordinators and joint bookrunners with *Ping An of China Securities (Hong Kong)* and *UBS*. The other joint bookrunners are *CCB International*, *CICC*, *CLSA*, *CMB International*, *China Merchants Securities* and *HSBC*. ■

Singapore snubs foreign IPOs

Equities Summit Power, Qualitas Medical fail to win support

BY S ANURADHA

The poor response to the IPOs of SUMMIT POWER INTERNATIONAL and QUALITAS MEDICAL has highlighted the challenges facing foreign companies looking to raise capital in Singapore.

Summit, the first Bangladeshi company to seek an overseas listing, and Qualitas, based in Malaysia, last week deferred their respective US$260m and S$100m–$133m (US$77m–$102m) SGX listings. Summit blamed the move on market volatility, and Qualitas said it was not getting the optimal price.

The two failures come as the latest blow for SGX, which has been looking to broaden its appeal beyond real estate investment trusts, which remain popular with local investors.

"Institutional investors find the IPOs too small, while private banking clients don't seem comfortable with the businesses and dividend yields," said one ECM banker.

The prevalence of REIT listings means Singaporean investors are accustomed to higher yields than are available on growth stocks.

Typically REIT IPOs offer a distribution yield of 7%–8%. China's Sasseur REIT, the only mainboard SGX listing of the year, offered a 7.5% yield for 2018.

Although not strictly comparable, Summit projected a dividend yield of around 2%, the banker said.

"Investors are expected to buy such type of companies [Summit] for their growth but private banking clients don't understand anything but yield."

Unsurprisingly, given this mindset, Summit's 2018 EV/Ebitda multiple of 7, at the top of the range, was not enough to attract investors. Summit's valuation was at a discount to Thai and Indian independent power providers that trade in 10x–12x and 9x–10x ranges, respectively.

Summit would have been the first overseas IPO from Bangladesh. It had already compromised on the size of the deal, which was cut from US$350m indicated during pre-marketing.

Singaporean investors have always been wary of foreign names. US-based Manulife and Australia's Cromwell Property Group were only able to complete their SGX REIT IPOs on the second attempt.

"Institutional investors find the IPOs too small, while private banking clients don't seem comfortable with the businesses and dividend yields. Investors are expected to buy such type of companies [Summit] for their growth but private banking clients don't understand anything but yield."

SPECIFIC CONCERNS

Investors also had specific worries. A Dhaka-based analyst said, with Bangladesh's federal election due later this year, investors may have been concerned that a change in government could adversely affect the fortunes of the company.

Summit Group founder Aziz Khan is the brother of Faruk Khan, a member of the ruling Awami League party. The current government is serving its second term and will be seeking a third term.

"The prospects of a power company depend up the large power projects it is able to win. And in developing economies that depends upon political connections," the analyst said.

According to the analyst, foreign equity investors are more interested in consumer, bank and telecom companies which stand to benefit from Bangladesh's booming economy and young population.

"Power is a defensive sector and has a low chance of outperforming the broad market," he said.

Bangladesh's GDP grew at 7.3% in 2017, making it the fastest growing economy in Asia.

A second, Singapore-based analyst said Summit's management was unable to explain clearly how it will fund a massive 2,400 MW LNG-to-power expansion plan in 2020–2021. The cost of the joint project with Mitsubishi is estimated at up to US$3bn.

"Investors went home with the concern that in a few years' time there could be massive equity dilution," the analyst said.

Proceeds from the IPO would be used to repay loans from the International Finance Corporation and EMA Power Investment and to fund future power projects.

SECOND TIME UNLUCKY

For its part, Qualitas found two investors willing to buy close to 50% of the deal before books closed on April 10, but could not overcome concerns that the shares would not trade well on listing.

This is Qualitas's second attempt at listing in recent years. In 2015 it postponed a similar-sized Bursa Malaysia IPO at the pre-marketing stage after a tepid investor response.

The Summit IPO comprises a public offer of US$202.5m shares (US$172.5m primary/US$30m secondary) and a cornerstone tranche of US$57.5m for a single investor, the Asian Development Bank. Pioneer Generation, EMA Power Investment, IFC and IFC Emerging Asia Fund are the vendors of the secondary shares.

The shares were being marketed in a US$1.02–$1.20 range.

Summit Power is part of the Summit Group and owns 15 power plants in Bangladesh with a total capacity of 1,201 MW.

Citigroup, *DBS* and *UBS* are the joint global coordinators on the Summit IPO.

CIMB and *Credit Suisse* are joint global coordinators and bookrunners with *CGS-CIMB*, *Daiwa* and *DBS* on the Qualitas IPO. ■

Top SOEs dodge volatility

■ **Bonds** State Grid, CNOOC pay thin concessions in weak market

BY CAROL CHAN

China's top-tier state enterprises kept up the pace of offshore bond issues last week despite a spike in US Treasury yields, underlining the value of a loyal following in volatile market conditions.

STATE GRID CORPORATION OF CHINA and CNOOC, both owned by the central government, priced multi-billion-dollar deals with thin new-issue concessions even as other SOEs were forced to pay a hefty premium to access capital.

"For solid credits like State Grid and CNOOC, they've loyal investors like Chinese banks. Their bonds are expected to be eligible for major bond indexes, so some open-ended funds tracking these indexes will also buy the bonds," said a syndicate banker at a Chinese bank, adding that some investors favoured such defensive credits in the current cautious market.

Moreover, strong central SOE names have various funding channels, unlike weaker SOEs or high-yield issuers, and do not need to sacrifice pricing in order to get deals done, he said.

Even top issuers, however, had to rein in their expectations in a difficult market.

State Grid, rated A1/A+/A+, printed a US$2.8bn-equivalent 144A/Reg S issue of senior unsecured notes denominated in US dollars and euros, falling slightly short of an initial target of around US$3bn and well below last April's US$5bn four-tranche jumbo.

The state-owned power grid operator on Tuesday priced US$950m 3.75% five-year notes at Treasuries plus 97.5bp and US$800m 4.25% 10-year bonds at Treasuries plus 130bp. It also printed a €500m (US$609m) 1.375% seven-year tranche at mid-swaps plus 75bp and a €350m 2.125% 12-year piece at mid-swaps plus 100bp.

CNOOC, rated A1/A+ (Moody's/S&P), on Wednesday priced a US$1.45bn SEC-registered US dollar dual-tranche issue, comprising a US$450m 3.750% five-year tranche at Treasuries plus 105bp and a US$1bn 4.375% 10-year tranche at Treasuries plus 140bp. The issue size was slightly smaller than the initial target, which was said to be more or less the same as State Grid's US dollar tranches.

The issue was the first dollar bond from China's largest offshore oil producer in three years, after it priced a US$3.8bn three-part deal in April 2015.

THIN CONCESSION

Both State Grid and CNOOC came out with initial price guidance tighter than the market had expected and repriced their existing bond curves. They gave little or no new-issue concessions.

"New-issue premiums for the US dollar tranches were only 0bp–5bp as the issuer has tight control on its funding cost," said a banker on State Grid's deal.

CNOOC's dollar bonds have traditionally traded around 5bp–10bp wide of paper from peer China Petrochemical Corp, known as Sinopec. Based on Sinopec's secondary bonds, a lead estimated fair value for CNOOC's 10-year bonds at around 135bp, pointing to a slim 5bp new-issue concession.

However, some weaker central SOEs paid more, such as METALLURGICAL CORPORATION OF CHINA, rated Baa1/BBB+/BBB+, which had to pay around 20bp in new-issue premium on Monday for its US$500m offering of perpetual securities.

Because of the tight pricing and an overall weak market, books for both State Grid's and CNOOC's new notes were definitely not as strong as in last year's bull market, each closing less than twice covered.

Moreover, funding costs for central SOE issuers are also on the rise amid the rising rate environment.

RISING YIELDS

State Grid paid about 2.5bp more for the five-year and 10bp more for the 10-year in terms of spread over Treasuries compared with its April 2017 issue. The absolute yields were respectively 101.6bp and 78.7bp wider than a year ago. During the same period, the US Federal Reserve increased rates three times for a total 75bp.

US Treasury yields continued their upward climb last week with the 10-year Treasury yield hitting the 3% mark on Tuesday for the first time in more than four years.

"I think the all-in yield for all issuers will continue to trend higher as there will be more interest rate hikes in the US, but for big Chinese central SOE issuers like State Grid, with established secondary curves, they are unlikely to price bonds too wide from their secondary curve," a fund manager said.

A banker from a Chinese investment bank said big SOEs would continue to come to the offshore bond market for funding and the US dollar bond market would still be dominant as it is the largest and most liquid one.

"In anticipation of more rate hikes in the US, some SOEs want to come out to the market as early as possible according to their funding needs and market situations," he said.

A banker at a European bank said his bank's pipelines had some big SOE names, but whether they would come out to the market in the second quarter was subject to market conditions. ■

Agile pays up for offshore funds

Loans Glut of overseas financings forces margins higher

BY YAN JIANG, EVELYNN LIN

AGILE GROUP HOLDINGS is in the market with a HK$6bn-equivalent (US$765m) syndicated loan that pays the highest margin from the Chinese property sector in nearly five years.

Despite recent upgrades to the borrower's credit ratings, Agile is paying up to attract wary lenders in a crowded market.

"Many banks are nearing their limits in lending to the property sector while others have stopped approving such loans altogether," said a senior banker in Hong Kong. "On the demand side, we are still being approached by a lot of property firms and we are becoming very selective."

Agile's four-year amortising loan pays a top level all-in pricing of 520bp via an interest margin of 395bp over Hibor and an average life of 3.4 years. It is the richest pricing Agile has paid on an offshore syndicated loan and the highest for any Chinese developer since 2013, when CIFI Holdings paid a top-level all-in of 667bp.

This is despite recent upgrades to Agile's credit ratings. Moody's raised its rating to Ba2 from Ba3 on April 6 and S&P upgraded the real estate developer to BB from BB- on March 26.

"We can hardly lend more to property credits as our exposure to the sector has almost hit the limit. In addition, we are concerned about their high debt and strained cashflows," another banker at an existing lender to Agile said.

BORROWING SPREE

Agile has been on a fundraising spree in recent months. Since raising US$300m through a 6.875% US dollar senior perpetual non-call five bond in late February, Agile has completed two more taps of US$100m each.

That followed a HK$3.519bn three-year term loan Agile signed in November with 10 lenders, paying a top level all-in pricing of 473bp.

Adding to Agile's pain is the surge in Hong Kong's base rate. Three-month Hibor hit its highest since late 2008 on Tuesday at 1.43964%.

Apart from Agile, nine other Chinese developers – including Country Garden, Logan Property Holdings, Longfor Properties and Yuexiu Property – have tapped the offshore loan markets for a combined US$4.884bn so far this year, mostly in Hong Kong dollars.

The bond market has been equally crowded, with heavy supply pushing yields wider. In the week of April 16, a dozen Chinese developers, mostly high-yield names, issued around US$5bn of bonds offshore, with the heavy supply forcing some of them to offer 30bp–50bp in premiums to attract investors.

Biotech treatment shows results

Equities Listing reforms, China deal stoke Hong Kong IPO pipeline

BY KEN WANG, FIONA LAU

Hong Kong's bid to position itself as a funding platform for the biotechnology sector is already showing results, with a growing number of companies planning to take advantage of recent reforms.

The stock exchange will start taking listing applications from Monday under new rules that allow biotech companies to float before they generate revenues or turn a profit, part of a wider reform package designed to attract more "new economy" companies to the city.

INNOVENT BIOLOGICS and ASCENTAGE PHARMA have axed plans to list in New York and instead aim to raise up to US$800m in Hong Kong IPOs in the second half of this year.

Meanwhile, SHANGHAI JUNSHI BIOSCIENCES is also set to seek a Hong Kong listing, taking advantage of another new arrangement that will make it easier for companies traded on China's third board to list in Hong Kong.

They join a growing list of biotech and biopharma companies that are preparing Hong Kong IPOs. Shanghai-based Hua Medicine, which develops diabetes drugs, is working on a US$400m float with Goldman Sachs and CLSA.

Other hopefuls include biotech company Ascletis, Shanghai Tasly Pharmaceutical, the biopharma unit of Tasly Pharmaceutical Group, Shanghai Henlius Biotec, a subsidiary of Fosun's pharmaceutical unit and US-based cancer detection start-up Grail.

Ascentage, which focuses on therapeutics for cancers, hepatitis B and aging-related diseases, is aiming to raise up to US$300m.

> **"We were already ready to file [an IPO application] in the United States, but we have shifted to Hong Kong for listing as the HKEx opens its doors to us. This is great news for biotech firms which are based in China and want to tap more Chinese and Asian investors."**

"We were already ready to file [an IPO application] in the United States, but we have shifted to Hong Kong for listing as the HKEx opens its doors to us," Ascentage's chairman Yang Dajun told Reuters.

"This is great news for biotech firms which are based in China and want to tap more Chinese and Asian investors," he said of Hong Kong's rule change, but declined to elaborate further about his firm's IPO plan.

Suzhou-based Innovent, which counts mutual fund giant Fidelity Investments and Singapore state investor Temasek among its investors, is looking to raise US$300m–$500m.

China Merchants Securities, *Goldman Sachs*, *JP Morgan* and *Morgan Stanley* are working on the Innovent deal. *Bank of America Merrill Lynch* and *Morgan Stanley* are leading the Ascentage transaction.

A THIRD WAY

Junshi has started working with banks for a US$400m–$600m Hong Kong float, which is expected to come in the second half of the year, according to people familiar with the situation.

The company declined to

REFI PRESSURE

Supply is unlikely to slow as the developers face a wave of debt refinancings later in the year. According to Thomson Reuters LPC data, around US$9.96bn in offshore loans for Chinese property firms come due in the second half.

Data from Moody's show its rated Chinese developers have US$16bn of offshore bonds and US$41.1bn of onshore notes due or puttable from now until the end of March next year.

"Rated developers' access to offshore bond markets remains open, which will help to alleviate some developers' onshore funding needs, though at a higher cost," Moody's said in a report last Monday.

S&P warned in a report the same day that "refinancing risks are mounting against looming large debt maturities" as Chinese authorities are closing off developers' access to alternative funding channels, including trust loans.

In line with the government's efforts to contain housing inflation, Chinese banks are reducing the proportion of property loans in their new money lending activities, while also slowing the approval and disbursement of such loans.

In addition, the People's Bank of China has been guiding up inter-bank borrowing costs as part of efforts to deleverage the economy. As a consequence, pricing on loans is on the rise as even large state-owned enterprises and superior credits are now paying 100% of the PBoC rate, compared to 80% of the benchmark two years ago.

S&P's analysis shows onshore average coupons for big Chinese developers have increased about 200bp since 2016. The rise would be higher for smaller players. ■

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comment on its Hong Kong listing plan.

Junshi, which makes monoclonal antibody drugs that treat tumours and cardiovascular diseases, is taking advantage of a memorandum of understanding between Hong Kong Exchanges and Clearing and National Equities Exchange and Quotations, China's over-the-counter "new third board".

The April 21 agreement invites NEEQ-listed companies to list in Hong Kong, provided they meet the city's listing requirements. The MoU clarifies that Chinese companies will not need to delist from the NEEQ to pursue a Hong Kong IPO, shortening the route to a public listing for the thousands of technology-focused companies in China's OTC market.

Junshi was one of 11 third-board companies that attended the MoU signing ceremony in Beijing, according to local media.

The others were UCAR, China National Investment and Guaranty Corporation, Tianjin Tasly Medicine Distribution Group, Baihe Jiayuan Network Group, New Studio Media, Country Holidays (Beijing) International Travel Service, Liaoning Chengda Biotechnology, Bravolinks Integrated Marketing, China KangFu International Leasing and HTA.

Junshi would also benefit from HKEx's new chapter for biotech listings, which allows companies that do not meet current financial eligibility tests to list on the main board provided they have a market cap of at least HK$1.5bn (US$191m) and meet certain requirements around the development of their core product.

Junshi has a market capitalisation of Rmb14bn (US$2.22bn) based on Thursday's closing share price of Rmb23.98.

Founded in 2012, it reported a 2017 net loss of Rmb318m, more than double from a year earlier, on revenue of Rmb54m, up nine-fold year-on-year. ■

(Additional reporting by Julie Zhu at Reuters.)

Iran probe scuppers Huawei's euro debut

■ **Bonds** Deal postponed in final minutes after reports of US investigation

BY CAROL CHAN, DANIEL STANTON

Chinese technology company HUAWEI INVESTMENT & HOLDING called off its first euro-denominated bond issue late on Wednesday following reports of a US investigation into its dealings with Iran.

Huawei took the extreme measure of postponing the €500m (US$609m) five-year deal after it had released final terms and begun allocating the bonds.

> **"They have done the right thing. As soon as this thing dies down they will have more loyal followers."**

A note sent to investors gave no reason for the postponement, but a banker on the deal blamed it on news that had caused "a lot of uncertainties" around the company.

Reuters late on Wednesday reported that US prosecutors in New York have been investigating whether Huawei violated US sanctions in relation to Iran, citing sources familiar with the situation.

Huawei decided to postpone the deal around 10 minutes before bankers were due to hold a pricing call to finalise the offering.

"They have done the right thing," said a fund manager. "As soon as this thing dies down they will have more loyal followers."

Huawei's existing 4% US dollar bonds due 2027 slid on Thursday to a yield of 4.94%, the highest since they were issued in February 2017.

A euro bond would have been Huawei's first in the currency, and came after the company had considered another US dollar 10-year bond. It would also have been a rare euro currency deal from an unrated issuer.

Initial price thoughts for the euro five-year were at mid-swaps plus 150bp–160bp, before this was tightened to plus 145bp (+/-5bp) and further to 135bp–140bp. Final orders were said to be over €1.9bn when bookrunners started allocations and prepared to price the deal at a spread of mid-swaps plus 135bp.

However, around two and half hours later, Huawei's bookrunners sent a note to investors that the deal had been postponed.

"Investors had already started complaining that they didn't get allocated enough bonds," said a source close to the deal.

Public institutions and high-quality real money accounts were among those who placed orders.

Bankers estimated that the euro bond would have priced close to Huawei's dollar swap levels.

Huawei is cash-rich and has no urgent need to raise funds. It had been targeting the euro bond market partly to diversify its investor base.

Earlier this month it had told investors it was considering selling dollar bonds with a tenor of 10 years and/or euro bonds, but opted for euros as secondary dollar yields rose.

BNP Paribas, *Citigroup*, *DBS*, *ING*, *JP Morgan* and *Standard Chartered* are joint bookrunners for the proposed bond issue.

Wholly owned subsidiary Proven Glory Capital will issue the proposed notes with a guarantee from Huawei, which is unrated.

Huawei did not respond to a request for comment. ■

India's online bond sales stall

■ **Bonds** Issuers scrap rupee offerings after bidding disappoints

BY KRISHNA MERCHANT

India's introduction of a more efficient, electronic system for bond issues may be instead raising costs for the country's borrowers.

Several issuers have scrapped bond sales on the electronic bidding platforms in recent weeks, prompting criticism that the new system results in higher yields or fewer bids.

NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT scrapped a planned Rs5bn (US$75m) issue last Wednesday for the second time after it again failed to match its expectations.

"The cut-off bid or final yield was fixed at 8.35% after it received the lowest bid at 8%, while the fair level should be around 7.8%–7.9%," said a DCM banker.

Earlier in the week, SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA scrapped a Rs5bn tap of its 2021 rupee bonds after receiving bids at higher levels than its target. TATA CAPITAL did not get a single bid for its recent attempt to raise Rs2bn, said a DCM banker.

In January, the market regulator issued new guidelines on bookbuilding, making it mandatory for issuers to seek bids through an electronic platform every time they raise Rs2bn or more from bonds.

The new rules have cut out arrangers' roles as investors bidding for Rs150m, or 5% of the base issue size, whichever is lower, must do so directly on the platform. Bids are disclosed on the platform in real time.

Market participants say that has made it harder for issuers to find buyers for their bonds – especially in a weak market.

"It is tough to get investors on the electronic platform to bid directly," said a source from a public sector company. "Selling corporate bonds requires some effort. Unless intermediaries are doing the sales pitch, it is difficult to get investors."

> **"It is tough to get investors on the electronic platform to bid directly. Selling corporate bonds requires some effort. Unless intermediaries are doing the sales pitch, it is difficult to get investors."**

VOLATILE RATES

Some market participants feel that market conditions are also responsible for deals being scrapped.

"The primary reason for muted bidding interest on the electronic platform for some of the recent issues has been very high volatility, sharp movement in yields over very short periods, and the newness of the EBP system," said Amit Tripathi, chief investment officer for fixed income investments at Reliance Nippon Life Asset Management.

Issuers need to file a memorandum and a term-sheet to the EBP at least two working days before the issue opens for a one-day bookbuilding period, exposing them and investors to three days of market risk. They can only withdraw a deal if bids do not match the base size of the offering or if the cut-off yield is higher than the estimated cut-off disclosed to the EBP previously.

India's 10-year AAA rated corporate bond yields have moved up nearly 40bp from 8.03% on April 5, following a spike in government bond yields as mixed signals from the central bank have left investors nervous and confused.

The Reserve Bank of India had in early April softened its hawkish tone, relaxed accounting rules around bond losses and raised the foreign debt investment limit, factors that should all be supportive for the sovereign debt market. However, the recent minutes of this month's RBI meeting were hawkish, which sparked a sell-off in the bond market and hurt demand for Tata Capital's offering on the same day.

Investors generally prefer the previous system, where they were able to agree terms on a bilateral basis, often adding covenants to make the deal more attractive. The EBP system does not allow a change of terms during bookbuilding, but some major issuers still cut

SK Lubricants IPO grinds to a halt

■ **Equities** Investors refuse to compromise on valuation in volatile markets

BY FIONA LAU

SK LUBRICANTS last week called off its third attempt at a Korean IPO, after failing to achieve its valuation target.

The company, a unit of South Korean energy and chemicals company SK Innovation, decided not to go ahead with its up to W1.56trn (US$1.48bn) listing on Friday – the day it was supposed to price the float.

In a regulatory filing, SK Innovation said it was difficult to receive a reasonable valuation for SK Lubricants.

SK Innovation was selling 10.2m shares in the IPO of its lubricant oil subsidiary, while SK Lubricants was also making available about 2.6m new shares. The shares, representing about 30% of the company, were marketed at a price range of W101,000–W122,000. SK Innovation was planning to retain a 70% stake after the listing.

"Investors found the deal a bit pricey. It's hard to convince investors to accept an aggressive valuation in a volatile market," said a banker away from the transaction.

In the offering document, the company valued itself at an EV/Ebitda multiple of 10.1x, representing a discount of 11% to 26% to listed comparables. Investors, however, reckon an EV/Ebitda of 8x–9x is a reasonable valuation for the transaction.

SK Lubricants did try to sweeten the terms. The company promised a 75% dividend payout ratio which translated into a 7% yield.

"This helped generate some interest but failed to convince investors to go for the deal given the market turmoil," said a person close to the deal.

The was SK Lubricants' third listing attempt, after earlier plans for an IPO of up to US$1.5bn in 2013 and 2015 failed to materialise.

The deal's postponement is expected to cast a shadow for several other domestic listing applicants.

HYUNDAI OILBANK, the refining arm of Hyundai Heavy Industries Group, plans to raise US$1bn–$2bn from a KRX IPO in September or October.

similar deals before entering them on the platform.

The new electronic bidding rules aim to bring more transparency and increase price discovery, but "there will still be some amount of underwriting; banks with large prop books will continue to cut cheques, and complete transformation of the market will take time," said a second source from a private sector non-banking financial company.

RULE CHANGES

Indian issuers have won some relaxations of the new rules. After a hasty change to rules that were only introduced on April 1, issuers will now get their money on the day of allotment, rather than waiting for a day for the exchanges to clear and settle the funds.

Under the amended rules, investors who successfully bid for bonds are required to transfer the funds from bank accounts registered with the EBP to the designated account no later than 10:30am on T+1, or one day after bidding. That puts the onus on investors to complete their transfers sooner.

"There will be no loss of one day's interest as the issuers will get the money on the same day as the investors pay," said a DCM banker. ■

DOOSAN MACHINE TOOLS, owned by private equity firm MBK Partners, is also mulling a US$800m listing on the Korea Exchange in the second half of the year. The company is a manufacturer of turning centres, machining centres and other precision machine tools.

SK Lubricants was supposed to use the IPO proceeds for capital expenditure and general working capital.

Korea Investment & Securities and *Samsung Securities* were the domestic leads for the IPO, while *Citigroup* and *Credit Suisse* were the international leads. *Mirae Asset Daewoo* was also a joint bookrunner. ■

CAR steers through two markets

■ **Bonds** Surprise RRR cut opens window for renminbi issuers

BY INA ZHOU

Chinese car rental company CAR INC tapped both the Panda bond market and Dim Sum bonds market last week, raising a combined Rmb1.08bn (US$171m).

The Hong Kong-listed company, AA+ rated by Shanghai Brilliance, returned to the Panda bond market last Monday after onshore yields came down significantly following an unexpected cut to the reserve requirement ratio on April 16.

It priced the three-year non-put two Panda bonds last Monday in the Shanghai Stock Exchange at par to yield 6.30%.

The next day, the issuer, rated Ba3/BB (Moody's/S&P), reopened its Rmb400m (US$63.3m) 6.50% three-year non-call two Dim Sum notes for Rmb350m in the offshore market. The tap priced at 99.25, or a yield of 6.784%.

Meanwhile the Dim Sum bond market has remained favourable to CAR, which launched a debut 6.50% Dim Sum bond on March 26.

A source familiar with the matter said that the tap offered Dim Sum investors a pick-up of 75 cents. The notes were traded at par in the secondary market before the tap was announced and the tap was finally priced at 99.25.

The Rmb350m tap on the 6.50% Dim Sum bonds drew orders of over Rmb650m from 21 accounts. Fund managers were allocated 78% of the notes, banks and insurance firms 20%, with private banks 2%.

Stats for the Panda bond offering were not available.

Proceeds from the Panda bond offering were restricted for onshore use, while the proceeds from the Dim Sum bonds go towards debt repayment and business development.

CAR's debut Panda bond came in April 2017, when it raised Rmb300m from five-year non-put three notes priced at par to yield 5.50%.

CICC was sole lead on the new Panda bond. CICC and *Standard Chartered* are joint global coordinators, joint lead managers and joint bookrunners on the Dim Sum tap. ■

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THOMSON REUTERS

TOP STORY EQUITIES

Hong Kong welcomes new IPO era

Final rules bring further relaxations on dual-class shares

Hong Kong bourse chief executive Charles Li declared the city "open for business" last week after the exchange formally ushered in controversial rules to allow shares with weighted voting rights.

Li said he expected to see numerous companies lining up to list with WVR structures once the change comes into effect on Monday.

"I don't want to speculate (on) the numbers but I think we are talking about not single digit numbers, we're talking about numbers that are potentially going into the dozens."

"Hopefully before the summer we will see a number of companies be able to successfully access the market," he said at a press briefing.

The new rules published last Tuesday were broadly unchanged from those laid out during HONG KONG EXCHANGES AND CLEARING's consultation in February, leaving some investors questioning whether the changes would dilute corporate governance standards in its bid to attract more "new economy" stocks.

"Offering regulatory flexibility can attract listings in the short term but potentially impact long-term market development if corporate governance standards are not maintained," said Jenn-Hui Tan, head of equity capital markets and corporate finance for Asia Pacific at Fidelity International.

"Exchanges competing to offer the most issuer-friendly environment can result in weaker standards across all markets. What we must avoid is a regulatory race to the bottom."

Critics of the proposals previously expressed concern that the introduction of WVR would give the exchange too much discretion over which companies will be allowed to list, effectively allowing HKEx to "cherry-pick" IPOs.

HKEx indeed acknowledged that "some respondents commented that the proposed rules rely substantially on the subjective judgment of the exchange".

But it still watered down some of the proposals put forward for consultation, and pledged to launch another consultation on further changes by the end of July.

COURTING XIAOMI

The final rules made no reference to sunset clauses, where the differential voting structure falls away after a certain period of time. This proposal has long been advocated by corporate governance experts.

HKEx also removed the cap of 50%, proposed during the consultation, on the maximum underlying economic interest holders of super-voting shares are allowed to hold.

That may open the door for the listing of smartphone maker XIAOMI, which is preparing to apply for a Hong Kong float. Lei Jun, Xiaomi's founder, has expressed his support for WVR structures, and is said to own a majority stake in the company.

HKEx also said it plans to launch a new consultation by July 31 on whether corporate entities – as opposed to individual shareholders under the new rules – should be able to benefit from WVRs.

The introduction of WVR for corporations could benefit companies such as TENCENT MUSIC, the entertainment and music arm of tech giant Tencent, and live game-streaming platform DOUYU, backed by social network YY.com, both of which are considering listing in Hong Kong.

HKEx did tighten some other standards, introducing new rules requiring the corporate governance committee of companies with dual-class shares to be comprised entirely of independent directors.

It also published a guidance letter setting out the characteristics of an innovative company, which include those whose expected value is comprised to a significant extent from research and development and those whose success can be attributed to their intellectual property.

SMILES ALL ROUND

The new regime sticks to the earlier proposals insofar as it restricts listings with WVR to companies with an expected market capitalisation of at least HK$10bn (US$1.27bn). Companies with a market cap of less than HK$40bn will also need to show annual revenues of at least HK$1bn.

The rules also include plans to set up a separate chapter to allow pre-revenue and pre-profit biotech companies to list on the main board and allow secondary listings from companies listed in New York and London – again in line with the draft proposals.

Biotech companies that do not meet current financial eligibility tests will be able to list on the main board provided that they have a market cap of at least HK$1.5bn and meet certain requirements on the development of their core product.

Companies seeking a secondary listing will need to demonstrate a good track record of two full financial years on a qualifying exchange, which HKEx defines as the New York Stock Exchange, Nasdaq or the premium listing segment of the London Stock Exchange.

Secondary listings involving either a WVR structure or a company based in Greater China will need to meet a HK$1bn revenue test and have a market cap of no less than HK$40bn.

Several technology companies have been looking to list in Hong Kong once the rules are changed, although Li declined to comment on whether Xiaomi would be first.

"I think when you were asking your first question, you were smiling very nicely," he said in response to a reporter's question on the topic.

"The reason you were smiling very nicely is because you know I won't answer your question and so I will answer that question that way. Nice smile."

THOMAS BLOTT

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Credit Suisse's Asia markets arm returns to profit

CREDIT SUISSE's Asia Pacific markets division returned to profitability in the first quarter of 2018, benefiting from the same improved trading conditions that lifted the performance of other banks in the region.

The unit posted a Q1 profit of SFr29m (US$29.3m) against a SFr54m loss a year earlier and a SFr53m loss in Q4, the Swiss bank reported last Wednesday.

This was only the second quarter in which the bank has made a profit in its Asian markets division since Q3 2016, underscoring its susceptibility to shifts in trading conditions.

Overall the APAC division reported pre-tax profit of SFr234m, up 59% on the previous year, on net revenues of SFr991m, 12% ahead of last year.

Like most of its rivals, Credit Suisse faced low volatility in 2017 and is grappling with competition from Chinese brokerages as well as the shift in fund flows towards passive managers.

Results from fixed-income sales and trading in Asia were especially encouraging, with revenue increasing 270% quarter on quarter to SFr85m.

Its equities segment, a far more important business for the bank, was relatively flat, as it eked out a 3% rise in revenue to SFr243m.

The bank said this resulted from higher prime services revenues, although it noted that revenues from cash and derivatives were lower for the quarter.

The subdued performance in equities is surprising as several US banks, notably Citigroup and Morgan Stanley, have singled out their Asia equities business for praise this quarter.

"We set out to completely change the balance and composition of the group in an accelerated way. This has seen a complete change in the nature of our PTI [pre-tax income]. 80% is now wealth management. Global markets is a fraction of what it was."

Credit Suisse is the only major investment bank to provide a full breakdown of its results in Asia, however.

Its performance in Asia was in line with its global results as group revenues from equities sales and trading rose just 1.5% to SFr733m compared with a 34% rise among the five major US banks.

Conversely, Credit Suisse won a bigger market share in fixed income with revenues up 2.3% to SFr945m compared with a 2% rise among the US banks.

Chief executive Tidjane Thiam dismissed concerns about the underperformance in markets relative to the bank's peers, claiming the group was now principally focused on wealth management.

"We set out to completely change the balance and composition of the group in an accelerated way. This has seen a complete change in the nature of our PTI [pre-tax income]. 80% is now wealth management. Global markets is a fraction of what it was," he said.

Private banking assets under management in Asia hit a record of SFr199.1bn at the end of the quarter compared with SFr196.8bn in Q4.

The bank reported revenues of SFr208m for advisory, underwriting and financing, an increase of 17% year on year and an 11% decline versus Q4.

It said it had a strong quarter in M&A having won mandates on Alibaba's 33% acquisition of Ant Financial and Equis Energy's US$5bn sale to Global Infrastructure Partners.

THOMAS BLOTT

Axis Bank suffers first quarterly loss

AXIS BANK reported its first quarterly loss last Thursday after a surge in bad loans, capping a troubled year for India's third-biggest private sector lender by assets.

The Mumbai-based bank made a net loss of Rs21.89bn (US$327m) for the fiscal fourth quarter to March 31. The results reflected a desire to speed up non-performing asset recognition, said chief executive Shikha Sharma, who is due to step down at the end of December after nine years at the helm.

"With this accelerated recognition, we believe the NPA recognition phase of this credit cycle is now nearly complete and the focus shifts to resolution," she told a news conference.

Axis has seen its non-performing loans jump more than eight times in the past three years to Rp342.49bn, or 6.77% of its loan book, at the end of March. In the latest quarter, it added Rp165.36bn in incremental bad loans in light of recent central bank rule changes.

Finance chief Jairam Sridharan predicted net NPL additions in the year to March 2019 would be "significantly lower", while lending growth will be in the "high teens".

For the March quarter, loans grew 18%, driven by a 23% rise in retail customer loans. Net interest income growth was flat in the quarter and rose 3% for the full year, resulting in a net interest margin of 3.44%.

EARLY EXIT FOR CEO

On April 20, Axis appointed headhunting firm Egon Zehnder to help it search for a new chief executive and said its board would ensure that the process is completed before Sharma's term ends.

Axis said on April 9 that Sharma would step down at the end of 2018, days after India's central bank was reported to have expressed concerns about her being granted a three-year extension.

Axis Bank has also faced other problems.

A central bank audit last year found more bad loans than it had originally reported for the year ended March 2017.

In December, the bank was ordered by India's markets regulator to conduct an internal investigation into a suspected leak of financial information and to strengthen its handling of such data, after a Reuters report documented messages about company results being circulated on private WhatsApp groups ahead of official release.

The bank has submitted its report on the investigation to the capital markets regulator, but has yet to hear back, Sharma said last week.

Axis Bank's smaller rival YES BANK last Thursday reported a better-than-expected 29% rise in Q4 profit as its bad-loan ratio narrowed.

Net profit rose to Rs11.79bn in the quarter ended March 31, from Rs9.14bn a year earlier.

Gross bad loans as a percentage of total loans stood at 1.28% at end-March, compared with 1.72% in the preceding quarter and 1.52% in the year-ago period.

Interest income was up 32%.

DEVIDUTTA TRIPATHY, VISHAL SRIDHAR

Global banks fear China will limit JV control

Western banks are seeking clarification from China's securities watchdog on proposals to allow them to take over their onshore securities ventures, amid concerns about high asset-value requirements and limits to ownership by non-financial investors.

Giving foreign financial firms a controlling stake in their securities joint ventures is a key part of China's pledge to ease foreign ownership curbs, especially in the country's trillion-dollar financial sector.

But draft rules released for consultation last month by the China Securities Regulatory Commission could have the opposite effect and stymie broadening participation, people with knowledge of the matter have warned.

Under the proposed rules, controlling shareholders must have a net asset value of at least Rmb100bn (US$16bn), and non-financial Chinese investors would be limited to a one-third shareholding.

If the NAV rule applied to the Western banks' local units, as opposed to the global entity, most international banks would be ruled out.

Bankers are rushing to submit requests for clarification of the rules by Sunday, when the consultation period closes.

Lyndon Chao, head of equities at the Asia Securities Industry and Financial Markets Association, which represents global banks in Asia, said that while China had opened the door to foreign capital it appeared to be reluctant to welcome overseas securities firms.

"(The door) welcoming foreign securities firms to enter China onshore on a level playing field appears less open than what we had originally thought, based on the second consultation and the net asset value requirement for firms seeking majority ownership," he said.

Bankers are unhappy too with the one-third limit on non-financial Chinese investors, which means that if a Western bank linked up with such an investor, it would still need to find another partner for the remaining 16%.

"That doesn't fly with the spirit of what was intended based on the comments from different Chinese regulators," said one person with knowledge of the proposed rule changes. "Three may be a crowd."

The people who spoke to Reuters declined to be named due to sensitivity of the issue. They said the final rules, expected to be announced by end June, could change to reflect their concerns.

The CSRC did not immediately respond to a Reuters request for comment.

China surprised bankers and lobbyists in November when it said foreign investment banks could raise stakes to 51% in their securities JVs, which offer underwriting and trading services, from a 49% cap.

Banks including Goldman Sachs, Morgan Stanley and UBS run joint ventures with varying degrees of operational control but all have pushed for majority ownership. In 2016, a lack of control was a factor in JP Morgan's decision to sell out of its joint venture.

SUMEET CHATTERJEE, ENGEN THAM

IN BRIEF

Bond Connect
Trading volume rises

Trading via the Bond Connect link rose 7.2% to Rmb162.58bn (US$25.74bn) in the first quarter of 2018 compared to the last quarter of 2017, according to a press release from the China Foreign Exchange Trade System.
The securities traded via the scheme were mainly negotiable certificates of deposit, policy banks' notes and China treasury bonds, CFETS said.
Since the scheme was launched in July 2017, 288 offshore accounts have accessed China's interbank bond market via the Bond Connect link, said CFETS.
Half of these accounts were offshore non-corporation accounts, such as offshore mutual fund products, 25% were offshore commercial banks and 25% were offshore securities firms.
Geographically, 65% of the offshore accounts are incorporated in Hong Kong, while the rest are incorporated in about 30 jurisdictions including Singapore, the US and the UK.
Activity via Bond Connect remains marginal in relation to that of China's domestic bond market. In March, the average daily bond trading volume was Rmb448.5bn in the interbank bond market, according People's Bank of China data.

Yes Bank
RBI approval for rep offices

YES BANK said on April 20 it had received approval from the Reserve Bank of India to open two representative offices in London and Singapore.

Nomura back in the red overseas

NOMURA's international business fell back into the red in the year ending March 31, reversing a gain a year earlier that had marked the Japanese investment bank's first overseas profit in seven years.

Nomura's overseas division recorded a pre-tax loss of ¥18.7bn (US$171m) for the January-March quarter, dragging it to a ¥0.7bn loss for the full financial year and underscoring its susceptibility to one-off factors.

Its results were impacted by a ¥26bn pre-tax loss in the Americas, due in part to a jump in provisions and a higher effective tax rate.

Its disappointing showing outside Japan belied a better quarter for its wholesale division, comprising global markets and investment banking, which struggled in the previous three months.

It benefited from the same volatile market conditions that propelled the big five US banks to record a 34% jump in equities trading during the January-March quarter.

Nomura said its equities revenue jumped almost 50% in Q4, rising to ¥84.1bn versus ¥57bn for the same period the previous year.

It posted steady gains in fixed income with revenue up 14% to ¥98.8bn, a far better showing than its US peers, which eked out an average increase of 2%.

Investment banking revenue grew a more modest 3% to ¥28.5bn, which it attributed to a strong quarter for debt capital markets and M&A related financings.

It singled out Toyota Industries' US$1bn 144A/Reg S bond offering and MassMutual's sale of its Japanese business to Nissay among the standout deals it worked on in Q4.

Its Americas business also had a good quarter, in revenue terms at least, posting its strongest quarterly revenue in eight years, rising 28% to ¥68.1bn.

Nomura will be particularly heartened by this after some analysts criticised its plans to grow in the US.

In February, Moody's said that Nomura's "repeated pivots to overseas expansion" were credit negative and queried its US expansion having only recent scaled back in the region.

Nomura also posted strong revenue growth in Asia and its home market, although revenue from Europe, the Middle East and Africa dipped 3% to ¥48.1bn.

Overall pre-tax profit in its wholesale division rose 57% in Q4 to ¥44.2bn, while profit from its asset management division was up 30% to ¥11.3bn.

The retail division, which serves mostly Japanese retail investors, saw income slide 17% to ¥21.4bn as sales of stocks and investment trusts slowed due to a rising yen.

Nomura also said it would buy back up to ¥70bn or 2.7% of its outstanding shares.

THOMAS BLOTT

The private sector bank said the two new offices would improve its global coverage. Yes Bank opened its first representative office in Abu Dhabi in April 2015.

Pictet Asset Management

New Asian corporate bond fund

PICTET ASSET MANAGEMENT is launching an Asian corporate bond fund.

Domiciled in Luxembourg and managed by a team split between London, Singapore and Hong Kong, the fund will invest in hard-currency Asian investment-grade and high-yield corporate bonds.

Alain Defise, head of emerging market corporate bonds, will lead the team.

Pictet did not provide details on the size of the fund, targeted returns or investors.

Australian Securities Exchange

Consultation on blockchain

The AUSTRALIAN SECURITIES EXCHANGE has issued a consultation paper detailing plans to replace its clearing and settlement system with blockchain technology.

ASX is asking for feedback on the timing and transition arrangements for the new system that would go live between the fourth quarter of 2020 and the first quarter of 2021.

Last December, ASX said it would replace its CHESS system with a distributed ledger technology-based system developed by US blockchain developer Digital Asset.

Respondents have until June 22 to submit their feedback.

Bank Mandiri

Q1 profit up as provisions slashed

BANK MANDIRI reported a 44% jump in quarterly net profit as it slashed provisions for bad loans and its fee-based income climbed.

Mandiri's first-quarter net profit stood at Rp5.9trn (US$425m), up from Rp4.1trn a year ago.

Mandiri lowered its provisioning costs by 29% from a year earlier, while net interest income rose by 3.2% and fee-based income rose nearly 15%.

Its non-performing loan ratio stood at 3.32% at the end of the first quarter compared to 3.98% a year earlier.

The bank was under pressure last year to tackle bad debts after it posted its worst profit in five years in 2016. It slashed provisioning costs by 35% in 2017.

China Construction Bank

Q1 profit rises 5.4%

CHINA CONSTRUCTION BANK, the country's second-biggest lender by assets, reported 5.4% profit growth for the first quarter.

CCB, the first of China's big four state-owned lenders to report first-quarter earnings, saw its profit reach Rmb73.82bn (US$11.67bn) in the three months to March 31, up from Rmb70bn a year earlier.

Its results were below the average estimate of a 6.4% rise from three analysts polled by Reuters.

CCB's non-performing loan ratio remained flat at 1.49% at the end of March compared with the end of the previous quarter.

Overall NPL volumes rose by Rmb4.06bn over the three-month period to Rmb196.4bn.

Its net interest margin was 2.35% at the end of March, up from 2.21% at the end of December.

SGX

Third-quarter profit up 21%

SINGAPORE EXCHANGE booked net profit growth of 21% for the third quarter of its financial year to June 30.

SGX said net profit for the three months to March 31 came in at S$100.5m (US$76.31m), versus S$83.1m for the same period last year.

It posted third-quarter revenue of S$222.2m, up from S$202.7m year on year.

Equities and fixed income, which comprises issuer services, securities trading and post-trade services and accounts for roughly half of overall revenue, was up 5% year on year to S$107.9m.

The exchange said proceeds from new listings increased more than sevenfold to S$1.8bn.

Securities trading and clearing revenue grew 12% to S$61.7m as securities daily average trading value rose 17% to S$1.45bn.

Derivatives revenue was also up 20% to S$90.5m, mainly due to higher volumes in FTSE China A50 futures, Nikkei 250 futures and Nifty 50 index futures.

People & Markets

WHO'S MOVING WHERE...

■ **CREDIT AGRICOLE CIB** has appointed *Dominique Blanchard* as regional head of the global markets division for Asia-Pacific.
Blanchard joins from ANZ, where he was global head of sales and debt capital markets.
He also worked for Daiwa Sumitomo from 2008 to 2013, where he ran and restructured global financial products activities.
Prior to that, Blanchard spent over 15 years with the Credit Agricole Group, last as deputy head of the fixed income division.
Based in Hong Kong, Blanchard reports globally to Gene Kim, head of international for the global markets division, and locally to Michel Roy, senior regional officer for Asia-Pacific.
Blanchard will be a member of Credit Agricole CIB Asia-Pacific management committee.

■ Former HSBC Singapore global markets head *Matthew Cannon* is joining fintech advisory firm **LIGHTBULB CAPITAL**.
Cannon will join Lightbulb Capital, founded in Hong Kong in 2014, as co-founder, according to an April 20 statement from the firm.
He spent more than two decades with HSBC, split between two stints, in a variety of roles at the bank's global banking and markets division.

■ **CITIGROUP** has appointed *Sajed ul Islam* as head of markets and securities services for Vietnam.
Ul Islam joined Citigroup in 2002 and was most recently head of markets and securities services and country treasurer for Bangladesh.
He replaces *Jeffrey Carleton*, who is retiring, and reports to Stuart Staley, head of markets and securities services for Asia Pacific.
His appointment is subject to regulatory approval.

■ **BNP PARIBAS** has appointed *Paul Yang* as acting CEO for China following Bing Chen's departure.
Yang will retain his position of head of Greater China.
The French bank has also promoted *Ken Chiu* to head its RMB competence centre.
Chiu was previously deputy for the division, which was headed up by Chen.
Chen joined containership lessor Seaspan Corporation as president and CEO in January.

■ **MUFG BANK** has appointed *Janice Chua* head of its Asian operations division.
Chua is based in Singapore and reports to Takayoshi Futae, CEO for Asia & Oceania.
She is a replacement for *Kimihiko Nishiwaki*, who recently relocated to Tokyo.
Chua joined MUFG in 2014 and was deputy general manager of the Asian operations division.
The Asian operations division is responsible for planning and transaction processing services for the bank in Asia.

■ **CREDIT SUISSE** has hired *Geoffrey Baram* to join its Greater China technology, media and telecommunications team as a managing director, as the bank further expands its TMT franchise in the region, according to people familiar with the matter.
Baram previously worked at Morgan Stanley for eight years, where his last role was as an executive director in corporate finance, responsible for raising capital for corporates in APAC.
Credit Suisse declined to comment.

■ Senior banker *Benson Chua* has resurfaced at **CTBC BANK** as head of corporate and institutional banking.
Based in Singapore, Chua started with the Taiwanese lender in April.
Before joining CTBC, he worked for nine months as head of advisory and structured finance at Finaqe Group, according to his LinkedIn profile.
Chua had previously worked at Sumitomo Mitsui Banking Corp for 14 years, responsible for the Malaysia, Singapore and Thailand markets. His last title was head of loans origination for South and South-East Asia.

■ **SOCIETE GENERALE** has promoted *Inhwan Oh* to head of global markets sales for Asia Pacific.
Based in Hong Kong, he will report to Jerome Niddam, head of global markets for APAC, and Yann Garnier, who was promoted to head of sales for global markets last December.
Oh, whose appointment is still subject to approval from the Hong Kong regulator, replaces Garnier in the role.
Oh joined Societe Generale in 2010 and has worked as head of global markets for Korea and most recently head of Societe Generale Securities Korea.

■ **OVERSEA-CHINESE BANKING CORPORATION** has promoted *Dennis Hong* to head its brokerage subsidiary, effective May 1.
Hong replaces *Raymond Chee*, who has been appointed general manager of the bank's New York and Los Angeles businesses, effective October 1.
Chee will serve as deputy general manager for two months prior to his start date to transition into his new job. He will replace *James Lee*, who is retiring at the end of the year.
Hong joined OCBC in 2010 and was most recently deputy managing director of the bank's brokerage unit.
Chee has been head of the brokerage division for the past six years.

■ *Gabriel Toh* has joined **FIRST ABU DHABI BANK** as director in the Asia corporate finance team.
Toh, who started with the Middle Eastern bank in Singapore on April 16, reports to Anand Bangur, head of Asia corporate finance.
He was previously with RHB Bank, where he was a director and covered banks, non-bank financial institutions and insurance companies in the financial institutions group for a year.
Before RHB, he worked at Standard Chartered as director in the FIG debt capital markets and solutions team for nearly two years from April 2015, according to his LinkedIn profile. Toh joined as a graduate associate in that team in August 2008.

■ **BARCLAYS** has reopened an office in Sydney, slightly over two years after it shuttered operations in Australia.
Paul Early and *Richard Satchwell* will jointly head the Australian office, which launched on Monday.
"Re-establishing our on-the-ground presence in Australia, the third largest financial market in Asia Pacific, is an important part of our strategy to grow our franchise," said Tim Throsby, president of Barclays International and CEO of the corporate and investment bank, in a statement.
Early joined Barclays in 2007 in Sydney and led the mining and metals sector coverage for Australia. Since 2012 he was based in Hong Kong, leading the Asia Pacific natural resources coverage team.
Satchwell has been with Barclays since joining in London in 2005 and held leadership roles across the Australian financing and risk management businesses. He has also handled responsibility for the broader Asian acquisition and leverage finance teams and industry and advisory teams in Australia. He was most recently part of the Europe and Middle East leveraged finance team in London.
Satchwell had helped wind down the Australian operations in 2016 as part of the British lender's retreat from investment banking in at least eight countries in Asia.
Following the exit in 2016, Barclays had continued to do deals in Australia but covered the country from Singapore and Hong Kong.
It has been particularly active in acquisition-related and term loan B financings for the likes of Ventia, the infrastructure services spin-off from Leighton Holdings, and US data management firm Iron Mountain.

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Mongolia 32 Philippines 33 Singapore 33 South Korea 34 Taiwan 35 Thailand 35

AUSTRALIA

DEBT CAPITAL MARKETS

AUSGRID PRINTS DOLLAR DEBUT

AUSGRID, rated Baa1/BBB (Moody's/S&P), on Monday sold US$1bn of bonds in two tranches, in its debut dollar offering.

A US$500m five-year tranche priced at Treasuries plus 105bp from initial price thoughts of Treasuries plus 120bp area and a US$500m 10.25-year piece at Treasuries plus 140bp, from IPTs of 150bp area.

Orders were heard to reach around US$1.9bn.

ANZ, *Bank of America Merrill Lynch* and *HSBC* were joint global coordinators for the 144A/Reg S trade.

Ausgrid, which manages and operates an electricity distribution network in Australia, the previous week sold €650m (US$798m) of long seven-year bonds at mid-swaps plus 65bp on a book of €1.1bn.

BOQ PRICES TIER 2

BANK OF QUEENSLAND, rated A3/BBB+/A–, on Monday priced a A$200m (US$153m) offering of 10-year non-call five Tier 2 subordinated notes, increased in size from an earlier minimum of A$150m.

The floating-rate notes were sold at three-month BBSW plus 185bp, from initial price guidance of 200bp area.

The notes are expected to be rated BBB–/BBB+ (S&P/Fitch). If the bank is deemed to be at the point of non-viability, the notes will either be converted to equity or written off.

ANZ, *Bank of America Merrill Lynch* and *NAB* were joint lead managers on the issue, which went only to wholesale investors.

KANGAROO TAPS RUNNING

The EUROPEAN INVESTMENT BANK, rated Triple A, on Friday priced a A$200m reopening of its 4.75% Kangaroo bond due August 7 2024, bringing the total outstanding to A$875m.

The *Nomura*-led tap priced at 110.038 to yield 2.9775%. This was equivalent to semi-quarterly asset swaps plus 41bp, in line with guidance, or 39.25bp over the April 2024 ACGB.

The Triple A rated INTER-AMERICAN DEVELOPMENT BANK on Thursday priced a A$100m increase to its 4% May 22 2023 Kangaroo via *JP Morgan*, bringing the total to A$850m.

The tap priced at 105.318 to yield 2.8575%, equivalent to 32bp over asset swaps and 35bp over the April 2023 ACGB.

The Triple A rated ASIAN DEVELOPMENT BANK on Tuesday priced a A$100m tap of its 3.3% Kangaroo due August 8 2028, bringing the total to A$800m.

The reopening via *Nomura* priced at 99.716 to yield 3.3325%. This was equivalent to asset swaps plus 41bp, in line with guidance, or 46.5bp over the May 2028 ACGBs.

KFW on Tuesday tapped its 4% February 2025 Kangaroo for A$100m at asset swaps plus 41bp via *TD Securities*, bringing the total to A$1.55bn.

The tap priced at 105.744 to yield 3.06%.

The PROVINCE OF QUEBEC, rated Aa2/AA– (Moody's/S&P), priced a A$50m increase of its 3.25% October 18 2028 Kangaroo, bringing the total to A$115m.

The reopening priced at 98.493 to yield 3.4225%. This translated to asset-swaps plus 50bp, in line with guidance, and 56.25bp over ACGBs.

RBC Capital Markets and *TD Securities* led the deal.

The PROVINCE OF ONTARIO, rated Aa2/A+ (Moody's/S&P), priced a A$30m tap of its 3.2% October 12 2028 Kangaroo, bringing the total to A$80m.

The increase via *TD Securities* priced at 98.037 to yield 3.425%, equivalent to asset swaps plus 51bp, in line with guidance, and 57.5bp over ACGBs.

PORT OF MELBOURNE GETS RATING

Fitch has assigned a debut rating to the issuing entity of the PORT OF MELBOURNE, one of Australia's largest container ports.

LONSDALE FINANCE has been assigned a long-term issuer default rating of BBB with a stable outlook.

The Lonsdale consortium of investors was awarded a 50-year lease for the port in 2016 for A$9.7bn.

"More than A$4.2bn of bank debt was raised as part of the acquisition financing, with the first maturity due in October 2019, which Fitch expects to be refinanced through the capital markets," wrote Fitch.

LBBW HIRES FOR TIER 2

LANDESBANK BADEN-WUERTTEMBERG (LBBW), rated A1/A– (Moody's/Fitch), has mandated *HSBC*, *LBBW*, *Standard Chartered* and *TD Securities* to arrange investor meetings in Asia from May 2.

A potential Australian dollar Basel III-compliant subordinated 10-year bullet Tier 2 EMTN issuance will follow in the near future, subject to market conditions.

The subordinated notes are expected to be rated Baa2/BBB (Moody's/Fitch).

STRUCTURED FINANCE

LIBERTY DOUBLES RMBS OFFERING

Liberty Financial doubled the size of its LIBERTY SERIES 2018-1 TRUST RMBS to A$1.5bn (US$1.1bn) from a targeted A$700m.

The A$150m Class A1a tranche priced at one-month BBSW plus 65bp, from 65bp–70bp guidance; the A$691.5m Class A1b priced at plus 125bp, from 125bp area; the €83.4m Class A1c priced at three-month Euribor plus 50bp, from 50bp area; the A$372.0m A2 priced at BBSW plus 165bp, from mid-to-high 100s; and the A$55.5m B priced at BBSW plus 180bp, from high 100s.

Pricing was not disclosed for the A$28.5m C, A$16.5m D, A$19.5m E and A$6.0m F tranches.

Ratings are Aaa/AAA (Moody's/Fitch) for the A1a, A1b, A1c and A2 tranches; Aa2 (Moody's) for the B; A2 for the C; Baa2 for the D; Ba2 for the E; and B2 for the F. The weighted average life is 0.2 years for the A1a; 2.1 years for the A1b and A1c tranches; and 3.5 years for the other tranches.

A A$27.0m unrated Class G tranche with a WAL of 4.0 years was not offered for sale.

CBA was arranger, as well as joint lead manager with *Bank of America Merrill Lynch*, *Deutsche Bank*, *NAB* and *Westpac*.

FLEXIGROUP READIES ABS

Flexigroup last week began taking indications of interest for its A$300m FLEXI ABS TRUST 2018-1.

The proposed deal comprises a A$100m Class A1 tranche, rated P-1/F1+ (Moody's/Fitch) at initial guidance of BBSW plus 65bp–70bp; a A$66.5m Class A2 tranche, rated Aaa/AAA, at plus 115bp area; a A$66m A2-G tranche rated Aaa/AAA, at plus 115bp area; a A$15.3m Class B-G tranche, rated Aa2/AA, at plus 180bp area; a A$17.7m Class C tranche, rated A2/A, at plus low 200s area; a A$12m Class D tranche, rated Baa2/BBB, at plus 300bp area; and a A$7.5m

Class E tranche, rated Ba1/BB+, at plus low 500s area. An unrated A$15m Class F tranche will be retained.

The weighted average life for the Class A1 tranche is 0.3 years. For the A2 and A2-G tranches it is 1.5 years, and for the other rated tranches it is 1.7 years. Credit enhancement is 22.5% for the Class A1, A2 and A2-G tranches, 17.4% for the Class B-G, 11.5% for the Class C, 7.5% for the Class D and 5.0% for the Class E.

CBA and *NAB* are arrangers. The transaction may launch as early as this week.

› BOQ HIRES FOR RMBS MEETINGS

BANK OF QUEENSLAND has mandated *CBA*, *NAB*, *SMBC Nikko* and *Westpac* to liaise with investors in relation to BOQ's REDS RMBS programme.

A potential Australian dollar RMBS transaction may follow, subject to market conditions.

SYNDICATED LOANS

› MACQUARIE BACK FOR £500M LOAN

Australian investment bank MACQUARIE GROUP is returning to the loan market for a £500m (US$702m) multi-tranche financing.

HSBC is coordinator on the facility, which comprises two three-year revolving credit pieces of £75m each (tranches A1 and A2), and two five-year term loans of £175m apiece (tranches B1 and B2).

Lenders are being invited to commit at six levels: MLABs and MLAs committing £250m-plus or £200m–£249m earn participation fees of 40bp and 60bp for tranches A and B, respectively, while lead arrangers joining with £150m–£199m receive fees of 35bp and 55bp, respectively. Arrangers taking £100m–£149m earn fees of 30bp and 50bp for tranches A and B, respectively, while senior managers joining with £50m–£99m receive fees of 25bp and 45bp. Managers coming in for £25m–£49m are offered fees of 20bp and 40bp for tranches A and B, respectively.

The deadline for commitments is May 17.

Funds will be used for general corporate purposes.

Last July, Macquarie Group self-arranged a US$2.5bn five-year loan with existing relationship banks. The interest margin was in line with a US$1.23bn term loan refinancing, which closed a couple of months earlier in May. Sole bookrunner HSBC targeted the latter deal at Chinese, Taiwanese and Japanese regional lenders. The refinancing comprised three-year and five-year tranches with margins of 120bp and 150bp over Libor, respectively.

› TWENTY-THREE JOIN QANTAS LOAN

Twenty-three lenders have joined QANTAS AIRWAYS' A$325m (US$247m) five-year refinancing in general syndication, allowing the facility to be increased the A$250m target.

Signing took in the week of April 16 and funding is expected in May.

The mandated lead arrangers and bookrunners were *ANZ*, *Bank of China* and *Commonwealth Bank of Australia*.

The interest margins are tied to the borrower's ratings: 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 and 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 was calculated based on the average of the margins for the two ratings.

Lead arrangers with commitments of A$30m received a top-level upfront fee of 50bp, while arrangers that joined with less than A$30m were paid 45bp.

For full allocations, see www.ifrasia.com.

CAMBODIA

SYNDICATED LOANS

› PRASAC MICROFINANCE LOAN LAUNCHED

Cambodia's PRASAC MICROFINANCE INSTITUTION has launched a US$50m three-year loan with a US$50m greenshoe option.

Cathay United Bank, *Taichung Commercial Bank* and *Taiwan Cooperative Bank* are the mandated lead arrangers and bookrunners of the financing, which has a two-year extension option.

The deal pays an interest margin of 425bp over Libor and has a average life of 2.75 years.

MLAs with commitments of US$10m or more receive a top-level all-in pricing of 429.4bp via an upfront fee of 12bp, while lead arrangers joining with US$5m-$9m earn an all-in pricing of 428.3bp via a 9bp fee.

The deadline for commitments is May 25.

Last August, the company raised US$37m through a five-year term loan from five Taiwanese lenders. Cathay United Bank was the sole MLAB of that transaction. Lenders were offered a top-level all-in pricing of 482.3bp over Libor via an upfront fee of 25bp based on a margin of 475bp.

The borrower, Cambodia's largest microfinance institution, evolved from a project sponsored by the European Union and three of the country's ministries in 1995. Its shareholders are Bank of East Asia, Lanka Orix Leasing and PRASAC staff.

CHINA

DEBT CAPITAL MARKETS

› KAISA PICKS CS AND DB FOR NDR

KAISA GROUP HOLDINGS has appointed *Credit Suisse* and *Deutsche Bank* to arrange a series of fixed-income investor update meetings in Hong Kong, Singapore and London, which took place last week.

Kaisa, which was the first major Chinese developer to default on overseas bonds, completed an exchange offer and new-money component last June that came after a restructuring of its domestic and foreign debt.

Since last June's offering, Kaisa had made a series of private placements and taps amid continual demand for its bonds.

› HYDOO SETS MINIMUM YIELD

China-based trade centre developer HYDOO INTERNATIONAL HOLDING last week announced a minimum yield of 12% for a potential new US dollar issue due 2020.

Alongside the potential new issue, the Hong Kong-listed company also announced an exchange offer for its US$160m 13.75% senior notes due December 15 2018.

Holders will receive US$1,040 of new notes for every US$1,000 of principal in existing notes tendered.

If a concurrent new-money Reg S issue goes ahead, proceeds will be used to refinance the old notes, among other things.

Fitch has a B– (stable) rating on Hydoo and has assigned the proposed notes an expected B– rating. Moody's said the proposed exchange would have no impact on the company's B3 rating or the bonds' Caa1 rating, or the negative rating outlook.

Fitch said Hydoo's liquidity position will be sufficient if it successfully refinances the 2018 notes. Failure to do so would weaken its liquidity significantly and may result in a negative rating action.

Hydoo had an unrestricted cash balance of Rmb1bn (US$159m) and restricted cash balance of Rmb858m as of end-2017, against short-term debt of Rmb2.25bn (including the 2018 notes).

S&P on April 9 downgraded Hydoo's rating to B– from B with negative outlook

CNOOC prices dollar bond

■ **Bonds** **Tight pricing on first dollar benchmark since 2015**

CNOOC, rated A1/A+ (Moody's/S&P), on Thursday priced a US$1.45bn dual-tranche US dollar senior unsecured bond after drawing final orders of US$2.065bn.

The issue was CNOOC's first dollar bond sale in three years, and investors were drawn by the scarcity value of the notes. It issued a US$3.8bn three-part deal in April 2015.

The company priced a US$450m 3.750% five-year tranche at 99.392 to yield 3.885% and a US$1bn 4.375% 10-year tranche at 99.591 to yield 4.426%.

Final pricing was 105bp and 140bp wide of Treasuries, respectively, the tight end of final guidance and well inside initial guidance of 125bp area and 160bp area.

A lead manager estimated fair value for CNOOC's 10-year bonds at around 135bp, pointing to a slim 5bp new-issue concession.

The five-year notes received final orders of US$665m from 43 accounts. By region, Asia took 31% of the notes, the US 51% and Europe 18%. By investor type, 53% were asset managers and fund managers, 33% were banks, 12% were pension funds and central banks, and 2% were private banks.

The 10-year notes drew final orders of US$1.4bn from 47 accounts. By region, Asia took 70% of the notes, the US 24% and Europe 6%. By investor type, 61% were sovereign wealth funds and insurers, 27% were asset managers and fund managers, 9% were banks, and 3% were private banks.

The SEC-registered notes will be issued by CNOOC Finance (2015) USA LLC. The Hong Kong-listed parent is the guarantor.

The notes have expected ratings of A1/A+ (Moody's/S&P).

China's largest producer of offshore crude oil and natural gas plans to use proceeds for debt repayment and general corporate purposes.

A trader described the pricing of CNOOC's new bonds as tight. She said initial guidance of the five-year tranche was even tighter than some of the existing 2023s issued by the three Chinese oil giants.

CNOOC's 3.75% five-year were slightly wider and quoted at 99.303/99.408 or 107.1bp/104.8bp wide of Treasuries on Thursday morning, according to Tradeweb. Its 4.375% 10-year were hovering around reoffer and quoted at 99.535/99.654 or 141.1bp/139.8bp wide of Treasuries.

Bank of China, *Citigroup*, *Credit Suisse*, *Goldman Sachs*, *HSBC* and *JP Morgan* were joint global coordinators as well as joint bookrunners with *ICBC International*, *Mizuho Securities*, *Natixis* and *Societe Generale*.

CAROL CHAN, DANIEL STANTON

and lowered its outstanding senior unsecured notes rating to CCC+ from B–.

S&P expects Hydoo's sales will remain weak, resulting in persistent negative operating cashflow in the next 12 months. It also anticipates higher refinancing risks for Hydoo given the company's poor sales performance and tight financing conditions for small Chinese developers.

Haitong International and *Morgan Stanley* are dealer managers on the exchange offer. They are also joint global coordinators and bookrunners for the new issue. *Potomac Capital* is a joint bookrunner.

The deadline for the exchange offer is April 30.

HONG YANG MARKETS 363-DAY NOTES

Chinese property developer HONG YANG GROUP, rated B/B (S&P/Fitch), on Friday was marketing 363-day US dollar senior unsecured notes.

The company has set final price guidance at 8.50%, tightening from initial guidance of 8.75% area, after received over US$600m in orders, including interest from leads.

Wholly owned subsidiary Hong Seng is the issuer of the Reg S notes and Hong Yang Group is the guarantor.

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

CICC and *Huatai Finance Holdings (Hong Kong)* are joint global coordinators as well as joint bookrunners and joint lead managers with *ABC International*, *Haitong International*, *Orient Securities (Hong Kog)* and *VTB Capital*.

The deal has not been priced at the timing of writing.

LYCRA ACQUISITION BOND PRICED TIGHT

Chinese textile maker SHANDONG RUYI TECHNOLOGY GROUP on April 20 priced US dollar and euro bond tranches to fund its acquisition of US-based Lycra, maker of the eponymous fibre.

Shandong Ruyi was able to increase the total size of the senior secured offering by US$190m to around US$1bn, reducing its equity contribution for the purchase.

A US$690m seven-year non-call three dollar tranche priced at par to yield 7.5%, the tight end of the 7.50%–7.75% guidance and inside initial price thoughts of 8% area.

A €250m (US$305m) five-year non-call two tranche priced at par to yield 5.375%, from 5.5% area, tightened from initial thoughts of 6% area.

Eagle Intermediate Global Holding and Ruyi US Finance are the issuers of the notes, which are expected to be rated B1/B (Moody's/S&P).

JP Morgan and *Barclays* were joint global coordinators on the 144A/Reg S trade.

Shandong Ruyi and other investors from Invista Equities have agreed to buy Lycra for US$2.6bn, subject to regulatory approvals.

CIFI RETURNS FOR A FOURTH TIME

CIFI HOLDINGS (GROUP) priced a US$300m two-year senior note at par to yield 6.375% on April 24, according to a stock exchange filing.

The Hong Kong-listed Chinese property developer is rated Ba3 (positive)/BB– (positive)/BB (stable) and the Reg S notes have an expected BB rating from Fitch. The notes will mature on May 2 2020.

Proceeds will be used for debt refinancing. *Goldman Sachs* is the placing agent.

The latest issue is Cifi's fourth US dollar bond issue in five months.

In December, the company issued a US$300m senior perpetual, callable on February 2021, at par to yield 5.375%.

In January, it raised US$300m from 5.5% five-year non-call three US dollar senior unsecured notes at 99.462 to yield 5.625%.

On April 12, CIFI priced US$500m three-year non-call two US dollar bonds at par to yield 6.875%.

YUEXIU REIT PRINTS US$400M NOTES

YUEXIU REAL ESTATE INVESTMENT TRUST, rated Baa3/BBB– (Moody's/S&P), on April 20 priced US$400m three-year US dollar senior unsecured bonds after drawing orders of over US$850m from 60 accounts.

The Hong Kong-listed Chinese real estate investment trust priced the 4.75% Reg S notes at 99.290 to yield 5.008%, or Treasuries plus 243bp. The final pricing was at the tight end of final guidance of Treasuries plus 245bp (plus or minus 2bp), and well inside the initial 270bp.

By region, Asia took 92% of the notes and others 8%. By investor type, 50% were fund managers and insurers, 43% were banks and central banks, and 7% were private banks and others.

Yuexiu REIT MTN, a wholly owned subsidiary of Yuexiu REIT, issued the

Two currencies power State Grid

Bonds Euro tranche adds to price tension on dollar portion

STATE GRID CORPORATION OF CHINA, rated A1/A+/A+, was reluctant to pay much premium on a US$2.8bn-equivalent issue of senior unsecured notes denominated in US dollars and euros, despite a challenging market.

The state-owned power grid operator on Tuesday priced US$950m 3.75% five-year notes at 99.792 to yield 3.796% and US$800m 4.25% 10-year bonds at 99.645 to yield 4.294%. Final pricing was 97.5bp and 130bp wide of Treasuries, respectively, the tight end of final guidance of 100bp (+/-2.5bp) and 135bp (+/-5bp).

It also printed a €500m 1.375% seven-year tranche at 99.458 to yield 1.457%, and a €350m 2.125% 12-year piece at 99.279 to yield 2.194%. This was 75bp and 100bp wide of mid-swaps, respectively, inside price guidance of mid-swaps plus 85bp (+/-5bp) and 115bp area.

The dollar tranches were marketed at initial guidance of Treasuries plus 125bp area and 155bp area for the five and 10-year tranches. Initial price thoughts for the euro tranches were mid-swaps plus 95bp area and 130bp area for the seven-year and 12-year tranches.

"New-issue premiums for the US dollar tranches were only 0bp–5bp as the issuer has tight control on its funding cost," a banker on the deal said.

State Grid also deliberately issued euro-denominated bonds, which are less sensitive to US Treasury yields, to cut the size of the dollar tranches and limit the impact on pricing, the banker said.

The euro tranches extended the issuer's curve in the currency to 12 years, making it the longest among Chinese corporate issuers.

A portfolio manager from a Chinese fund house also felt that the new notes were fairly priced despite the 10-year Treasury yield hitting the 3% mark overnight for the first time in more than four years.

"The issuer looks price sensitive and reluctant to give much concession in exchange for a bigger deal," he said.

State Grid's latest 144A/Reg S issue fell slightly short of an around US$3bn-equivalent initial size target. It also sounded out a 30-year US dollar tranche based on a reverse enquiry, but that piece did not materialise.

SMALLER SIZE

The issue size was much smaller than a US$5bn four-tranche 144A/Reg S dollar bonds issue in April last year.

"I think the all-in-yield for all issuers will continue to trend higher as there will be more interest rate hikes in the US, but for big Chinese central SOE issuers like State Grid, with established secondary curve, they are unlikely to price bonds too wide from their secondary curve," the fund manager said.

Compared with the April 2017 issue, State Grid paid about 2.5bp more for the five-year and 10bp more for the 10-year in terms of spread over Treasuries. The absolute yields were respectively 101.6bp and 78.7bp wider than a year ago. Since then, the US Federal Reserve has increased rates three times for a total 75bp.

State Grid's US dollar tranches attracted final orders of over US$3.14bn.

The five-year tranche got final orders of US$1.48bn from 71 accounts. By region, Asia took 59% of the notes, the US 23% and EMEA 18%. By investor type, 50% were banks, 28% were fund managers, 10% were insurers and pension funds, 9% were central banks, sovereign wealth funds, and SSAs, and 3% were private banks and others.

The 10-year tranche got final orders of US$1.66bn from 76 accounts. By region, Asia took 35% of the notes, the US 51% and EMEA 14%. By investor type, 53% were fund managers, 21% were insurers and pension funds, 15% were banks, 10% were central banks, sovereign wealth funds, and SSAs, and 1% were private banks and others.

Final orders for the euro tranches were €950m.

The seven-year notes drew final orders of €530m from 47 accounts. By region, EMEA took 65% of the notes, the US 20% and Asia 15%. By investor type, 63% were fund managers, 16% were banks, 10% were central banks, sovereign wealth funds and SSAs, 10% were insurers and pension funds, and 1% were private banks and others.

The 12-year notes drew final orders of €420m from 35 accounts. By region, EMEA took 38% of the notes, the US 38% and Asia 24%. By investor type, 77% were fund managers, 21% were insurers and pension funds, 1% were central banks, sovereign wealth funds and SSAs, and 1% were banks.

The banker said books were definitely not as strong as last April, but still some quality investors including public institutions and central banks participated this time.

Wholly owned subsidiary State Grid Overseas Investment (2016) is the issuer and State Grid is the guarantor.

The notes have expected ratings of A1/A+ (Moody's/S&P).

Proceeds will be used for general corporate purposes.

Citigroup, *HSBC*, *Bank of China*, *ICBC*, *Morgan Stanley* and *Goldman Sachs* were joint global coordinators. They were also joint lead managers and joint bookrunners with *Deutsche Bank*, *Bank of America Merrill Lynch*, *China Construction Bank*, *JP Morgan*, *ANZ*, *Mizuho Securities*, *UBS* and *Credit Suisse*.

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notes, which carry an unconditional and irrevocable guarantee from HSBC Institutional Trust Services (Asia), the trustee of Yuexiu REIT.

The notes, issued off the REIT's recently updated US$1.5bn guaranteed medium-term-note programme, have expected ratings of Baa3/BBB– (Moody's/S&P).

Proceeds are for the repayment of US$350m 3.1% bonds due May 2018, refinancing and general corporate purposes.

Bank of China (Hong Kong), *Chong Hing Bank*, *CMBC Capital*, *DBS Bank*, *Deutsche Bank*, *Guotai Junan International*, *HSBC*, *Morgan Stanley*, *Nomura* and *Yue Xiu Securities* were joint global coordinators. They were also joint lead managers and joint bookrunners with *China Everbright Bank*, Hong Kong branch, *OCBC Bank* and *Shanghai Pudong Development Bank*, Hong Kong branch.

BEWG SELLS US$500M FIVE-YEAR BOND

BEIJING ENTERPRISES WATER GROUP raised US$500m from an offering of US dollar senior unsecured bonds for refinancing and general working capital purposes.

The 4.95% five-year notes were priced at 99.781 to yield 5.00%, tightening from initial guidance of 5.25% area.

Statistics of the Reg S issue were not available at the time of writing but orders were said over US$1bn, including interest from leads, at the time final guidance was released.

Wholly owned subsidiary Beijing Enterprises Water Capital Management Holdings will issue the bonds, which will have a guarantee from Beijing Enterprises

Water Group and a letter of comfort from Beijing Enterprises Holdings.

Beijing Enterprises Holdings is rated Baa1/BBB+ (Moody's/S&P).

Bank of China (Hong Kong), *China Citic Bank International*, *Deutsche Bank*, *Mizuho* and *UBS* were joint global coordinators. They were also joint bookrunners with *China Everbright Bank Hong Kong branch*, *CICC*, *DBS*, *ICBC (Asia)*, *China Securities International* and *Wing Lung Bank*.

BOCA SELLS US$500M FLOATERS

BOC AVIATION, rated A–/A– (S&P/Fitch), last Monday sold US$500m three-year US dollar floating-rate notes at three-month Libor plus 105bp, inside initial price guidance of 130bp area.

The 144A/Reg S issue attracted final orders of over US$3.3bn from 170 accounts. By region, Asia took 50% of the notes, the US 44% and EMEA 6%. By investor type, 73% were fund managers and asset managers, 13% were banks, 8% were insurers, and 6% were private banks and others.

The notes, priced at par, held up well in the secondary market and were quoted at a cash price of 100.277/100.324 on Tuesday afternoon, according to Tradeweb.

The senior unsecured notes have initial ratings on par with the issuer.

The Chinese aircraft-leasing company plans to use proceeds for new capital expenditure, general corporate purposes and debt refinancing.

BOC International, *Citigroup*, *DBS*, *HSBC*, *JP Morgan*, *Wells Fargo Securities*, *MUFG* and *Westpac* were joint bookrunners.

ENVISION SEES MODERATE DEMAND

ENVISION ENERGY INTERNATIONAL, rated BBB– (Fitch), has drawn final orders of over US$500m from 43 accounts for its debut international bond offering.

The China-headquartered wind-turbine manufacturer and wind-farm specialist on April 19 priced US$300m three-year US dollar senior Green bonds at par to yield 7.5%, flat to final guidance.

By region, Asia took 96% of the notes and others 4%. By investor type, 77% were fund managers and asset managers, 13% were banks and 10% were private banks.

Wholly owned subsidiary Envision Energy Overseas Capital is the issuer and Envision Energy International is the guarantor.

The Reg S issue has an expected BBB– rating from Fitch.

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

HSBC, *Bank of America Merrill Lynch*, *CMB International*, *China Citic Bank International* and *Haitong International* were joint global coordinators, as well as joint bookrunners and joint lead managers with *SPD Bank Singapore* and *AMTD*.

MCC SELLS US$500M PERPETUALS

State-owned **METALLURGICAL CORPORATION OF CHINA**, rated Baa1/BBB+/BBB+, last Monday priced US$500m of US dollar senior perpetual non-call three securities at par to yield 4.95%, inside initial 5.125% area guidance.

If not called, the distribution rate on the Reg S notes would be reset to the initial spread of 233.1bp over three-year Treasuries, plus a 500bp step-up.

The issue drew a final order book of over US$1.05bn from 49 investors. Fund managers and asset managers bought a combined 68% of the notes, insurers took 16%, banks took 11%, and the rest went to private banks and securities firms.

Wholly owned subsidiary MCC Holding (Hong Kong) Corp is the issuer, while MCC, listed in Hong Kong and Shanghai, is the guarantor. The perpetual securities have expected Baa1 from Moody's.

The Chinese metallurgical engineering contractor plans to use proceeds for refinancing and general corporate purposes.

BOC International, *DBS Bank* and *Morgan Stanley* were joint global coordinators, as well as joint bookrunners and joint lead managers with *Industrial Bank Hong Kong branch*, *ICBC (Asia)*, *ICBC Singapore* and *CMB International*.

CABEI MARKETS DIM SUM BONDS

CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION (A1/A/A+) was marketing Reg S five-year Dim Sum bonds at final guidance of 4.85% area last Friday.

The issue is expected to be rated A1 by Moody's.

Standard Chartered Bank (Taiwan) and *HSBC Bank (Taiwan)* are joint bookrunners.

HOME CREDIT DEBUTS VANILLA BONDS

Czech consumer finance company **HOME CREDIT** has launched a debut offering of vanilla bonds in China, expanding its funding sources after tapping the country's securitisation market in the past two years.

It priced Rmb1.5bn three-year notes in the interbank bond market at par to yield 6.74%, within an indicative price range of 6.0%–7.5%.

The notes were issued by Tianjin-based Home Credit Consumer Finance, a wholly owned subsidiary of Home Credit.

Both Home Credit Consumer Finance and the notes are rated AA+ by China Lianhe.

It is the first issue under the company's Rmb3.5bn bond programme approved by the People's Bank of China.

The issuer has been selling consumer-loan-backed securities since October 2016.

Home Credit Consumer Finance is the only wholly foreign-owned consumer finance provider in China and started business in the country in 2007.

Citic Securities and *China Merchants Bank* are joint lead underwriters.

ABC PRINTS T2 NOTES

AGRICULTURAL BANK OF CHINA has raised Rmb40bn from an onshore offering of Tier 2 bonds.

The 10-year non-call five notes were priced in China's interbank bond market at par to yield 4.45%.

The yield was the same as the bank paid for its last issue of T2 notes in October 2017.

Market sources say big Chinese banks have agreed on a pricing of 4.45% for their T2 note offerings since 2017 as they tend to cross-hold each other's T2 paper.

Bank of China also printed Rmb30bn 10-year non-call five T2 notes at par to yield 4.45% last October.

Both ABC and the notes are rated AAA by China Chengxin.

Citic Securities is lead underwriter on the offering with *CICC*, *Everbright Securities*, *China Merchants Securities*, *BOC International (China)* as joint lead underwriters. *China Merchants Bank* is financial adviser.

TRAFIGURA DEBUTS PANDA BONDS

Commodities trader **TRAFIGURA GROUP** has raised Rmb500m from a debut offering of Panda bonds in China's interbank bond market.

The three-year notes were privately placed to institutional investors at par to yield 6.5%, the top of an indicative price range of 6.1%–6.5%, according to market sources.

The proceeds will be used onshore.

The issuer is rated AAA/AAA (China Chengxin/China Lianhe).

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

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

Last month, Trafigura sold an unrated US$400m 5.25% five-year Reg S bond at par.

GEELY CANCELS ONSHORE PERPS

Chinese automaker ZHEJIANG GEELY HOLDING GROUP has cancelled an offering of perpetual non-call three securities "due to changes in [its] fundraising plan", according to a company statement.

Geely intended to raise Rmb2bn from the offering planned to launch last week.

Both the issuer and the notes are rated AAA/AAA (Shanghai Brilliance Credit/ Golden Credit).

Industrial Bank is lead underwriter on the offering with *Shanghai Development Bank* as joint lead underwriter.

In February, Geely announced it had bought a stake of almost 10% in Daimler in a US$9bn deal for access to the Mercedes-Benz owner's technology, Reuters reported.

Last month, Geely printed debut asset-backed securities on the Shanghai Stock Exchange to raise Rmb1.98bn.

GLP MARKETS PANDA BONDS

GLOBAL LOGISTIC PROPERTIES was back in the Panda bond market last Friday with a deal on the Shenzhen Stock Exchange, its fifth onshore renminbi offering of the year.

The base issue size of the "Belt and Road" bond is Rmb1bn and there is an overallotment option of Rmb3bn.

The indicative price range is 4.5%–5.5% for the nine-year notes, which come with put options for investors at the end of years three and six.

The proceeds will be used to repay debt linked to GLP's acquisition of logistics assets in Europe.

The notes will be issued in the name of GLP subsidiary Iowa China Offshore Holdings (Hong Kong). The bonds and the issuer have AAA ratings from Shanghai Brilliance Credit.

China Merchants Securities is sole lead on the issue.

GLP printed its last Panda bond offering less than two weeks ago in the interbank bond market. The Rmb1.2bn three-year notes were priced at par to yield 5.15%.

COFCO PRINTS ONSHORE NOTES

Property developer COFCO PROPERTY (GROUP) has raised Rmb1.5bn from an offering of three-year notes.

The notes were priced at par to yield 4.99%, within an indicative range of 4.60%–5.60%.

It was COFCO Property's first issue this year in China's interbank bond market.

Both the issuer and the notes are rated AA+ by China Chengxin.

The proceeds are intended to repay debt and to replenish capital.

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

STRUCTURED FINANCE

CCB FINDS FEW OFFSHORE BUYERS

CHINA CONSTRUCTION BANK printed two residential mortgage-backed securities trades last week via the Bond Connect link, but found little offshore appetite.

China's largest mortgage lender sold the two offerings totalling around Rmb20bn (US$3.17bn) in China's interbank bond market last Monday and Thursday.

A source familiar with the matter said offshore investors were allocated less than Rmb100m in total on the two deals.

The trades came after the lender printed Rmb10bn RMBS on April 20. That deal was also available via Bond Connect, but it was not sold to any offshore accounts at final allocation. None of the three offerings has international ratings.

Sources familiar with the matter said the issuer hoped to bring down the cost by exploring the Bond Connect route as it is planning to issue massive amounts of RMBS this year.

CCB has conducted three RMBS offerings each month since March. The latest two were its sixth and seventh RMBS trades year to date.

The pace has been particularly intense in the past two weeks as CCB was taking advantage of conducive market conditions after the central bank's unexpected decision to cut the reserve requirement ratio by 100bp on April 16.

The bank's outstanding individual mortgage loans grew 17.5% year on year to Rmb4.21trn at the end of 2017.

In November, CCB unveiled a credit loan product for home renters, the first of its kind, as the government looks to develop the rental housing market, according to the People's Daily.

SYNDICATED LOANS

TIANSHAN RETURNS FOR RMB700M LOAN

TIANSHAN ALUMINUM is seeking a Rmb700m (US$111m) two-year pre-delivery term loan, returning five months after closing a similar borrowing.

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DBS Bank is the mandated lead arranger and bookrunner of the onshore deal, which pays an interest margin of 116% of the PBoC rate and has an average life of 1.295 years. The PBoC rate for the one-to-five year tenor is 4.75%.

Mandated lead arrangers with commitments of Rmb350m or more earn an all-in pricing of 140% of the PBoC rate via a 122.6bp participation fee and a 25bp early bird fee for commitments by May 16. Lead arrangers committing Rmb250m–Rmb340m receive an all-in of 136% of the PBoC rate via a combined 123bp fee, while arrangers coming with Rmb100m–Rmb240m have an all-in of 134.5% of the PBoC rate via a combined 113.8bp fee.

Accounts receivables from an offtake contract with commodity trader Trafigura Beheer serve as security.

A site visit is scheduled for the second week of May in Xinjiang. The deadline for commitments is May 25.

The borrower last signed in November a US$185m two-year pre-delivery facility with five lenders. Rabobank was the sole MLAB.

GREAT WALL SEEKS RMB500M LOAN

GREAT WALL GUOXING FINANCIAL LEASING is seeking a Rmb500m one-year term loan for working capital.

Fubon Bank (China) is the sole mandated lead arranger and bookrunner. The interest margin is 115% of the one-year PBoC rate, which is at 4.35%.

Mandated lead arrangers joining with Rmb150m or more earn an all-in pricing of 133% of the PBoC rate via an 80bp fee, lead arrangers committing Rmb100m–Rmb149m receive an all-in of 129.9% of the PBoC rate via a 65bp fee and arrangers with Rmb70m–Rmb99m commitments get an all-in of 127.6% of the PBoC rate via a 55bp fee. The deadline for commitments is June 15.

The borrower, which is headquartered in Urumqi, the capital of Xinjiang Uygur Autonomous Region, was taken over by state-owned China Great Wall Asset Management via a debt restructuring process in 2007. It operates in the manufacturing, mining, power generation, construction and transportation sectors.

EQUITY CAPITAL MARKETS

UXIN PLANS US$1BN US IPO

UXIN, one of China's biggest used-car marketplaces, plans to raise up to US$1bn from a US IPO before the end of the first half.

The online auction house, which counts KKR, TPG and Warburg Pincus among its backers, is expected to bring the US$800m–$1bn US float to the market as early as May, the people said.

Goldman Sachs, *JP Morgan* and *Morgan Stanley* are leading the transaction.

A spokesperson for Uxin said the company would not comment on market rumours or speculation.

Founded in 2011, Uxin operates Youxinpai, a business-to-business platform for second-hand car sales, and Uxin Ershouche, a business-to-consumer platform. It also operates Uxin Finance, which provides funds for used-car transactions.

Uxin has completed several rounds of private financings. In January 2017, it sealed a US$500m funding round with TPG, Jeneration Capital and China Vision Capital as co-leads. Existing and new investors Warburg Pincus, Tiger Global Management, Hillhouse Capital and KKR also participated.

In March 2015, KKR, search engine Baidu and hedge fund Coatue invested US$170m in Uxin.

E-HOUSE FILES FOR HONG KONG IPO

E-HOUSE (CHINA) ENTERPRISE has applied for an IPO on the Stock Exchange of Hong Kong, less than two years after it delisted from the US.

The real estate transaction service provider plans to raise about US$600m from its Hong Kong IPO in the third quarter of this year, according to a person close to the deal.

E-House delisted from the New York Stock Exchange in 2016 following a management buyout.

According to the filing, the company posted a 2017 profit and total comprehensive income of Rmb765.3m (US$121m) on revenue of Rmb4.6bn.

CICC and *Credit Suisse* are joint sponsors.

TWO FIRMS FILE FOR HONG KONG IPOS

FINUP FINANCE TECHNOLOGY GROUP and 7ROAD HOLDINGS have filed applications to list on the Stock Exchange of Hong Kong, joining the list of Chinese technology companies looking to float in the city.

FinUp Finance plans to raise about US$300m–$500m, people familiar with the situation told IFR earlier.

Founded in 2013, FinUp's businesses include peer-to-peer lending platform Iqianjin, online credit assessment service app Money Station and FinUp Credit, which provides personalised information services to micro-loan applicants.

The company posted 2017 net profit of Rmb488.3m, after a loss of Rmb674.7m in 2016.

Goldman Sachs, *China Merchants Securities* and *Huatai Financial* are joint sponsors on the float.

Online gaming developer 7Road plans to raise about US$200m–$300m from a Hong Kong IPO this year, people close to the deal told IFR earlier.

The company posted 2017 net profit of Rmb257.2m on revenue of Rmb445.3m. In 2017, it recorded an average of 613,000 monthly paying users (MPUs) for its online games and average monthly active users (MAUs) for mobile games of 3,400,000.

7Road planned to list in the US in 2012 when it was still a subsidiary of Nasdaq-listed online game developer Changyou.com. The plan, however, did not materialise and Changyou sold 7Road in 2015.

Founded in 2008 and headquartered in Shenzhen, 7Road is a developer and an international distributor of web and mobile games.

According to the company's website, Wartune and DDtank, two of its games, have been translated into more than 20 languages and published in more than 140 countries.

GF Securities and *CCB International* are joint sponsors.

WUXI APPTEC FLOODED WITH ORDERS

Chinese biotechnology company WUXI APPTEC received a spectacular response to its Rmb2.25bn Shanghai IPO, the first high-profile "new economy" A-share listing since regulators unveiled plans to attract more technology companies to the mainland stock market.

The institutional tranche was 196 times covered and the retail part 4,913 times covered before clawback. After clawback, 90% of the shares were sold to retail investors.

The issuer, which delisted from the NYSE in 2015, had cut its fundraising size by 61% from its initial target of Rmb5.74bn. According to a person close to the deal, the cut was mainly because of the regulator's unwritten valuation cap of 23 times historical earnings.

WuXi AppTec sold 104m shares, or about 10% of its enlarged capital, at Rmb21.60 each.

The IPO price represents a 2017 P/E of 22.99, or a 64.8% discount to the average valuation of listed peers in the scientific research and technology services industry.

Huatai United Securities was the sponsor on the listing and joint bookrunner with *Guotai Junan Securities*.

Proceeds will be used for pharmaceutical

Genius Auto returns for dual-tranche loan

Loans **Geely unit back for second financing within four months**

GENIUS AUTO FINANCE is back for a second financing of at least Rmb780m (US$124m), less than four months after its debut in the syndicated loan markets.

The subsidiary of Hong Kong-listed Chinese carmaker Geely Automobile Holdings has named *Credit Agricole (China)*, *Korea Development Bank*, Shanghai branch, *Standard Chartered (China)* and *Sumitomo Mitsui Banking Corp (China)* as mandated lead arrangers and bookrunners.

The four have committed Rmb780m combined, with Rmb180m from KDB and Rmb200m each from the other three banks.

The MLABs launched the loan last Monday and further commitments will go towards increasing the size from Rmb780m. In the onshore market in China, banks are not allowed to sell down partially their holdings of loans.

The loan comprises a two-year tranche A, with an average life of 1.77 years, and a one-year tranche B with an average life of 0.92 year.

Both tranches offer interest margins of 115% of the PBoC rate. The one-year PBoC benchmark lending rate is now 4.35%, while the two-year rate is 4.75%.

Lenders can commit to either or both tranches. MLAs with Rmb150m or more get all-ins of 120% and 124% of the PBoC rates, based on upfront fees of 42bp and 36bp for pieces A and B, lead arrangers with Rmb100m–Rmb149m receive all-ins of 119% and 122%, via 32bp and 28bp fees, while arrangers with Rmb50m–Rmb99m get all-ins of 117% and 120%, based on fees of 17bp and 20bp, respectively.

Funds will be used for refinancing and working capital. A bank meeting is scheduled for May 9 in Shanghai. The deadline for commitments is the end of May.

In January, Genius Auto wrapped up an increased Rmb900m facility with five lenders. That loan comprised a Rmb100m two-year tranche A and a Rmb800m one-year tranche B. The borrowing paid top-level all-ins of 117% and 123% of the PBoC rates, respectively. Tranche A pays a margin of 110% of the one-to-five-year PBoC rate, standing at 4.75%. Tranche B offers a margin of 110% of the one-year PBoC rate.

Geely owns 80% of Genius Auto Finance, which opened for business in Shanghai in 2015, while BNP Paribas Personal Finance, controls the remaining 20%.

YAN JIANG

and biotech projects, as well as working capital.

YANZHOU COAL CUTS PLACEMENT SIZE

YANZHOU COAL MINING has reduced the target size of a proposed private share placement to Rmb6.35bn from the original Rmb7bn, due to regulatory requirements and recent changes in the renminbi-US dollar exchange rate.

The company plans to sell not more than 647m A-shares at a floor price to be set on the first day of issuance.

Zhong De Securities is the sponsor on the transaction.

Proceeds will be used to fund its acquisition of Coal & Allied, which it agreed in 2017 to buy from Rio Tinto for US$2.45bn.

The placement still needs approval from the China Securities Regulatory Commission.

Separately, YUNNAN ALUMINIUM has secured board approval for a proposed private share placement of up to Rmb4.5bn.

The company plans to offer up to 521m shares at a floor price to be set on the first day of issuance.

Controlling shareholder Yunnan Metallurgical Group has agreed to subscribe to at least 25% of the placement shares.

Minsheng Securities is working on the transaction.

Proceeds will be used for production and mining projects. Shareholders will review the proposal on May 9.

SHANDONG NANSHAN ALUMINIUM has cleared a China Securities Regulatory Commission hearing for a proposed rights issue of up to Rmb5bn.

The Chinese manufacturer plans to offer up to 2.78bn rights shares on a 3-for-10 basis.

Controlling shareholder Nanshan Group and subsidiary Shandong Yili Electric Industry, which own a combined stake of 46.2%, have agreed to take up their full entitlements.

Guosen Securities is the sponsor. Proceeds will be used to fund an aluminium project in Indonesia.

The deal still needs written CSRC approval.

SLOW PACE FOR IPO APPROVALS

The China Securities Regulatory Commission is maintaining a slow pace in reviewing A-share IPO applications. It approved just two listings on April 20 with expected combined proceeds of Rmb1.5bn.

SANGFOR TECHNOLOGIES is looking to raise about Rmb1.2bn from a proposed ChiNext IPO. *China Securities* is the sponsor.

FUDA ALLOY MATERIAL, meanwhile, plans to raise around Rmb237m from a Shanghai IPO via *Chinalin Securities*.

HAITONG SECURITIES PLANS PLACEMENT

HAITONG SECURITIES has secured board approval for a proposed A-share private placement of up to Rmb20bn.

The brokerage, listed in Hong Kong and Shanghai, plans to offer not more than 1.62bn A-shares at a floor price to be set on the first day of issuance.

Proceeds will be used mainly to develop capital-based intermediary business, increase investment in fixed income, currency and commodities, as well as replenish working capital.

The deal still needs approval from shareholders and regulators.

ZHONGTIAN PLANS CB ISSUE

JIANGSU ZHONGTIAN TECHNOLOGY has secured board approval for a proposed issue of six-year convertible bonds of up to Rmb3.97bn.

The manufacturer of special fibre-optic cables will use the proceeds for six production projects and replenishment of working capital.

Goldman Sachs Gao Hua Securities is working on the transaction.

Shareholders will review the proposal on May 16.

TONGKUN GROUP has filed to the China Securities Regulatory Commission for a proposed issue of six-year convertible bonds of up to Rmb3.8bn. *Caitong Securities* is the sponsor. The manufacturer of polyester filaments plans to use the proceeds for production.

HENAN MINGTAI AL INDUSTRIAL has secured board approval for a proposed issue of six-year convertible bonds of up to Rmb2.04bn. The aluminium foil producer plans to

use the proceeds for production projects. Shareholders will review the proposal on May 7.

CNCEG RAISES RMB3.5BN FROM EB

China National Chemical Engineering Group has sold Rmb3.5bn of five-year exchangeable bonds in A-shares of CHINA NATIONAL CHEMICAL ENGINEERING.

The coupon was set at the bottom of the guidance range of 0.9%–2.0%. The initial conversion price was set at Rmb7.75, a premium of 2.2% to the pre-deal spot.

All of the EBs were sold to institutional investors.

The issuer and the EBs have AAA ratings from China Chengxin Securities Rating.

The securities can be exchanged into CNCE's shares after 12 months.

The group holds 3.19bn CNCE shares, representing 64.6% of the total issued capital.

China Securities was lead on the offering and joint bookrunner with *BOC International (China)*.

XINFENGMING SELLS CB

XINFENGMING GROUP raised Rmb2.15bn from the sale of six-year convertible bonds. Existing shareholders took about 36.95% of the CBs. The rest were sold to retail investors, with the book 428 times covered.

The coupon for the CB is 0.30% in year one, stepping up to 2.00% in year six. The initial conversion price was set at Rmb23.74, or at a premium of 3.5% to the pre-deal spot. The unsecured bonds received a AA rating from Shanghai Brilliance Credit Rating & Investors Service.

Shenwan Hongyuan Financing Services was sole bookrunner. The polyester and filament producer will use the proceeds for four production projects.

HONG KONG

SYNDICATED LOANS

UA FINANCE MAKES QUICK RETURN

UNITED ASIA FINANCE is returning to the market for a HK$1.6bn (US$204m) four-year loan, barely two months after obtaining a smaller borrowing.

Mizuho Bank, *Standard Chartered* and *Taipei Fubon Commercial Bank* are the mandated lead arrangers and bookrunners of the latest financing, which pays a margin of 190bp over Hibor and has an average life of three years.

Banks are being invited to join at a top-level all-in pricing of 220bp and the MLA title via a 90bp upfront fee for commitments of HK$300m or more, an all-in pricing of 215bp and the lead arranger title through a 75bp fee for tickets of HK$200m–$299m, or an all-in pricing of 210bp and the arranger title through a 60bp fee for tickets of HK$100m–$199m.

Commitments are due by May 25. Proceeds are for refinancing and working capital.

Pricing on the new loan is marginally tighter than that on a HK$850m four-year financing UA Finance raised in February. Taipei Fubon Commercial Bank and Taishin International Bank were the MLABs on that dual-tranche facility, which offered a top-level all-in pricing of 222.9bp based on an interest margin of 200bp over Hibor and a blended average life of 3.5 years.

COUNTRY GARDEN CLOSES THREE-YEAR

Chinese property developer COUNTRY GARDEN HOLDINGS has closed a three-year term loan of HK$1.781bn with commitments from six lenders in general syndication.

Original sole mandated lead arranger and bookrunner *BNP Paribas* pre-funded the loan in December.

IS YOUR COMPANY BREAKING THE LAW?

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The Center's new owners sell bonds

Loans/Bonds **Consortium raises US$4.1bn from private placement after loan flop**

The consortium buying Hong Kong skyscraper The Center has privately placed US$4.1bn of bonds after a frosty response to its plans for a syndicated loan.

CHMT PEACEFUL DEVELOPMENT ASIA PROPERTY sold a US$3.3bn tranche A and a US$800m tranche B. Both come with final maturities after 18 months and are secured on the office building.

Tranche A pays a deferrable coupon of 7.5% in the first 12 months and 12.5% in the following six months, while tranche B pays 15.25% and steps up to 19% in the same timeframe.

Any cashflow from the underlying asset, including the sale of some floors, will first repay tranche A and then tranche B. The principal can be prepaid after six months and coupons will be paid quarterly.

Morgan Stanley underwrote tranche A, which priced on April 12 and settled on Wednesday.

Hong Kong-based asset manager *Hammer Capital* underwrote tranche B, which targets hedge funds.

CHMT, the British Virgin Islands-incorporated special purpose vehicle behind the acquisition, had planned to borrow HK$32.5bn (US$4.1bn) from senior and mezzanine loans to fund 80% of the HK$40.2bn purchase price, a record for a single building.

The loans, however, failed to attract sufficient interest, despite efforts by the original consortium to sweeten terms. The margin on the HK$16bn three-year senior term loan was increased in February to 160bp over Hibor, from 140bp, while upfront fees were also higher.

A separate HK$16.5bn one-year mezzanine loan would have been Asia's biggest mezzanine facility.

The deal almost fell apart in February when the leading consortium member, Beijing-based China Energy Reserve and Chemicals Group, pulled out.

New investors stepped in, including Chinese developer Shimao Property Chairman Hui Wing Mau and Hong Kong-based Kingston Financial Group CEO Chu Yuet Wah. The others in the consortium stayed, but the shareholding structure of the SPV changed and the group reconsidered the financing plan.

Banks in Hong Kong are subject to the Hong Kong Monetary Authority's 40% loan-to-value cap on lending to commercial property acquisitions.

The CHMT financing comes with guarantees from 52 BVI-incorporated subsidiary guarantors and personal guarantees from several individuals.

Li Ka-shing's CK Asset agreed the sale of the 73-storey office tower in Hong Kong's prime Central district in November.

YAN JIANG

The amortising loan offered a top-level all-in pricing of 290bp, based on an interest margin of 230bp and an average life of 2.5 years.

Proceeds were used to fund the Hong Kong-listed developer's acquisition of a 15% stake in real-estate services provider E-House (China) Enterprise Holding via subsidiary Country Garden (Hong Kong) Development. The target's shares will be pledged as part of the security package.

S&P last month upgraded Country Garden's credit ratings one notch to BB+, with a stable outlook, for its solidified market leadership position and enlarged business scale.

Country Garden is trying to spin off its property management arm in Hong Kong without raising any funds, after a failed attempt to list the business in Shanghai last year.

For full allocations, see www.ifrasia.com.

CIFI SEEKS UP TO US$300M GREENSHOE

Chinese property developer CIFI HOLDINGS (GROUP) is looking to raise the equivalent of US$200m–US$300m through a greenshoe option on a 3.5-year HK$500m loan.

HSBC, which signed the loan on March 28, is coordinating the greenshoe.

The interest margin is 332bp over Libor. Banks joining get a management fee of 276bp.

The loan, proceeds of which are for general corporate and refinancing purposes, will be repaid in four semi-annual unequal instalments after a two-year grace period: 10% (1–2), 15% (3) and 65% (4).

Last September, CIFI raised US$135m through a three-year club deal. Hang Seng Bank, Standard Chartered and Wing Lung Bank were the lenders to that loan, which offered a top-level upfront fee of 240bp and a margin of 330bp over Libor.

LOGAN RAISES HK$900M VIA CLUB

Hong Kong-listed LOGAN PROPERTY HOLDINGS on April 10 signed a HK$900m three-year term loan with three lenders.

The Chinese real estate developer hired *Bank of East Asia*, *China Minsheng Banking Corp*, Hong Kong branch, and *Shanghai Pudong Development Bank*, Hong Kong branch, as mandated lead arrangers. Minsheng, which was also the facility agent, committed HK$500m and the other two provided HK$200m each.

The loan pays an interest margin of 315bp over Hibor. Proceeds will be used for refinancing, dividend payment and general corporate purposes, according to a company stock filing on the signing date.

The same day, Ba3/BB–/BB– rated Logan also raised S$200m (US$152.8m) from three-year non-call two bonds at 6.125%, marking its debut in the Singapore dollar bond market.

Logan followed up on those fundraisings with US$300m 6.875% three-year non-call two senior notes on April 18 at reoffer of 99.667, yielding 7%.

In May 2017, Logan completed a US$150m three-year amortising term loan with six lenders, paying a top level all-in pricing of 451bp via an interest margin of 375bp over Libor and an average life of 2.5 years. Credit Suisse, Nanyang Commercial Bank and Industrial Bank were the MLABs.

EQUITY CAPITAL MARKETS

STX ENTERTAINMENT FILES FOR IPO

STX ENTERTAINMENT has filed for a Hong Kong IPO with *Goldman Sachs* and *JP Morgan* as joint sponsors.

The US film and television production company plans to raise around US$500m from the float, sources familiar with the plan told IFR earlier.

The company posted a loss of US$409m for the year ended September 30 2017, according to a regulatory filing. For the three months ended December 31 2017, it had a loss of US$240m, versus a loss of US$115m over the same period in 2016.

Private equity firm TPG owns a 32% stake in the company while Hony Capital has 22.6%. Other investors include PCCW and Tencent.

LOOKING FOR A WIDER VIEW OF THE GLOBAL SYNDICATED LOAN MARKET?

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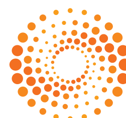

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INDIA

DEBT CAPITAL MARKETS

› PFC HIRES FOUR FOR DOLLAR BONDS

POWER FINANCE CORPORATION has hired *Barclays, MUFG, SBI Capital Markets* and *Standard Chartered* for a potential benchmark 10-year US dollar bond offering, according to sources close to the plans.

Last December, the financing unit for state and central government-owned power-generation companies raised US$400m from a 10-year Green bond at 3.75%, payable semi-annually.

The dollar notes are trading at a yield of 4.833%, according to Thomson Reuters data.

PFC is yet to make an official announcement on the mandate, size and tenor.

› RELIANCE JIO RAISES RS10BN AT 7.97%

RELIANCE JIO INFOCOMM has raised Rs10bn (US$150m) from four-year rupee bonds at 7.97%, according to a filing on National Depository Limited.

This was the third bond transaction of the telecom unit of Indian conglomerate Reliance Industries since the beginning of April, after it raised Rs50bn at 8% from five-year notes in two tranches.

Reliance Jio has board approval to raise up to Rs20bn from debentures.

Crisil, Icra and Care have assigned a AAA rating to the notes.

Reliance Jio is also planning to raise Rs50bn from a three-year securitisation transaction at a yield of 8.25%, according to market sources.

The final structure is yet to be announced.

Icra recently assigned a AAA (structured obligation) rating to pass-through certificates issued by Rainbow Devices Trust, under a securitisation transaction originated by OPC Asset Solutions, with 4G-enabled mobile-handset lease rentals due from Reliance Retail as the underlying.

› FUTURE ENTERPRISES RAISES RS5BN

FUTURE ENTERPRISES has raised Rs5bn from six-year rupee bonds at 10%, according to a filing on National Securities Depository Limited.

The rupee notes have a put/call option after three years. *SBI Capital Markets* is the lead arranger.

On April 21, the Indian retailer raised Rs3bn from dual-tranche rupee bonds. It sold a five-year piece for Rs1.2bn at 9.75% and a six-year portion for Rs1.8bn at the same yield.

Care has assigned a AA– rating to the notes.

› IDFC INFRA FINANCE RAISES RS5.5BN

IDFC INFRASTRUCTURE FINANCE has raised Rs5.5bn from a dual-tranche rupee bond offering, according to a filing on National Securities Depository Limited.

The Indian infrastructure financier raised Rs2.75bn from a five-year and one-month tranche at 8.37% and the same amount from a seven-year and one-month tranche at 8.415%.

Care and Icra have both assigned a AAA rating to the rupee notes.

› IHC PLANS TWO-YEAR BOND

INDIAN HOSPITALS CORPORATION is planning to raise Rs3.8bn from two-year rupee bonds at 9.5%, according to market sources.

The notes have a call option after one year.

Brickwork Ratings recently assigned AA– (structured obligation) to the rupee notes.

Vedanta eyes bonds for acquisition

■ **Bonds** Miner looking to raise Rs30bn–Rs40bn after getting nod to buy Electrosteel

VEDANTA is looking to raise Rs30bn–Rs40bn (US$448m–$597m) from the rupee bond market at maturities of three to five years to fund its acquisition of Electrosteel Steels, according to market sources.

The Indian miner won an auction for the stressed Electrosteel at the end of March, and received court approval for the deal on April 17.

The National Company Law Tribunal's green light paves the way for the first resolution among the dozen big defaulters which were pushed to bankruptcy proceedings last year at the request of the central bank.

Vedanta will hold about 90% of Electrosteel and the rest will go to Electrosteel's existing shareholders and financial creditors.

The total purchase price of Rs53.20bn includes Rs18.05bn towards equity shares and Rs35.15bn in the form of debt, with the entire sum going towards settling the debts owed to Electrosteel's financial creditors.

"As the payment will be made to the financial creditors in rupees, Vedanta may borrow in rupees compared to dollars," said Kaustubh Chaubal, analyst at Moody's. "The exact details of Vedanta's financing plans in terms of how much will be funded through loans or bonds in INR are not yet known."

Vedanta did not reply to a request for comment on its fundraising plans. It is yet to make an official announcement on the size and tenor.

Earlier in April, Vedanta raised Rs40bn from a private placement of three-year bonds at 8.5%, split across two tranches.

CREDIT POSITIVE

Moody's in a recent note described the acquisition of Electrosteel as credit positive for the Vedanta Resources group because it will enhance the company's business profile and revenue generation, while having a marginal effect on credit quality.

The rating agency expects the mining group's adjusted pro forma net debt/Ebitda for FY18 to increase to 3.7x from around 3.5x if Vedanta funds the acquisition fully with debt.

Nomura analysts warned of a slight deterioration in leverage with a 5% increase in debt.

Vedanta Resources, the London-listed parent, raised nearly US$2bn from US dollar bonds last year, and signed a term loan for US$840m.

As of September 2017, Vedanta had US$6.1bn of cash, of which US$1.89bn was held at Vedanta Limited, US$3.1bn and US$934m respectively at subsidiaries Hindustan Zinc and Cairn India Holdings, and the balance across various other subsidiaries, according to Moody's.

Electrosteel, which received claims totalling Rs133bn from its creditors, is one of several steel companies facing bankruptcy proceedings. Essar Steel, Bhushan Steel, Bhushan Power and Steel and Monnet Ispat and Energy also featured on the RBI's list of 12 major defaulters, and are also being auctioned off to repay creditors. Tata Steel won the bidding for Bhushan Steel last month.

"The bidders are likely to raise debt to finance the acquisition of stressed assets," said Chaubal at Moody's.

KRISHNA MERCHANT

TALWANDI SABO POWER RAISES RS10BN

TALWANDI SABO POWER, part of Vedanta Group, has raised Rs10bn from three-year rupee bonds at 8.55%, according to a filing on National Securities Depository Limited.

The notes have an unconditional and irrevocable guarantee from Vedanta Limited.

Crisil has assigned a AA (structured obligation) rating to the notes.

Yes Bank was sole arranger for the deal.

Separately, SADBHAV INFRASTRUCTURE PROJECT has raised Rs1.7bn from five-year zero coupon bonds at a 10.2% yield, according to a NSDL filing.

The notes have a put and call option at the end of three years.

Crisil has assigned a A+ (SO) rating to the notes.

RESTRUCTURING

ROLTA INDIA RSA BREAKS DOWN

A restructuring support agreement for ROLTA INDIA has broken down after the software company failed to transfer funds to an escrow account by April 20.

Rolta defaulted on offshore bonds in June 2016 and had won support for a restructuring proposal from an ad hoc committee of some of the holders of its of its US$200m 10.75% senior notes due 2018 and US$300m 8.875% senior notes due 2019.

Under the proposal, the existing senior bonds would be exchanged for US$50m of upfront cash, US$270m of 4% unsecured one-year notes, with the coupon payable in kind, and US$230m of 4% five-year notes, with a cash coupon.

Bondholders were invited to sign the RSA, with a consent bonus of 1% of their holdings to be paid if the proposal was agreed. The company had hoped to close the restructuring by the end of June.

Rolta announced the termination of the RSA in a stock exchange statement, saying said it would update the market on further developments.

Moelis is financial adviser to Rolta and *Houlihan Lokey* is advising the ad hoc bondholder committee.

Fiat India reprices project loan

Loans Carmaker converts PF loan into corporate financing

FIAT INDIA AUTOMOBILES has converted a US$250m brownfield project loan from 2016 into a corporate financing, significantly reducing the interest costs and amending the financial covenants.

Citigroup was the sole underwriter and coordinator of the loan, which now has US$230m outstanding and pays an interest margin of 163bp over Libor – a 72bp cut from the 235bp over Libor margin on the original deal closed in February 2016.

All the existing lenders, except Export-Import Bank of India, recommitted to the amended financing. *Federal Bank* replaced Exim India in the syndicate, which also includes *State Bank of India* London, *Axis Bank* and *UniCredit*.

The loan has a remaining door-to-door life of 5.3 years, matching the maturity of the 7.6-year deal signed in February 2016. Participating lenders were offered a 30bp amendment fee for an all-in pricing of 172.38bp based on a 3.2-year average life. Repayments continue to take place in semi-annual instalments.

The original loan paid a top-level all-in pricing of 250bp based on the margin of 235bp over Libor and a 5.1-year average life.

The loan's financial covenants and security package have been amended, helping convert the deal into a corporate borrowing from a project financing structure. This was because the project has commenced operations and started selling Jeep-branded vehicles in India and overseas last year.

Fiat India Automobiles has also won upgrades to its ratings, which are now in the Double A (Crisil/Icra) bucket compared with the Single A ratings it had in 2016 when it closed the original project financing.

The 2016 loan had a unique structure for an Indian borrowing – the assets and cashflows of the new plant were ringfenced to the new borrowing, but lenders ranked alongside the operating company's existing creditors.

That financing was non-recourse to either of the borrower's shareholders. Italy's Fiat Chrysler Automobiles (FCA) and India's Tata Motors are equal shareholders in Fiat India Automobiles.

Under the terms of the original loan, cross-default provisions had thresholds stipulating that the Italian automaker would cure any covenant breaches or defaults, which would not transmit to Tata Motors. FCA did not provide any guarantee on the project financing, but was the offtaker for the Jeep vehicles the plant was to produce under a 'take-or-pay' arrangement that ensured the coverage of repayments on the loan.

The Jeep manufacturing plant is located at Ranjangaon, near Pune, about 190km from Mumbai. Fiat India Automobiles has another factory at the same location, which was first set up under an alliance between the Indian and Italian carmakers on a joint distribution network and back-end support, along with co-manufacturing of some of their respective brands.

PRAKASH CHAKRAVARTI

EQUITY CAPITAL MARKETS

PNB METLIFE PLANS IPO

Life insurer PNB METLIFE aims to embark on an IPO of US$150m–$300m later this year, according to people with knowledge of the plan.

Bank of America Merrill Lynch, *Citigroup* and *Kotak* are leads on the float.

Punjab National Bank owns 30% of the life insurer and MetLife International Holdings holds 26%. Domestic financial institutions control the remaining 44%.

Earlier this year, the state-owned bank disclosed that companies owned by two jewellers had defrauded it of US$2bn using illegal guarantees issued by rogue staff at a Mumbai PNB branch over several years.

For the financial year to March 31 2017, PNB Metlife posted premium income of Rs32bn (US$489m), up from Rs28bn a year earlier.

In 2016, another PNB subsidiary, PNB Housing Finance, raised Rs30bn through an IPO. Shares of PNB Housing are up 0.2% year to date, while those of PNB are down 45%.

Existing listed life insurers in India are ICICI Prudential, SBI Life Insurance and HDFC Life.

INDOSTAR TO OPEN IPO ON MAY 9-11

Home and vehicle finance provider INDOSTAR CAPITAL FINANCE will open an IPO expected to raise around Rs18.5bn between May 9 and May 11.

The price range will be announced this week.

The company said earlier the deal would involve the sale of primary shares for Rs7bn and 20m secondary shares.

Major shareholder IndoStar Capital will sell 18.5m shares and other shareholders 1.49m shares. IndoStar Capital is backed by private equity firm Everstone Capital.

The company earned net profit of

Rs3.2bn in the financial year to March 31 2017, up from Rs2.9bn in 2016. Its net non-performing loans were 1.2% of total loans in 2017 versus 0.2% in 2016.

JM Financial, *Kotak*, *Morgan Stanley*, *Motilal Oswal* and *Nomura* are bookrunners.

INDONESIA

DEBT CAPITAL MARKETS

FIF READIES US DOLLAR BOND

FEDERAL INTERNATIONAL FINANCE, rated Baa2/BBB– (Moody's/Fitch), is planning a debut US dollar bond offering with *HSBC* as global coordinator, as well as joint bookrunner with *DBS Bank*, *Mizuho Securities*, *MUFG* and *OCBC Bank*.

A series of fixed income meetings were held in Singapore, Hong Kong and London from last Thursday. An offering of Reg S senior unsecured notes will follow, pending market conditions.

The Indonesian motorcycle leasing company, a unit of conglomerate Astra International, recently established a US$1bn Euro MTN programme, rated Baa2/BBB– (Moody's/Fitch).

FIF is a frequent issuer in the domestic bond market. Jardine Matheson Holdings is the ultimate parent of FIF.

PLN EYES DOLLARS, KOMODO BONDS

State-owned Indonesian power utility PERUSAHAAN LISTRIK NEGARA, rated Baa2/BB/BBB, has hired banks for a proposed offering of US dollar-denominated and/or global rupiah 144A/Reg S notes, subject to market conditions.

Citigroup, *HSBC*, *Mandiri Securities* and *Standard Chartered Bank* are joint lead managers and joint bookrunners.

PLN started to meet investors in Asia, Europe and the US on April 26.

State-owned toll-road operator Jasa Marga and construction company Wijaya Karya were the first companies to issue offshore rupiah, or Komodo, bonds in December and January, respectively.

PLN has also announced an "any and all" tender offer for some of its existing US dollar bond lines.

It has offered to pay US$1,066.75 per US$1,000 in face value of its US$750m 8% bonds due August 2019, US$1,074.00 per US$1,000 for its US$1.25bn 7.75% notes due January 2020, and US$1,295.00 per US$1,000 for its US$500m 7.875% notes due June 2037.

The same four banks are acting as dealer managers for the tender offer, which expires on May 4.

GARUDA MULLS OFFSHORE BONDS

Airline GARUDA INDONESIA said it planned to issue offshore bonds up to a maximum size of US$750m and a tenor of up to five years.

Proceeds from the Reg S issue will be used to repay debt, among other purposes.

ANZ, *MUFG*, *Deutsche Bank* and *Standard Chartered* are joint lead managers for the proposed transaction, according to a Bahasa-language filing to the Indonesia Stock Exchange.

BSD EYES RUPIAH DUAL-TRANCHER

Property developer BUMI SERPONG DAMAI aims to raise Rp2.35trn (US$168m) from a public issue of rupiah bonds, according to the offer document.

It has given indicative prices in the range of 7.5%–8.0% for a three-year tranche and 8.5%–9.0% for a five-year portion. The coupon will be paid quarterly.

The notes are rated AA– by Pefindo.

Mandiri Sekuritas is the lead arranger for the issue.

Separately, Bumi Serpong Damai is also marketing US dollar three-year non-call two bonds at initial price guidance of 7.25% area.

Global Prime Capital will issue the Reg S benchmark notes and Bumi Serpong Damai will guarantee them.

SMF PLANS DUAL-TRANCHE OFFERING

SARANA MULTIGRIYA FINANSIAL is planning to raise Rp1.153trn from two tranches of rupiah bonds, according to an offer document.

Bumi Serpong drags down its own curve

Bonds **High new-issue yield prompts sell-off in existing notes**

Indonesian property developer BUMI SERPONG DAMAI priced US$250m of three-year non-call two bonds last Monday at 7.25%, prompting a sell-off of its existing paper.

Whereas the outstanding US$270m notes pay 5.5% and mature in 2023, the new bonds pay a higher coupon and mature earlier, in 2021. Holders of the 2023s thus dumped the older bonds, with yields soaring to 7.5% at last Monday's close from 6.8% on April 20, according to Thomson Reuters data.

Final statistics were not available, but books were said to have reached US$500m at final price guidance. Pricing did not move from the initial guidance of 7.25% area.

The issuer's initial plan was to sell a US$300m seven-year non-call four bond, but it had to compromise after a lukewarm reception during a March roadshow and in light of weak market conditions.

Despite the poor backdrop, a banker on the trade said he was encouraged to see decent real money appetite and high-quality private bank participation.

The bonds opened at par and were an eighth of a point higher the following day.

Global Prime Capital will issue the Reg S benchmark notes and Bumi Serpong Damai will guarantee them. The notes are expected to be rated Ba3/BB– (Moody's/Fitch). Proceeds will be used to repay an onshore loan, among other purposes.

Despite weakness in the Indonesian property market since the second half of 2015, Bumi Serpong has generated strong sales through new project launches and sales of commercial plots of land, according to a Moody's note.

Moody's raised Bumi Serpong's outlook to positive from stable last month, saying an increase in its recurring income and strong financial metrics could support a credit upgrade.

Citigroup, *UBS*, *BNP Paribas* and *Credit Suisse* were joint bookrunners.

Last May, the developer priced a US$70m tap of its 5.50% 2023 US dollar senior unsecured bonds at 101.625, lifting their outstanding size to US$270m.

BSD is the largest developer listed on the Indonesia Stock exchange in terms of market capitalisation. As at December 31, Sinarmas Land held a 58% stake in the company.

BSD's ownership by the Widjaja family's Sinarmas Group had deterred some investors on previous deals. Bondholders still remember the heavy losses handed to offshore creditors after the group's flagship, Asia Pulp and Paper, defaulted in 2001.

FRANCES YOON

MNC sweetens exchange offer

Bonds Indonesian media company improves terms, extends deadline

Indonesian media holding company MNC INVESTAMA, also known as BHIT, has extended to May 2 the deadline for a US$250m exchange offer for its US$365m 5.875% senior notes due May 16 2018.

Earlier in the week it raised the minimum yield guidance on the new notes to 9% from 8%, and added an extra cash payment for participants in the exchange offer. Participating bondholders will receive US$3.50 per US$1,000 in principal amount.

Under the offer from the media, financial services and property group, bondholders can swap US$1,000 in principal amount for US$120 in cash, plus US$880 in principal amount of new bonds due 2021.

The deadline for the exchange offer had already been pushed back a day to April 26. Pricing of the new notes is now expected on May 3.

The group may also decide to issue concurrently a new-money component of the 2021 bonds.

S&P has assigned a preliminary rating of B–, while Moody's has assigned a provisional Caa1. Moody's said it expects to upgrade the company rating to B3 on completion of the deal but keep the notes at Caa1.

"BHIT's proposed exchange is necessary as it does not have sufficient funds on its balance sheet to repay its maturing US$365m senior secured notes due 16 May 2018," Moody's senior credit officer Annalisa DiChiara said in a rating note.

"If the exchange offer is completed as outlined, it will constitute a distressed exchange, which is an event of default under Moody's definition of default."

Moody's note states that the holder of US$115m of the 2018 bonds has already agreed to convert them into non-interest-bearing subordinated debt. That debt will convert into shares under certain conditions, including the completion of the exchange offer.

MNC Investama warned that if the exchange offer did not go through, the US$115m debt conversion would not happen and nor would it receive a US$30m advance on a shareholder loan intended to fund the cash portion of the bond exchange offer. The company said it might need to sell assets or raise additional funds to redeem the bonds, but might struggle to do so by May 16.

The notes were issued in 2013 through Ottawa Holdings.

Deutsche Bank, *ING* and *Standard Chartered* are joint bookrunners on the new issue and dealer managers on the exchange offer.

DANIEL STANTON

The state-owned mortgage firm has fixed the coupons at 6.05% for a one-year tranche to raise Rp745bn and 6.95% for a three-year portion to raise Rp408bn.

BNI Sekuritas, *Indo Premier* and *Trimegah Sekuritas* are lead arrangers for the issue.

The allotment of the notes will take place on May 18.

Pefindo has assigned a AAA rating to the bonds.

SYNDICATED LOANS

MTF INCREASES LOAN TO US$167M

Auto finance company MANDIRI TUNAS FINANCE has increased a three-year loan to US$167m-equivalent from US$100m-equivalent.

MUFG was the mandated lead arranger and bookrunner of the transaction, which comprises a US$125m tranche and a ¥4.6bn (US$42m) portion.

The deal offers an interest margin of 90bp over Libor for the US dollar tranche and 50bp over yen Libor for the yen tranche. The average life is 1.625 years.

Lead arrangers were offered a top-level all-in pricing of 120bp or 60bp via upfront fees of 48.75bp or 16.25bp for the US dollar and yen tranches, respectively.

The borrower is a subsidiary of state-owned lender Bank Mandiri.

For full allocations, see www.ifrasia.com.

EQUITY CAPITAL MARKETS

BRISYARIAH RAISES RP1.34TRN FROM IPO

BANK BRISYARIAH has priced its IPO at Rp510 per share, at the lower end of a Rp505–Rp650 range, and raised Rp1.34trn (US$96m) from the float, according to a person with knowledge of the transaction.

Around 2.623bn primary shares, or 27% of the expanded share capital, were sold in the IPO, which was well oversubscribed.

Bank BRISyariah, a subsidiary of state-owned Bank Rakyat Indonesia, provides sharia-compliant banking services.

The shares will list on the Indonesia Stock Exchange on May 9.

Proceeds will be used to expand financing activities and the branch network.

Bahana, *CLSA*, *Danareksa* and *Indo Premier Securities* were the bookrunners.

S ANURADHA

BTPN SYARIAH PRICES IPO NEAR TOP

BANK TABUNGAN PENSIUNAN NASIONAL SYARIAH has priced its Indonesia Stock Exchange IPO at Rp975 per share, near the top of the Rp900–Rp980 range, putting a Rp751bn value on the deal, according to a person with knowledge of the transaction.

BTPN Syariah, a subsidiary of Bank Tabungan Pensiunan Nasional, provides sharia-compliant banking services.

The IPO comprises 770.4m primary shares, or 10% of the paid-up capital.

Ciptadana is the underwriter.

HERMINA SET TO PRICE IPO AT BOTTOM

Maternity and paediatric hospital owner MEDIKALOKA HERMINA is set to price its IPO at the bottom of the Rp3,700–Rp5,000 range per share, according to people with knowledge of the transaction.

Up to 529.7m shares (66% primary/34% secondary), or 18% of the enlarged capital, are being sold in the Rp1.96trn IPO.

Twelve founding shareholders – Non Widjaja Kusuma, Yulisar Khiat, Soepardiman, Tjiptawati Budiharta, Binsar Parasian Simorangkir, Soedibjo Toeloes, Iskandar Wahidiyat, Raden Endjun, Sudarsono, Lydia Immanuel, Hasmoro, and Husen Sutakaria – and one institutional investor – Citra Artha Niramaya – are the vendors of the secondary shares.

Books closed last Thursday and the shares will list on the Indonesia Stock Exchange on May 16.

Hermina owns 14 maternity facilities in Indonesia.

The funds will be used to expand its hospital business and repay debt.

Citigroup, *Credit Suisse*, *DBS* and *Mandiri* are joint global coordinators and bookrunners.

WIKA REALTY SETS IPO RANGE

Realty firm WIJAYA KARYA REALTY (Wika Realty) has set the price range for a Rp2.44trn–Rp3.19trn IPO at Rp195–Rp255, according to a term-sheet.

Wika Realty, a subsidiary of state-owned Wijaya Karya, is offering up to 12.51bn shares, equal to a 25% free float.

Books close on May 2 and the shares are due to list on the Indonesia Stock Exchange on May 17.

Around 20% of the IPO funds will be used for working capital purposes, 43% for land acquisition and the remainder for acquisitions and setting up joint venture companies.

The company made net sales of Rp1.52trn in 2017 versus Rp2.05trn in 2016, and net income of Rp173bn versus Rp324bn.

BNI, *Danareksa* and *Danatama* are the underwriters.

MALAYSIA

DEBT CAPITAL MARKETS

WCT ISSUES SUKUK AT 5.65%

WCT HOLDINGS has sold M$310m (US$80.6m) eight-year Islamic bonds, priced at 5.65%.

The sukuk, rated AA (Marc), settled on April 20.

RHB Investment Bank was sole lead manager on the print.

The Malaysian construction and engineering company has an outstanding M$150m 4.8% bond maturing on December 28.

UITM PLACES GREEN SUKUK

UITM SOLAR POWER has privately placed M$222.3m of Green SRI Islamic bonds in 17 tranches through sole lead manager *Affin Hwang Investment Bank*.

The notes, with a guarantee from Universiti Teknologi MARA, were offered at tenors of two to 18 years, paying yields of 5.07%–6.60%.

Proceeds will be used to develop a 50MW greenfield solar power plant in Pahang at an estimated cost of M$277.9m. The equity injections, which cover 20% of the project costs, involve ordinary shares and redeemable cumulative convertible preference shares.

The plant, scheduled for completion in the fourth quarter of 2018, is said to be the world's largest solar photovoltaic plant for a public university.

Affin Hwang is also principal adviser on the issue, which Marc rates AA–.

UiTM Solar, a unit of UiTM Energy & Facilities, won a concession from state-owned Energy Commission in early 2017 to build and operate the power plant. Electricity will be sold to Tenaga Nasional under a 21-year agreement.

UiTM Energy is ultimately part of Universiti Teknologi MARA, which comes under the jurisdiction of the Ministry of Higher Education.

MONGOLIA

DEBT CAPITAL MARKETS

MONGOLYN ALT PUTS BOND ON HOLD

Coal miner MONGOLYN ALT (MAK) has put a US dollar five-year non-call two bond offering on hold, after bookbuilding since April 17.

The benchmark issue was indicated at initial price guidance of 12% area.

The proposed bonds are expected to be rated CCC+ (Fitch). They carry guarantees from certain MAK subsidiaries and are backed against an interest reserve account.

Additional collateral in the form of mine licences and a cash waterfall account will be pledged later. The coupon on the bonds will step up by 300bp if this is not done within 270 days.

JP Morgan is sole global coordinator and bookrunner on the 144A/Reg S offering.

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PHILIPPINES

DEBT CAPITAL MARKETS

AYALA LAND TO PAY 5.92% FOR 10 YEARS

AYALA LAND has set the yield at 5.9203% to raise Ps10bn (US$191m) from an issue of 10-year peso bonds, according to a press release.

The interest on the bonds will be paid quarterly.

The Philippine property conglomerate has appointed *BDO Capital & Investment Corp*, *China Bank Capital Corp* and *PNB Capital and Investment Corp* as joint lead underwriters and bookrunners.

The proceeds of the issue will be used to meet general corporate needs and capital expenditure.

The peso notes are rated Aaa by PhilRatings. The bonds will be alloted on April 27.

This will be the fifth batch of retail bonds off Ayala Land's SEC-approved debt-issuance programme of Ps50bn.

SINGAPORE

DEBT CAPITAL MARKETS

RHT GETS MAJORITY NOD

Singapore-listed **RHT HEALTH TRUST** has obtained majority consent from holders of its S$120m (US$91.6m) 4.5% bonds due in July to sell assets to India's Fortis Healthcare.

Investors holding S$97.5m, or 81.25%, of the 2018s had put in applications by an early deadline last Monday to vote for the resolutions put forward in a consent solicitation on April 12.

The bondholders also approved a six-month maturity extension of the bonds from July 22, after which the outstanding notes will be redeemed at 100.45 with unpaid accrued interest on January 22 2019. In addition, they approved a waiver of certain events of default.

RHT, a provider of healthcare services in India, agreed in February to sell its entire portfolio of healthcare assets to Fortis for Rp46.5bn (US$711m). The acquisition requires, among other things, approval from bondholders.

An early fee of 0.3% will be paid if consent was given on or before April 23, after which a normal fee of 0.2% will apply. A bondholder meeting will be held on April 30.

DBS and *UOB* are joint solicitation agents.

GSH SETTLES FOR S$50M

Singapore-listed **GSH** priced a S$50m three-year note last Wednesday at 5.15%, inside initial price guidance of 5.30% area.

The unrated notes will settle on May 3 and will be drawn from a S$800m multi-currency MTN programme. Investors have a put option if major shareholders Sam Goi Seng and his immediate family members cease to own a minimum stake of 35%.

DBS was sole lead bookrunner. Proceeds will be used for general corporate needs, including debt refinancing. The property company had targeted a small issue with a minimum size of S$50m. Shareholder Sam and a number of senior company officials will be allocated about 24% of the deal.

CCRE returns to Singapore as costs rise

Bonds **Chinese property companies searching for alternative sources of funding**

CENTRAL CHINA REAL ESTATE, rated Ba3/BB– (Moody's/Fitch), returned to Singapore's bond markets last week after a four-year absence, underscoring the appeal of the local investor base for Chinese property companies faced with challenging conditions in the US dollar market.

CCRE sold S$150m (US$113.3m) of two-year bonds at 6.25% last Tuesday, coming after a S$200m 6.125% three-year non-call two bond from from Logan Property Holdings in mid-April.

"There are some Chinese companies exploring the Singapore market, especially since Logan and CCRE are keeping the door open," said a debt syndicate head.

"They are willing to pay up as they are looking to fund anywhere they can. But they will have to take note that investors are still cautious and will only take the recognised names."

Both CCRE and Logan meet that criterion. CCRE last raised funds in Singapore in 2014 when it sold S$200m three-year bonds, which matured in 2017. It also has a strong link to Singapore stalwart CapitaLand, which has a 26.87% stake.

Meanwhile, Logan is building up a presence in the island republic, having won a tender for a residential plot near Queenstown MRT station with a record bid of S$1bn last May, and also succeeded in a S$629m collective sale of Florence Regency in Hougang in October.

Chinese property companies are facing higher funding costs in the US dollar market as a result of heavy supply and rising base rates, pushing them to seek other funding avenues.

Rival bankers said local demand had fallen short of expectations for both issuers, which had to settle for lower-than-targeted issue sizes. Both CCRE and Logan are rated similarly at Double B and had paid up to get the deals done. Even then, the bonds traded lower in secondary markets.

"PB investors have become very cautious recently," said another debt syndicate banker. "There seems to be some migration of PB funds into other assets, including equities."

Logan paid a premium of more than 62bp over its US dollar curve for its Singapore debut, while pricing for CCRE's Singapore notes looked flat to its US dollar bonds. The 8% January 2020s and 6.875% October 2020s were quoted at 6.82% and 7.11%. On a post-swap basis, the levels would translate to around 5.9%–6.2% for a two-year Singapore dollar tenor – just a tad lower than where CCRE priced its new bonds.

However, when compared with the S$200m three-year non-call two bond printed by Logan Property in mid-April at 6.125%, CCRE is paying a premium of over 10bp for a shorter tenor.

"Against the rest of the high-yield Singapore dollar bonds in the property sector, the new notes offer decent value," said Ang Chung Yuh, senior fixed income analyst at iFast Financial. These included Heeton Singapore's 6.1% notes due 2020, which were quoted at 5.53%, while Fragrance Group's 6.125% notes due 2021 were at 6.05%, according to Ang.

OCBC was sole lead manager on the CCRE deal, which is guaranteed by some of CCRE's non-PRC subsidiaries and will settle on May 2. Proceeds will be used to refinance debt.

KIT YIN BOEY

Noble faces Goldilocks test

Restructuring Shareholder seeks to block commodities trader's restructuring

NOBLE GROUP warned that legal action by shareholder Goldilocks Investment (GICL) was pushing the company "ever closer" to insolvency, after the Abu Dhabi-based investor filed injunctions against it.

The injunctions seek to prevent the commodities trader from holding its annual general meeting or pursuing the restructuring set out in a restructuring support agreement signed by holders of 83% of Noble's senior debt. Noble said it would vigorously defend the claims and seek costs from the court against Goldilocks on an indemnity basis.

On Friday, a lawyer for Goldilocks told Reuters that a Singapore court had blocked Noble from holding its AGM, which was scheduled for Monday. Noble had not confirmed the news when IFR went to press.

Goldilocks, which holds a 8.1% stake, claims that Noble has refused to recognise it as a shareholder and ignored its request to propose five directors for election to the board. Noble said that Goldilocks's notice had not been served in the name of the depository agent that holds Goldilocks's shares through Singapore's Central Depository and was therefore not valid.

Noble's AGM is scheduled for April 30 and candidates for director can be proposed no later than 11 days before.

"The claims appear to be designed to prevent the financial restructuring of the company which will destroy value for all shareholders and other stakeholders of the group," said Noble in a stock exchange announcement.

Noble's current plan for restructuring its debt is to spin off assets to a new vehicle. It then intends to assign creditors, shareholders and management shares in that vehicle and issue new debt.

Last week, it agreed to raise the allocation of shares in the new entity given to existing shareholders to 15%, as long as a majority vote in favour of the proposal. If shareholders vote down the proposal, Noble said it planned to file for administration in the UK and pursue an alternative restructuring under which existing shareholders would not be allocated any shares.

Goldilocks also claimed that it had presented alternative restructuring proposals that Noble had ignored.

"Whilst GICL made certain proposals to the board during 2017, each of these had significant pre-conditions, were conditional on a large number of variables beyond the company's and GICL's control and in certain instances required the company to incur substantial further financial indebtedness at a point in time when the board simply could not authorise further debt without being in breach of their fiduciary duties," said Noble.

Noble said it had not received a credible proposal from Goldilocks since the restructuring support agreement had been announced.

DANIEL STANTON

MM2 MAKES A SMALL DEBUT

Singapore-listed **MM2 ASIA** raised S$50m from a maiden three-year non-call two bond at 7%, flat to initial price guidance of 7% area.

The unrated notes come with guarantees from the issuer's units Cathay Cineplexes, mm Connect, mm2 Entertainment, mm Plus and 2mm.

HSBC and *Standard Chartered* were joint global coordinators and joint bookrunners on the offering with *Haitong International*.

Private banks were offered a 25-cent rebate.

The call will be on or after April 27 2020 at 103.50, except for final maturity of April 27 2021 when the notes will be redeemed at par.

Settlement was on April 27, off a US$300m multi-currency MTN programme.

EQUITY CAPITAL MARKETS

MGCCT RAISES S$330M VIA PLACEMENT

Real estate investment trust **MAPLETREE GREATER CHINA COMMERCIAL TRUST** has raised S$330m (US$249m) through the sale of 311.6m new shares at S$1.06 apiece.

The indicative range was S$1.043–$1.081.

An upsize option of up to 33.6m shares was not exercised.

The base deal represents 9.9% of the post-placement paid up capital.

In a stock exchange announcement the issuer said the placement was 2.4 times covered.

The final price was at a 6.2% discount to the pre-deal close of S$1.13.

The funds will be used to finance planned acquisitions in Japan.

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

Citigroup, *DBS* and *HSBC* were the bookrunners.

SOUTH KOREA

DEBT CAPITAL MARKETS

HARVEST FINDS FIVE-YEAR DEMAND

HARVEST OPERATIONS, rated Aa2/AA (Moody's/S&P), has priced a US$397.5m five-year note at Treasures plus 140bp, or 25bp inside initial guidance.

SMBC Nikko and *Bank of America Merrill Lynch* were bookrunners for the offering.

Harvest Operations is a Calgary-based oil exploration and production company and a wholly owned subsidiary of state-owned Korea National Oil Corp. KNOC unconditionally and irrevocably guarantees Harvest debt.

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THOMSON REUTERS

TAIWAN

SYNDICATED LOANS

BANCO GENERAL SEEKS ACCORDION

BANCO GENERAL is raising another US$200m through an accordion facility after closing a US$800m three-year bullet loan in late December.

Standard Chartered and *Wells Fargo* are the mandated lead arrangers and bookrunners of the accordion, which pays an interest margin of 125bp over Libor and has a remaining life of 2.5 years.

MLAs with commitments of US$40m or more receive a top-level all-in pricing of 143bp via an upfront fee of 45bp, while arrangers joining with US$25m–$39m earn an all-in pricing of 141bp via a 40bp fee. Managers joining with US$15m–$24m receive an all-in of 139bp via a 35bp fee, while participants coming in for US$5m-$14m obtain an all-in of 137bp via a 30bp fee. The deadline for commitments is May 15.

Funds are for general corporate purposes.

Bank of America Merrill Lynch, JP Morgan, Mizuho Bank, Standard Chartered and Wells Fargo were the MLABs of the original loan, which attracted 29 banks in general syndication. That deal offered a top-level upfront fee of 55bp.

The borrower is rated BBB/BBB+ (S&P/Fitch).

WISTRON LIKELY TO INCREASE REFI

Electronics manufacturer WISTRON is likely to increase a US$600m three-year revolving credit facility, which has attracted four lenders in general syndication.

Allocations are being finalised and signing is slated for early May. The final deal size is yet to be determined.

Mega International Commercial Bank and *Sumitomo Mitsui Banking Corp* are the mandated lead arrangers and bookrunners of the transaction, while 16 lenders joined as MLAs in senior syndication.

The 16 MLAs are: *Bank of China*, *Bank of Communications*, *Bank of Taiwan*, *Cathay United Bank*, *Chang Hwa Commercial Bank*, *E. Sun Commercial Bank*, *First Commercial Bank*, *Hua Nan Commercial Bank*, *KGI Bank*, *Land Bank of Taiwan*, *Metropolitan Bank & Trust*, *OCBC Bank*, *Shanghai Commercial & Savings Bank*, *Taipei Fubon Commercial Bank*, *Taishin International Bank* and *Taiwan Cooperative Bank*.

The facility, which comprises a US$400m revolving credit tranche A and a US$200m revolving credit tranche B, offers interest margins of 90bp and 99bp over Libor for tranches A and B, respectively. The borrower will pay any excess interest rate beyond a 40bp difference between TAIFX and Libor.

In general syndication, banks were offered a top-level upfront fee of 15bp.

Funds are to refinance a US$600m revolver signed in September 2013 and for working capital purposes.

Established in 2001, the Taiwan-listed borrower was spun off from Acer's manufacturing operations.

RIH DING WATER TAPS PROJECT FINANCING

RIH DING WATER ENTERPRISE is seeking a NT$7.51bn (US$253m) 10-year project financing to back a sewage-treatment project in Taiwan's Taoyuan district.

Mega International Commercial Bank is the mandated lead arranger and bookrunner of the transaction, which comprises a NT$3.301bn tranche A, a NT$3.6bn tranche B, a NT$309m guarantee tranche C and a NT$300m tranche D.

The interest margin on tranches A, B and D is 178bp over the one-year post office savings rate. Tranche B pays an annual guarantee fee of 100bp.

Banks are being invited to join as MLABs with commitments of NT$2bn or more for an upfront fee of 25bp, as MLAs with NT$1.2bn–$1.9bn for a 12bp fee, as managers with NT$800m–$1.1bn for a 7bp fee, or as participants with NT$400m–$799m for a 3bp fee. Commitments are due by May 18.

The borrower is a wholly owned subsidiary of Taiwan-listed Radium Life Tech.

The borrower last tapped the loan market with a NT$3.88bn multi-tranche project financing in September 2013. Mega also led that deal, which offered a margin of 175bp over Mega's one-year time deposit rate.

ARDENTEC RAISES NT$3.6BN REFI

ARDENTEC has raised a NT$3.6bn five-year loan from seven lenders, with *Bank of Taiwan* as sole mandated lead arranger and bookrunner.

The loan offers an interest margin of 60bp over Taibor, while the pre-tax interest rate floor is 1.7%.

Banks were invited to join as MLAs with NT$900m or more for an upfront fee of 8bp, as co-arrangers with NT$500m–$899m for a 5bp fee, or as managers with NT$250m–$499m for a 3bp fee.

The loan, proceeds of which are for refinancing and working capital purposes, was signed on April 20.

The provider of semiconductor testing services raised a NT$4bn five-year loan in December 2016. BoT also led that loan, which offers a margin of 60bp over three-month or six-month Taibor, with a pre-tax interest rate floor set at 1.7%.

For full allocations, see www.ifrasia.com.

THAILAND

DEBT CAPITAL MARKETS

CH KARNCHANG PLANS MAY BOND

CH KARNCHANG plans to offer Bt4bn (US$126.8m) of four and five-year bonds in May through sole lead manager and underwriter *Bangkok Bank*.

The Thai construction and infrastructure company, rated A– by Tris, will launch bookbuilding on May 7. It raised Bt9bn in two issuances in May and November.

WHA PRICES DUAL-TRANCHER

WHA has raised Bt3bn from an offering of three and five-year bonds.

Demand was stronger for the shorter-dated tranche, resulting in Bt1.9bn of three-year bonds priced at 2.39%. The Bt1.1bn five-year tranche was priced at 2.87%. Initial price guidance range for the respective tranches were 2.28%–2.43% and 2.72%–2.87%.

Kasikornbank and *Siam Commercial Bank* were joint lead managers.

The Thai property company, with a Tris rating of A–, has three bonds totalling Bt2.86bn due to mature later this year.

EQUITY CAPITAL MARKETS

OSOTSPA PLANS IPO LAUNCH BY OCTOBER

Beverage and personal care products maker OSOTSPA plans to launch a Stock Exchange of Thailand IPO of up to US$500m in September or October, people with knowledge of the transaction have said.

In a draft prospectus filed with the SET earlier this month, Osotspa said 603.8m shares, or 20% of the capital, would be sold, including 506.8m primary shares. Shareholders Orizon Holding and Y Investment will sell 67m and 30m shares respectively.

Osotspa sells beverages under the brands like Shark Stimulation, Hang, M-150 and personal care products such as 12 Plus, Babi Mild and Exit.

Bank of America Merrill Lynch, *Bualuang Securities*, *JP Morgan* and *Phatra Securities* are the banks on the transaction.

Osotspa has been making plans for an IPO as long ago as 2014.

ASIA DATA

LAST WEEK'S ECM DEALS

Stock	Country	Date	Amount	Price	Deal type	Bookrunner(s)
Bank BRISyariah	Indonesia	20/04/18	Rp1.34trn	Rp510	IPO (Primary)	Bahana, CLSA, Danareksa, Indo Premier
Techcombank	Vietnam	20/04/18	D21trn	D128,000	IPO (Primary/Secondary)	Morgan Stanley, Viet Capital, Deutsche Bank
BAIC Motor	China	24/04/18	HK$3.3bn	HK$7.89	Follow-on (Primary)	HSBC
Surya Pertiwi	Indonesia	24/04/18	Rp1.25trn	Rp510	IPO (Primary/Secondary)	Ciptadana, Credit Suisse, CLSA,
Mapletree Greater China Commercial Trust	Singapore	25/04/18	S$330m	S$1.06	Follow-on (Primary)	Citigroup, DBS, HSBC
Medikaloka Hermina	Indonesia	26/04/18	Rp1.96trn	Rp3,700	IPO (Primary/Secondary)	Citigroup, Credit Suisse, DBS, Mandiri
Ping An Healthcare and Technology	China	26/04/18	HK$8.77bn	HK$54.80	IPO (Primary)	Citigroup, JP Morgan,
						Ping An of China Securities (Hong Kong), UBS,
						CCB International, CICC, CLSA,
						CMB International,
						China Merchants Securities, HSBC

Source: IFR Asia

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	381.694	–0.556	–0.572	–1.997	133
ADHY	Asian-dollar high-yield index	604.040	–0.803	–0.622	–2.366	409
AGIG	Asian-dollar government high-grade index	353.899	–0.864	–0.718	–2.690	119
AGHY	Asian-dollar government high-yield index	711.939	–0.604	0.930	–3.365	329
ACIG	Asian-dollar corporate high-grade index	407.181	–0.450	–0.525	–1.758	139
ACHY	Asian-dollar corporate high-yield index	496.517	–0.842	–0.927	–2.154	425

Source: Merrill Lynch

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Friday May 4 2018 | 12:00 pm–1:30 pm | Nostalg Ballroom, Joy-Nostalg Hotel

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IFR will be holding a Roundtable discussion at the 51st ADB Annual Meeting in Manila, focusing on ways to close the gap between Asian infrastructure development and institutional investors.

Moderated by IFR Asia Editor, **Steve Garton**, the event will convene a panel of senior financial markets professionals to identify the challenges in attracting private sector asset managers to long-term projects and propose solutions that can be applied across the ADB's member economies – including multilateral financing and credit enhancement initiatives in the international and local capital markets.

The Roundtable is **free to attend** for all delegates at the 51st ADB Annual Meeting in Manila.

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