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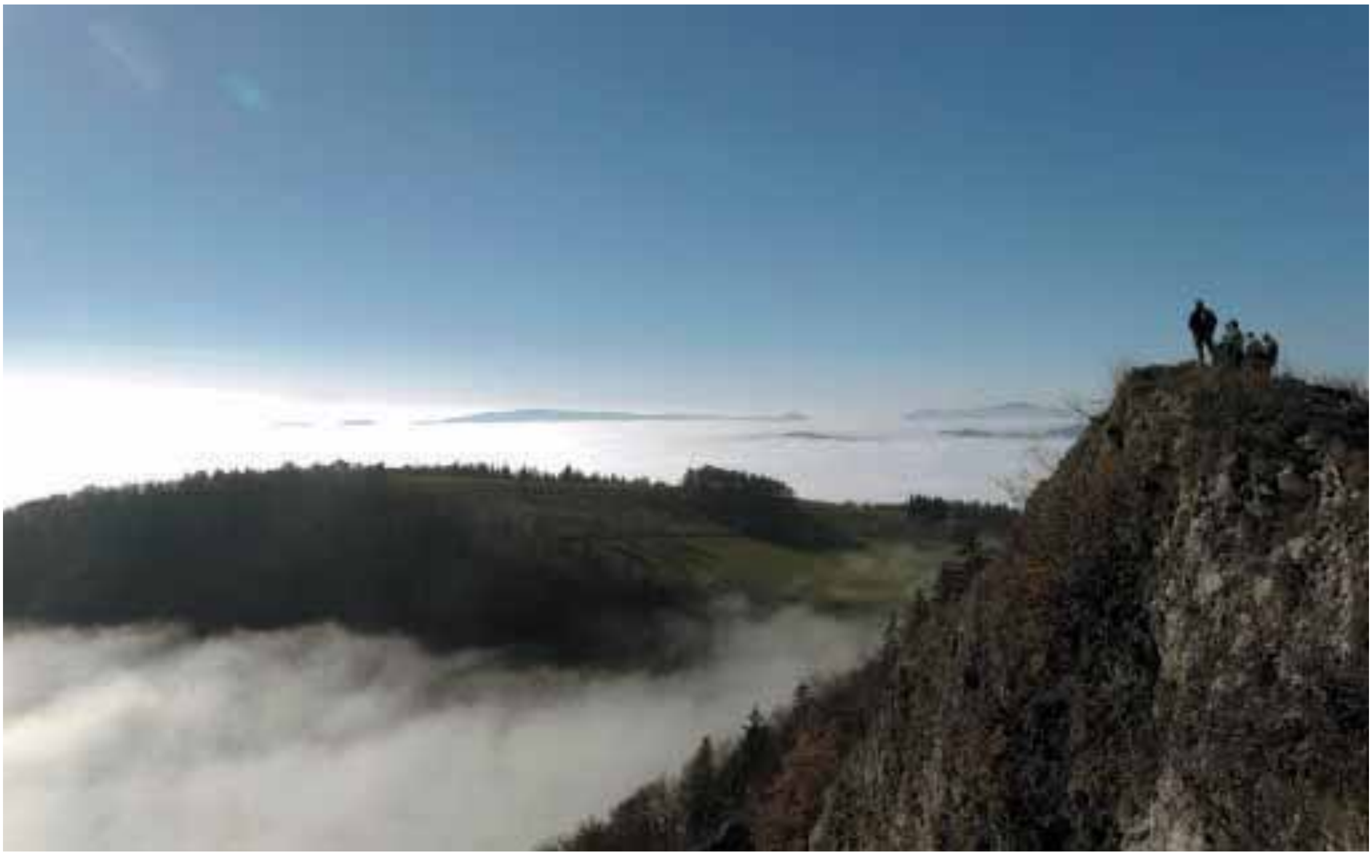
› China issuers step up offshore bond rush despite oversupply warnings

› Foxconn's Shanghai IPO sets template for high-profile technology listings

› First bitcoin-related stocks heading to HK as mining gear makers line up



Upfront

High stakes

Asian high-yield bonds can offer investors some welcome protection from rising US Treasury yields, but buyers will have to be prepared to ride out the storm first.

Fixed-income investors have something of a conundrum on their hands in Asia's US dollar debt market. After a vicious selloff over the past month, Asian high-yield bonds now pay an average yield of over 7.5%, up from about 6.4% at the start of the year and below 6% 12 months ago.

That kind of return hasn't been seen for two years. Even in spread terms, the index is back at late 2016 levels. And the premium over the US high-yield benchmark is the widest since China's summer wobble in 2015.

While this looks like fundamentally good value, investors could well face more pain in the near term.

China's deleveraging campaign is sending scores of Chinese companies overseas in search of much-needed funding at a time when the market is already suffering from indigestion.

Brave investors will be able to pick up some real bargains, as desperate issuers agree to double-digit yields in return for access to capital.

Many of the 80 mainland issuers granted offshore debt quotas over the past month are smaller private-sector companies or lower-tier local government vehicles. That suggests several billion dollars of new high-yield debt will soon be looking for a home, pushing the wider market down in the process.

Brave investors will be able to pick up some real bargains, as desperate issuers agree to double-digit yields in return for access to capital. But a prolonged squeeze of mainland funding channels raises the risks that some weaker Chinese issuers will fall over, leaving investors facing unknown recovery rates.

The answer, then, is to tread carefully. In the rising market of 2017, high-yield fund managers had little to do but fight for the biggest allocation on every Asian new issue. At this stage in the cycle, they will need to pick their entry points carefully, or risk getting swept away in the storm.

Flea market economics

There is real excitement in Japan around the forthcoming listing of Mercari, an online marketplace for second-hand goods. But is it missing a trick with a sole Tokyo listing?

Mercari and its advisers were at one point considering a dual listing, selling shares in both Tokyo and New York. That makes some sense for the flea market app, which sees the US as its key growth market, with over 30m downloads so far.

There's also a clear precedent for such a move, with the popular listing of messaging platform Line in 2016. Line split its US$1.3bn IPO between Japan and the US, helping create price tension for the stock and position itself as a global brand. It surged 27% on its debut.

The equation, however, is not so straightforward. Japan has dominated trading in Line ever since it listed, and Tokyo volumes are now 20 times those in New York. Add in pent-up Japanese demand for growth stocks and it becomes harder to justify the additional cost and effort of maintaining a US listing.

Japan's Nikkei 225 index trades at an average PE of 17, below 22 times for the S&P 500 in the US, but the local market can still support racy valuations for the high-growth tech sector.

Local e-retailer Start Today trades at 33 times 2020 earnings. Alibaba in the US is at 23.

More to the point, Mercari is going public at a time when Japanese investors are expanding their risk appetite in a bid to boost returns, with overseas investments on the rise and some of the country's most conservative institutions now looking down the credit curve.

Mercari's roughly US$1bn IPO values it at 25 times 2020 earnings at the top of the range. If it comes close to that and trades well, Japan's "new economy" champions will have less reason to look overseas.

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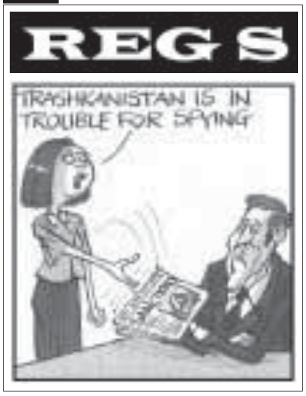


China offshore rush accelerates

Bonds More indigestion on the way after 80 bond issuers win approval

BY INA ZHOU, CAROL CHAN

Dozens more Chinese companies are lining up to sell offshore bonds, adding to the pressure on a market already buckling under the weight of supply.

Faced with tougher financing conditions at home, Chinese issuers are swamping the US dollar bond market even as rising US interest rates, weaker demand from mainland investors and growing default risks are causing a severe imbalance of supply and demand.

The National Development and Reform Commission, China's main regulator for offshore financings, has awarded quotas to 80 issuers in the past month.

The swelling pipeline comes at a time when Chinese borrowers are already struggling to attract international investors, especially in the high-yield sector.

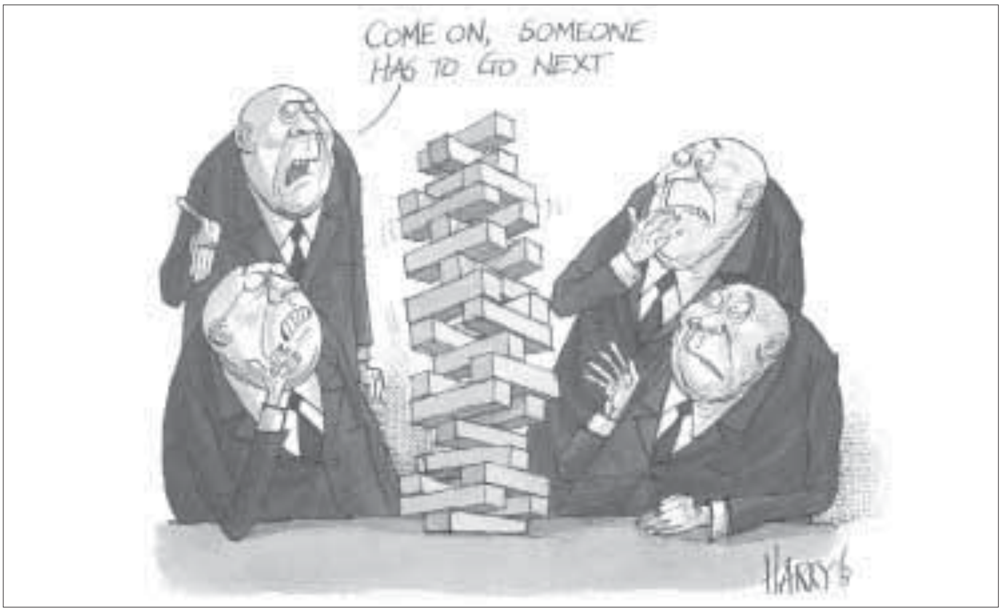
Two Chinese issuers postponed US dollar bonds last week. Two more corporate issuers turned to floating-rate notes to drive demand. And another two sold debt with less than a year to maturity.

"The offshore bond market is unlikely to absorb the large supply especially from weak Chinese borrowers. The refinancing environment has been very tough since early this year. There is big mismatch between huge supply and much more selective demand," said Christopher Lee, S&P's chief ratings officer in charge of corporate ratings for China.

The offshore rush comes as the government's deleveraging campaign and several onshore defaults are making it harder for mainland issuers to refinance their domestic debt.

The deleveraging push, however, is also draining demand for offshore issues.

In particular, demand from Chinese investors, strong supporters of Chinese high-yield



Foxconn sets template for CDRs

Equities IPO's strategic tranche and flexible deal size point to new approach to jumbo listings

BY KEN WANG, FIONA LAU

The planned Shanghai IPO of FOXCONN INDUSTRIAL INTERNET is emerging as an important template in China's push to attract more listings from the world's biggest technology companies.

Earmarked to fund Rmb27bn (US$4.24bn) of investments, the biggest A-share IPO since the 2015 crash comes with a sizeable strategic tranche, limited retail clawback and no pre-agreed size – all big departures from the mainland standard.

The format proves that big deals can win regulatory approval in the mainland market, at a time when China is pushing to attract high-profile international IPOs.

"FII's innovative IPO structure provides a balance between the regulators' desire to attract major tech listings and the fear of massive fundraising pressuring the stock market," said a banker away from the deal.

The Shenzhen-based subsidiary of Taiwan's Foxconn, the world's largest electronics contract manufacturer, will set its IPO price on Tuesday but has yet to set an exact fundraising amount.

That is a big change from the A-share standard, where the final deal size is typically fixed when the deal is approved by the securities regulator.

"Both the IPO price and fundraising size will be set based on the pricing consultation with investors, so the final size may be bigger or smaller than Rmb27bn," said a source close to the deal.

FII is also the first company to introduce strategic investors for an A-share IPO in more than four years. Those investors, similar to cornerstone investors in Hong Kong IPOs, will be barred from selling any shares for at least 12 months.

In addition to the strategic tranche, unusually, FII will also impose a 12-month lock-up on 70% of the shares sold in the institutional placement tranche. Assuming that the usual strong response from retail investors triggers a clawback, only about 57% of the total IPO shares will be free to trade, according to IFR calculations.

Even excluding the restricted stock, FII's IPO will still be the biggest listing since Guotai Junan Securities raised Rmb30bn in June 2015, weeks before China's stock market tumbled. Assuming FII reaches its Rmb27bn target, the free float will be around Rmb15bn.

deals in the past two years, has started to show signs of fatigue.

Large domestic financial institutions, such as China Huarong Asset Management, have scaled back their overseas investments as they refocus on their core businesses.

The bad-debt manager was a major investor in overseas Chinese high-yield bonds in the past two years, often investing the proceeds from its own debt issues. Huarong's offshore issuance has stalled after its chairman Lai Xiaoming was put under investigation in April for suspected graft.

China also published tough new rules for the asset management industry, broadening its crackdown on excessive leverage and shadow banking activities.

"There is no new inflow from China onshore accounts as the renminbi strengthened, while outflow (from the offshore US dollar market) could accelerate as the new asset management rules unveiled in April may affect Chinese financial institutions' offshore investment activities," said Zhu Qi, executive director at Orient Finance Holdings (Hong Kong).

"The turnaround of the China high yield sector depends on whether NDRC would slow the pace on granting new quotas and thus change market expectations about supply," he said.

HARDER TIME

Chinese borrowers have found it increasingly harder to print US dollar deals, even for investment-grade issuers.

Last week, property developer CHINA OVERSEAS GRAND OCEANS GROUP, rated Baa2/BBB–/BBB, local government financing vehicle ZHONGYUAN YUZI INVESTMENT HOLDING GROUP, rated A3/A– (Moody's/Fitch), were forced to postpone US dollar bond offerings after releasing final guidance, due to poor demand.

Successful issuers had to offer hefty concessions or opt for a floating-rate structure as a protection for investors in a rising rates environment.

PEKING UNIVERSITY FOUNDER GROUP last Monday priced a rare US$310m offering of unrated floating-rate bonds and even investment-grade CHINA VANKE, rated Baa1/BBB+/BBB+, chose the FRN format for the first time to raise US$650m last Thursday.

Other developers are paying ever higher coupons. GREENLAND HOLDING GROUP, rated Ba1/BB/BB–, offered around 100bp new-issue premium last Wednesday for US$500m 363-day US dollar bonds, which were priced at 6.75%.

A banker on the deal said Greenland had an NDRC quota and could thus have issued longer-dated paper, but a fragile market backdrop meant the short-term notes would get better demand.

Chinese film distribution and property development company NAN HAI, rated B1 (Moody's), also raised US$120m from a 364-day US dollar notes sale with a reoffer yield of 11% last Thursday. CHINA SOUTH CITY also paid 11% for a US$150m August 2020 bond on Thursday, far higher than the 7.625% yield on a three-year issue in January.

For some weaker credits, including lower-tier LGFVs and industrial names from sectors suffering from overcapacity, bankers reckon paying a big premium will not help.

"We've some Single B first-time issuers which just could not find enough demand. It's not a matter of how much premium they're willing to offer," a banker from a Chinese brokerage said.

At least 14 Chinese issuers have awarded mandates for US dollar notes since the beginning of this year but have not gone ahead yet.

Most of the new NDRC quotas granted in the past month are for local government financing vehicles from lower-tier cities and counties, and smaller privately owned companies.

DEFAULT RISKS

Analysts said very restricted funding access onshore and offshore would expose weak credits to higher refinancing risks this year.

News last week that an unrated Chinese issuer triggered a technical default on unrated US dollar bonds highlighted the risks.

CHINA ENERGY RESERVE AND CHEMICALS GROUP, a Beijing-based energy trading company, failed to repay US$350m 5.250% notes due May 11. The issuer, which has not issued any onshore bonds, blamed a technical issue for missing the payment date and was planning to repay both principal and interest on the notes this week, according to market sources. ■

Bankers see FII's IPO as a milestone in China's drive to attract major domestic listings from the fast-growing tech sector, paving the way for upcoming tech giants and unicorns to issue Chinese depositary receipts or shares under the same structure.

The China Securities Regulatory Commission published draft rules on May 11 that would allow strategic investors to buy into CDR issues.

The draft rules also clarify that shares subject to lock-up arrangements would be excluded from the retail clawback mechanism – another innovation in FII's IPO.

That adds to the significance of FII's listing, as e-commerce giant ALIBABA GROUP, rival online retailer JD.COM and smartphone maker XIAOMI and others are looking to list in the A-share market through CDRs.

The regulator may approve more jumbo tech listings later this year through the new structure, if FII's IPO is a success, according to the banker away from the deal.

The draft CDR rules would also allow over-allotment options. The public consultation on the draft rules will end on June 10.

LOCK-UP PERIODS

According to a filing on May 14, FII plans to sell 1.97bn shares, or about a 10% free float. It plans to offer 590.8m of those shares, or about 30% of the deal, to strategic investors.

Those investors are subject to a lock-up period of 12 months to 36 months.

The remaining shares will be split between institutional investors and retail buyers depending on demand.

The clawback mechanism, which diverts more shares to retail buyers if the public offering is heavily oversubscribed, also introduces a complicated calculation that is another departure from the A-share standard.

Clawback rules typically allocate 90% of A-share IPOs to retail investors if the retail tranche is more than 150 times subscribed – standard practice in a market where IPO prices are held artificially low. WuXi AppTec's Rmb2.25bn Shanghai IPO last month was 4,913 times covered.

FII's clawback is capped at 1.006bn shares for retail investors, equal to 73% of the offering (excluding the strategic tranche).

The structure gives institutional investors a larger allocation than usual, but they will need to hold most of their shares for at least a year.

Assuming the retail tranche is 150x covered, institutional buyers stand to receive 260.84m shares with a 12-month lock-up, and 111.79m tradable shares.

Bookbuilding will run for a day on May 24.

FII is 94% directly and indirectly controlled by Taiwanese parent Foxconn.

CICC is the sponsor on the float. ■

Bitcoin-linked IPOs come to HK

Equities Mining gear makers Canaan and Ebang plan the world's largest bitcoin-focused floats

BY FIONA LAU

Two Chinese bitcoin mining equipment makers are set to test equity investors' faith in the cryptocurrency's long-term future with plans to raise up to US$1bn each in the world's largest bitcoin-focused IPOs to date.

CANAAN applied to the Stock Exchange of Hong Kong last week for a listing while ZHEJIANG EBANG COMMUNICATION has started working with advisers on a Hong Kong float, according to people familiar with the situation.

Although the price of bitcoin has tumbled 35% this year and Beijing has tightened its grip on trade in the virtual currency, equipment makers are still hungry for capital to fund growth and to meet still robust demand for their machines.

At US$1bn apiece, each IPO would dwarf other known listings for crytocurrency-related firms.

Canaan declined to comment. Ebang did not return emails or calls seeking comment.

Both companies ditched China's National Equities Exchange and Quotations, also known as the New Third Board, for a Hong Kong listing after China toughened its stance on cryptocurrencies.

"China doesn't say it won't allow cryptocurrency-related companies to raise funds but the understanding is the regulators will take the approvals slowly," said a banker on one of the deals.

Last August, Canaan applied to list on the New Third Board, the biggest over-the-counter equity exchange in the country. The company, however, withdrew its application after Chinese regulators late last year banned initial coin offerings, shut down local cryptocurrency trading exchanges and limited bitcoin mining.

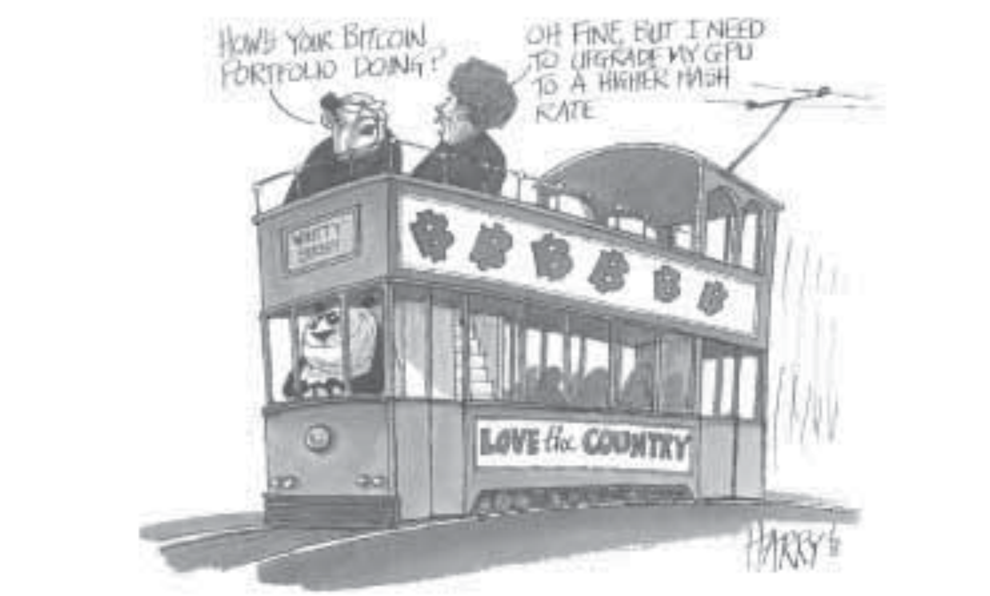
Ebang, meanwhile, delisted from the New Third Board this year after announcing in January that it would seek a Hong Kong listing.

VALUATION QUESTION

Canaan is the world's second-biggest maker of bitcoin mining hardware in terms of shipment of system products in 2017 with a market share of about 19.5%, according to Frost & Sullivan.

The company's revenue jumped 314% to Rmb1.3bn (US$204m) in 2017 while profit soared 587% to Rmb361m.

While Canaan has enjoyed rapid growth in the past few



Virgin birth for Aussie HY

Bonds Safe landing for Australia's first Single B offering

BY JOHN WEAVERS

VIRGIN AUSTRALIA HOLDINGS pushed Australia's developing high-yield bond market further down the credit curve with the first low Single B rated offering.

The 8.25% five-year non-call three medium-term note raised a creditable A$150m (US$113m). It priced at par, in line with initial low 8% area price talk and final 8.25% area guidance.

The senior unsecured bond arranged by joint lead managers *ANZ*, *HSBC* and *UBS* is rated B3/B– (Moody's/S&P), at the bottom of the Single B spectrum, one and two notches below the issuer's B2/B+ ratings, respectively.

"The success and size of the deal represents an important broadening of Australia's high-yield market that can only encourage other sub-investment-grade rated corporates to look to the local market for their funding requirements," said ANZ's global head of syndication, Paul White.

The move to a low Single B credit represents a big step for the famously conservative fixed-income investor base in Australia, where previous high-yield bonds have come from either Double B rated names or unrated credits with assumed Double B or Triple B ratings.

One Sydney-based fund manager told IFR he has a client mandate cut-off point at BBB– but suggested some funds with broader mandates could get involved even at such a low rating, as long as they were comfortable with the credit and satisfied with the premium on offer.

Some expected the bulk of demand to come out of Asia where investors should derive more comfort from Singapore Airlines' 20% stake in Virgin Australia. Abu Dhabi's Etihad Airways also owns 20%.

However, the geographical breakdown showed Australia taking the lion's share with a 75% allocation, mostly to funds and middle-market investors, while Asia bought 21% and EMEA 4%.

HOMEGROWN DEMAND

Qantas Airways, the country's largest airline, issued the first high-yield bonds in Australia's institutional wholesale market, and benefited from implicit government support as it raised A$750m from seven-year and eight-year issues in 2014.

years, its business will be at huge risk if blockchain technology cannot gain wide market acceptance or bitcoin is replaced by other cryptocurrencies.

"If bitcoin is replaced by other cryptocurrencies, we will lose the market for our bitcoin mining system products. More generally, if the market for cryptocurrencies does not develop, our industry may cease to exist," Canaan says in its IPO filing.

The lack of listed comparables and fluctuating prices of cryptocurrencies are expected to make it hard to value Canaan.

"Canaan was valued at about US$500m around a year ago. The IPO size could go up to US$2bn assuming the company is selling 25% at a US$8bn valuation. We have no idea what valuation the market can take at this moment as there is no comparables and there is huge volatility in bitcoin prices," said a person close to the deal.

To increase its product mix, Canaan says it is developing mining gear for a cryptocurrency other than bitcoin and expects mass production of the new product in the fourth quarter. It has already received pre-sale orders of over Rmb54m.

Jianping Kong, co-chairman of Canaan, also said in a Reuters interview last month that he expected China's push to promote its domestic chip industry to help drive growth for the company.

NO COMPARABLES

While many companies promote links to bitcoin and, more commonly, blockchain – the distributed ledger technology that underpins bitcoin – few that focus on the cryptocurrency have listed publicly.

In Australia, DigitalBTC went public via a backdoor listing in 2014 when it merged with Macro Energy, an investing group in a deal which raised A$9.1m (US$6.8m). The company later changed its name to DigitalX and switched its focus from bitcoin to financial technology software.

Another miner, Bitcoin Group, withdrew its Sydney listing plans in 2016 after the local regulator questioned whether it would have sufficient working capital to be a going concern.

In Canada, Leeta Gold, a mineral exploration company, renamed itself Hive Blockchain last summer and partnered with Hong Kong-based Genesis Mining on a bitcoin mining facility in Iceland. It has a market capitalisation of US$333m.

Credit Suisse, *CMB International*, *Deutsche Bank* and *Morgan Stanley* are joint sponsors for Canaan's float. ■

That was a vastly different credit proposition, however, coming soon after Qantas had suffered downgrades to junk status, which were subsequently reversed. Its high Double B ratings at the time also provided rather more comfort than Virgin Australia's lowly B3/B– status.

Historically, the US 144A and private-placement markets have been the first ports of call for non-investment-grade Australian corporate issuers looking for size and, indeed, Virgin Australia has issued US$750m in that market.

Last October it raised US$350m from the sale of 7.875% five-year 144A/Reg S bonds, priced 659bp wide of Treasuries, and also has an outstanding US$400m 8.50% November 15 2019 144A/Reg S note.

High-yield issuance remains relatively rare in Australia, where high-rated banks dominate the A$1trn-plus investment-grade market, but it now makes up a significant share of new corporate supply.

High-yield corporate issuance totalled more than A$1bn in 2017 across all markets, including retail, versus A$12.6bn for Triple B and higher-rated debt, excluding Kangaroos.

The local buyside is underpinned by a deep and rapidly expanding pension pool, with total assets of over US$1.9trn equivalent, or 138.4% of GDP, according to Towers Watson. ■

Mercari readies rare Japan e-commerce IPO

■ **Equities** Shares are marketed at a discount to peers

BY S ANURADHA, FIONA LAU

The Tokyo listing of second-hand goods marketplace app MERCARI is set to offer investors a rare opportunity to buy into a Japanese technology unicorn.

High-growth stocks are few and far between in the mature Japanese market, and bankers are hoping that a successful debut will stoke demand for more "new economy" listings.

MERCARI, which has recorded over 100 million downloads of its flea market app worldwide, is ticking all the boxes to ensure that the country's largest IPO for the year so far is a success.

The company is offering 43.6m shares, including an over-allotment option of 2.8m shares, to raise up to ¥117.7bn (US$1.07bn).

The indicative price range of ¥2,200–¥2,700 values the stock at a 2020 P/E multiple of 20–25, lower than the local industry average of 30, according to a banker on the deal. E-commerce peer Start Today trades at a 2020 P/E multiple of 33.

"The company wants the interest in the IPO to be strong and to trade well post-listing," said a Tokyo-based analyst.

Half of the deal will be sold to international investors and half to Japanese investors.

NOT YET PROFITABLE

A reasonable pricing is important to attract investors as, similar to other global start-ups, Mercari has a history of operating losses since its inception in 2013. For the nine months ended March 31 2018, its loss widened to ¥3.4bn from ¥2.4bn a year earlier. Net sales, however, were up 72% to ¥26.1bn over the same period.

Although the company's Japanese operations have turned profitable, the US business continues to report substantial losses, disclosures in the prospectus show.

"We continue to invest heavily in growing our US business and expect to incur significant additional expenses related to advertising and promotions," the company says in the prospectus.

"However, there can be no assurance that our US operations will generate revenue to offset such significant expenses."

The IPO funds will be also used to expand the overseas business, which includes a presence in the UK.

The outlook for the Japanese e-commerce sector, though, is strong. The Tokyo-based analyst said the domestic second-hand goods market is expected to grow 20%–25% annually over the next five years.

Of the international offering, 13.9m are primary shares and 7.9m are secondary shares. For the Japanese tranche, 4.3m are primary shares and 14.6m are secondary shares.

The selling shareholders include Mercari co-founder and CEO Shintaro Yamada, Development Bank of Japan and venture capital firms.

Bookbuilding will run from June 1 to June 8 and pricing will be on June 11. Listing will be on June 19.

Daiwa and *Morgan Stanley* are the joint global coordinators. The two banks are also active bookrunners on the international offering. *Bank of America Merrill Lynch*, *JP Morgan*, *Mizuho* and *SMBC Nikko* are the passive bookrunners for the tranche.

Daiwa and *Mitsubishi UFJ Morgan Stanley* are the joint bookrunners for the Japanese offering. ■

PLN sidesteps Treasury spike

Bonds Indonesian utility steers long bonds through market turbulence – at a price

BY DANIEL STANTON, FRANCES YOON

Indonesian power utility PERUSAHAAN LISTRIK NEGARA, rated Baa2/BB/BBB, sold two long-dated tranches of US dollar bonds on Tuesday, even though the 10-year Treasury yield hit a seven-year high during bookbuilding.

PLN priced a US$1bn 5.45% 10-year at 99.619 to yield 5.5%, and a US$1bn 6.15% 30-year at 99.323 to yield 6.2%. The two tranches came 30bp inside initial guidance of 5.8% area and 6.5% area, respectively.

But the state-owned borrower had to pay a hefty price to engage investors in rough markets. The coupon on the 30-year is the highest PLN has paid for dollar debt since 2011, according to Thomson Reuters data.

Analysts said it was more important that the issuer cleared the deal even at wider yields, instead of waiting for a better window. PLN's capital expenditure is on the rise, as it needs to fund the construction of power plants and transmission and distribution infrastructure to increase electricity capacity.

The utility has earmarked US$8.6bn in capex for this year to fund these objectives, more than doubling from 2015, according to a deal prospectus.

"PLN has high capex needs and therefore has to access the bond markets to fund it," said Nicholas Yap, a credit analyst at Nomura.

Yap said what PLN was offering on its new bonds was attractive enough to complete the deal despite volatile markets.

"Notwithstanding PLN's weaker-than-peer fundamentals, given its high leverage and large capex plans, we thought that valuations on the new PLN bonds sufficiently compensated investors for that. Indeed, the bonds have performed relatively well in secondary trading, particularly the 30-year tranche which is up about a point from reoffer."

"Notwithstanding PLN's weaker-than-peer fundamentals, given its high leverage and large capex plans, we thought that valuations on the new PLN bonds sufficiently compensated investors for that. Indeed, the bonds have performed relatively well in secondary trading, particularly the 30-year tranche which is up about a point from reoffer."

TREASURY SLUMP

As the 144A/Reg S offering was bookbuilding on Tuesday, the 10-year US Treasury yield hit 3.07%, registering its biggest daily rise since March 2017 and its highest level since 2011, while the 30-year yield also rose 7bp.

Bankers away from the deal had expected a 30-year issue to be a tough task even before the Treasury spike, given the sell-off in emerging-market bonds in recent weeks, and noted that PLN had said it planned to sell 10-year and/or 30-year bonds, allowing it to save face if it could not find demand for both.

On top of the cooling appetite for EM credits, Indonesia endured its own negative headlines: the rupiah continued to struggle, a domestic government bond auction failed on May 8, and on May 13 a family bombed churches in Surabaya, prompting President Joko Widodo to issue an emergency law to implement anti-terror measures.

Despite it all, PLN managed to attract good demand, with little attrition as Treasury yields rose. The 10-year tranche drew orders of US$2.1bn from 114 accounts, while the 30-year attracted US$1.8bn from 113 accounts.

The issuer's existing 2027 and 2047 bonds were seen yielding 5.3% and 5.8% at the start of bookbuilding, implying it paid a new issue premium of 20bp–25bp.

The juicy initial guidance

Nagacorp opens new frontier

Bonds Phnom Penh casino operator becomes first Cambodian issuer of offshore bonds

BY DANIEL STANTON

NAGACORP, which owns and operates the only integrated casino and hotel resort in Phnom Penh, has become the first Cambodian issuer of offshore bonds, overcoming a weak Asian high-yield market.

The company last Monday priced US$300m 9.375% three-year non-call two bonds at 99.362 to yield 9.625% via joint global coordinators and bookrunners *Credit Suisse* and *Morgan Stanley*. Final pricing was inside initial guidance of 9.75% area.

The bonds are expected to be rated B1/B (Moody's/S&P), in line with the Hong Kong-listed issuer. Moody's rating is one notch above the Cambodian sovereign, which has never issued offshore bonds. S&P and Fitch do not currently rate the sovereign.

The jurisdiction was a key challenge for bookrunners and investors in forming an opinion on fair value. Investors were heard to ask for anywhere from 8% to more than 10%.

Mongolia (B3/B–/B–) and Pakistan (B3/B/B) had three-year bonds quoted at 6.1% and 6.3%, respectively, according to Tradeweb, pointing to a Cambodian sovereign yield in that area.

Nomura's sales and trading desk put fair value in the region of 9.3%–9.4% after adding on a spread for the company's own credit risk, as well as the political and regulatory frameworks in Cambodia. It warned of potential risks around the Cambodian general election in July.

A market source argued that Nagacorp would be viewed as a strong Double B credit if it was based in another jurisdiction, but the rating was constrained by the strength of the sovereign.

Nagacorp's fundamentals made it an appealing credit, as it had not even taken bank loans before coming to the offshore bond market, and generated US$320m of Ebitda in 2017.

Roadshows were held in Asia, London, New York and Boston. The company engaged with US investors familiar with high-yield issuers from the casino industry and keen to pick up a rare Asian gaming credit. Some investors who were already familiar with the stock were said to have looked at the bonds, too.

Asian investors took 63% of the 144A/Reg S notes, with US investors booking 22% and EMEA accounts 15%. By investor should logically have led to some widening in the old bonds as holders sold off to buy the higher-yielding primary offering, but they remained steady, as a large part of the old bonds is concentrated with a small number of long-term investors.

PLN's bonds had widened from 4.8% on April 25 when the mandate was announced to a peak yield of 5.5% bid on May 8. Indonesia's April 2028 bonds widened 47bp since issue to a peak of 4.7%, but had regained some ground to 4.5% on Tuesday.

That meant that PLN's new issue was around 100bp wide of the sovereign, a big difference from last year's issue when its spread over the sovereign was 38bp and 54bp for 10 and 30-year bonds. Nomura's sales and trading desk noted that PLN's spread over the sovereign was wider than those of state-owned port operator Pelindo II and oil-and-gas company Pertamina due to its higher leverage and debt-funded expansion plans.

US demand drove the deal, accounting for 55% of the 10-year and 50% of the 30-year. European investors bought 19% of the 10-year and 28% of the 30-year, while Asian investors booked 26% and 22%, respectively.

Asset managers and fund managers bought 74% of the 10-year, banks 6%, insurers and pension funds 11%, and sovereign wealth funds and central banks 9%. For the 30-year, asset managers and fund managers took 84%, banks 8%, and insurers and pension funds a combined 8%.

The bonds were quoted around reoffer on Wednesday morning.

Citigroup, *HSBC*, *Mandiri Securities* and *Standard Chartered* were joint bookrunners.

Part of the proceeds will be used to fund a tender offer via the same banks for US$1.7bn of PLN's existing dollar bonds with higher coupons, cutting its annual interest costs.

It accepted US$603.559m of its US$750m 8% bonds due August 2019; US$912.364m of its $1.25bn 7.75% notes due January 2020; and US$211.688m of its US$500m 7.875% notes due June 2037.

PLN offered to pay US$1,066.75 per US$1,000 in face value of its 2019s, US$1,074.00 per US$1,000 for its 2020s, and US$1,295.00 per US$1,000 for its 2037s.

The deadline for the offer was pushed back twice, from May 4 originally. ■

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type, asset managers and fund managers bought 90%, banks and securities firms 9%, and private banks 1%.

"You would think a debut high-yield issue would be hard to do in this market, but you can view this as a play on Chinese consumers and it's barely levered," said a banker away from the deal. Cambodian casinos are targeted at tourists, as local gamers face restrictions.

"The stock is doing okay and it has sizeable Ebitda," added the banker. "At this yield, if investors have cash to deploy, it doesn't look like it would push much wider."

In fact, the bonds were bid 1.5 points higher in trading on Tuesday, bucking the recent trend in Asian high yield for new issues to trade down.

While the US$300m issue was Nagacorp's target size for this offering, analysts away from the deal said that it eventually intended to raise US$600m–$800m from the bond market.

"They did the right thing to set a benchmark, build their reputation and credibility, and then they can tap or do a new issue later," said a syndicate banker away from the deal.

Proceeds from the issue will be used to grow Nagacorp's VIP gaming business and refurbish hotel rooms. Nagacorp's concession runs until 2065 and it has a monopoly in the Phnom Penh area until the end of 2035. ■

Sell-off stalls Indonesia share sales

■ **Equities** **Wavin puts IPO on hold, Hermina tumbles on debut**

BY S ANURADHA

A weak stock market and a slump in the rupiah are wreaking havoc on equity issues in Indonesia, with deals delayed and new stocks plummeting on listing.

WAHANA VINYL NUSANTARA (Wavin) has shelved its US$100m–$150m IPO after pre-marketing the issue in mid-April. Underwriters *Citigroup*, *Mandiri* and *RHB* had been scheduled to launch it in early May.

Maternity hospital owner MEDIKALOKA HERMINA fell 33% at one point on its debut last Wednesday and closed down 14%, making the Rp1.96trn (US$141m) IPO one of the weakest South-East Asian debuts in recent years.

There could be more bad news to come. State-owned WIJAYA KARYA REALTY (Wika Realty) will decide early this week whether to proceed with its Rp2.44trn–Rp3.19trn IPO after books were originally due to close on May 2.

Wika Realty, a subsidiary of Wijaya Karya, is offering up to 12.51bn shares, or 25% of the post-issue capital, at Rp195–Rp255 a share. *BNI*, *Danareksa* and *Danatama* are the underwriters.

Indonesia had been enjoying a busy phase for equity offerings this year, but rising oil prices and a worsening sell-off of emerging-market assets have spoiled the party for a country that is a net oil importer with more than 40% of government bonds in foreign hands.

The benchmark Jakarta SE Composite Index is down 8% over the past month, while the rupiah has weakened 2.7% against the US dollar.

The central bank's first interest rate rise since 2014 failed to stop the rupiah from sliding on Friday to 14,145 against the dollar, its weakest level since October 2015.

"A listing like Hermina can shake even the most seasoned investor. We need a long phase of rupiah stability before foreign investors come back to Indonesia," an ECM banker said.

MARKET PREMIERE

Forestry and timber company BARITO PACIFIC has decided not to go ahead with a Rp3.5trn placement as its chairman was not willing to sell at the clearing price.

Prajogo Pangestu, who owns 71% of Barito, had planned to renounce his rights in the company's Rp14trn 2-for-5 rights offer and sell the roughly US$250m stake to institutions at Rp2,300–Rp3,300 per rights share, a premium of up to 43% to the pre-deal close of Rp2,300.

Pangestu will now take up his full entitlement in the rights offer, which is likely to be priced at Rp2,330.

CLSA and *Nomura* are the global coordinators and bookrunners with *BNP Paribas*.

Amid the gloom, sanitary wares vendor SURYA PERTIWI rose 2.6% from its IPO price of Rp1,160 last Monday, but it too was struggling to stay above the issue price by the end of the week, closing at Rp1,165.

Media company MNC STUDIOS INTERNATIONAL is due to open a Rp1.01trn IPO on May 30, while Pizza Hut franchisee SARIMELATI KENCANA starts trading on May 23. The company raised Rp1trn through an IPO priced at Rp1,100.

MNC Studios, a subsidiary of Jakarta-listed Media Nusantara Citra, will open books between May 30 and June 4. The company plans to sell 1.56bn primary shares or a 29.98% free float at Rp500–Rp650 a share.

CGS-CIMB, *Mandiri* and *MNC Sekuritas* are the lead managers. ■

Indian NBFCs bet on retail bonds

Bonds Issuers step up public offerings, as private placements slow and short-term rates rise

BY KRISHNA MERCHANT

Indian non-banking finance companies (NBFCs) are turning to the retail bond market to manage their funding costs, after a spike in short-term yields and tighter rules for electronic bidding pushed up the cost of institutional placements.

Issuers could raise as much as Rs400bn–Rs500bn (US$5.9bn–$7.4bn) from retail-targeted public offerings in the coming months, according to Ajay Manglunia, head of fixed income at Edelweiss Financial Services.

SREI EQUIPMENT FINANCE raised Rs5.31bn from a three-tranche public issue last week. DEWAN HOUSING FINANCE CORPORATION is targeting up to Rs120bn this week. JM FINANCIAL CREDIT SOLUTIONS is eyeing up to Rs20bn of subordinated bonds in one or more tranches, while MUTHOOT FINANCE received board approval to raise another Rs60bn from a public issue, following on from a Rs36.72bn public offering last month.

Issuers are hoping that retail investors can supply an alternative source of funds now that bond offerings to institutions have become more expensive and harder to complete.

NBFCs, which rely on short-term funds such as commercial paper, have seen a sharp jump in their borrowing costs.

Three-month commercial paper rates for NBFCs have moved up 130bp to 8.35% as of May 16 from 7.05% at the beginning of April, according to a trader from a foreign bank.

"The systemic liquidity has come down and banks are not buying commercial paper," said the trader.

CP rates also track short-term corporate bond yields, which have moved up sharply because of redemption pressure from mutual funds, according to market participants.

"Currently, the rate curve is inverted. The short-term rates are higher than long-term rates and the new rules on electronic bidding are creating additional bottlenecks for issuers," said Karthik Srinivasan, group head for financial sector ratings at Icra Ratings.

Several institutional placements have been shelved after bids came wide of expectations, which has become a common pattern now that many large investors have to bid directly through an electronic platform.

"Earlier, arrangers would underwrite aggressively, and bid for levels lower than market yields," said Sandeep Bagla, associate director at Trust Capital. The new rules require investors to bid directly on the electronic platforms, giving underwriters little incentive to bid at aggressive levels.

Issuers also see the public route as a chance to diversify.

FUNDING GROWTH

"We believe that there is a large pool of capital which is untapped beyond institutional investors," said Harshil Mehta, joint managing director and chief executive officer at DHFL.

I-Med buyout loan lures funds

Loans Financing for X-ray network reveals strong non-bank demand

BY SHARON KLYNE

Asian banks and institutional investors ended up with much less of I-MED's A$690m (US$519m) buyout loan than they expected folowing a strong response for the deal, underlining the growing appetite for high-yielding financings in the region.

The transaction, which finances global private equity firm Permira's acquisition of Australia's largest medical imaging network from EQT Partners and other shareholders, attracted 28 banks and institutional investors in general syndication.

All 28 recommitted to the deal, despite a 25bp reverse flex on the interest margin, and institutional investors were allocated a combined 20%.

"Event-driven financing still offers relatively generous pricing despite any reverse flex," a senior Hong Kong-based banker at a Taiwanese bank said.

Singapore's GIC made a large A$100m commitment, its first investment in an Australian LBO, and five other institutional investors also participated. Traditional bank investors were heavily scaled back, with some participants, including Taiwanese banks, only allocated 30%–40% of their original commitments.

I-Med's margins were cut to 350bp and 375bp over BBSY for the amortising and bullet term loan tranches respectively, from 375bp and 400bp at launch. The deal carries an average life of 4.9 years and a leverage multiple of 4.5x Ebitda.

GIC's investment fits its direct lending strategy, as the sovereign wealth fund targets sponsor-driven debt deals with higher margins, a source said.

GIC also provided US$160m of subordinated debt to the holding company of Hong Kong-based Asia Broadcast Satellite (ABS) last June. Its Chesham Investment unit invested in a US$40m piece of a US$280m five-year refinancing for ABS, which is also owned by Permira.

Taiwanese banks took the lion's share of Asian banks' commitments, which amounted to 34% of the deal. European banks, including four of the six leads, accounted for 36.4% of the deal with combined commitments of A$252.5m, according to Thomson Reuters LPC.

Credit Agricole, *Goldman Sachs*, *HSBC*, *ING Bank*, *Natixis* and *Sumitomo Mitsui Banking Corp* were the mandated lead arrangers, bookrunners and underwriters.

STRONG APPEAL

I-Med's LBO loan proved a compelling investment due to the strength of the company, which reported revenues of A$700m in 2017 through internal growth and acquisitions.

Permira's pulling power, generous pricing and I-Med's strong market position in the diagnostic imaging industry, combined with otherwise low deal flow, also enhanced the deal's appeal.

LENDER SHARE BY NATIONALITY/TYPE

Lender Nationality	Volume A$ (m)
Institutional investors	135.0
Japan	70.0
Europe	252.5
Australia	22.5
US_Canada	25.0
Singapore	50.0
Taiwan	60.0
Korea	45.0
China	15.0
India	15.0
Total	**690.0**

Source: Thomson Reuters LPC

NBFCs are hungry for capital to meet high growth targets as a result of rapid credit expansion.

DHFL's loan book grew 28% to Rs919bn in FY18. It caters to low and middle-income households in second and third-tier cities and has a strong retail franchise with a strong retail deposit base.

"Public bond issuance is an important route to attract this capital to expand our reach and improve penetration," said Mehta.

Icra's Srinivasan noted that the bad-debt problems in the banking sector may be creating an opportunity for other finance companies.

"NBFCs are keeping funds ready to scale up their business," he said.

The market regulator is also working towards guidelines to fast-track public issues and bring down compliance costs, said a DCM banker.

NBFCs are expecting upbeat demand from retail investors as public bond issues offer higher returns than fixed bank deposits, which yield around 7.0% to 7.5%.

DHFL is offering yields of 8.90% to 9.10% for tenors from three to 10 years. Srei Equipment paid 8.5% to 9.6% for 400 days to 10 years.

However, not all investors are confident that the public market will be able to take up the slack.

Manglunia at Edelweiss cautions that the domestic retail investor base is still too small to replace large institutional investors.

Rajeev Radhakrishnan, head of fixed income at SBI Funds Management, also warns that demand may be muted in the current environment.

"Raising such a large amount from public issues will be a challenge for NBFCs because market conditions are not conducive," he said. ■

I-Med runs more than 200 clinics throughout Australia and conducts more than 4m patient procedures a year that benefits from government subsidies.

The buyout is Permira's first investment in Australia and its only healthcare investment in Asia.

I-Med's loan offered liquid lenders a good opportunity to invest in an otherwise low margin environment as investors continue to chase yield.

"We have strong interest in lending thanks to our abundant liquidity and cheap funding costs, and we don't have many other choices due to the lack of deal flow in the leveraged loan market," the senior Hong-Kong-based banker said.

I-Med's loan was launched in late February amid little flow of buyout loans. Australasia did not close a single LBO loan in the first quarter, compared with US$2.48bn and US$16.74bn in all of 2017 and 2016 respectively. The only other leveraged financing in the market at the time of I-Med's launch was a A$400m seven-year loan backing the acquisition of REAL PET FOOD.

China Merchants Bank is the sole bookrunner on that deal, which had attracted seven Asian lenders by early March but has still not closed.

Real Pet Food's loan offers an interest margin of 250bp over six-month BBSY, well below market rate, has a blended average life of 5.17 years and represents a leverage multiple of around 5.02x based on estimated Ebitda for 2018 of slightly under A$80m.

The excess demand highlighted by I-Med's heavy oversubscription and scaleback could benefit a A$280m five-year amortising LBO loan backing the acquisition of Australian vitamin company NATURE'S CARE MANUFACTURE.

That loan finances the Chinese-led acquisition of a majority stake in the Sydney-based vitamin company and is expected to launch imminently. ■

Singapore rate swing delays Lloyds T2

■ **Bonds** Rising rates, weak demand force issuers to postpone funding plans

BY KIT YIN BOEY

LLOYDS BANKING GROUP is delaying plans for a Singapore dollar bank capital offering after rising rates made the local market less competitive.

"The deal's not on for the time being," said one banker involved in the transaction. "Lloyds is now exploring alternative funding markets for its Tier 2 bonds."

Another source said Lloyds would continue to monitor the local market for an opportunity to print.

DBS, *HSBC* and *Standard Chartered* are joint lead managers for the potential issue.

Since announcing its plan for the Tier 2 issue on May 2, the British bank had struggled to launch the deal because of volatile local benchmark rates. The five-year Singapore dollar SOR climbed from 2.38% on May 2 to around 2.47% on May 17.

"Lloyds had a target price in its home currency but the rising rates made the swap cost unattractive and the Singapore currency just didn't work in the end," said one high-net-worth investor who had looked at the deal.

Rival bankers said Lloyds had also found it challenging to garner strong demand at a price whisper of 3.875% in a weak market.

A recent sell-off in outstanding Singapore dollar Tier 2 bonds made that look tight. Barclays' 3.75% 12-year non-call seven T2, sold in November, was quoted at a yield of 4.56% while Manulife Financial Group's 3% 12-year non-call seven T2 was at a yield of 3.6% and Landesbank Baden-Wuerttemberg's 3.75% 10-year non-call five was indicated at 3.8%. Only Commerzbank's 4.875% 10-year non-call five notes sold last year were above water at 101.18 or 4.52%.

Weak demand was felt throughout the market. OUE COMMERCIAL TRUST and GUOCOLAND had to shelve their own plans after finding less than enthusiastic responses.

Property developer CHIP ENG SENG, also looking to print bonds, has had to raise preliminary price indications for a five-year note from an initial 4.65% to 5.25%, but investors have yet to bite.

Bankers fault a combination of factors. Rising rates have eaten into returns that private bank clients earn through leverage, while investors are nursing losses on underperforming new issues.

Out of the nine corporate bonds sold in April and May, only four are currently in the black, and even then with bids quoted just above par. CapitaLand Mall Trust's 3.2115% 2023s, for instance, were sold in early May with a pick-up of 15bp over its secondary curve but are finding no bids, with the paper flat at around par.

"The secondary market is drying up and no dealer wants to take back the paper," said a debt syndicate banker at a foreign bank. "Investors cannot exit current holdings to buy new assets, while those with cash are holding on to it or are turning to stocks which are outperforming bonds."

The Singapore fixed income indices put out jointly by SGX and Thomson Reuters have underperformed the Straits Times Index by 6.79% year to date.

The syndicate banker said the bond market can only move forward if the wide gap in price expectations between issuers and investors shrinks.

"Issuers will have to realise they need to pay more as rates rise and spreads widen," said the banker. "Until then, we will continue to struggle to push out deals." ■

TOP STORY STRATEGY

MUFG revamps in global push

Japanese megabank raises overseas targets as low yen rates bite

MITSUBISHI UFJ FINANCIAL GROUP will implement a major revamp as it looks to increase earnings from corporate and investment banking overseas by more than a half over the next three years.

Japan's largest bank detailed plans during an investor presentation last Tuesday to reorganise the group along international and domestic lines as part of a new medium-term business plan.

The shift comes as MUFG steps up its bet that overseas growth will supplement flagging earnings from Japan, after reporting lower income from its domestic business for the 2017 fiscal year.

"The reorganisation is designed to boost collaboration across the MUFG network and with our partner banks. It will support our ambition to become a top-tier global bank," said a spokesperson.

Kenji Yabuta has been appointed head of global corporate and investment banking following the reshuffle.

Yabuta, who previously ran the corporate banking division, will oversee MUFG's combined CIB activities globally, including cash management, trade finance, syndicated lending and advisory.

Meanwhile, *Masato Miyachi* has been appointed head of CIB in Japan. Miyachi has held a number of senior roles at MUFG including as chief executive of Europe, the Middle East and Africa.

"The reorganisation is designed to boost collaboration across the MUFG network and with our partner banks. It will support our ambition to become a top-tier global bank."

Eiichi Yoshikawa has been tapped to run global commercial banking. The new group includes the overseas retail and commercial banking units as well as the investments MUFG holds in banks such as Security Bank in the Philippines and Bank of Ayudhya in Thailand.

Naoki Hori has been picked to run the retail and commercial banking division in Japan, while *Sunao Yokokawa* will run asset management and investor services and *Shigeru Asai* will be in charge of global markets.

GOING GLOBAL

MUFG provided further details of its plans to grow its overseas business during a separate investor presentation last Friday.

The bank is targeting 65% growth in profit over the next three years from both global CIB and global commercial banking, excluding Japan. This is equivalent to a net operating profit of ¥200bn (US$1.8bn) for global CIB and ¥320bn for global commercial banking.

The targets for global markets, the domestic CIB business, and asset management and investor services are 25%, 20% and 15% respectively, while MUFG said profits from retail and commercial banking would flatline.

The global push comes shortly after

Nomura rolls out Singapore booking hub

NOMURA is in the midst of setting up a booking hub for derivatives trades in Singapore, joining a growing cohort of global banks examining alternatives to London for their Asian business.

The Japanese investment bank, which has predominantly booked derivatives in London and Tokyo, has already begun migrating trading positions to Singapore, sources told IFR.

Its decision is unrelated to new regulations in Europe and the UK's decision to leave the European Union, which has prompted other banks to consider establishing booking centres not only in continental Europe but also in Asia, since they are moving their trading books out of London anyway.

"We took the decision several years ago that we should decentralise and that basically means putting entities where the clients are," said one source at Nomura.

"At the moment our clients book in Japan or Europe so we're basically saying, don't we want to have an Asia ex-Japan entity to face clients in the region? It's not a Brexit response. It's already very much in train."

"At the moment our clients book in Japan or Europe so we're basically saying, don't we want to have an Asia ex-Japan entity to face clients in the region? It's not a Brexit response. It's already very much in train."

A spokesperson for Nomura declined to comment.

Global banks have typically opted to hold their derivatives trades in their home markets and London, with the majority of their Asia-related deals booked in the UK.

Banks have preferred to centralise their activities in London because of the UK's stable regulatory environment and deep talent pool of middle and back office staff, as well as the economies of scale generated by aggregating their capital in a single location.

Regulatory pressures, such as the EU's Markets in Financial Instruments Directive, and Brexit have forced banks to reconsider, although their growing presence in Asia is another factor.

Other banks, most notably Credit Suisse, have been booking more trades in Asia as they look to grow their presence in the region. CEO Tidjane Thiam announced plans to set up a standalone Asia Pacific division in 2015.

"The extra-territorial implications of MiFID II get quite complicated, but I think quite a few of the requirements would fall away if banks are trading with an Asian client and using an Asian booking centre," said Terry Yang, partner at Clifford Chance.

MUFG reported a 6% decline in net interest income to ¥1.9trn for the year ending March 31, a sign that Japan's ultra-low interest rate environment continues to take its toll.

Overall net profit rose 7% to ¥989.7bn as results were lifted by lower credit costs and gains from the unwinding of cross-shareholdings.

Out of Japan's three megabanks, MUFG has by far the largest overseas presence due to its controlling stake in Bank of Ayudhya and minority shareholdings in Morgan Stanley and the Philippines' Security Bank.

Its investment in Morgan Stanley, in particular, has paid off well. It booked a ¥171.8bn profit from its roughly 24% shareholding in the US investment bank versus ¥146.8bn a year ago. Dividends from the Morgan Stanley stake accounted for around 17% of the group's overall profit.

MUFG has made no secret of its desire to expand further overseas and agreed a deal last December to acquire a 73.8% stake in Indonesia's Bank Danamon.

COST CONTROLS

MUFG also detailed plans during an earnings briefing last week to cut the number of domestic branches by 20% over the next six years.

It has set a target to reduce its expenses ratio to around 60% over the "mid to long-term" compared with the current ratio of 68%.

Rivals SUMITOMO MITSUI FINANCIAL GROUP and MIZUHO FINANCIAL GROUP unveiled similar plans to reduce costs, having been equally affected by sluggish domestic conditions.

Mizuho CEO Tatsufumi Sakai conceded last week during a press briefing that the bank had so far not been able to offset a revenue decline with cost controls.

The bank said it would cut about one-fifth of its branches by March 2025. Together with a headcount reduction of 14,000 during that period, it aims to reduce costs by around ¥100bn.

Meanwhile, SMFG said last week that it aims to cut around ¥30bn in costs through a mixture of relocating branches to less expensive locations and moving some of its back office work off-site.

SMFG recorded a 4% jump in net profit to ¥734.4bn, its highest annual profit in three years. Net interest income from its domestic operations plummeted, however, by 22% to ¥707.3bn. Its results were buttressed by higher fee income, gains from the sale of shares and lower credit costs.

Conversely, Mizuho reported its lowest annual profit in five years. Japan's third largest lender said its net profit fell 4% to ¥576.5bn, partly due to the absence of a tax benefit that boosted its earnings during the 2016 financial year.

THOMAS BLOTT

"For international banks, they will comply with these new regulations. It is just that with business from Asia growing, the question is whether this is the model that makes most sense for them."

RED CARPET

Last September, Reuters reported that regulators from Hong Kong and Singapore were discussing with the Asia Securities Industry and Financial Markets Association about regulatory changes required to get more banks to book their derivatives business in Asia.

Banks including HSBC, Morgan Stanley, Standard Chartered and UBS are also considering establishing booking centres, or booking more of their derivatives business, in the region.

"Previously, if you had these discussions with regulators two or three years ago, they were open to the idea, but they weren't exactly rolling out the red carpet," said the Asia Pacific chief operating officer of one major bank.

"You now see a lot of regulators who are very welcome to the idea and the HKMA (Hong Kong Monetary Authority) has been at the forefront on working on regulatory changes to facilitate banks such as ours to move their business to Asia."

Hong Kong has made no effort to hide its desire to establish the city as a booking centre to rival London. In 2015, its top financial policy advisory body, the Financial Services Development Council, said Hong Kong should "seize the opportunity" to position itself as a global booking centre.

The report identified several factors hindering the special administrative region's development as a hub, most notably that Hong Kong has separate regulators for different institutions.

Broadly speaking, HKMA supervises deposit-taking banks, while the Securities and Futures Commission regulates brokers, investment advisers and fund managers.

The Monetary Authority of Singapore has tweaked its requirements for derivatives trading to bring the framework more closely in line with the G20 standard.

THOMAS BLOTT

SGX partners with TASE for tech listings

SINGAPORE EXCHANGE is partnering with the TEL-AVIV STOCK EXCHANGE in a bid to woo more fast-growing companies from the technology sector.

SGX said in a statement last Monday that the partnership would include assisting companies during the pre-listing stage, facilitating the listing process and providing issuers with post-listing support.

TASE's CEO Ittai Ben-Zeev also said the tie-up would allow Israeli companies to raise funds on both exchanges simultaneously for the first time.

The latest partnership comes as exchanges globally have begun to step up their efforts to attract listings from fast-growing sectors such as healthcare and technology.

In March, SGX issued fresh proposals to allow companies to list with weighted voting rights.

SGX originally tabled proposals to accommodate WVR in February last year, although the latest set of rules relaxes some of the earlier requirements.

For example, SGX has proposed that companies with a minimum market capitalisation of S$300m (US$224.4m) will be allowed to adopt WVR structures, as against the earlier proposal of S$500m.

Last month, rival Hong Kong Exchanges and Clearing formally ushered in rules to allow shares with WVR. Chinese smartphone maker Xiaomi is expected to become the first company to list under the new rules.

SGX has been increasing its cooperation with other exchanges. In March, it signed a memorandum of understanding with New Zealand's Exchange to cooperate on areas like secondary listings, derivatives and exchange-traded funds.

Last October, SGX also teamed up with Nasdaq to attract Asian technology firms interested in listing on both bourses.

For its part, TASE has long been looking to stem the tide of Israeli start-ups exiting the country for more attractive public offering opportunities on foreign exchanges.

In March 2015, it announced the launch of a new index tracking 57 Israeli technology firms listed in both Israel and the US – called the TASE-BlueStar Israel Global Technology Index – for roll-out as an exchange-traded fund, in an effort to boost liquidity to entice Israeli start-up firms to remain.

THOMAS BLOTT

Japan Post Bank to diversify holdings

JAPAN POST BANK, one of the country's biggest institutional investors with ¥207.7trn (US$1.89trn) under management, is to increase its allocation to credit and alternative investments in a bid to improve returns.

The bank, also known as Yucho Bank, said in its medium-term plan for FY2018 to FY2020 that it would reduce its allocation to yen interest rate products such as JGBs to 55% of its portfolio from 61% as of end-March 2018. It will increase its allocation to credit to 41% from 39% and expand its strategic investment to 4% of its assets from 1%.

The strategic investment unit will add real estate debt funds and direct lending funds to its existing alternative investment portfolio, which includes private equity, hedge funds and real estate equity funds.

The diversification is a response to the significant decline in earnings from ultra-low-yielding JGBs.

To enhance gains from its private equity investments, Japan Post Bank and its sister company Japan Post Insurance have set up a joint investment company called Japan Post Investment Corp.

A spokesperson confirmed that the allocation to credit includes both yen and foreign currencies, but declined to comment on whether the increased investments will include lower ratings or new regions.

"All we can say is we will properly manage risk and promote investment diversification based on market conditions," he said.

The changes come shortly after pension fund giant GPIF added domestic high-yield bonds to its investment universe.

Debt market bankers, however, are not necessarily excited about Japan Post Bank's plan to increase credit investments.

"They have been expanding credit investments already, so we don't know for sure whether they will accelerate further," said one syndicate banker at a domestic securities firm.

He said the increased strategic investment was likely to be the main focus of improving returns. "Let's see how they respond when a new [Samurai] deal comes up."

Japan Post Bank on Tuesday reported a group net profit of ¥352.78bn for fiscal 2017, but forecast a 26.2% decline to ¥260bn this fiscal year. CEO Masatsugu Nagato said he expects the impact of Japan's low interest rate policy on its earnings to be the largest this fiscal year.

Bankers are closely watching how the recent adjustments by Japan Post Bank and GPIF, as well as the revised guidelines from Japan's Financial Services Agency on the treatment of bank investments in loss-absorbing bonds, will affect demand and pricing on upcoming deals.

The REPUBLIC OF INDONESIA is poised to reopen the Samurai market, and several foreign banks are rumoured to follow.

The South-East Asian sovereign is marketing three-year notes at 40bp–55bp over yen offer side swaps and five-year notes at 60bp-75bp over.

Daiwa, *Mizuho*, *Nomura* and *SMBC Nikko* are lead managers for the deal scheduled to price on May 24.

"We cannot judge for sure by just looking [at the management plan] whether they will start to buy bonds even at tighter spreads," said another domestic syndicate banker. "Perhaps they won't."

TAKAHIRO OKAMOTO

Sebi calls for better disclosure on bonds

India's market regulator has tabled stricter disclosure rules for issuers of bonds and preference shares, in a bid to enhance transparency and accountability for investors.

The Securities and Exchange Board of India has proposed that listed companies should disclose material information for debt investors, such as any delay or an expected delay in interest or dividend payments, covenant breaches or changes to their credit ratings, within 24 hours of the event.

"We see this as a very critical measure towards increasing transparency and investor confidence," said Shameek Ray, head of debt capital markets at ICICI Securities Primary Dealership.

Indian investors have long struggled to keep track of a borrower's financial health, and the regulators have taken an inconsistent approach to loans and bonds.

Sebi in October withdrew a circular proposing that borrowers should report a one-day delay in payment on bonds or loans, following feedback from banks and corporates that systemic risks would rise.

In February, the Reserve Bank of India said that even a one-day delay in repayment of term loans would be considered a default and lenders should start working on a resolution plan.

"The market regulator is trying to streamline the rules for debentures, similar to loans," said Jayen Shah, head of debt capital markets at IDFC Bank.

Sebi has proposed that listed entities should disclose newly obtained credit ratings or changes in ratings within 24 hours, rather than in their financial statements.

They should also disclose prohibitory orders restraining the listed company from transferring non-convertible debentures or preference shares, breach of any covenants, initiation or status updates with respect to cases at the National Company Law Tribunal within 24 hours.

Sebi has proposed that listed companies should inform the stock exchanges about interest and redemption amounts payable five working days before the quarter begins, compared with 11 days currently. They should also submit a certificate to the stock exchange within two days of payment of interest and principal.

The market regulator has proposed that material changes in the use of proceeds should be submitted quarterly compared to half-yearly earlier. In order to make material changes to the structure of a security, a listed company should obtain consent in writing from holders of three-quarters of the security and should be vetted by the debenture trustee.

Most market participants welcomed the move and felt that the disclosure proposals give issuers time to respond to changes in the regulations.

"Investors are not generally aware of various post-issue compliances like security creation and the developments related to rating changes, default etc," said Shah of IDFC Bank.

India does not have a repository which keeps all the data regarding things like coupon servicing and rating changes, and some companies are slow to acknowledge missed payments.

"The proposal will help investors be informed upon any coupon payment delay and improve corporate governance," said another DCM banker.

However, Shah said it might be difficult for companies to comply with disclosures related to discussions around mergers and acquisitions.

KRISHNA MERCHANT

SFC fines Citigroup over 2009 IPO

Hong Kong's securities regulator has slapped CITIGROUP with a HK$57m (US$7.26m) fine over its role as sponsor of the 2009 IPO of Chinese mining company Real Gold Mining.

The censure is the second disciplinary action in less than a year against a global bank for its role as an IPO sponsor in what is likely to be a string of enforcement actions.

The Securites and Futures Commission said that Citigroup failed to conduct adequate due diligence on the company's customers and did not properly supervise its staff when the company applied to list.

For instance, the US bank conducted all customer interviews by telephone on numbers provided by Real Gold without independently verifying the identities and contact details given to them.

The telephone interviews were also handled by an analyst and senior analyst with little oversight, while the bank waited more than four months after winning the mandate before appointing a sponsor principal to supervise the team.

"Citigroup cooperated fully with the SFC's investigation and has already taken appropriate action to ensure that it meets its legal and regulatory obligations at all times," the bank said in a statement.

The US bank conducted all customer interviews by telephone on numbers provided by Real Gold without independently verifying the identities and contact details given to them.

"The resolution announced by the SFC today does not involve any licence suspension and does not place any constraints on Citigroup's business activities or on any individual in Hong Kong or elsewhere."

Citigroup acted as sole sponsor and sole global coordinator on Real Gold's HK$1.03bn IPO, while Macquarie Capital acted as bookrunner and lead manager.

Real Gold's stock has been suspended since May 2011 and it has been subject to an SFC investigation for potential wrongdoings since at least that year, according to court documents.

The fine comes only months after the SFC handed UBS a HK$119m fine and an 18-month suspension from leading IPOs after an investigation into its sponsorship of listings including the HK$1.55bn IPO of China Forestry in 2009.

UBS is appealing the decision.

Standard Chartered, which closed its equities unit in 2015, was also a sponsor on the China Forestry deal. CEO Bill Winters said in March that there was no "material impact" on the bank as a result of the SFC's probe.

Thomas Atkinson, the SFC's head of enforcement, said last October that the regulator was probing "substandard work" by 15 firms in their roles as sponsors for IPOs.

THOMAS BLOTT

PNB suffers record quarterly loss

PUNJAB NATIONAL BANK reported a Rs134.17bn (US$1.98bn) fourth-quarter net loss, the biggest ever for an Indian lender, as the state-run bank booked provisions to cover a massive fraud.

In what has been dubbed the largest fraud in Indian banking history, PNB – the second-biggest state-run lender and fourth-biggest overall – disclosed in February that two jewellery groups had defrauded it of more than US$2bn, raising credit overseas from mostly other Indian banks with fake guarantees issued by rogue PNB staff.

Police last Monday charged 22 people, including a former PNB chief Usha Ananthasubramanian and two of its executive directors K.V. Brahmaji Rao and Sanjiv Sharan.

PNB said last Tuesday it had set aside a higher-than-required Rs71.78bn in the three months to March 31, or half of the total Rs143.57bn it owes other banks for the illegal guarantees. That led to a more than tripling of its total provisions from a year earlier to Rs203.53bn.

The bank, which has been allowed by the central bank to spread the fraud-related provisions over four quarters, said it would set aside the remaining money over the three quarters beginning April 1.

Some analysts expressed concern that the size of the losses, coupled with surging bad debts across the Indian banking sector, might weaken PNB's capital reserves to the point of damaging its growth prospects.

PNB's capital ratio fell to 9.2% at the end of March from 11.66% a year ago, according to a PNB presentation.

"Their capital is very low, and a bank needs it to sustain growth," said Yuvraj Choudhary, an analyst at Mumbai brokerage Anand Rathi. He noted that PNB's reported loss was more than triple his estimate, calling it a "major concern".

PNB shares ended down 3.8% last Tuesday, their lowest close since June 13 2016, having fallen as much as 6.4% after the results. The stock has lost almost half of its value this year, making it the worst performer among Indian bank stocks.

PNB, which raised Rs50bn from a share sale in December and has received nearly Rs55bn from the government as part of a US$32bn recapitalisation programme for the country's banks, has said it is adequately capitalised for now. It is looking to raise more capital, including via asset sales.

Earlier this month, PNB said it was targeting growth of over 10% in loans and deposits in 2018/19 and that it had strengthened the process of credit underwriting and upgraded its systems to prevent further frauds.

PNB's latest loss compared with a net profit of Rs2.62bn a year ago, and was higher than a Rs53.67bn loss it reported in the March 2016 quarter that had been the highest in India's banking sector.

Tighter central bank rules announced in February, which did away with half a dozen loan restructuring schemes, have led to banks reporting a surge in bad loans in the March quarter, and several of them reporting losses.

PNB accounted for Rs442.74bn of incremental bad loans in the March quarter including Rs75.79bn related to the fraud and Rs102.37bn after the stricter central bank rules, taking its gross non-performing assets ratio to 18.38% at the end of March.

The bank also disclosed on Thursday that the Securities and Exchange Board of India had warned it over delayed disclosures about the fraud.

PNB had filed a police complaint about the fraud on January 29, but disclosed the matter to the regulator only on February 5. Its shares fell more than 10% in that period.

In its letter, the securities regulator said it viewed the non-compliance "seriously" and warned PNB to be "cautious in future to ensure compliance".

DEVIDUTTA TRIPATHY, VISHAL SRIDHAR

China warns of foreign debt risks

Chinese regulators have warned issuers of foreign debt to follow market discipline to avoid excessive financial risks and to borrow primarily to support strategic projects.

The National Development and Reform Commission and the Ministry of Finance said in a notice on Thursday that Chinese issuers should conduct market-based financing activities in the offshore market and reiterated that they are not allowed to ask for or accept guarantees from local governments for overseas financing.

China will give strong support to companies and financial institutions with solid fundamentals that raise funds in the overseas market and use the proceeds for innovation projects, green projects, new industries of strategic importance, high-end equipment manufacturing, Belt and Road projects, and international projects, they said.

Those seeking to raise medium and long-term foreign debt should use interest rate swaps, forward foreign exchange trading, options, swaps and other financial products to hedge currency and interest rate risks, they said.

Those measures aim "to enhance the active role of low-cost funding in the international capital market in supporting the upgrading of (China's) real economy and supply-side reform," says the notice.

The NDRC has awarded offshore bond quotas to 80 Chinese issuers in just the past month. *(See News)*

China's outstanding foreign debt, including that of public and private sector borrowers, rose to US$1.71trn at the end of 2017 from US$1.68trn at the end of September, according to the latest official data.

INA ZHOU

Fitch upgrades Vietnam to BB, outlook stable

Fitch has upgraded VIETNAM's long-term foreign-currency issuer default rating by one notch to BB, citing an improvement in economic performance and lower debt levels.

The outlook is stable.

Fitch said the country's GDP growth had accelerated and predicted an expansion of 6.7% this year, in line with targets set by the National Assembly. Foreign direct investment, especially in manufacturing, has also remained strong, after increasing in 2017 by around 40% from the previous year.

"As such, Vietnam would remain among the fastest-growing economies in the Asia-Pacific region, and fastest among BB rated peers," said Fitch.

"As such, Vietnam would remain among the fastest-growing economies in the Asia-Pacific region, and fastest among BB rated peers."

The country's foreign-exchange reserves have also increased, rising to US$49bn from US$37bn at the end of 2016. Despite the impact of a stronger dollar, Fitch projects reserves to rise to US$66bn by the end of this year, enough to cover 3.1 months of external current payments.

Fitch also said the country had built up liquidity in the banking system and remained committed to containing debt levels. General government debt is expected to decline to under 50% of GDP by 2019.

Vietnam's improving economy is balanced by a weak banking sector and the risk of contingent liabilities arising from legacy issues at large state-owned enterprises, wrote Fitch.

The sovereign's US dollar bonds due 2024 were bid at 100.7 on Wednesday to yield 4.7%, according to Tradeweb.

FRANCES YOON

Deutsche plays down Asia cuts

DEUTSCHE BANK's chief executive Christian Sewing told staff last week the bank had no plans to pull out of any Asian countries, just a few weeks after announcing "painful" cuts to its corporate and investment bank in Asia.

After taking the helm at Deutsche last month, Sewing announced planned cutbacks in US investment banking, where the bank has struggled to break the grip of US rivals, as well as in Asia.

Sewing said in an update last month that the bank would scale back activities in certain areas where the bank does not hold a competitive advantage. This includes certain "sectors in the US and Asia in which cross-border activity is limited".

Sewing stressed last Monday, however, in a townhall meeting in Singapore that Deutsche's business in Asia remained key to its global success, according to a Hong Kong-based spokeswoman for the bank.

"We can only be relevant to our clients if we continue to be strong in Asia," he also told a client meeting.

Of Deutsche's top 100 clients globally, 88 are doing business with it on matters related to Asia, he said.

"Our first steps outside of Germany nearly 150 years ago were in fact in this region, in China and Japan. We knew then, as we know now, how fundamental Asia is to our global business," Sewing said.

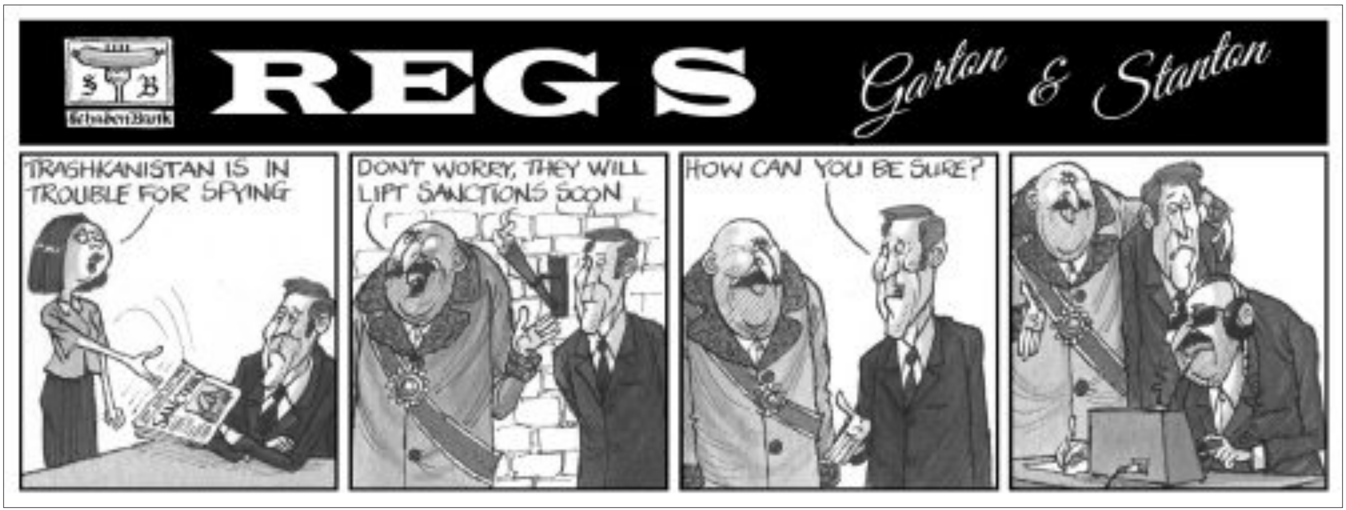
Deutsche is present in 15 Asian countries including Japan, China, Singapore and India. It employs about 19,000 staff in Asia. The bank is planning cuts of more than 100 jobs in its Asian investment banking operations, according to a source familiar with the matter.

Deutsche declined to comment on potential job cuts in the region.

By contrast, Deutsche is expected to cut around 1,000 jobs or 10% of its workforce in the US, the largest global market for investment banking fees, a different person familiar with the matter said last month.

Deutsche has traditionally been stronger in Asia than in the US, ranking fifth globally in 2017 investment banking revenues in Asia, compared to eighth position in the United States and second place in Europe, according to data from research firm Coalition.

ANDREAS FRAMKE



WHO'S MOVING WHERE...

■ **CREDIT SUISSE** has parted company with four Asian debt bankers this month, shortly after appointing a new head of its syndicated lending platform in the region.

Saurabh Banglani, a director based in Singapore, quit on Monday after nearly nine years with Credit Suisse. He had joined the loan syndication team in November 2009 and was responsible for South and South-East Asia.

Ashish Gala, a director in the APAC financing group in India, and *Malay Makkar*, who handled bond sales and loan syndications, also resigned from the bank in the past few days. Both were based in Mumbai.

Earlier this month, *Eddie Wong*, also a director with responsibility for loan syndications in North Asia, left the bank after a five-year stint.

The departures come weeks after Sergio Morita joined as head of syndication and distribution for the Asia Pacific financing group in March. Morita replaced Ashish Sharma, the Swiss bank's former APAC loans chief.

Before joining Credit Suisse, Banglani had worked in the Asian real estate investment team at Goldman Sachs.

Gala joined the Swiss lender in February 2010 and had previously worked at CLSA Capital Partners, an alternative asset manager, for nearly four years in Singapore. Gala had also worked in Standard Chartered's corporate advisory and leveraged finance team in Singapore for 4-1/2 years.

Makkar joined Credit Suisse in 2014. Before that, he was with Kotak Mahindra Bank, where he was responsible for credit sales and loan syndications.

■ Singapore-based internet company **SEA** has hired *Santitarn Sathirathai* as group chief economist from Credit Suisse.

He is expected to join the company in June and will report to Forrest Li, Sea's chairman and group chief executive officer.

Sathirathai has been with Credit Suisse for almost eight years and served as head of emerging Asia economics research. He was previously an economist at Thailand's Ministry of Finance.

His responsibilities at Credit Suisse will pass to *Ray Farris*, head of fixed income research and economics for Asia Pacific, and his team.

Last October, Sea raised US$989m from its NYSE IPO. Credit Suisse, Goldman Sachs and Morgan Stanley were the bookrunners.

■ US index provider **MSCI** has hired *Jack Lin* as head of Asia Pacific client coverage.

Based in Hong Kong, he reports report to Laurent Seyer, CEO and chief client officer.

Lin joins from asset management firm Amundi, where he was CEO of South Asia.

■ **RHB BANKING GROUP** has hired *Omar Siddiq* as head of wholesale banking.

He will join the Malaysian lender on June 1 and report to CEO Khairussaleh Ramli.

Siddiq will be responsible for overseeing business strategy for the wholesale group, which includes corporate banking, investment banking, global markets, asset management and private equity.

He joins from Malaysia Airlines, where he was chief financial officer. He has also been with sovereign wealth fund Khazanah Nasional, CIMB Group and PricewaterhouseCoopers.

■ *Li Chao*, head of Asia bond syndicate at **STANDARD CHARTERED BANK (HONG KONG)** has resigned to join a competitor.

His last day at StanChart was last Thursday and he is likely to take up his new position in August.

Li is rumoured to be joining CICC for a broader role than his one at StanChart.

CICC declined to comment.

Li has been with StanChart for almost six years and was promoted to managing director this year. He was named head of Asia bond syndicate in January 2017, having previously run syndicate for deals from Greater China. He had earlier worked at Royal Bank of Scotland in Singapore.

■ *Scott Campbell* started a new role last week at **NATIXIS** in Hong Kong as an executive director and head of non-bank distribution for Asia Pacific.

Campbell will focus on distribution of structured, project and leveraged finance debt across the bank's global platform. He reports to Daniel Klinger, Natixis's head of syndications for the region, also based in Hong Kong.

Campbell was previously a director at ANZ's leveraged and acquisition finance team in Hong Kong for 3-1/2 years and a director in the bank's project finance infrastructure team in Sydney for over four years.

■ *David Zhu*, head of loan syndications for North Asia at **DEUTSCHE BANK** in Hong Kong, is leaving the firm after nearly four years in the job. Zhu's last day was Friday. He is expected to resurface in the industry.

Deutsche declined to comment.

Zhu was involved in notable deals including a US$200m senior bridge facility for the privatisation of Chinese car rental provider eHi Car Services last month, a US$1bn five-year loan backing Ningbo Joyson Electronics Corp's US$1.6bn purchase of Japan's Takata Corp and debut loans for China's second-largest e-commerce firm JD.com and Chinese car maker Great Wall Motors.

Prior to joining Deutsche, Zhu was a director, leverage finance syndicate, with Standard Chartered's loan syndications team in Hong Kong for over two years.

Before that, he worked in StanChart's syndications team in London, covering Europe, Africa and South Asia.

IFR ASIA

SAVE THE DATE

INDIA DCM SEMINAR

Wednesday June 27 2018 | Trident, Nariman Point, Mumbai

Sponsored by: BARCLAYS

The IFR Asia India DCM Seminar will take place on the morning of Wednesday June 27 2018 at the Trident, Nariman Point, Mumbai.

Moderated by IFR Asia's Editor, **Steve Garton**, the Seminar will convene two expert panels to assess the current state of the asset class, examine the challenges and opportunities for market participants and provide an outlook for the rest of the year and beyond.

Registration will be open very shortly but for now, please save the date:
Wednesday June 27 2018.

THOMSON REUTERS

Macquarie goes green on loan

Loans Australian bank's financing to align with Green Loan Principles

Australian investment bank MACQUARIE GROUP is adopting green industry standards for a debut £500m (US$702m) loan.

The facility will be established under the bank's new green finance framework, which will be aligned with the Green Loan Principles published by Europe's Loan Market Association and the Asia Pacific Loan Market Association on March 21.

The deal comprises two three-year revolving credit facilities of £75m each (tranches A1 and A2) and two five-year term loans of £175m apiece (tranches B1 and B2).

The interest margins are tied to the borrower's S&P and Moody's ratings.

The three-year tranches pay 100bp over Libor for Baa1/BBB+ or higher, 110bp over Libor for Baa2/BBB and 120bp over Libor for Baa3/BBB– or lower. The initial three-year margin is 110bp.

The five-year tranches pay 115bp over Libor for Baa1/BBB+ or higher, 125bp over Libor for Baa2/BBB and 135bp over Libor for Baa3/BBB– or lower. The initial five-year margin is 125bp over Libor.

If the borrower has a split rating, the margin for the lower rating will apply.

Lenders are being invited to commit at six levels: MLABs and MLAs committing £250m or more 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.

HSBC is the coordinator.

Funds will be used for general corporate purposes, according to the term-sheet. However, some sources have speculated that proceeds may also be used to refinance debt that Macquarie took on to buy the UK government's Green Investment Bank for £2.3bn in August 2017.

EVELYNN LIN, SHARON KLYNE

AUSTRALIA

DEBT CAPITAL MARKETS

› BLUESCOPE MAKES EUROBOND DEBUT

BLUESCOPE STEEL, Baa3/BBB– (Moody's/S&P), attracted a hefty order book of US$1.1bn from 75 accounts for last Wednesday's debut Reg S-only bond issue, a US$300m 4.625% five-year note arranged by joint lead managers *ANZ*, *Credit Suisse*, *HSBC* and *JP Morgan*.

The strong demand enabled the leads to price well inside 205bp area initial price thoughts at Treasuries plus 180bp.

Asian and Pacific investors bought 75% of the notes and EMEA the remaining 25%. Asset managers and hedge funds were allocated 72%, banks 15%, insurance 10% and private banks 3%.

The third Australian corporate Reg S issuance this year follows rail-freight operator Asciano (Baa3/BBB–/BBB–) and toll-road operator Transurban Queensland, rated BBB (S&P), which printed A$400m and A$500m 10-year bonds in March and April, respectively.

Bluescope visited the 144A/Reg S market with a US$500m five-year non-call two print in April 2016 when it was a high-yield credit, rated Ba2/BB (Moody's/S&P). The new bond will help refinance the 144A note when it is called this month.

› WESTPAC TESTS SWISS WATERS

WESTPAC (Aa3/AA–/AA–) issued a SFr200m (US$200m) 0.40% six-year Eurobond last Monday at the wide end of mid-swaps plus 22bp–25bp price talk.

The offering, via sole lead *Credit Suisse*, attracted a SFr200m order book from 38 accounts and, despite pricing at the wide end of guidance, paid a modest new-issue premium of 2bp.

Asset managers bought 73%, insurance companies 15%, pension funds 10.5% and retail/private banks 1.5%.

› AOFM TAPS 2039 LINE FOR A$1.7BN

The AUSTRALIAN OFFICE OF FINANCIAL MANAGEMENT tapped the 3.25% June 21 2039 Treasury bond for A$1.7bn (US$1.28bn) last Tuesday, increasing the size of the line to A$8bn.

The syndicated sale via joint leads *ANZ*, *CBA* and *NAB* priced at a yield to maturity of 3.205% with A$3.2bn of bids received at the clearing price.

The reopening came 36bp wide of EFP (10-year futures), in the middle of the AOFM's 35bp–37bp guidance range.

The initial syndicated sale of the bonds in October 2015 raised A$4bn, with the AOFM tapping it for A$2.3bn via a syndicated sale last July.

› NTTC ADDS TO 10-YEAR BENCHMARK

NORTHERN TERRITORY TREASURY CORP, rated Aa2 (Moody's), has tapped its 3.50% April 21 2028 bond for the maximum targeted A$250m, taking the size of the line up to A$750m.

Last Monday's reopening via joint leads *ANZ* and *UBS* priced at 100.834 for a yield of 3.40%, at the tight end of the 61bp–64bp over EFP guidance range, 62.5bp over the May 2028 ACGB.

NTTC also repurchased A$20.6m of the A$500m 4.75% September 20 2018 bond at a clean cash price of 100.909.

NTTC on October 24 last year raised A$500m from the initial sale of April 2028s, which priced 72bp wide of EFP and 70.75bp over the May 2028 ACGB.

› LLOYDS BOUNCES BACK WITH KANGAROO

LLOYDS BANKING GROUP (A3/BBB+/A+) raised A$400m from its fourth Kangaroo bond offering in 20 months, a dual-tranche fixed-rate 5.5-year and 10-year issue.

The A$250m 3.9% November 23 2023s priced at 99.584 for a yield of 3.985%, in line with asset swaps plus 140bp area guidance.

The A$150m 4.75% May 23 2028s priced at 99.902 to yield 4.7625%, matching asset swaps plus 185bp area price talk.

ANZ, *JP Morgan*, *NAB*, *Nomura* and *Westpac* were joint lead managers on last Wednesday's transaction.

A floating-rate 5.5-year note was marketed but, with greater demand for the fixed-rate offering, the leads opted for a larger, single 5.5-year tranche in the interest of liquidity and performance.

Infigen refi overcomes regulatory risks

Loans **Facility closing soon as discussions ongoing on national power plan**

Syndication of the A$605m (US$455m) refinancing for renewable energy producer INFIGEN ENERGY is expected to close in a month despite regulatory uncertainty in Australia's power market.

Sole underwriter *Goldman Sachs* has received commitments from a number of investors and is targeting closing the books in June, sources said.

Australia's energy market has been marred by policy indecision, including ongoing discussions on a national power plan proposed by the government.

The National Energy Guarantee, to be put up for approval in August, would require the power sector to cut carbon emissions by 26% from 2005 levels by 2030, Reuters reported. At the same it will require electricity providers to ensure they have enough supply from steady power sources like coal and gas-fired plants to back up intermittent sources like wind and solar power.

Earlier government intervention in the gas market to prevent producers from selling gas overseas also spooked some potential loan investors.

Infigen sells electricity through a mix of medium and long-term contracts as well as through the spot market.

The loan, which was launched to syndication in February and reached financial close in April, comprises a A$525m five-year institutional term loan targeted at investors and A$80m five-year liquidity facilities aimed at the bank market.

Goldman has been conducting a bookbuilding process. The interest margin for the five-year institutional loan is in the 400bp–450bp range, while the margin for the other portion is 350bp over BBSY, the sources said.

The sources declined to be named due to the confidential nature of the information. Goldman also declined to comment.

The institutional loan refinances Infigen's global debt facility maturing on December 31 2022 and a loan backing the construction of its Woodlawn wind farm in New South Wales.

The A$80m liquidity facilities comprise a A$60m bank guarantee and letter of credit loan and a A$20m working capital facility, which is structured as a super-senior secured term loan, according to earlier public statements. The borrower had total debt of A$724m as of December 31 2017.

Infigen, formerly Babcock & Brown Wind Partners, has 557MW of installed wind generation capacity in New South Wales, South Australia and Western Australia with an additional 113MW of capacity under construction in NSW. The company has been cutting debt by selling assets offshore in the US and Europe to focus on the domestic energy market. It tapped shareholders last April for a A$151m capital raising to fund wind and solar projects.

SHARON KLYNE

On February 28 this year Lloyds Banking Group issued a A$750m dual-tranche seven-year Kangaroo.

On September 13 2016, the group printed a debut A$650m dual-tranche 5.5-year Kangaroo before issuing a A$450m 4.25% 10-year Kangaroo on November 15 2017.

These bonds count towards the group's total loss-absorbing capacity or, in the EU jurisdiction, minimum own funds and eligible liabilities (MREL).

Under UK rules, holding companies can issue TLAC/MREL-eligible Kangaroos, though they are subject to Australian law.

AUSNET PLACES A$200M 25-YEAR BONDS

AUSNET SERVICES, rated A3/A– (Moody's/S&P), has privately placed A$200m of 25-year bonds via sole lead manager *Westpac* to refinance debt and fund continued asset growth.

The deal comprised a A$150m May 29 2043 line and a A$50m November 24 2043 line, both paying a 4.5% coupon.

AusNet Services, Victoria's largest energy delivery service, has net debt of A$6.482bn as of May 15. It has outstanding bonds and hybrid notes in several currencies, including Australian dollars, US dollars, euros, sterling, Swiss francs, yen, Hong Kong dollars, Singapore dollars and Norwegian kroner.

EDC FIVE-YEAR NETS A$400M

EXPORT DEVELOPMENT CANADA, rated Aaa/AAA (Moody's/S&P), raised A$400m from last Wednesday's five-year Kangaroo bond offering via joint lead managers *Deutsche Bank*, *RBC Capital Markets* and *TD Securities*.

The 2.8% May 31 2023s, which had an indicative minimum issue size of A$250m, priced at 99.653 for a yield of 2.875%, 35bp wide of asset swaps and 41.5bp over the April 2023 ACGB.

MUFG SYDNEY PRINT ONE-YEAR FLOATER

MUFG BANK, SYDNEY BRANCH, formerly known as The Bank of Tokyo-Mitsubishi UFJ, Sydney branch, rated A1/A (Moody's/S&P), priced a A$300m one-year floating-rate note last Friday in line with three-month BBSW plus 52bp area guidance.

The *ANZ*-led deal was increased from a minimum size of A$100m.

BARCLAYS ROADSHOWS KANGAROOS

BARCLAYS (Baa3/BBB/A) has mandated itself and *NAB* to host debt investor meetings in Hong Kong, Singapore, Melbourne and Sydney starting this week ahead of a potential senior unsecured Kangaroo bond.

Structures under consideration are five-year and/or 10-year bullet bonds or six-year non-call five and/or 11-year non-call 10 callable bonds, subject to investor feedback.

STRUCTURED FINANCE

RESIMAC PRICES A$750M PRIME RMBS

Non-bank lender Resimac issued a A$750m dual-currency prime RMBS last Friday through RESIMAC PREMIER SERIES 2018-1.

NAB was arranged and joint lead manager with *Citigroup* and *Westpac*. MUFG was co-manager.

The US$210m Class A1 notes with a 1.8-year weighted average life, priced below 85bp–90bp area guidance at one-month Libor plus 80bp.

The A$288.75m Class A2 notes with a 2.7-year WAL priced in line with one-month BBSW plus 110bp area guidance.

The A$62.5m Class A3b notes priced wide of 135bp area price talk at one-month BBSW plus 140bp with the A$50m fixed-rate Class A3a notes yielding 3.8748% versus initial 3.69% guidance, later revised to 3.71%. Both A3 notes have 5.0-year WALs.

The A$47.25m Class ABs, A$11.25m Class Bs amd A$7.5m Class Cs, all with 4.5-year WALs priced 165bp, 185bp and 270bp over one-month BBSW. This compares with 165bp area, 185bp–195bp area and 275bp–285bp area guidance.

The A$6m Class Ds with a 4.3-year WAL

priced in line with one-month BBSW plus 575bp area guidance while the A$3m Clas Es were retained.

The Class A1, A2 and A3 notes have 10% credit support. The ABs to Ds have 3.7%, 2.2%m 1.2% and 0.4% support,respectively.Resimac prevously issued A$1bn equivalent of Australian and US dollar RMBS in April last year through Resimac Premier Series 2017–1.

BOQ READIES NEXT RMBS

Bank of Queensland has released initial price talk for an indicative A$500m securitisation of residential mortgages under SERIES 2018-1 REDS TRUST, expected to launch this Monday.

Guidance for the A$460m Class A1 notes with a 2.8-year weighted-average-life is 102bp–105bp area over one-month BBSW.

Price talk for the A$13m Class A2s, A$4.7m Class ABs, A$8.9m Class Bs, A$6.7m Class Cs, A$3.1m Class Ds and A$3.6m Class Es all with 6.1-year WALs, is one-month BBSW plus 115bp–120bp area, 145bp–155bp area, 165bp–175bp area, 240bp–260bp area, 330bp–350bp area and 590bp, respectively.

NAB is arranger and joint lead manager with *CBA*, *SMBC Nikko Capital Markets* and *Westpac* for the Class A1 notes. NAB is sole lead manager for the remaining tranches of the RMBS.

Bank of Queensland last sold residential mortgage-backed securities in February of last year with an upsized six-tranche A$1bn print via Series 2017-1 REDS Trust RMBS.

COLUMBUS PLANS DUAL-CURRENCY

Non-bank lender COLUMBUS CAPITAL has mandated *MUFG*, *NAB* and *Westpac* to market a potential Australian dollar and Reg S US dollar RMBS under the Triton programme.

Columbus Capital issued an enlarged A$500m offering of prime RMBS last November through Triton 2017-2, five months after the A$500m Triton Capital 2017-1 print.

PEPPER MARKETS PRIME RETURN

Initial price talk has been released for the A$400m PEPPER I-PRIME 2018-1 TRUST RMBS issue, expected to launch this week.

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

Guidance for the A$120m Class A1-S notes and A$200m Class A1-L notes with 0.8-year and 3.0-year weighted-average lives is one-month BBSW plus 70bp area and 115bp–120bp area, respectively.

For the A$48m Class ABs, A$10.6m Class Bs, A$8m Class Cs, A$5.4m Class Ds and A$3.6m Class Es, price talk is one-month BBSW plus 160bp–170bp area, highs 100s area, high 200s area, high 300s area and high 500s area.

For the A$2.2m Class F notes with a 3.5-year WAL, guidance is one-month BBSW plus high 600s area.

The structure is completed by A$2.2m Class G notes with a 4.0-year WAL.

Pepper Group issued an enlarged A$1bn equivalent dual-currency non-conforming RMBS in March 2018, called Pepper Residential Securities Trust No 20 which included US$150m A1-u1 notes.

The specialist residential mortgage and consumer lender last sold prime RMBS in December last year, A A$400m transaction via Pepper I-Prime 2017-3 Trust.

CHINA

DEBT CAPITAL MARKETS

FORTY REGISTER OFFSHORE BONDS

China's state planning agency said on May 11 that 40 issuers, including CHINA THREE GORGES CORPORATION, had registered to issue offshore bonds.

The National Development and Reform Commission did not say when the registrations were approved.

The list also included ALUMINUM CORPORATION OF CHINA, CHINA NONFERROUS METAL MINING GROUP, CHINA DRAGON POWER ENGINEERING, CHINA ENERGY RESERVE & CHEMICALS GROUP, ZHENGZHOU METRO, JIANGSU BICON PHARMACEUTICAL, SUZHOU DONGSHAN PRECISION MANUFACTURING, MEIHUA HOLDINGS GROUP, UNITED PHOTOVOLTAICS GROUP, TAICANG PORT CONCORD POWER, CHAOWEI POWER HOLDINGS and TIANJIN ZHONGHUAN SEMICONDUCTOR.

BEIJING KINGSOFT SOFTWARE, CHINA NATIONAL TRAVEL SERVICE GROUP, DALIAN ZHONGSHENG GROUP, REDCO GROUP, HUAYUAN PROPERTY, JINKE PROPERTY GROUP, TONGCHUANG JIUDING INVESTMENT MANAGEMENT GROUP, NINGBO DINGLIANG HUITONG EQUITY INVESTMENT CENTER, PEKING UNIVERSITY RESOURCES GROUP, CHONGQING BANAN ECONOMIC PARK CONSTRUCTION INDUSTRY and NEW HOPE GROUP have also won approval to issue offshore bonds, according to NDRC.

The registrants included companies which have either issued offshore bonds or have mandated for offshore bonds so far this year, including OCEANWIDE HOLDINGS, ZHONGYUAN YUZI INVESTMENT HOLDING GROUP, SUNAC CHINA HOLDINGS, BEIJING CAPITAL GROUP, CHINA VANKE, AVIATION INDUSTRY CORPORATION OF CHINA, GUANGZHOU FINANCE HOLDINGS GROUP, ENVISION ENERGY (JIANGSU), CHINA HUADIAN CORPORATION, SHANGHAI POWERLONG INDUSTRIAL DEVELOPMENT, CAR INC, CIFI GROUP, TONGYI INDUSTRIAL GROUP, SHENZHEN BRIGHTOIL PETROLEUM GROUP, QINGHAI PROVINCAL INVESTMENT GROUP and CHINA NATIONAL OFFSHORE OIL CORPORATION(CNOOC).

AVIC INTL PRINTS US$400M BONDS

AVIC INTERNATIONAL HOLDING, rated BBB–/A– (S&P/Fitch), priced a US$400m three-year US dollar senior unsecured bond after drawing over US$900m of final orders from 56 accounts.

The 4.375% Reg S notes were priced at 99.758 to yield 4.462%, or Treasuries plus 175bp, the tight end of final guidance of 175bp–180bp and well inside initial 200bp area guidance.

Of the notes, 91% went to Asia and 9% to Europe. By investor type, 42% were banks, 35% were fund managers and asset managers, 14% were corporate and agency, 7% were insurers, and 2% were private banks and others.

The notes will be issued by AVIC International Finance & Investment and the state-owned parent will provide a guarantee.

The notes have an expected A– rating from Fitch.

Proceeds will be used for refinancing, working capital and general corporate purposes.

BOC International and *HSBC* were joint global coordinators as well as joint lead managers and joint bookrunners with *DBS Bank*, *China Industrial Securities International*, *BOSC International* and *ICBC Asia*.

AVIC International is an importer and exporter of civil aviation equipment and is one of the largest aviation sub-contractors in China.

BOC AVIATION FLOATS ON HIGH

BOC AVIATION, rated A–/A– (S&P/Fitch), drew final orders of around US$3bn from 193 accounts for its second US dollar floating-rate bond offering in less than a month, as demand for floaters remained strong on expectations of further interest rate rises in the US.

The Chinese aircraft leasing company priced US$350m seven-year notes at three-month Libor plus 130bp, the tight end of final guidance of 130bp–135bp and well inside initial 160bp area guidance.

Of the notes, 87% went to Asia and 13% to EMEA. By investor type, 57% were fund managers, 28% were banks, 13% were private banks, and 2% were insurers.

The Reg S issue has expected ratings of A–/A– (S&P/Fitch).

Tahoe persists despite downgrades

Bonds Group seeks up to US$1.8bn after asking S&P to withdraw lowered rating

Chinese property developer **TAHOE GROUP** is proceeding with plans to issue offshore bonds despite a warning from S&P that its dependence on debt financing is "unsustainable".

The Shenzhen-listed company said in a filing on May 11 that its board had agreed to increase the maximum amount of offshore bond issuance to US$1.8bn, from an original cap of US$1.0bn.

The filing capped a whirlwind three-day period during which S&P first cut the company's ratings and then, the very next day, withdrew them at the issuer's request.

"The withdrawal is unusual and is further evidence of the control that issuers, and their bankers, have over rating agencies in Asia," Charles Macgregor, head of Asia at research firm Lucror Analytics, said in a note.

S&P on May 9 downgraded Tahoe Group's long-term issuer credit rating to B– from B and kept its stable outlook unchanged. At the same time, it also lowered its long-term issue rating on the company's senior unsecured notes to CCC+ from B–.

S&P said the group's leverage was significantly higher than expected as a result of weak cash collection and aggressive expansion, leading to an unsustainable dependency on debt financing. S&P also warned that the group's liquidity position was tight and noted that it faces high refinancing risk given the high proportion of short-term debt and alternative financing in its debt mix.

Then, on May 10, S&P said it was withdrawing all its ratings on Tahoe Group and its bonds at the group's request.

Tahoe said in the May 11 filing that its offshore subsidiary Tahoe Group Global would issue new bonds in phases with an initial size of US$500m and a tenor of up to five years in the first phase.

Tahoe Group will guarantee the bonds.

The company first tapped the offshore bond market in January this year following a November roadshow. It sold US$200m of 7.875% senior notes due 2021 at 99.672 to yield 8.00% and US$225m of 8.125% senior notes due 2023 at 99.697 to yield 8.20%. Then in March, it reopened the 7.875% 2021s for a US$230m tap at 98.116 to yield 8.625%.

Rating agencies, however, have since warned that Tahoe faces high refinancing risks.

Moody's on May 4 downgraded Tahoe Group's corporate family rating to B2 from B1 and its senior unsecured notes to B3 from B2. It changed the outlook on all ratings to stable from negative.

Moody's said the downgrade reflected its expectation that the group's deleveraging over the next 12 to 18 months will be slower than it had expected, while the refinancing pressure from its maturing onshore shadow-banking loans and puttable onshore bonds has increased.

Seemingly little consideration has been given to investors who relied on S&P's ratings when subscribing to the earlier US dollar bonds of Tahoe Group, Lucror's Macgregor said.

Still, Tahoe Group managed to raise US$100m from a tap after the recent downgrades, albeit at a much higher yield and much smaller size than the ambitious plan it unveiled earlier.

The group in a May 16 filing said it has reopened its 7.875% Reg S 2021s, rated B3/B– (Moody's/Fitch), for US$100m. It did not disclose the reoffer price but, according to market sources, the additional bonds were sold at 95.359 to yield 9.90%. Settlement will be on May 23.

The tap increased the size of the outstanding 2021s to US$530m.

Proceeds will be used for onshore project development and other general corporate purposes.

Haitong International and *China Industrial Securities International* were arrangers of the private placement.

Moody's said the tap will not materially affect Tahoe Group's debt leverage, because its size is not material relative to the company's total debt, and part of the issuance proceeds will be used to refinance debt.

Fitch also said the reopening will not affect its B (stable) rating on Tahoe Group and its B– rating on its senior unsecured bonds.

Fitch said Tahoe Group's 2017 leverage was lower than the 81% it had expected, partly because the group slowed its land acquisition pace. However, Tahoe Group's plan to target aggressive contracted sales growth means it remains under pressure to add to its land bank, which will limit the room for deleveraging, Fitch noted.

CAROL CHAN

Proceeds will be used for new capital expenditure, general corporate purposes and debt refinancing.

BOC International and *Citigroup* were joint global coordinators as well as joint lead managers and joint bookrunners with *Goldman Sachs*.

BOC Aviation on April 23 priced US$500m three-year US dollar 144A/Reg S floaters at three-month Libor plus 105bp.

› CHINA SOUTH CITY RAISES US$150M

CHINA SOUTH CITY HOLDINGS, rated B/B (S&P/Fitch), has raised US$150m from an offering of US dollar bonds to refinance debt and for general corporate purposes.

The Chinese logistics and trade centre developer and operator priced the 10.875% senior bonds due August 2020 at 99.654 to yield 11%, unchanged from initial guidance of 11% area.

Final statistics were not available at the time of writing but orders were said in excess of US$550m, including interest from leads, at the time of release final guidance.

The Reg S issue has expected B–/B (S&P/Fitch) ratings.

UBS, *Bank of America Merrill Lynch* and *Guotai Junan International* were joint global coordinators as well as joint bookrunners and joint lead managers with *HSBC*, *AMTD*, *Haitong International* and *China Merchants Securities (HK)*.

China South City Holdings in January issued US$250m 7.25% three-year US dollar senior notes at 99.011 to yield 7.625%. Last November, it issued US$300m 7.25% five-year US dollar senior notes at 97.96 to yield 7.75%.

› COGO POSTPONES DOLLAR BOND DEAL

Property developer **CHINA OVERSEAS GRAND OCEANS GROUP**, rated Baa2/BBB–/BBB, has postponed a five-year US dollar senior unsecured bond offering that it had planned to price on Wednesday night, according to market sources.

One of the joint global coordinators told other bookrunners on Thursday morning that, "despite having a deal together, the company decided to stand down due to supply concerns."

One of the sources said the the issuer may revisit the market this week.

An official from the Hong Kong-listed company declined to comment.

The company had set final guidance on Wednesday evening at Treasuries plus 225bp, in from initial guidance of 245bp area. When final guidance was released, books were said to be over US$850m, including interest from leads.

"Some big orders withdrew after the final price guidance was announced. The pricing was too tight," one of the market sources said. Fair value was put at around Treasuries plus 230bp.

The developer has a US$700m offshore debt issuance quota from China's National Development and Reform Commission. It originally aimed to use around half of the quota this time.

CICC, *ICBC International* and *UBS* are JGCs as well as joint bookrunners and joint lead managers with *BoCom International*, *China Citic Bank International* and *Shanghai Pudong Development Bank Hong Kong* branch on the Reg S issue.

The proposed notes, with expected ratings of Baa2/BBB–/BBB, would be issued by China Overseas Grand Oceans Finance IV (Cayman) and China Overseas Grand Oceans would be the guarantor.

Proceeds would be used to repay or refinance debt, to finance new and existing projects, and for general corporate purposes.

FOUNDER PRINTS UNRATED FLOATERS

PEKING UNIVERSITY FOUNDER GROUP has raised US$375m from a sale of offshore bonds to refinance debt and for general corporate purposes.

The Chinese state-owned conglomerate on Monday priced US$310m new three-year floating-rate bonds at three-month Libor plus 400bp, well inside initial 425bp area guidance.

It was a rare offering of floating-rate notes from an unrated issuer. Currently, issuers of such securities are overwhelmingly financial institutions and a few investment-grade corporates.

The notes attracted final orders of over US$700m from 35 accounts. Of the notes, 99% went to Asia and 1% to Europe. By investor type, 45% were private banks and others, 30% were banks, and 25% were fund managers.

The company also raised US$65m from a tap of the 6.25% 2020 2.5-year fixed-rate bonds it priced last month. The tap priced at 100.590, versus final price guidance of 100.00. The reopening took the amount outstanding of the 2020s to US$490m.

Both the floating-rate and fixed-rate rated Reg S notes are unrated and will be issued by Kunzhi, while Founder Information (Hong Kong) is guarantor. Both are subsidiaries of Founder Group.

The notes also have the benefit of a keepwell deed and a deed of equity interest purchase undertaking from Founder Group.

Bank of China, *Barclays*, *DBS Bank* and *Founder Securities (Hong Kong)* were joint global coordinators, joint lead managers and joint bookrunners for both tranches.

BOC International and *Orient Securities (Hong Kong)* were also joint lead managers and joint bookrunners for the tap issue.

Peking University owns 70% of Founder Group and Beijing Zhaorun Investments Management, a holding company of the group's employees, controls the remaining 30%. Founder Group has interests in information technology, healthcare and pharmaceuticals, finance and securities, bulk commodities trading, education and training.

GREAT WALL AMC ISSUES US$600M

CHINA GREAT WALL ASSET MANAGEMENT, rated A3/A–/A, has priced a US$600m five-year US dollar senior unsecured bond after drawing over US$2.25bn of final orders from 65 accounts.

The 4.375% notes were priced at 99.552 to yield 4.476%, or Treasuries plus 155bp, well inside initial 180bp area guidance.

Of the notes, 98% went to Asia and 2% to Europe. By investor type, 73% were banks, 18% were fund managers and asset managers, 8% were insurers and pension funds, and 1% were private banks.

China Great Wall International Holdings III is the issuer of the Reg S notes and China Great Wall AMC (International) Holdings is the guarantor.

The notes also have the benefit of a keepwell deed, EIPU and liquidity support from state-owned parent China Great Wall Asset Management.

The notes have expected Baa1/BBB+/A ratings. Proceeds will be used for debt refinancing.

Standard Chartered Bank, *Agricultural Bank of China*, *CCB International*, *ICBC Asia*, *JP Morgan* and *Morgan Stanley* were joint global coordinators.

They were also joint lead managers and joint bookrunners with *Bank of China*, *Bank of Communications*, *China Minsheng Banking Corp Hong Kong branch*, *CLSA*, *Haitong International*, *ICBC International*, *ICBC Singapore*, *Mizuho Securities* and *Shanghai Pudong Development Bank Hong Kong branch*.

GREENLAND SHORT-TERM IN DEMAND

GREENLAND HOLDING GROUP, rated Ba1/BB/BB–, priced US$500m of 363-day US dollar bonds at par to yield 6.75%, tightening from initial guidance of 6.875% area.

The unrated Reg S issue attracted final orders of over US$1.9bn from 64 accounts. Of the notes, 55% went to fund managers and asset managers, 31% went to banks, and 14% went private banks and others.

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

The Chinese property developer plans to use the proceeds for debt refinancing and general corporate purpose.

BOC International and *Mizuho Securities* were joint global coordinators as well as joint lead managers and joint bookrunners with *China Citic Bank International*, *Guotai Junan International* and *Haitong International*.

HELENBERGH MEETS INVESTORS

GUANGDONG HELENBERGH REAL ESTATE GROUP, which just received first-time ratings from the three global rating agencies, held a non-deal fixed income roadshow in Hong Kong on May 16 via *Guotai Junan International* and *Barclays*, according to a market source.

Moody's has assigned a B2 (stable) rating to the company while S&P rates it B (stable) and Fitch B+ (stable).

As at end-2017, the Guangdong-based privately owned property developer had land reserves of 28m square meters in gross floor area, including around 13m of GFA pending settlement, in 29 cities. Its key operating cities include Huizhou, Kunming, Wuhan and Zhaoqing.

Moody's expects Helenbergh's revenue/adjusted debt will remain largely stable at 70%–75% in the next 12-18 months from 74% in 2017. Its Ebit/interest coverage will also be largely stable at around 2.9 times over the same period, compared to 2.8 times in 2017.

Moody's said the company's rating is constrained by its "private company status, narrow funding access, and it high level of outstanding trust loans and loans from asset management companies", which raises its refinancing risks.

ICBC RAISES US$650M FROM FLOATERS

INDUSTRIAL AND COMMERCIAL BANK OF CHINA, rated A1/A (Moody's/S&P), has raised US$650m from a sale of US dollar floating-rate Reg S bonds via its Sydney and Singapore branches.

ICBC Sydney branch last Monday priced a US$300m new three-year floater at three-month Libor plus 75bp, well inside initial 100bp area guidance. The notes have an expected A rating from S&P.

Meanwhile, ICBC Singapore branch on the same day reopened its five-year floaters due April 2023 for US$350m. The tap priced at three-month Libor plus 85bp, well inside initial 110bp area guidance and matching the initial margin on the original US$500m issue last month. The notes are rated A1 by Moody's.

The Sydney branch's three-year floaters drew final orders of around US$1bn from 54 accounts. Of the notes, 89% went to Asia and 11% to EMEA. By investor type, 66% were banks, 23% were fund managers and asset managers, 10% were central banks and sovereign wealth funds, and 1% were private banks.

ANZ, *BNP Paribas*, *ICBC* and *NAB* were joint lead managers and joint bookrunners for the new bonds.

ICBC Singapore, *Agricultural Bank of China Hong Kong branch*, *ANZ*, *DBS Bank*, *HSBC* and *Standard Chartered* were joint lead managers and joint bookrunners for the tap.

Proceeds will be used to finance the issuers' operations and for their general corporate purposes.

› LANDSEA TAPS GREEN 2020S

LANDSEA GREEN GROUP, rated B2/B/B, has reopened its 9.625% two-year US dollar Green bonds it priced last month for a US$50m tap.

The Hong Kong-listed Chinese property developer sold the additional Reg S bonds at 99.556 to yield 9.875%, matching the reoffer yield when the original bonds priced on April 20. The senior unsecured bonds are rated B3/B–/B.

The latest tap lifts the size of the 2020s to US$200m.

Guotai Junan International, *Haitong International* and *Zhongrong PT Securities* were bookrunners of the private placement.

› NAN HAI PAYS 11% FOR 364-DAY BONDS

Chinese film distribution and property development company **NAN HAI**, rated B1 (Moody's), raised US$120m from an offering of short-term senior notes to repay loans, the Hong Kong-listed company said in a filing on Friday.

The 9.75% 364-day US dollar notes were sold at 98.850 of principal amount for a yield of 11%. Settlement is on May 24.

Top Yield Ventures is the issuer while Nan Hai and certain non-PRC subsidiaries are guarantors.

Guotai Junan International was the arranger of the Reg S issue.

› VANKE PRICES HOT US$650M FLOATER

CHINA VANKE raised US$650m of five-year money on Thursday after its first US dollar floating-rate note attracted one of the biggest order books of the year for an offshore Chinese financing.

Vanke, the country's second-biggest property developer by sales, drew a final order book of over US$3.75bn from 211 investors, tapping into demand for protection from rising US interest rates.

The Baa1/BBB+/BBB+ rated Chinese property developer priced the five-year senior unsecured notes at three-month Libor plus 155bp, well inside initial 185bp area guidance.

Orders exceeded US$4.65bn before final guidance was released, well above the response to Vanke's most recent fixed-rate offering just a month ago.

Vanke priced a US$971m 4.15% five-year senior unsecured bond on April 11 to yield Treasuries plus 160bp. The final order book was US$1.6bn.

"Floaters are in favour recently amid expectations of further rate increases in the US," a banker on the deal said.

"Issuers just need to do an interest rate swap with banks to hedge the risk, then they could still achieve similar funding costs compared with fixed-rate bonds. But by issuing floaters, they could now have a bigger issue size and longer tenor," he said.

Of the notes, 90% went to Asia and 10% to Europe. By investor type, 65% were asset managers, 15% were insurers and corporates, 13% were banks, and 7% were private banks.

In line with the fixed-rate deal, Vanke Real Estate (Hong Kong) is the issuer and the parent company, listed in Shenzhen and Hong Kong, is providing a keepwell deed and equity interest purchase undertaking.

The notes have expected Baa2/BBB/BBB+ ratings. Proceeds will be used for general corporate purposes.

UBS, *Goldman Sachs*, *HSBC* and *BOC International* were joint global coordinators, as well as joint bookrunners and joint lead managers with *CICC* and *Bank of China (Hong Kong)*.

› ZHONGYUAN YUZI POSTPONES BOND

ZHONGYUAN YUZI INVESTMENT HOLDING GROUP, rated A3/A– (Moody's/Fitch), postponed a US dollar 3.5-year bond offering after marketing the deal on Thursday.

Final guidance for the senior unsecured deal was Treasuries plus 250bp, unchanged from initial guidance of 250bp area, and orders were over US$575m, including interest from the leads.

The benchmark Reg S bonds were due to be issued by Zhongyuan Sincere Investment and guaranteed by Zhongyuan Yuzi Investment.

The notes had expected ratings of A3/A– (Moody's/Fitch).

A source said the technical market backdrop was weak, with US Treasury yields continuing to climb, and other more prominent deals in the market at the same time dominated investors' attention.

The benchmark US 10-year Treasury hit 3.122% on Thursday, the highest since July 2011.

The Henan local government financing and investment vehicle planned to use proceeds for construction projects investment, debt refinancing and general corporate purposes.

Credit Suisse and *Goldman Sachs* were joint global coordinators as well as joint lead managers and joint bookrunners with *China Citic Bank International* and *China Minsheng Banking Corp Hong Kong branch*.

Zhongyuan Yuzi Investment is the sole provincial-level financing and investment vehicle for low-income housing projects and urbanisation construction projects in Henan province.

› FAB PRINTS DIM SUM

FIRST ABU DHABI BANK (Aa3/AA–/AA–) has raised Rmb1.1bn (US$172m) from an offering of Reg S three-year Dim Sum bonds.

The notes were priced at par to yield 4.80%, flat to final guidance.

Standard Chartered Bank (Taiwan) was sole lead manager.

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

In March, the bank sold a Rmb900m three-year Dim Sum bond at par to yield 4.80%.

› HSBC DOES SECOND ONSHORE PRINT

HSBC BANK (CHINA) has raised Rmb3bn from an offering of three-year notes in China's interbank bond market.

The notes were priced at par to yield 4.74%, or 44bp over China Development Bank's three-year notes.

The offering was 1.98 times covered. Offshore investors were allocated less than Rmb500m via the Bond Connect link, according to a source familiar with the matter.

Both the issuer and the notes have AAA ratings from China Chengxin.

Haitong Securities was lead underwriter and bookrunner on the offering with *Bank of Communications* and *Guotai Junan Securities* as joint lead underwriters.

It was HSBC China's second print under a Rmb10bn bond programme approved by the People's Bank of China. In September 2017, the lender printed Rmb2bn of three-year notes at par to yield 4.68%.

› CENTRAL HUIJIN USES BOND LINK AGAIN

Sovereign Chinese investment arm **CENTRAL HUIJIN INVESTMENT** has raised Rmb15bn from its second bond offering available via the Bond Connect link.

The Rmb8bn two-year notes were priced at par to yield 4.47% and the Rmb7bn three-year notes were priced at par to yield 4.56%.

Offshore investors were allocated about 20% of the notes, according to sources familiar with the matter.

Central Huijin has raised Rmb60bn from onshore bonds year to date.

Both the issuer and the notes are rated AAA by China Lianhe.

Bank of Communications was lead underwriter and bookrunner on the offering with *China Development Bank* as joint lead underwriter. There were 39 other Chinese domestic banks, securities firms and an insurance firm among the syndicate members.

› PICC LIFE PRINTS ONSHORE BONDS

PICC LIFE INSURANCE has raised Rmb12bn from an offering of supplementary capital bonds in China's interbank bond market.

The 10-year non-call five notes were priced par to yield 5.05%.

A source familiar with the deal said most of the notes were allocated to other Chinese insurance firms.

If not called, the notes would step up by 100bp.

Both the notes and the issuer are rated AAA by China Bond and China Lianhe.

China Merchants Bank is lead underwriter and bookrunner on the offering with *ICBC*, *ABC*, *CICC*, *Citic Securities* as joint lead underwriters.

PICC Capital Investment Management is financial adviser.

Since early 2015, Chinese insurers have been allowed to issue supplementary capital bonds, which are close to traditional subordinated debt and can come in the 10-year non-call five format.

› CEFC FLAGS REPAYMENT UNCERTAINTY

CEFC SHANGHAI INTERNATIONAL GROUP, a subsidiary of CEFC China Energy, said it was uncertain whether it would be able to repay Rmb2bn of onshore notes due this Monday.

The company said in a statement last Monday that it was still sourcing funding to repay the 6.0% 270-day notes due May 21.

It said the operation of the company was significantly affected as Ye Jianming, chairman of CEFC China Energy, was unable to carry out his duties.

Ye Jianming was reported in early March to have come under investigation for suspected economic crimes.

Earlier this month, China Chengxin downgraded CEFC Shanghai International Group to BBB– from AA–, while China Lianhe cut the issuer's rating to BBB+ from AA.

› FAFC PRINTS ONSHORE NOTES

FORD AUTOMOTIVE FINANCE (CHINA) printed Rmb2bn three-year notes last Thursday at par to yield 5.19% in China's interbank bond market.

The notes were also available under Bond Connect. Statistics were not disclosed.

Both the issuer, a wholly owned subsidiary of Ford Motor Credit, and the notes have a AAA rating from China Lianhe.

The proceeds are for business purposes, including granting auto loans.

In March, the issuer printed Rmb2bn three-year notes at par to yield 5.39%.

Morgan Stanley Huaxin Securities is bookrunner on the offering. It is also joint lead underwriter with *Citi Orient Securities*, *BoCom*, *ICBC* and *ABC*.

STRUCTURED FINANCE

› EXCHANGES TIGHTEN ABS SUPERVISION

China's stock exchanges have stepped up their scrutiny of the booming asset-backed securities market, publishing new rules that require prompt information disclosure and risk management updates from issuers.

The country's ABS market has exploded over the past few years as the government's crackdown on shadow banking pushed borrowers to alternative sources of finance.Issuance of ABS jumped to Rmb1.5trn (US$236.84bn) last year, from almost zero in 2013, according to consultancy China Securities Analytics.

The Shanghai and Shenzhen stock exchanges said at the weekend that regulators supported the development of the market, but also scrutinised its potential risks.

The exchanges stipulate "timely and effective disclosure" on ABS products, on which better-informed investment decisions can be made.

The exchanges also published rules to mitigate default risks, requring ABS issuers

Shaanxi J&R deals with overdue debt

■ **Loans** Battery manufacturer lines up Rmb4.23bn term loan

Electrical vehicle battery maker **SHAANXI J&R OPTIMUM ENERGY** is seeking a Rmb4.23bn (US$665m) term loan from a syndicate of 15 domestic banks to resolve its overdue debt, the company said on Monday.

The Shenzhen branches of *Export-Import Bank of China*, *Industrial & Commercial Bank of China* and *Zheshang Bank* are the mandated lead arrangers, with ICBC also acting as the facility agent.

Other banks in the facility are: *Chinese Mercantile Bank*, *Tongling Wanjiang Rural Commercial Bank*, the Shenzhen and Xi'an branches of *Huaxia Bank*, and the Shenzhen branches of *Bohai Bank*, *China Construction Bank*, *China Everbright Bank*, *China Minsheng Banking Corp*, *China Resources Bank of Zhuhai*, *Dongguan Bank*, *Guangfa Bank*, *Ping An Bank* and *Shanghai Pudong Development Bank*.

Huaxia Bank Xi'an branch and China Minsheng Banking Corp Shenzhen branch were processing internal approvals for commitments of Rmb99.5m and Rmb140m, respectively, according to Shaanxi J&R's statement.

The loan has yet to be signed and some details including tenors and pricing are still being finalised.

The borrowers on the new loan are **OPTIMUMNANO ENERGY**, a wholly owned subsidiary of Shaanxi J&R, and two of its wholly owned units. Accounts receivable totalling Rmb852m from OptimumNano, its 36 patents and a land parcel, as well as the shares of 10 wholly owned units of OptimumNano will form part of the security. The 10 subsidiaries will also be guarantors.

Shenzhen-listed Shaanxi J&R said it had debts of Rmb3.5bn overdue as of May 11, including Rmb790m in bank loans, Rmb714m in bank's acceptance bills and Rmb1.61bn in commercial acceptance bills.

The battery manufacturer on April 9 reported a net annual loss of Rmb3.7bn for 2017 and expects a further loss of up to Rmb322m in the first quarter of 2018.

It blamed excessive expansion of OptimumNano as well as slow collection of accounts receivable, a tighter funding chain and changes to China's subsidy policy for the poor performance, Reuters reported on May 11. OptimumNano had slashed production levels to around 20% of capacity due to the parent's struggles to pay off debt, Reuters reported.

Wei Haiming, a securities representative for Shaanxi J&R, was cited in the report as saying that the company was talking to a syndicate of around 10 banks to extend the repayment deadline for its debt.

Shaanxi J&R Optimum Energy declined to comment for this article.

YAN JIANG

to submit risk-management reports to the stock exchanges every six months.

ABS have been a preferred alternative source of finance for companies struggling to cope with China's official deleveraging campaign, which has made conventional debt finance harder to get.

SYNDICATED LOANS

› YIXIN MAKES OFFSHORE DEBUT

Online car retailer **YIXIN GROUP** is seeking a US$150m three-year loan, marking its debut in the offshore loan market.

Bank of Communications Hong Kong Branch, *Hang Seng Bank* and *HSBC* are the mandated lead arrangers and bookrunners of the transaction, which pays an interest margin of 263bp over Libor and has a 2.5-year average life.

MLAs committing US$50m or more will receive an all-in pricing of 323bp via a participation fee of 150bp, while lead arrangers joining with US$30m–$49m earn an all-in pricing of 315bp via a 130bp fee. Arrangers coming in for US$15m–$29m will receive an all-in pricing of 303bp via a 100bp fee. The deadline for responses is June 15.

Yixin's subsidiaries incorporated outside China and India will provide unconditional and irrevocable corporate guarantees.

Last October, Shanghai Yixin Financial Leasing, a unit of the borrower, raised a Rmb1.08bn (US$170m then) two-year term loan. HSBC was the sole MLAB on that deal, which offered a top-level all-in pricing of 110% of the PBoC rate based on an interest margin of 103% of the PBoC rate and a 60bp arranging fee.

The Hong Kong-listed borrower is China's largest online auto retail transaction platform with a market share exceeding 18%. The borrower's major shareholders include US-listed Bitauto Holdings (44.4%), tech giants Tencent Holdings (20.9%) and Baidu (3.02%), and e-commerce company JD.com (10.9%).

› HAITONG SIGNS US$600M LOAN

HAITONG INTERNATIONAL HOLDINGS has closed a US$600m five-year term loan with six banks, the company said in statement on Tuesday.

Bank of New York Mellon Hong Kong branch is the facility agent, while the other lenders are the Singapore branches of *Bank of China* and *Bank of Communications*, the Tokyo branch of *China Construction Bank*, *Industrial & Commercial Bank of China (Macau)* and *Standard Chartered (Hong Kong)*.

The borrower's parent Haitong Securities is the guarantor on the deal, which was signed on May 14. Haitong International Holdings is a wholly owned offshore investment vehicle of Shanghai and Hong Kong-listed Haitong Securities.

The borrower last raised a US$550m five-year term loan from the Hong Kong branches of Agricultural Bank of China and Bank of Communications in December 2016.

Subsidiary **HAITONG UNITRUST INTERNATIONAL LEASING CORP** is in the market for a US$200m two-year bullet loan. The deal offers a top-level all-in pricing of 170bp via a margin of 120bp over Libor. *Deutsche Bank* is the sole mandated lead arranger and bookrunner.

Another subsidiary, Haitong International Securities Group, clubbed a HK$11.8bn (US$1.5bn) three-year bullet refinancing with 13 banks in March. That deal paid an all-in pricing of 150bp based on a margin of 120bp over Hibor.

› SINOPHARM UNIT CLOSES RMB1BN LOAN

SINOPHARM HOLDING (CHINA) FINANCE LEASING has closed a Rmb1bn three-year term loan following commitments from three banks in general syndication.

Mandated lead arranger, bookrunner and facility agent *Nanyang Commercial Bank* committed Rmb500m.

DBS Bank and *Sumitomo Mitsui Banking Corporation* came in as MLAs, with respective commitments of Rmb220m and Rmb200m. *SPD Silicon Valley Bank* joined as lead arranger with Rmb80m.

The deal offered top-level all-in pricing of 120% of the PBoC rate via an interest margin of 115% of the benchmark.

Signing is scheduled to take place this week, while drawdown is expected in June.

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

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

EQUITY CAPITAL MARKETS

› HAIDILAO ADDS SPICE TO IPO MENU

HAIDILAO INTERNATIONAL, one of China's most popular hotpot chains, has filed an application to the Stock Exchange of Hong Kong for a proposed IPO.

The company, which mainly serves spicy Sichuan-style hotpot, intends to raise US$600m–$700m from its Hong Kong listing in a push to take the brand global, people with knowledge of the plans told IFR earlier.

CMB International and *Goldman Sachs* are joint sponsors for the proposed IPO, which may happen in the second half of the year.

The planned listing comes as the Chinese restaurant operator looks to expand further at home and boost its network globally.

According to the company filing, Haidilao plans to use about 60% of the proceeds to finance its expansion and about 20% to develop new technology, while the remainder will be used to repay loans and replenish working capital.

Haidilao, which former tractor factory worker Zhang Yong co-founded in 1994, owns and operates 320 restaurants, including 296 restaurants in the PRC, and 24 restaurants in Taiwan, Hong Kong, Singapore, South Korea, Japan and the United States, according to the filing.

The company posted a 2017 profit of Rmb1.19bn (US$187m), up 22% year on year. Its revenue rose 36% to Rmb10.64bn.

› DUO TO START PRE-MARKETING

HUIFU PAYMENT and **VCREDIT** are set to start pre-marketing this week for their IPOs of a combined US$1bn, according to people familiar with the situation.

Chinese third-party payment firm Huifu Payment intends to raise about US$400m–$500m from its float. *CLSA* and *JP Morgan* are joint sponsors.

Huifu posted a 2017 net profit of Rmb133m, up 12% year on year.

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

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

Meanwhile, Chinese online consumer finance provider VCredit plans to raise about US$400m–$500m from its float. *Credit Suisse*, *Goldman Sachs* and *JP Morgan* are joint sponsors.

VCredit reported a loss of Rmb1bn in 2017, widening from a loss of Rmb565m in 2016. Excluding fair value loss of preferred shares and share-based compensation expense, it made an adjusted net profit of Rmb292m, versus an adjusted net loss of Rmb275m in 2016.

TPG Growth, the middle-market and growth equity arm of TPG, owns a 7.2% stake in VCredit.

› BEYONDSPRING MULLS HK LISTING

Nasdaq-listed **BEYONDSPRING**, a clinical-stage biopharmaceutical company, is in discussion with banks for a potential Hong Kong listing, according to people familiar

Hong Kong set for second towering IPO

■ **Equities** China Tower files to raise US$10bn shortly after Xiaomi

CHINA TOWER, the world's biggest operator of mobile phone towers, has filed a listing application for a Hong Kong IPO in what could become the city's second US$10bn offering this year.

The company, which could be valued at around US$40bn at time of listing, is expected to come to market in the third quarter, according to people close to the deal.

CICC and *Goldman Sachs* are the joint sponsors.

The proposed deal is the latest mega IPO planned in Hong Kong this year, following Chinese smartphone maker Xiaomi's application in early May for what could also be a US$10bn float.

The two supersized deals, together with many other planned Chinese technology and biotech listings, will be a boon to Hong Kong's IPO market this year. Activity has picked up lately with JIANGXI BANK, HUIFU PAYMENT and VCREDIT planning to pre-market IPOs of a combined US$1.8bn this week.

The recent listing of Ping An Healthcare and Technology, however, shows investors have turned cautious after investing heavily in IPOs late last year.

"Many fund managers have not much cash left on hand and hence have become very picky on IPOs. The disappointing aftermarket performance of some technology IPOs late last year also hurts sentiment," said an ECM banker.

Ping An Healthcare shares have fallen as much as 10.8% below the IPO price since listing in early May. The stock closed at HK$53.93 last Thursday versus an issue price of HK$54.80.

China Mobile, China Unicom and China Telecom set up China Tower in July 2014 to be responsible for the construction, maintenance and operations of their telecommunications towers and infrastructure across the country.

China Tower's share in the country's telecommunications tower market was 96.3% in terms of tower sites and 97.3% in terms of revenue as of December 31, according to a regulatory filing.

The company posted net profit of Rmb1.94bn (US$306m) in 2017, up from Rmb76m in 2016. Revenues rose 23% to Rmb68.7bn in 2017 from a year earlier.

China Mobile holds a 38% stake in China Tower, China Unicom has 28.1% and China Telecom 27.9%. State asset management firm China Reform Holding has a 6% stake.

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with the situation.

The company has held initial discussions with banks for a potential share sale in Hong Kong, which could come early next year, say the people.

It is unclear how much the company will raise from a Hong Kong listing as the discussion is at early stage, say the people.

On April 25, BeyondSpring said in a regulatory filing that it may sell up to 5m shares from time to time.

BeyondSpring raised US$54m from a US listing in March 2017. Shares of the company closed at US$27.6 last Wednesday, up 38% from the IPO price.

The company did not reply to emails from IFR seeking comment on its potential Hong Kong share sale.

Hong Kong introduced new listing rules at the end of April to attract listings from early-stage drug developers. Pre-revenue biotech companies can apply to list as long as they have developed at least one core product beyond the concept stage.

According to its website, BeyondSpring's lead asset Plinabulin is in a Phase 3 clinical trial. The drug is being developed to treat chemotherapy-induced infections, stemming from a reduced concentration of white blood cells, a condition called neutropenia.

BeyondSpring co-founder and chairman Lan Huang is a Memorial Sloan Kettering Cancer Center-trained researcher with 10 years of entrepreneurial experience in the US and Chinese biotech sectors. The company will seek dual market approval of its lead product candidate in the US and China.

360 PLANS JUMBO PLACEMENT

360 SECURITY TECHNOLOGY, formerly known as Qihoo 360 Technology, has secured board approval for a proposed private share placement of up to Rmb10.79bn.

The Chinese software maker, which delisted from the NYSE in July 2016, completed a backdoor listing in February through elevator manufacturer SJEC. This was the first backdoor listing by a formerly overseas-listed Chinese company since May 2016.

The company plans to offer not more than 1.35bn shares at a floor price to be set on the first day of issuance.

Huatai United Securities is working on the transaction. Proceeds will be used mainly for research and development of security software and artificial intelligence, as well as construction of a big data centre.

Shareholders will review the proposal on May 31.

Separately, IFLYTEK has secured board approval for a proposed private share placement of up to Rmb3.6bn.

The software and IT service provider plans to offer not more than 108m shares at a floor price to be set on the first day of issuance.

Guoyuan Securities is working on the transaction.

Proceeds will be used mainly for artificial intelligence projects, improvement of sales network and customer services, and for working capital.

Shareholders will review the proposal on May 30.

Separately, LINGYUN INDUSTRIAL has secured board approval for its proposed rights issue of up to Rmb1.5bn. The auto parts manufacturer for plans to offer up to 137m right shares on a 3-for-10 basis.

Proceeds will be used to repay debts and for working capital. The deal still needs approval from shareholders and regulators.

HUA HONG SALE BRINGS HK$487M

Sino-Alliance International has raised HK$487m (US$62m) from a sell-down of its stake in HUA HONG SEMICONDUCTOR.

The sale of 28m shares, or a stake of about 2.7%, priced at HK$17.40 a share for a discount of 7.1% to the pre-deal spot, slightly below the midpoint of an indicative range of HK$17.22–$17.60.

There is a 90-day lock-up on Sino-Alliance.

After the sell-down, with *Goldman Sachs* as sole bookrunner, Sino-Alliance still owns 52.5% of Hua Hong.

CHENG DA PLANS SPIN-OFF LISTING

LIAONING CHENG DA has secured board approval to list its subsidiary LIAONING CHENGDA BIOTECHNOLOGY on the main board of the Stock Exchange of Hong Kong.

Chengda Biotech, a producer of bacterial and virus vaccines traded on China's third board, plans to sell no more than 25% of its enlarged company capital pre-greenshoe, according to a company filing. There is also a greenshoe option of 15% of the base deal.

The company may raise around Rmb2bn, based on its May 11 close of Rmb17.77.

Chengda Biotech posted a 2017 net profit of Rmb555.86m, up 21.6% year on year. In the first quarter of this year, the company posted a net profit of Rmb114.47m, up 25.4% from a year ago.

Liaoning Cheng Da currently holds a 60.5% stake in Chengda Biotech.

The deal still needs approval from shareholders and regulators.

Chengda Biotech, which has a market capitalisation of Rmb6.66bn based on its May 11 close, is looking to take advantage of a new arrangement that makes it easier for companies traded on China's third board to list in Hong Kong.

The April 21 agreement says NEEQ-listed companies can list in Hong Kong, provided they meet the city's listing requirements. The companies do not need to delist from the NEEQ to pursue a Hong Kong IPO.

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

DEPARTMENT STORE BUYS BIOTECH FIRM

NANJING XINJIEKOU DEPARTMENT STORE will seek approval from the China Securities Regulatory Commission on May 23 to acquire US biotech firm DENDREON PHARMACEUTICALS and for a concurrent private share placement of up to Rmb2.55bn.

The department store operator plans to acquire Dendreon entirely from Nanjing-based Sanpower Group through an issuance of new shares, for a value of Rmb5.97bn.

Concurrently, Nanjing Xinjiekou plans to raise up to Rmb2.55bn from a private share placement to not more than 10 investors. Proceeds will be used mainly for three pharmaceutical projects.

Huatai United Securities is financial adviser.

RED STAR TO ISSUE EB

RED STAR MACALLINE HOLDING GROUP has applied to the Shanghai Stock Exchange for a proposed private placement of six-year exchangeable bonds in the A-shares of RED STAR MACALLINE GROUP to raise up to Rmb15bn.

The holding group holds 2.48bn Red Star A-shares, or about 63% of the company's total issued capital.

Guotai Junan Securities and *Great Wall Securities* are joint bookrunners.

Red Star is an operator of home decoration and furniture stores.

Separately, WINTIME GROUP has proposed a private placement of three-year exchangeable bonds of up to Rmb5bn in Shanghai-listed WINTIME ENERGY.

Wintime Group owns 4.03bn Wintime Energy shares, representing about 32.4% of the company's total issued capital.

The deal still needs regulatory approval.

Separately, controlling shareholder YONGTAI GROUP has proposed a private placement of four-year exchangeable bonds in the shares of HAINAN HAIDE INDUSTRY to raise up to Rmb5bn.

The group owns 291m Hainan Haide shares, or about 65.8% of the property developer's total issued capital.

The deal still needs regulatory approval.

ZHONGTIAN GETS CB APPROVAL

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

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

Goldman Sachs Gao Hua Securities is working on the transaction.

The deal still needs regulatory approval.

Separately, NANFANG ZHONGJIN ENVIRONMENT has secured board approval to issue six-year convertible bonds of up to Rmb1.70bn. The pump and water equipment manufacturer plans to use the proceeds for sewage treatment projects and production projects.

ZTF Securities is the sole bookrunner.

Shareholders will review the proposal on June 8.

LOMON TO SELL CB

LOMON BILLIONS GROUP, formerly Henan Billions Chemicals, has secured board approval for a proposed issue of six-year convertible bonds of up to Rmb1.85bn.

The manufacturer of fine chemical products plans to use the proceeds for a production project and replenishment of working capital.

GF Securities is working on the transaction. Shareholders will review the proposal on June 4.

HONG KONG

DEBT CAPITAL MARKETS

HSIN CHONG FAILS TO REDEEM BONDS

HSIN CHONG GROUP HOLDINGS was unable to repay US dollar bonds that matured on Friday and has begun talks with bondholders.

The Hong Kong-based construction company said it would not redeem its US$300m 8.75% bonds on the maturity date of May 18. Failing to repay those bonds on time would trigger an event of default on its US$150m 8.50% bonds due January 22 2019 and on certain loan agreements.

It has around HK$1.8bn (US$229m) of loans outstanding from Hong Kong banks and Rmb8.1bn (US$1.3bn) from mainland Chinese banks.

Hsin Chong has hired *Moelis* as financial adviser and *Kirkland & Ellis* as legal adviser to assist in restructuring the 2018 and 2019 notes.

Hsin Chong's shares have been suspended since April 3 2017. At the time of its 2017 results announcement auditor BDO said it was uncertain whether the company could continue as a going concern.

Poly Property Group is currently in talks to become a substantial shareholder. Hsin Chong is also working on a cooperation agreement with Kaisa Group Holdings in relation to the Sanshui district of Foshan city in the province of Guangdong.

A-REIT TAPS HK DOLLARS

ASCENDAS REIT last week raised HK$729m in seven-year notes to yield 3.66%.

The Singaporean real estate trust said it had swapped the proceeds into S$125m (US$93m) in its local currency, without providing more details. Proceeds will be used for debt refinancing and general working capital purposes.

DBS was sole lead manager and bookrunner for the notes, rated A3 by Moody's, which were drawn from a S$5bn multi-currency MTN programme.

Settlement was on May 16.

SOUTHWESTSEC UNIT REFINANCES

Hong Kong-listed SOUTHWEST SECURITIES INTERNATIONAL SECURITIES has priced HK$780m 6.00% May 10 2019 bonds at par, according to a filing.

Shanghai-listed parent Southwest Securities will be the keepwell provider of the Reg S unrated issue. Settlement will be on May 18.

Proceeds will be used to refinance offshore debt and supplement working capital.

Haitong International was the arranger.

Earlier this month, Southwest Securities International sold US$150m 363-day US dollar senior unsecured notes at par to yield 6.75%.

SYNDICATED LOANS

› CR LAND RAISES HK$14.8BN CLUB

Property developer **CHINA RESOURCES LAND** has raised a HK$14.8bn five-year club loan, according to a company announcement.

DBS was the coordinator of the facility, which offers an interest margin of 110bp over Hibor, sources said.

The MLAs were *Agricultural Bank of China Hong Kong branch*, *Bank of Communications Hong Kong*, *China Construction Bank (Asia)*, *Hang Seng Bank*, *HSBC*, *Industrial & Commercial Bank of China (Asia)*, *Intesa Sanpaolo Hong Kong branch*, *MUFG*, *Sumitomo Mitsui Banking Corp* and *United Overseas Bank*. *Agricultural Bank of China Macau* joined as lead arranger.

Funds are for refinancing and general corporate purposes.

CR Land last raised a HK$11bn five-year bullet loan in August 2017. CCB (Asia) was the coordinator of that deal, which paid an all-in pricing of 140bp over Hibor.

The Hong Kong-listed borrower is the flagship listed vehicle for China Resources Group's real estate operations in China. State-owned China Resources (Holdings), which is supervised by the State-owned Assets Supervision and Administration Commission of the State Council, has a 65% stake in CR Land.

› THREE MORE JOIN AOYUAN CLUB

Hong Kong-listed developer **CHINA AOYUAN PROPERTY GROUP** increased its latest club loan to HK$2.458bn after three more lenders joined as mandated lead arrangers, the company said.

Aoyuan initially signed the three-year term loan at HK$1.6bn in March with three lenders – *Hang Seng Bank*, *China Minsheng Banking Corp* and *Nanyang Commercial Bank*. Hang Seng is also the facility agent.

The company said in a stock exchange filing on April 30 that three more lenders had committed HK$858m combined to the dual-currency loan.

The deal offered an all-in pricing of 455.6bp based on an interest margin of 395bp over Hibor/Libor and an average life of 2.475 years.

Aoyuan is the borrower, while some of its subsidiaries are guarantors. Shares of Aoyuan and its subsidiaries form the security.

Funds are for refinancing and general corporate purposes.

INDIA

DEBT CAPITAL MARKETS

RCOM DOLLAR BONDS TUMBLE

RELIANCE COMMUNICATIONS' 6.5% US$300m bonds due in 2020 were trading at a cash price of 55.00 on Friday last week after dropping 10 points to 50.95 on May 16, according to Thomson Reuters data, after India's National Company Law Tribunal admitted an insolvency plea filed by a trade creditor.

Swedish network equipment maker Ericsson, which signed a seven-year deal in 2014 to operate and manage RCom's nationwide telecoms network, is seeking Rs11.6bn (US$170m) from the company and two of its subsidiaries, Reuters reported.

The recent order from the NCLT means that the asset sale would now be overseen by a court-appointed administrator and will potentially delay RCom's plans to sell assets and reduce debt.

DHFL FIXES RETAIL YIELDS

DEWAN HOUSING FINANCE CORPORATION has released details of a seven-tranche public offering of bonds to raise up to Rs120bn.

The Indian housing finance company is eyeing Rs30bn with an option to retain another Rs90bn if the deal is oversubscribed.

The public issue offers yields ranging from 8.90% to 9.10% for three, five, seven and 10 years, depending upon the category of investor.

The offering comprises three, five, seven and 10-year fixed-rate tranches paying annual coupons; three and five-year fixed-rate tranches paying monthly; and a three-year floating-rate tranche paying interest annually.

The floating yield is at a spread of 216bp to the benchmark MIBOR for all investor classes.

DHFL has allotted 25% of the issue size to qualified institutional buyers (QIBs), 10% to corporates, 30% to high-net-worth individuals (HNIs) and 35% to retail investors.

There is an additional incentive of 0.1% for senior citizens under the HNI and retail categories. DHFL will pay HNI and retail investors an additional incentive of 0.5%, 0.7% and 1.0% for the five, seven and 10-year notes paying annual interest and an additional 0.5% for the five-year montly payment option.

Care and Brickwork Ratings have assigned AAA ratings with a stable outlook to DHFL's Rs150bn rupee notes programme.

The issue opens on May 22 and closes on June 4. The notes will be listed on both domestic exchanges.

DHFL's gross bad loans as a percentage of the loan book were reported at 0.96% as of March 2018. The total revenue from operations were at 104.5bn with profit after tax Rs11.72bn as of March 2018.

AK Capital Services, *Edelweiss Financial Services*, *Axis Bank*, *Green Bridge Capital Advisory*, *ICICI Bank*, *ICICI Securities*, *IndusInd Bank*, *IIFL Holdings*, *SBI Capital Markets*, *Trust Investment Advisors* and *Yes Securities* are the arrangers for the rupee bond issue.

DHFL raised Rs10bn from a public offering in 2016.

TWO NBFCS RAISE BONDS

Two Indian non-banking finance companies, ADITYA BIRLA FINANCE and IDFC INFRASTRUCTURE FINANCE, have raised rupee bonds, according to a filing on National Stock Exchange.

Aditya Birla Finance has raised Rs7bn from three-year zero coupon bonds and IDFC Infrastructure Finance printed a Rs4bn eight-year bond at 8.52%.

India Ratings and Icra have assigned AAA and AA+ ratings to the notes of Aditya Birla Finance.

Icra and Care have assigned AAA ratings to IDFC Infra's bonds.

IL&FS PRINTS RS10BN BONDS

INFRASTRUCTURE LEASING & FINANCIAL SERVICES has raised Rs10bn from two bond tranches, according to a filing on National Securities Depository Limited.

It has raised Rs5bn from a five-year tranche at 8.9% and the same amount from a 10-year portion at 9%.

Care and India Ratings have assigned AAA ratings to the notes.

ICICI Bank and *Kotak Mahindra Bank* were the lead arrangers.

Separately, IL&FS ENERGY DEVELOPMENT has raised Rs1.95bn from seven-year bonds at 9.5%. The notes are rated AA+ (structured obligation) by Care and Brickwork Ratings.

MUTHOOT GETS BOARD NOD

MUTHOOT FINANCE has received board approval to raise up to Rs60bn from a public issue of rupee bonds in one or more tranches, according to a release on exchanges.

In April, the gold-financing company raised Rs36.72bn from a public issue of bonds at 8.00% for notes of 400 days, 8.50% for those of two years, 8.75% for those of three years and two months and 9.00% for those of five years.

SEBI CONSULTS ON UNIFORM VALUATION

India's market regulator has put out a proposal to determine uniform valuation for non-traded and thinly traded bonds to increase transparency and improve secondary market liquidity.

Currently, the valuation of bonds varies for investors regulated by different authorities and affects the trading in the secondary market.

The liquidity in the secondary market is very thin as not even 1% of the total outstanding ISINs or bond lines are traded daily, according to the Securities and Exchange Board of India. "The same security gets valued at a different price by an insurance company and by a mutual fund," said a trader from a foreign bank.

Insurance companies and banks follow price levels determined by the Fixed Income Money Market and Derivatives Association (FIMMDA) for their bond portfolios. Mutual funds follow the price levels published by credit rating agencies.

FIMMDA publishes price for different ratings and for issuers from different segments such as banking, non-banking finance, corporate, etc.

"Sebi aims to create a uniform price methodology which will be accepted by all market participants," said the trader. "This will help the mutual funds because they need an accurate price for the outstanding bonds as they have to report net asset value on a daily basis."

The market regulator has proposed setting up a pricing agency to undertake daily valuation activities which will be regulated by Sebi or the Reserve Bank of India.

Sebi has also proposed that exceptional events such as monetary policy changes, budget announcements, government borrowing and material statements on the sovereign rating should be factored in while calculating bond prices.

Sebi has proposed a methodology for undertaking price activity and creating a spread matrix, and has proposed a governance framework for polls conducted by market participants. The polls provide market participants' views on the yields on securities across different sectors and ratings.

Sebi has asked market participants to give feedback by June 18 before it comes out with its final proposal.

SIDBI EYES JULY 2021 TAP

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA is planning to raise Rs5bn, plus a greenshoe option of Rs25bn, from a tap of its 7.5% July 2021 bond, according to market sources.

It has asked investors to place bids on NSE's electronic bidding platform on May 21.

The rupee notes have a put/call option in July 2019.

On April 24, Sidbi scrapped a Rs5bn tap of the 2021 bonds after receiving bids that did not meet its desired level. The yield for the Sidbi tap was 75bp higher than 7.50% it paid to raise Rs5.5bn on April 16.

Sidbi is yet to make an official announcement of the size of the tap.

Separately, Sidbi is seeking lead managers for a five-year Masala bond to raise up to Rs50bn after the Reserve Bank of India opened the offshore funding markets to more issuers with changes to its rules on external commercial borrowings.

EQUITY CAPITAL MARKETS

RAIL VIKAS IPO ON TRACK FOR MID-JUNE

State-owned railway engineering company RAIL VIKAS NIGAM plans to launch a Rs6bn (US$89m) IPO in mid-June, people with knowledge of the transaction have said.

The Indian government will sell a 10% stake in the IPO.

Elara Capital, *IDBI Capital* and *Yes Securities* are the bookrunners.

The company reported a revenue of Rs59bn in the financial year to March 31 and a net profit of Rs4.4bn.

MINDA SHARE SALE RAISES RS3.1BN

Car parts maker MINDA is raising Rs3.1bn through a qualified institutional placement of new shares at Rs173.47 per share, according to a person with knowledge of the transaction.

The price is a 4.3% discount to the pre-deal close of Rs181.20.

The transaction comprises a base deal of Rs2.5bn and an upsize option of Rs1bn, which will be partially exercised.

A dozen accounts participated in the transaction and the top five accounts, all long-only institutions, will get 80% of the deal.

The company's shares are down 17% year to date.

Axis was the sole bookrunner.

INDONESIA

SYNDICATED LOANS

DELTA MERLIN DUNIA TEXTILE RETURNS

DELTA MERLIN DUNIA TEXTILE is returning to the loan market after a two-year absence for a term loan of up to US$250m.

BNP Paribas, *ING Bank*, *Maybank* and *Standard Chartered* are the mandated lead arrangers and bookrunners of the transaction, which comprises an onshore tranche and an offshore portion.

The deal offers an interest margin of 490bp and 465bp over Libor, respectively, for the onshore and offshore pieces.

Based on an average life of 3.25 years, MLAs committing US$20m or more earn a top-level all-in pricing of 520.77bp (onshore) or 495.77bp (offshore) via a participation fee of 100bp, while lead arrangers joining with US$10m–$19m receive an all-in pricing of 510bp (onshore) or 485bp (offshore) via a 65bp fee. Arrangers joining with US$5m–$9m are being offered an all-in pricing of 502.31bp (onshore) or 477.31bp (offshore) via a 40bp fee.

The deadline for commitments is June 20.

Funds are for for working capital purposes and to refinance a US$250m loan signed in September 2015. ANZ, BNP Paribas, Deutsche Bank, Indonesia Exim, StanChart and Sumitomo Mitsui Banking Corp were the MLABs on the 2015 deal, which comprised a five-year term loan tranche A and a three-year term loan tranche B. The margins for tranches A and B were 532bp and 502bp over Libor, respectively, and the top-level fees were 130bp.

The borrower, a textile company, is part of the Duniatex Group.

EQUITY CAPITAL MARKETS

LINK NET BLOCK FETCHES RP1TRN

First Media has raised Rp1trn (US$75m) through the sale of 230.1m LINK NET shares at the bottom of a Rp4,550–Rp5,000 range, according to a person with knowledge of the transaction.

The final price represents a 15.7% discount to the pre-deal close of Rp5,400.

A handful of investors participated in the transaction and the top five investors were allocated 85% of the deal. The investors were a combination of existing shareholders and long-only institutions.

First Media sold the 7.8% stake off its 33.8% holding in the internet service provider.

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

Morgan Stanley was the sole bookrunner.

JAPAN

SYNDICATED LOANS

TSUGARU WIND POWER PROJECT CLOSES PF

Ten banks have completed a ¥46.05bn (US$420m) financing for Green Power Investment's 122MW wind power project in Japan's Aomori prefecture.

The financing, signed in March, comprises a ¥39.5bn 20-year term loan, a ¥2.95bn 20-year credit facility and a ¥3.6bn 4.25-year term loan.

Development Bank of Japan, *MUFG*, *Shinsei Bank*, *Sumitomo Mitsui Banking Corp* and *Sumitomo Mitsui Trust Bank* were the mandated lead arrangers, while *Aomori Bank*, *Chugoku Bank*, *Mochinoku Bank* and *Nippon Life Insurance* were among the lenders.

The borrower is GREEN POWER TSUGARU GK.

The project, located in the city of Tsugaru, has a 20-year power purchase agreement with Tohoku Electric Power.

Commercial operations are expected to begin in April 2020.

NIKKISO REFINANCES CRYOGENIC BRIDGE

NIKKISO, the Japanese pump maker, is seeking a ¥34bn bullet term loan to refinance short-term debt backing its acquisition of US-based Cryogenic Industries.

Mizuho Bank, which provided a one-year bridge loan of the same size last August, is arranging the refinancing.

A few relationship banks are expected to join ahead of signing later this month.

MALAYSIA

DEBT CAPITAL MARKETS

CAGAMAS SUKUK SHOWS INVESTOR FAITH

CAGAMAS upsized the first ringgit debt issue since the May 9 election, underscoring investors' confidence in the new Malaysian government.

Cagamas priced a M$1.5bn (US$383.7m) five-year Islamic bond on Thursday at par to yield 4.5%, above its original cap of M$1bn.

Orders exceeded M$1.5bn, surprising the state-owned mortgage lender and joint leads *AmInvestment Bank* and *CIMB*. Investors demanded full allocations, prompting Cagamas to lift the issue size above its initial target.

"We originally wanted to target M$750m with a cap at M$1bn as we were unsure on how investors would respond," said one source involved in the deal. "We were really surprised when the book grew."

The leads had been worried that demand would be subdued amid uncertainties generated from the change in the government. The Pakatan Harapan coalition's surprise election victory on May 9 triggered the first change in government in six decades.

Malaysian benchmark yields jumped and stocks sank when markets reopened last Monday, reflecting uncertainty over returning Prime Minister Mahathir Mohamad's economic policy. But fears of prolonged volatility proved unfounded and the markets recovered most of their losses by the end of the day.

The five-year government bond yield was last quoted at 3.89%, up 8bp since the national vote.

Final pricing came at a spread of 66bp over Malaysian government securities and 55bp over Malaysian government Islamic securities. Thanks to the demand, pricing came towards the tight end of initial guidance of 4.48%–4.55%.

Settlement is scheduled for May 22. Cagamas is rated AAA by RAM and Marc.

NEW ZEALAND

DEBT CAPITAL MARKETS

GOVERNMENT ISSUANCE EDGES HIGHER

The NEW ZEALAND DEBT MANAGEMENT OFFICE has updated its borrowing programme in

Fly Leasing takes off for Malaysian deal

Loans **Borrowing to fund acquisition of AirAsia aircraft portfolio**

New York-listed FLY LEASING, managed by aircraft portfolio management giant BBAM, has launched a US$1.2867bn secured loan to back its planned purchase of aircraft from Malaysian budget airline AirAsia.

BNP Paribas, *Citigroup*, *Commonwealth Bank of Australia* and *Deutsche Bank* are the mandated lead arrangers of the facility, which comprises a US$582.2m term loan tranche A for Fly Leasing and a US$704.5m term loan tranche B for INCLINE B AVIATION.

Tranche A is further split into a US$145.55m two-year tranche and a US$436.65m five-year portion, while tranche B comprises a US$176.125m two-year tranche and a US$528.375m five-year portion.

The interest margins for the two and five-year tranches are 150bp and 180bp over Libor, respectively. The estimated average lives are 1.86 years and 4.01 years for the two and five-year tranches, respectively.

Commitments from lenders will be apportioned to all the tranches on a pro-rata basis. Banks are being invited to join as lead arrangers with commitments of US$50m–$99m for a top-level all-in pricing of 166.13bp or 196.21bp via participation fees of 30bp or 65bp for the two and five-year tranches, respectively, as arrangers with US$25m–$49m for all-in pricing of 163.44bp or 192.47bp via fees of 25bp or 50bp, respectively, or as senior lenders with US$10m–$24m for all-in pricing of 160.75bp or 188.73bp via fees of 20bp or 35bp, respectively.

Bank presentations were held in Singapore on Tuesday and Taipei on Thursday. Individual bank meetings took place in Hong Kong on Wednesday. The deadline for responses is June 11.

Before the launch of general syndication, *First Abu Dhabi Bank* and *MUFG* joined as MLABs, while *Fifth Third Bank* and *Korea Development Bank* came in as MLAs.

Fly Leasing, together with BBAM's other capital partners, Nomura Babcock & Brown and Incline Aviation, will buy a total of 132 aircraft from AirAsia and its subsidiary Asia Aviation Capital (AAC), as well as 14 engines and options to acquire 50 A320neo family aircraft. The deal is secured against 65 delivered, on-lease aircraft, according to a term sheet for the loan.

It will initially acquire 34 of these aircraft, out of which 33 are on lease to five different airlines within the AirAsia Group. These planes have an average age of 6.6 years and a remaining lease term of 6.2 years, according to an announcement from the company on February 28. Additionally, it will buy 21 A320neo aircraft that will be subject to 12-year leases to AirAsia Group airlines. These aircraft are slated for delivery between 2019 and 2021. Furthermore, it will acquire the option to buy an additional 20 A320neo planes that are not subject to lease. These aircraft are slated for delivery in 2019.

AirAsia will receive about US$1bn in cash and 3.33m newly issued Fly Leasing shares at US$15 per share, according to the February 28 announcement. The shares AirAsia acquires will be under lock-up arrangements through 2021.

Fly Leasing also said on February 28 that an affiliate of private equity firm Onex and BBAM's management team will each acquire 666,667 newly issued shares of Fly Leasing at the same price for a total consideration of US$20m after which their combined stake in Fly Leasing will increase to 17%.

AirAsia will also make a US$50m investment in Incline Aviation.

The entire sale is part of AirAsia's efforts to sell non-core assets and cut debt. It raises about US$902m of cash proceeds and gives AAC an enterprise value of US$2.85bn.

EVELYNN LIN, YAN JIANG

conjunction with the latest official fiscal and economic projections.

Gross New Zealand government bond issuance is now projected to be NZ$1bn higher at NZ$8bn in each of the fiscal years 2018-19, 2019-20 and 2020-21, while the 2021-22 forecast in unchanged at NZ$7bn, for a four-year total of NZ$31bn.

The extra NZ$3bn of projected bond issuance is partly offset by a NZ$2bn reduction in planned T-bill supply versus the NZDMO's half-year update.

Over the next four fiscal years NZ$28.1bn is due to be redeemed or repurchased for projected net issuance for that period of NZ$2.9bn.

At the end of fiscal year 2021-22 NZGBs on issue are now forecast to be NZ$77.1bn, up from NZ$74.2bn on June 30 2018. However, this is expected to reduce the outstanding NZGBs-to-GDP ratio from 25.0% to 22.0%.

The relatively small amount of New Zealand sovereign debt has raised liquidity concerns, especially as the country does not qualify for Citigroup's nominal World Government Bond Index, which many global portfolio managers like to track.

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

New Zealand's long-term foreign currency issuer ratings are Aaa/AA/AA, while its long-term domestic issuer ratings are Aaa/AA+/AA+.

› CHRISTCHURCH AIRPORT NETS NZ$100M

CHRISTCHURCH INTERNATIONAL AIRPORT, rated BBB+ (S&P), raised NZ$100m, the top of its indicative size range, for last Friday's six-year senior unsecured bond issue via sole lead manager *Westpac*.

The 4.13% May 24 2024s priced at the tight end of mid-swaps plus 125bp–135bp guidance.

EQUITY CAPITAL MARKETS

› FLETCHER BUILDS WAR CHEST

Building materials and construction company FLETCHER BUILDING has completed a NZ$750m (US$519m) fully underwritten entitlement offer.

Fletcher said it raised NZ$229.5m from the retail portion of the 1-for-4.46 entitlement offer. An offer of 47.8m shares was priced at NZ$4.8 each, representing a discount of 27% to the pre-deal spot.

The company earlier completed the institutional portion of the entitlement offer at the same price.

It plans to use the funds raised to repay senior debt.

Fletcher slumped to a half-year loss in the six months to December after booking cost provisions on a number of key construction projects, capping a year of earnings downgrades after labour charges and materials costs on its two biggest commercial building jobs ran out of control.

PHILIPPINES

DEBT CAPITAL MARKETS

› PHILIPPINES EYES NEW US DOLLAR BOND

The REPUBLIC OF THE PHILIPPINES is planning a second US dollar bond issue this year to fund its infrastructure programme and pay maturing debts, its finance secretary said last week.

Finance Secretary Carlos Dominguez told reporters the government had yet to determine the size and tenor of the planned offering, but it was looking to launch the sale in "late third or early fourth quarter".

Dominguez said the sale was also being timed ahead of more interest rate increases by the US Federal Reserve.

The Philippines, one of Asia's active issuers of sovereign debt, raised US$750m of fresh funds from 10-year US dollar bonds in January, and another US$230m from a sale of Panda bonds in March.

SINGAPORE

DEBT CAPITAL MARKETS

› SUNTEC TAP RAISES S$80M

SUNTEC REIT priced on May 11 a S$80m (US$60m) tap of its 3.4% bond due 2023.

The reopening of the original S$100m bond via sole lead *DBS* was increased from a target size of S$45m on high demand and took just a few hours.

With the five-year Singapore dollar SOR quoted around 2.3865% on Friday, the tap yielded a spread of about 101bp, a touch below the original note which was sold on May 3 at 102bp.

Settlement was on May 18 when the notes became fungible with the original bond.

Proceeds will be used for financing acquisitions, debt refinancing, working capital and general corporate needs.

The unrated notes will be guaranteed by HSBC Institutional Trust Services Singapore, in its capacity as trustee of Suntec REIT.

› HDB PLANS 12-YEAR RETURN

HOUSING AND DEVELOPMENT BOARD, rated Aaa by Moody's, has asked banks to submit proposals for a Singapore dollar 12-year bond offering.

The Singaporean statutory agency is planning to sell up to S$600m with a minimum target of S$500m.

This will be its third visit this year to raise funds in the bond market, causing some concern over potential indigestion.

"It will be a tough call under current weak market conditions," said one syndicate banker. "Demand has been weak overall for Singapore dollar bonds and the gap in pricing expectations between issuers and investors is still very wide."

HDB sold S$515m of 10-year notes at 2.32% in January and S$600m 2.303% five-year notes in March. In both cases, the quasi-sovereign credit was unable to exercise the respective greenshoes substantially, suggesting that demand was not overwhelming.

Last year, it raised around S$3.3bn in five forays, still short of a record S$6.1bn of bonds it issued in 2013.

› MOODY'S EXTENDS BANK T2 REVIEW

Moody's has extended a review for upgrade on the ratings of the subordinated Tier 2 notes issued by Singapore's three major banks because regulators have not yet published new bank resolution rules.The Monetary Authority of Singapore is expected to introduce a new bank resolution regime that will define what constitutes a bail-in situation. The pending rules are expected to include a statutory bail-in which will remove uncertainty on when a bank becomes non-viable and bondholders face a writedown in their principal bond amount.

The MAS has not indicated when it plans to make the change.

However, the greater clarity will represent a lower credit risk, said Moody's. Once the rules are enacted, the agency will conclude its review, which was initiated in mid-November.

Moody's currently rates A3 the subordinated debt programmes of DBS BANK, DBS GROUP HOLDINGS, UNITED OVERSEAS BANK and OVERSEA-CHINESE BANKING CORP.

It is not clear if DBS Group's plans for a US dollar subordinated Tier 2 bond will be affected. The bank held roadshows via sole global coordinator *DBS* from May 10 but a deal has not been launched yet. DBS, *Citigroup*, *RBC Capital Markets* and *Wells Fargo Securities* are joint bookrunners for the deal, which may be a 15-year non-call 10 or a 10NC5 transaction.

RESTRUCTURING

NOBLE TALKS TO PERP HOLDERS

NOBLE GROUP has confirmed that it is in discussions with "a significant group" of holders of its perpetual bonds.

Chairman Paul Brough, speaking on a conference call on Tuesday to discuss the company's Q1 results, said Noble had held "constructive" discussions with the perp holder group as it works towards restructuring its debt.

A Twitter account claiming to represent an ad hoc group of Noble perp holders wrote last week that the ad hoc group had agreed to subscribe to a US$100m trade finance facility. Noble's corporate communications agency did not respond when asked about it.

Under the current offer, holders of Noble's US$400m perps can exchange them for a new US$25m non-accumulative pay-if-you-can perpetual capital instrument to be issued by the new Noble entity, giving them a recovery value of about 6.25 cents on the dollar.

Brough said that deal was still in effect at present.

Noble last week hired boutique firm *Provenance Capital* as independent financial adviser to give an opinion to shareholders on its proposed restructuring scheme.

Brough said Noble was aiming to hold the shareholder vote by the end of May.

Noble Group reported a loss of US$72m for Q1, down from a loss of US$132m in the same period a year earlier.

PAC RADIANCE SEEKS SOA COVER

Financially strapped PACIFIC RADIANCE has applied to the Singapore High Court to be placed under a scheme of arrangement protection that will stay any legal proceedings against it.

The request comes at a critical time for the Singaporean operator of offshore vessels, which has obtained in-principle support from major lenders and investors on the broad terms of its restructuring. This will involve debt forgiveness and debt-to-equity conversion, as well as equity injection to pare down debt and support working capital needs.

Pacific Radiance failed in early February to get approval from holders of its S$100m (US$74.5m) 4.3% bonds in a consent solicitation. It was seeking investor approval to redeem the bonds with shares and to waive potential events of defaults, as well as breaches of financial covenants. The end result would have seen the bondholders take an implied haircut of over 50% based on current market prices.

EQUITY CAPITAL MARKETS

CCT PRICES PLACEMENT AT TOP

CAPITALAND COMMERCIAL TRUST has raised S$218m (US$163m) from the placement of 130m new units at the top of the S$1.631–$1.676 range.

The placement, equal to a 3.5% stake in the trust, came at a 2.6% discount to the pre-deal close of S$1.72.

Books were multiple times covered with over 80 accounts participating. The investors were a mix of international long-only institutions, real estate investors, private banking clients and hedge funds. The top 10 accounts were allocated 50% of the deal.

The final price translates to a 2018 yield of 5.3%.

The funds will go towards the S$548m acquisition of the Gallileo office tower in Frankfurt's banking district, with the balance to come from new loan facilities.

Citigroup, *DBS* and *JP Morgan* were the bookrunners.

SOUTH KOREA

DEBT CAPITAL MARKETS

KEXIM HIRES FOR US DOLLAR FORAY

The EXPORT-IMPORT BANK OF KOREA, rated Aa2/AA/AA–, has mandated itself, *Citigroup*, *ING*, *JP Morgan*, *Morgan Stanley* and *Societe Generale* for a SEC-registered US dollar offering.

The proposed bond, which is slated for this month, is the state-run bank's first foray into US dollars this year. It issued bonds in offshore renminbi and Swiss francs in March and February, respectively.

KDB Life debuts HY hybrid

Bonds **Insurer becomes first from Korea to sell high-yield subordinated securities**

KDB LIFE INSURANCE priced a US$200m hybrid at par to yield 7.5%, unchanged from initial guidance of 7.5% area, becoming the first Korean issuer to sell such instruments with a high-yield rating.

The issue marks another step in the broadening of the Korean high-yield market. In the past 12 months Korean Air has sold unrated senior and perpetual dollar bonds at yields that imply it is viewed as a high-yield credit, after years without any high-yield Korean issues offshore.

KDB Life's subordinated securities have a legal maturity of 30 years but roll in perpetuity, and there is a call after five years.

This was the first high-yield subordinated trade from a Korean issuer, and priced wide of its investment grade Korean insurance peers due to its lower rating and the smaller size of the company. KDB Life has around 3% of the domestic life insurance market by premium income, according to Fitch.

This was also KDB Life's debut offshore deal, as it has never sold senior bonds in an international offering.

The issue size was capped at US$200m, although Fitch in its rating note in April had expected the size to be US$300m.

KDB Life's hybrid is expected to be rated BB by Fitch, a notch below the BB+ issuer default rating, which reflects recovery prospects in the event of a default. The issuer's insurer financial strength rating is BBB–.

The Reg S securities come with a coupon reset at the first call date in May 2023 and every five years thereafter to the prevailing five-year US Treasury benchmark, plus the initial spread of 465.8bp over Treasuries. There is an additional 1% step-up as of May 2028.

During bookbuilding, the hybrid bonds of Kyobo Life Insurance and Hanwha Life Insurance were quoted at 4.7% and 5.0%, respectively. Both bonds are rated A3/A– (Moody's/Fitch). Heungkuk Life Insurance's hybrids' rated Baa3/BBB– (Moody's/Fitch), were seen at 6.2%.

Orders exceeded US$400m at the time final guidance was announced. There was demand from private banks and institutions, with Asia making up the majority.

Korea Development Bank and *UBS* (B&D) were joint global coordinators. The JGCs were also bookrunners with *BOC International*. The notes were heard to be quoted below reoffer on Tuesday.

DANIEL STANTON

Kexim sold its last US dollar deal in October, a US$2bn issue of five-year fixed and floating-rate notes and three-year fixed bonds.

The offering comes ahead of a summit between North Korean leader Kim Jong Un and US President Donald Trump that has been scheduled for June 12. The fate of the meeting, however, has become uncertain after Kim threatened to pull out if Washington continued to demand it unilaterally abandon its nuclear arsenal.

North Korea also called off talks with South Korea, blaming US-South Korean military exercises.

KOREA WESTERN POWER PICKS BANKS

KOREA WESTERN POWER, rated Aa2/AA (Moody's/S&P), has mandated *BNP Paribas*, *Citigroup* and *HSBC* for a US dollar-denominated Reg S-only transaction.

A series of fixed income investor meetings in Asia will commence on Monday.

KNOC PRINTS SWISSIE

KOREA NATIONAL OIL CORP (Aa2/AA/AA–) on Tuesday priced a SFr500m (US$500m) five-year senior unsecured bond at mid-swaps plus 35bp, at the tight end of plus 35bp–37bp guidance.

More than 40 Swiss accounts participated. Asset managers took 66.7%, treasuries 13%, pension funds 8.9%, private banks 8.1% and insurers 3.3%.

BNP Paribas and *UBS* were lead managers.

TAIWAN

DEBT CAPITAL MARKETS

QNB MAKES FORMOSA RETURN

QATAR NATIONAL BANK priced US$1.5bn three-year floating-rate Formosa notes at three-month US dollar Libor plus 135bp, inside initial price guidance of Libor plus 150bp area.

QNB Finance will issue the bonds with a guarantee from QNB. The senior unsecured notes are expected to be rated Aa3 by Moody's and will be listed in London and Taipei.

Credit Agricole Taipei branch and *Standard Chartered* were joint lead managers. *Barclays* is structuring agent.

The offering will use proceeds for general corporate purposes.

QNB, the Gulf's largest lender, has been diversifying its funding sources in the face of a blockade by neighbours including Saudi Arabia and the UAE. It sold its maiden Dim Sum bond in March, its first Kangaroo bond in January, and has been a frequent visitor to the Formosa market.

SYNDICATED LOANS

QUANTA SEEKS REFINANCING FUNDS

Taiwanese computer maker QUANTA COMPUTER has launched a US$550m three-year loan.

Mizuho is the mandated lead arranger and bookrunner of the transaction, which is equally split into a tranche A for Quanta and a tranche B for its Cayman-incorporated subsidiary QUANTA INTERNATIONAL.

The interest margins for tranches A and B are 87bp and 95bp over Libor, respectively. The borrower will pay any excess interest rate beyond a 42bp difference between TAIFX and Libor.

Banks are being invited to join as MLABs with commitments of US$60m or more for an upfront fee of 15bp, as MLAs with US$45m–$59m for a 12bp fee, or as participants with US$30m–$44m for a 9bp fee. The deadline for responses is June 15.

Funds are to refinance a US$360m three-year revolving credit signed in August 2013 with a two-year extension option and for working capital purposes. Mizuho also led that deal, which offered a margin of 108bp over three or six-month Libor. The borrower would pay any excess interest rate beyond a 38bp difference between TAIFX and Libor.

The Taiwan-listed borrower last tapped the market in December 2015 with a US$480m three-year loan. Credit Agricole led that deal, which paid a margin of 108bp over Libor. The borrower would pay any excess interest rate beyond a 38bp difference between TAIFX and Libor.

TPK CUTS LOAN TO US$163M

Taiwanese touch-panel maker **TPK HOLDING** has cut a three-year loan to US$163m from the initial US$200m target.

Mega International Commercial Bank was the sole mandated lead arranger and bookrunner of the facility, which comprises a US$163m term loan tranche A and a US$30m revolving credit tranche B. The borrower can only draw a maximum amount of US$163m.

The deal has an interest margin of 120bp over Libor. The borrower will pay any excess interest rate beyond a 40bp difference between TAIFX and Libor.

Banks were offered a top-level upfront fee of 25bp. Signing was on May 11.

Funds are for refinancing and working capital purposes.

For full allocations, see www.ifrasia.com.

CHIPMOS EXCEEDS TARGET

CHIPMOS TECHNOLOGIES has increased its five-year loan to NT$12bn (US$402m) from a NT$10bn target.

Bank of Taiwan, *Land Bank of Taiwan* and *Taiwan Cooperative Bank* were the mandated lead arrangers and bookrunners of the transaction, which comprises a term loan tranche A and a revolving credit tranche B.

The interest margins range from 20bp to 22.5bp over the one-year post office savings rate. There is a pre-tax interest-rate floor set at 1.7%.

Banks were offered a top-level upfront fee of 18bp. Signing was on Tuesday.

Funds are to refinance a NT$13.2bn five-year loan signed in May 2016 and for working capital purposes.

The Taiwan-listed borrower provides semiconductor testing and assembly services.

For full allocations, see www.ifrasia.com.

EQUITY CAPITAL MARKETS

M17 FILES FOR US IPO

Live-streaming start-up **M17 ENTERTAINMENT** has filed for a US$115m IPO on the New York Stock Exchange.

Citigroup and *Deutsche Bank* are leading the transaction.

M17 stems from last year's merger of Taiwanese video-streaming platform 17 Media and Singapore-based social networking and dating platform Paktor.

The company is in the process of integrating live streaming into online dating applications. Its integrated platform had 47.9 million registered users as of March 31 2018 and 1.7 million average monthly active users in the three months ended March 31 2018.

M17's loss for the three months ended March 31 2018 was US$26.9m compared to a profit of US$22.3m, or a loss of US$17.5m on a pro forma consolidated basis, for the same period in 2017.

M17 provides live streaming in six markets – Taiwan, Indonesia, Hong Kong, Japan, Malaysia and Thailand.

THAILAND

DEBT CAPITAL MARKETS

CPFT FEEDS ON BONDS

CPF THAILAND last Thursday priced four bond tranches at the wide ends of guidance to raise Bt15bn (US$472.5m).

A Bt4.5bn three-year tranche will pay 2.43%, a Bt4bn six-year pays 3.24%, a Bt3.5bn 12-year pays 4.16% and a Bt3bn 15-year pays 4.43%. Guidance for the respective tranches was 2.33%–2.43%, 3.14%–3.24%, 4.06%–4.16% and 4.33%–4.43%.

Settlement is on May 24. *Bank of Ayudhya*, *Government Savings Bank* and *Kasikornbank* were joint lead managers and underwriters.

The animal-feed producer, rated A+ by Tris, is a unit of the Charoen Pokphand Foods group.

B GRIMM READIES REFINANCINGS

B GRIMM POWER is planning to sell a combined Bt6.7bn of bonds this month to refinance project loans that funded two of its gas-fired combined-cycle co-generation power projects.

The bonds will be sold by subsidiaries **B GRIMM BIP POWER 1** and **B GRIMM BIP POWER 2** in separate offerings of Bt3.35bn each. They will have a tenor of 15 years with amortisation to begin from the end of the first year.

Phatra Securities and *Siam Commercial Bank* will be joint lead managers and underwriters. Tris rates the notes A–, a notch below the parent's corporate rating of A.

Meanwhile, B Grimm Power itself is also planning to sell bonds of up to Bt5.5bn to refinance an existing bond due in October.

The new bond, likely to launch in the second half, will be the first transaction off a five-year Bt50bn bond issuance plan approved by shareholders in late April.

The Thai utility, which owns and operates 31 power plants in Thailand and overseas, successfully sold Bt11.5bn of bonds in 11 tranches over a year ago to refinance bank debt that funded three power plants operated by subsidiary Amata B Grimm.

CK POWERS UP FOR BOND

CK POWER has mandated *Bangkok Bank*, *Kasikornbank* and *Krungthai Bank* to lead and underwrite a bond offering to raise up to Bt8bn.

The Thai power producer and distributor is expected to offer tenors of three, five, seven and 10 years.

CK Power is targeting a minimum issue size of Bt6.5bn and expects to launch bookbuilding in the first week of June.

Part of the proceeds is expected to fund the full redemption of a Bt4bn 4% bond that CK Power plans to call ahead of maturity in 2019.

CK Power is rated A by Tris.

WHAUP PICKS UNDERWRITERS

WHA UTILITIES AND POWER has named *Kasikornbank* and *Siam Commercial Bank* as joint lead managers and underwriters for a triple-tranche bond.

A launch is expected in June and will offer three tenors of three, five and seven years to raise up to Bt5bn (US157.5m).

The Thai utility is looking to return to the market after selling Bt4bn of three-year 3.33% bonds last August. Tris rates the new bonds A–.

WHA Utilities, a unit of industrial estate developer WHA Corp, is a water distributor and power producer in Thailand's major industrial estates.

EQUITY CAPITAL MARKETS

JASMINE BLOCK UPSIZED

Telecommunications service provider Jasmine International, the sponsor of JASMINE BROADBAND INTERNET INFRASTRUCTURE FUND, raised Bt5.67bn (US$177m) from an upsized block, people with knowledge of the transaction said.

Some 540m shares representing 9.8% of the capital were sold at Bt10.50 per share, as against the 458m originally planned.

The final price, within the Bt10.40–Bt10.80 range, represents a 7.1% discount to the pre-deal close of Bt11.30. The price translates into a yield of 9%.

The top 10 investors were allocated 75% of the deal. The investors were a mix of local investors, regional and international long only institutions.

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

The sponsor will use the funds raised to fund working capital needs and pay down indebtedness and liabilities.

Morgan Stanley was the sole international bookrunner.

DTIF PRICES BT53.2BN SHARE SALE

DIGITAL TELECOMMUNICATIONS INFRASTRUCTURE FUND has priced a preferential share offer to existing investors and a public offer to retail and institutional investors at the top of a Bt13.60–Bt13.90 per unit range, according to a person with knowledge of the transaction.

The price for the Bt53.2bn sale is equivalent to a 2.1% discount to the pre-deal close of Bt14.20 and a 2019 yield of 7.48%.

The combined offer was 1.2 times subscribed. The Bt38.6bn preferential offer was undersubscribed to the extent of Bt100m and the Bt14.6bn placement tranche was covered 1.7 times. The shortfall in the preferential offer will be clawed back to the placement tranche. Up to 2.78bn preferential units were being sold in a 1-for-2.0911 ratio.

In the preferential offer, about half of the foreign investors did not take up their rights while domestic institutions put in excess applications. In the public offer, the institutional tranche was subscribed 4.4 times with 70% domestic demand while the retail tranche was 1.8 times subscribed.

The preferential offer closed on May 8 and the public offer on May 11.

Siam Commercial Bank was the sole global coordinator and joint domestic bookrunner with *Bangkok Bank* and *Krung Thai Bank*. *Credit Suisse* was sole international bookrunner.

Maybank wins first sole mandate in Vietnam

■ **Loans** **Viettel hires Malaysian bank for loan of up to US$150m**

VIETTEL GLOBAL INVESTMENT, a subsidiary of Vietnam's largest telecommunications company Viettel Group, has mandated *Maybank* on a US$100m six-year amortising loan.

The borrowing has a US$50m greenshoe and pays an interest margin of 325bp over Libor.

Quarterly repayments start after a 24-month grace period, translating to an average life of 3.9 years.

Maybank is inviting a limited number of relationship banks on two levels. Those committing US$30m or above as mandated lead arrangers earn 100bp in fees for a top-level all-in pricing of 350.64bp, while lead arrangers joining with US$20m or above receive 75bp for an all-in of 344.23bp.

The borrowing carries a letter of comfort from Viettel Group, which is wholly owned by Vietnam's Ministry of Defence. Viettel Group owns a 99% stake in Viettel Global.

The financing also comes with financial and ownership covenants.

Funds are for Viettel Global's capital expenditure and investments in South-East Asia.

Viettel Global has not borrowed previously in its own name, although it had eyed a five-year loan of around US$100m for an acquisition in Tanzania in 2015.

The group's Cambodian unit, Viettel Cambodia, completed a debut US$50m two-year offshore term loan in April 2016. ANZ was the sole MLAB of that deal, which offered a top-level all-in pricing of 265bp based on a margin of 230bp over Libor and a two-year average life.

Vietnam won an upgrade last week from Fitch, which raised its sovereign rating by one notch to BB, citing an improvement in economic performance and lower debt levels.

The deal is Maybank's first sole mandate in the country. The Malaysian bank is also one of six leads on a US$400m five-year loan for VINGROUP, Vietnam's largest private-sector real estate developer. The latter deal offers a top-level all-in pricing of 370.38bp based on a margin of 350bp over Libor and an average life of 3.925 years.

Viettel Global handles the group's international investments. Viettel Group operates in 12 countries in Asia, Africa and America, and has more than 90m customers.

PRAKASH CHAKRAVARTI

ASIA DATA

ASIAN SYNDICATED LOAN PIPELINE UPDATES WEEK OF 15 MAY

Company	Currency	Size (m)	Margin (All-in)	Tenor (mths)	Facility	Arrangers
Hong Kong						
Guoxuan High-Tech (HK)	US$	300	185 (235)	36	Term Loan	DB
Top Wise International Enterprise	US$	200	170 (195)	36	Revolver/Term Loan	BoC, SCB
Universal Medical Financial &	US$	350	150 (180)	36	Term Loan	ABC, CCB, Shanghai Pudong,
Technical Advisory Services						Chong Hing Bank, Communications
India						
Rural Electrification Corp	US$	250		60	Term Loan	
Taiwan						
Fina Finance & Trading	NT$	1,500		36	Revolver/Line >= 1 Yr.	Land Bank of Taiwan
	NT$	1,500	65	36	Guarantee	Land Bank of Taiwan

Source: Thomson Reuters LPC

LAST WEEK'S ECM DEALS

Stock	Country	Date	Amount	Price	Deal type	Bookrunner(s)
Digital Telecommunications Fund	Thailand	11/05/18	Bt53.2bn	Bt13.90	Follow-on (Primary)	Siam Commercial Bank, Credit Suisse, Bangkok Bank,
						Krung Thai Bank
Link Net	Indonesia	11/05/18	Rp1trn	Rp4,550	Follow-on (Secondary)	Morgan Stanley
IndoStar Capital	India	11/05/18	Rs18.4bn	Rs572	IPO (Primary/Secondary)	JM, Kotak, Morgan Stanley, Motilal, Nomura
Jasmine Broadband Fund	Thailand	15/05/18	Bt5.67bn	Bt10.50	Follow-on (Secondary)	Morgan Stanley
Fletcher Building	New Zealand	16/05/18	NZ$229.5m	NZ$4.80	Follow-on (Primary)	Macquarie
Hua Hong Semiconductor	China	17/05/18	HK$487m	HK$17.40	Follow-on (Secondary)	Goldman Sachs
CapitaLand Commercial Trust	Singapore	17/05/18	S$218m	S$1.676	Follow-on (Primary)	Citigroup, DBS, JP Morgan

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	379.827	−0.248	−1.288	−1.105	136
ADHY	Asian-dollar high-yield index	597.469	0.480	−2.127	−2.010	450
AGIG	Asian-dollar government high-grade index	351.374	−0.189	−1.807	−1.337	124
AGHY	Asian-dollar government high-yield index	701.158	0.504	−1.972	−1.889	366
ACIG	Asian-dollar corporate high-grade index	405.502	−0.270	−1.111	−1.031	141
ACHY	Asian-dollar corporate high-yield index	491.537	0.476	−2.156	−2.034	467

Source: Merrill Lynch

ASIAN CURRENCY BOND ISSUANCE (1)

Issuer	Currency	Amount	Maturity	Pay date	Coupon	Issue price	Product	Leads
Agricultural Bk of China (HK)	HK$	150m	1y	17/05/18	1.21	100	Fxd Rte CDs	HSBC (HK)
Anhui Gujing Group	Rmb	500m	5y	16/05/18		100	Medium-Term Nts	BoCom
Bank of China-Macau Branch	HK$	300m	1y	16/05/18	2.4	100	Fxd Rte CDs	Standard Chartered (HK)
Bank of Hebei	Rmb	2.5bn	3y	18/05/18		100	St Enterprise	CITIC Sec
Bank UOB Indonesia PT	Rp	83bn	3y	18/05/18	7.4	100	Fxd/Straight Bd	Danareksa Sekuritas, Indo Premier Sec, Trimegah Sec
	Rp	55bn	5y	18/05/18	7.65	100	Fxd/Straight Bd	Danareksa Sekuritas, Indo Premier Sec, Trimegah Sec
	Rp	862bn	1y	18/05/18	6.15	100	Fxd/Straight Bd	Danareksa Sekuritas, Indo Premier Sec, Trimegah Sec
Beijing Orient Landscape &	Rmb	500m	1y	17/05/18		100	Unsecured Bond	Huatai United Sec
	Rmb	500m	2y	17/05/18		100	Unsecured Bond	Huatai United Sec
Bk Of China Ltd-Hong Kong Br	Rmb	200m	1y	17/05/18	4	100	Fxd Rte CDs	HSBC (HK)
BoComm-HK	HK$	3bn	2y	18/05/18	2.95	100	Sr Med Term Nts	BoCom, HSBC (HK), CBA, Standard Chartered
Busan Transn	W	30bn	2y	10/05/18		100	Senior Bonds	Bookook Sec
CDB-Hong Kong Branch	HK$	615m	1y	17/05/18	Hong Kong IBOR+30bp	100	Flt Rte CDs	HSBC (HK)
Central Huijin Investment Ltd	Rmb	8bn	2y	15/05/18		100	Medium-Term Nts	China Development Bank, BoCom
	Rmb	7bn	3y	15/05/18		100	Medium-Term Nts	China Development Bank, BoCom
China Great Wall Asset Mgmt	Rmb	7.5bn	10y	17/05/18		100	St Enterprise	BoCom, China Citic, Guotong Sec, China Merchants Bank,
								Bank of China, CCB, Agricultural Dev Bank of China, ICBC
China National Foreign Trade	Rmb	2.9bn	3y	16/05/18		100	St Enterprise	Bank of China, Minmetals Sec, Industrial Sec
China S Inds Grp	Rmb	2bn	3y	14/05/18	5.28	100	Unsecured Bond	CSC Financial, Ping An Sec
Daegu Bank	W	50bn	3y	11/05/18		100	Senior Bonds	Hana Financial Investment Co
Daejeon City Corp	W	60bn	2y	16/05/18		100	Senior Bonds	eBEST Investment&Sec

ASIAN CURRENCY BOND ISSUANCE (2)

Issuer	Currency	Amount	Maturity	Pay date	Coupon	Issue price	Product	Leads
Dalian Municipal People's Govt	Rmb	5.5203bn	7y	15/05/18	4.05	100	Fxd/Straight Bd	Bank of China, Bank of Dalian, CITIC Sec, BoCom, Agricultural Dev Bank of China, CCB, ICBC
	Rmb	496m	7y	15/05/18	4.16	100	Fxd/Straight Bd	Bank of Dalian, ICBC, Bank of China, CITIC Sec, CCB, BoCom, Agricultural Dev Bank of China
	Rmb	255.92m	3y	15/05/18	3.71	100	Fxd/Straight Bd	Bank of China, Bank of Dalian, CITIC Sec, BoCom, Agricultural Dev Bank of China, CCB, ICBC
	Rmb	6.26846bn	3y	15/05/18	3.71	100	Fxd/Straight Bd	Bank of China, Bank of Dalian, CITIC Sec, BoCom, Agricultural Dev Bank of China, CCB, ICBC
DGB Life Insurance	W	50bn	10y	14/05/18		100	Subord Bonds	Meritz Sec
EIB	A$	150.803m	10y	18/05/18	3.3	100.535	Medium-Term Nts	Nomura Australia
Ford Automotive Finance(China)	Rmb	2bn	3y	17/05/18		100	St Enterprise	Morgan Stanley Huaxin Sec, ICBC, BoCom, Citi Orient Sec, ABC
Gangwondo Development Corp	W	40bn	3y	14/05/18		100	Senior Bonds	Hanwha Investment & Sec
GD Power Development	Rmb	1bn	3y	14/05/18	4.74	100	Unsecured Bond	Morgan Stanley Huaxin Sec, Huatai United Sec, Goldman Sachs Gao Hua
Goldman Sachs Group Inc	A$	300m	5y	16/05/18	Bank Bill Swap Rate+120bp	100	Medium-Term Nts	Goldman Sachs International, ANZ, CBA, NAB, RBC Capital Markets, TD Sec Inc, Westpac
	A$	124.875m	10y	16/05/18	4.5	99.9	Medium-Term Nts	Goldman Sachs International, ANZ, CBA, NAB, RBC Capital Markets, TD Sec Inc, Westpac
	A$	199.388m	5y	16/05/18	3.6	99.694	Medium-Term Nts	Goldman Sachs International, ANZ, CBA, NAB, RBC Capital Markets, TD Sec Inc, Westpac
Greentown Re Grp	Rmb	1bn	1y	16/05/18		100	CP	CCB, Guotong Sec
Hana Capital	W	30bn	2y	11/05/18		100	Senior Bonds	Mirae Asset Daewoo
	W	10bn	1y	11/05/18		100	Senior Bonds	Mirae Asset Daewoo
	W	30bn	3y	11/05/18		100	Senior Bonds	Mirae Asset Daewoo
	W	20bn	3y	11/05/18		100	Senior Bonds	Mirae Asset Daewoo
HSBC Bank (China)	Rmb	3bn	3y	15/05/18		100	St Enterprise	Guotai Junan Sec, BoCom, Haitong Sec
Huaming Power Equipment	Rmb	300m	3y	14/05/18	6.38	100	Gtd Secured Nts	Guotai Junan Sec
Hyundai Capital Services Inc	W	90bn	5y	11/05/18		100	Flt Rt Sr Bonds	KTB Investment & Sec
	W	20bn	3y	11/05/18		100	Flt Rt Sr Bonds	KTB Investment & Sec
Hyundai Card	W	10bn	2y	11/05/18		100	Flt Rt Sr Bonds	HI Investment & Sec
	W	20bn	2y	11/05/18		100	Senior Bonds	HI Investment & Sec
	W	10bn	3y	11/05/18		100	Flt Rt Sr Bonds	HI Investment & Sec
Industrial Securities	Rmb	2bn	3y	10/05/18	5.2	100	Fxd/Straight Bd	Guotai Junan Sec, Guotong Sec, China Galaxy Sec
JB Financial Group	W	68bn		11/05/18		100	Subord Bonds	DB Financial Investment
JB Woori Capital	W	20bn	2y	11/05/18		100	Senior Bonds	KBI Sec
	W	20bn	3y	11/05/18		100	Flt Rt Sr Bonds	KBI Sec
	W	40bn	3y	11/05/18		100	Senior Bonds	KBI Sec
Jeonbuk Bank	W	80bn	1y	14/05/18		100	Flt Rt Sr Bonds	KTB Investment & Sec
Jianghai Securities	Rmb	1bn	3y	14/05/18	5.8	100	Unsecured Bond	HuaFu Sec
KB Kookmin Bank	W	100bn	1y	10/05/18		100	Flt Rt Sr Bonds	Hana Financial Investment Co
	W	200bn	1y	11/05/18		100	Senior Bonds	Shinhan Investment Corp
KB Kookmin Card	W	60bn	3y	11/05/18		100	Senior Bonds	Taurus Invest & Sec
	W	50bn	5y	11/05/18		100	Senior Bonds	Taurus Invest & Sec
Kdb Capital Corp	W	100bn	3y	11/05/18		100	Senior Bonds	KBI Sec
KEB Card	W	50bn	3y	11/05/18		100	Senior Bonds	NH Investment & Sec
KEB Hana Bank	W	150bn	2y	10/05/18		100	Senior Bonds	eBEST Investment&Sec
KEPCO	W	100bn	3y	15/05/18		100	Senior Bonds	Mirae Asset Daewoo
KOGAS	W	100bn	20y	15/05/18		100	Senior Bonds	DB Financial Investment
	W	150bn	5y	15/05/18		100	Senior Bonds	Hana Financial Investment Co
Korea Expressway Corp	W	100bn	30y	10/05/18		100	Senior Bonds	DB Financial Investment
Korea Hydro & Nuclear Power Co	W	60bn	30y	11/05/18		100	Senior Bonds	Mirae Asset Daewoo
	W	170bn	20y	11/05/18		100	Senior Bonds	Mirae Asset Daewoo
	W	70bn	3y	11/05/18		100	Senior Bonds	Mirae Asset Daewoo
Korea lnad & Housing Corp	W	105bn	30y	11/05/18		100	Senior Bonds	DB Financial Investment
Korea Rail Network Authority	W	180bn	30y	14/05/18		100	Senior Bonds	Samsung Sec
Korea Student Aid Foundation	W	50bn	5y	11/05/18		100	Zero Cpn Gtd Bd	Hana Financial Investment Co
	W	50bn	10y	15/05/18		100	Zero Cpn Gtd Bd	Hana Financial Investment Co

ASIAN CURRENCY BOND ISSUANCE (3)

Issuer	Currency	Amount	Maturity	Pay date	Coupon	Issue price	Product	Leads
LG Card	W	30bn	3y	10/05/18		100	Senior Bonds	Kyobo Sec
	W	50bn	5y	14/05/18		100	Flt Rt Sr Bonds	BNK Sec
	W	100bn	5y	14/05/18		100	Flt Rt Sr Bonds	BNK Sec
LIG Nex1	W	100bn	3y	18/05/18		100	Senior Bonds	NH Investment & Sec
Lotte Capital	W	20bn	5y	10/05/18		100	Senior Bonds	KBI Sec
	W	70bn	1y	10/05/18		100	Senior Bonds	KBI Sec
	W	40bn	3y	10/05/18		100	Senior Bonds	KBI Sec
Lotte Card	W	10bn	3y	10/05/18		100	Senior Bonds	Korea Investment & Sec
	W	30bn	1y	10/05/18		100	Senior Bonds	Korea Investment & Sec
	W	50bn	3y	11/05/18		100	Flt Rt Sr Bonds	Korea Investment & Sec
Meritz Capital	W	70bn	5y	14/05/18		100	Senior Bonds	Mirae Asset Daewoo
	W	10bn	3y	14/05/18		100	Senior Bonds	Mirae Asset Daewoo
NABARD	Rs	5.8bn	1y	10/05/18	8.25	100	Bonds	Axis, HDFC Bank, ICICI, ICICI Sec Primary Dealership
Nanchong City Jialing Dvlp	Rmb	500m	7y	23/05/18		100	St Enterprise	Hengtai Changcai Sec
Nantong Econ & Tech Dvlp Zone	Rmb	600m	5y	15/05/18		100	Medium-Term Nts	Bank of Nanjing
National Federation of Fish	W	60bn	3y	15/05/18		100	Senior Bonds	DB Financial Investment
NH Capital	W	50bn	2y	11/05/18		100	Senior Bonds	Hanwha Investment & Sec
	W	20bn	2y	11/05/18		100	Senior Bonds	Hanwha Investment & Sec
	W	30bn	3y	11/05/18		100	Senior Bonds	Hanwha Investment & Sec
	W	35bn	3y	11/05/18		100	Senior Bonds	Hanwha Investment & Sec
NTTCorp	A$	252.085m	10y	21/05/18	3.5	100.834	Bonds	ANZ, UBS Investment Bank
OeKB	A$	29.711m	11y	22/05/18	3.3	99.037	Gtd Mdm-Trm Nts	TD Sec Inc
Orient Grp Invest Hldg	Rmb	2.5bn	1y	09/05/18	7.5	100	Fxd/Straight Bd	Haitong Sec
PICC Life Insurance	Rmb	12bn	10y	16/05/18		100	St Enterprise	ABC, CICC, ICBC, CITIC Sec, China Merchants Bank
Ping An Intl Finl Leasing Co	Rmb	2bn	5y	09/05/18		100	Bonds	CSC Financial, Ping An Sec
Polaris Shipping	W	24bn	1y	15/05/18		100	Senior Bonds	KBI Sec
	W	36bn	1y	15/05/18		100	Senior Bonds	KBI Sec
Province of Quebec	A$	44.665m	10y	22/05/18	3.25	99.256	Medium-Term Nts	RBC Capital Markets, TD Sec Inc
Royal Bank of Canada	HK$	258m	5y	17/05/18	3.12	100	Sr Med Term Nts	HSBC (HK)
Samsung Card	W	50bn	5y	11/05/18		100	Flt Rt Sr Bonds	BNK Sec
	W	30bn	6y	14/05/18		100	Flt Rt Sr Bonds	BNK Sec
SBC	W	90bn	5y	15/05/18		100	Senior Bonds	DB Financial Investment
Shanghai 2345 Network Hldg	Rmb	500m	2y	15/05/18	6	100	Gtd Secured Nts	CSC Financial
	Rmb	250m	3y	15/05/18		100	Gtd Secured Nts	CSC Financial
Shanghai Tunnel Engineering Co	Rmb	500m	3y	11/05/18	4.8	100	Unsecured Bond	Guotai Junan Sec, CSC Financial
Shenzhen Invest Hldg	Rmb	3bn	5y	16/05/18		100	Unsecured Bond	China Galaxy Sec, Guosen Sec
Shinhan Bank	W	80bn	2y	14/05/18		100	Senior Bonds	Samsung Sec
Shinhan Capital	W	60bn	3y	14/05/18		100	Senior Bonds	NH Investment & Sec
	W	50bn	2y	14/05/18		100	Senior Bonds	NH Investment & Sec
	W	30bn	2y	14/05/18		100	Senior Bonds	NH Investment & Sec
Shinsegae Chosun Hotel	W	30bn	3y	11/05/18		100	Senior Bonds	HI Investment & Sec
Standard Chartered Bank Korea	W	40bn	3y	10/05/18		100	Senior Bonds	Hana Financial Investment Co
	W	30bn	15y	11/05/18		100	Flt Rt Sr Bonds	eBEST Investment&Sec
State Development & Investment	Rmb	2bn	3y	15/05/18	4.74	100	Unsecured Bond	CSC Financial, Essence Sec
State Grid Xinyuan	Rmb	1bn	3y	17/05/18		100	Medium-Term Nts	ABC, CCB
State Power Invest Corp	Rmb	2bn	3y	16/05/18		100	Unsecured Bond	Everbright Sec, Ping An Sec, Cinda Sec, Huatai United Sec, Guotai Junan Sec, GF Sec
Suqian Jiaotong Invest	Rmb	500m	5y	16/05/18		100	Medium-Term Nts	Shanghai Pudong
Tianjin Hi-Tech Hldg	Rmb	600m	1y	17/05/18		100	CP	Bank of Tianjin
Toyota Finance Australia	A$	49.4m	4y	25/05/18	2.47	100	Medium-Term Nts	Daiwa Capital Markets Sgp
United Overseas Bk Ltd-Hong	HK$	300m	5y	15/05/18	3.04	100	Fxd Rte CDs	Standard Chartered (HK)
Woori Card	W	10bn	3y	11/05/18		100	Senior Bonds	DB Financial Investment
	W	20bn	3y	11/05/18		100	Senior Bonds	DB Financial Investment
	W	20bn	3y	11/05/18		100	Senior Bonds	DB Financial Investment
	W	30bn	3y	11/05/18		100	Senior Bonds	DB Financial Investment
	W	20bn	4y	11/05/18		100	Senior Bonds	DB Financial Investment
Yunnan Industrial Invest Hldg	Rmb	1bn	3y	10/05/18		100	Bonds	China Everbright Bank, CCB

Source: IFR Asia

IFR ASIA

SAVE THE DATE

GREEN FINANCING ROUNDTABLE

1pm – 5pm | Monday July 9 2018 | Thomson Reuters, Singapore

Sponsored by: citi HSBC

The 2018 IFR Asia Green Financing Roundtable will take place on the morning of Monday July 9 2018 at the Thomson Reuters Building, Singapore.

Moderated by **Steve Garton**, this 90-minute discussion will convene a panel of expert speakers to assess the current state of the market, examine the challenges and opportunities for market participants and provide an outlook for the year ahead and beyond.

Registration will be open very shortly but for now, please save the date: **Monday July 9 2018**

THOMSON REUTERS