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Chinese bond regulator calls time on ultra-low underwriting fees

Xiaomi bumps CDR portion of dual IPO to at least half after CSRC feedback

Japan's growing risk appetite offers fertile ground for dealmakers

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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 IFR Asia's **Daniel Stanton**, 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.

The event is free to attend for all capital markets professionals and you can secure your place at **http://financial-risk-solutions.thomsonreuters.info/AsiaGreenFinancingRoundtable**

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Upfront

Greening Hong Kong

Hong Kong is going all out to win a piece of Asia's growing Green finance movement. There's just one small problem: the city is anything but green.

The Hong Kong Monetary Authority co-hosted two Green finance events last week, with the International Capital Market Association and the People's Bank of China, bringing hundreds of people into the city and making its ambitions in the Green market crystal clear.

But when it comes to using Green finance to improve the environment and tackle climate change, Hong Kong – and Asia more broadly – still has some convincing to do.

Many recent Green bonds blur the line between marketing exercises and real financings. Take ICBC's recent floating-rate offerings, timed to coincide with World Environment Day (June 5) and then the day before the ICMA conference (June 13).

> What's really needed is an action plan that links a Green financing to real results.

Hong Kong, like ICBC, has the clout and credit rating to issue Green bonds whenever it likes and call the deal a success. What's really needed, however, is an action plan that links a Green financing to real results.

Hong Kong is far from a green city. It gets most of its energy from burning fossil fuels, mostly coal. Water quality is poor and waste management is woeful. Green groups estimate 5 million plastic bottles end up in landfills each day.

A real success would be a Green bond that ties the government to specific environmental projects. A biofuel plant to generate energy from mountains of food waste would be a good place to start, as would some basic recycling facilities and better water treatment.

Last week's events are a welcome sign that Hong Kong wants to keep up with the Green finance push. But the discussions also revealed a growing focus on impact reporting, as investors become more sophisticated and a wider range of issuers emerge.

When it does make its Green bond debut, Hong Kong needs to focus on attracting the broadest possible support from dedicated investors. That means an international benchmark, perhaps in euros, to fund projects with a clear and measurable impact on the environment. Anything else will be just another marketing gimmick.

Chinese competition

China's banking regulator clearly hasn't been reading up on antitrust legislation. At the same time as Australia is starting a criminal case accusing the joint underwriters of a share placement of collusion, China is telling banks to work together to restrict companies' access to credit.

The China Banking and Insurance Regulatory Commission has tabled rules that will force lenders to share information on major borrowers and work together to enforce lending limits.

Notably, borrowers would need to get permission from the joint lending committee before raising money from any other sources.

These practices are horrendously anti-competitive. As well as giving a group of lenders the ability to control the price and availability of credit, they will make it harder for banks to do business with new customers, thus protecting incumbent banks. One wonders whether China's antitrust regulators might take a view on the proposal.

The difference with the Australian case is a question of priorities. China is trying to protect its banks from mounting credit concerns; Australia is trying to limit its banks' grip on the economy.

The CBIRC's proposals are not yet in effect, but the intent is clear. The regulator wants to keep track on total exposure to major borrowers in a bid to control systemic risks. Given that the deleveraging campaign has the backing of the highest levels of government, it is unlikely to face much of a challenge.

The new approach could have a positive impact on the wider market by promoting market-driven pricing and encouraging syndicated lending rather than friendly bilaterals. Taken to an extreme, however, the consolidation of power in the hands of fewer lenders is hardly cause for celebration.

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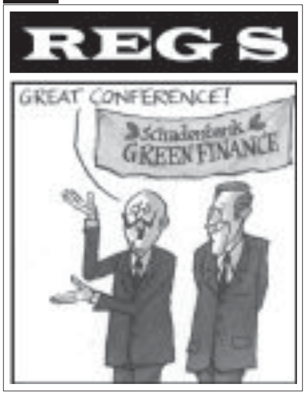


China slams low-fee underwriting

■ **Bonds** Runaway competition among underwriters raises questions over due diligence

BY INA ZHOU

Chinese securities firms have resorted to low, or even zero-fee underwriting offers to win business in the country's cut-throat exchange-traded bond market, but the tactic has earned them little more than the attention of regulators.

The vicious competition prompted the Securities Association of China, a self-regulatory body under the China Securities Regulatory Commission, to issue a stern warning to brokers last week.

In a notice seen by IFR, SAC said it had reviewed 697 primary deals in the exchange-traded bond market between October 2017 and March 2018 and found that 52, or 7%, carried no fee. A further 62 deals paid the underwriters 0.1% or less of the proceeds raised, far lower than the average underwriting rate of 0.44% recorded in this period.

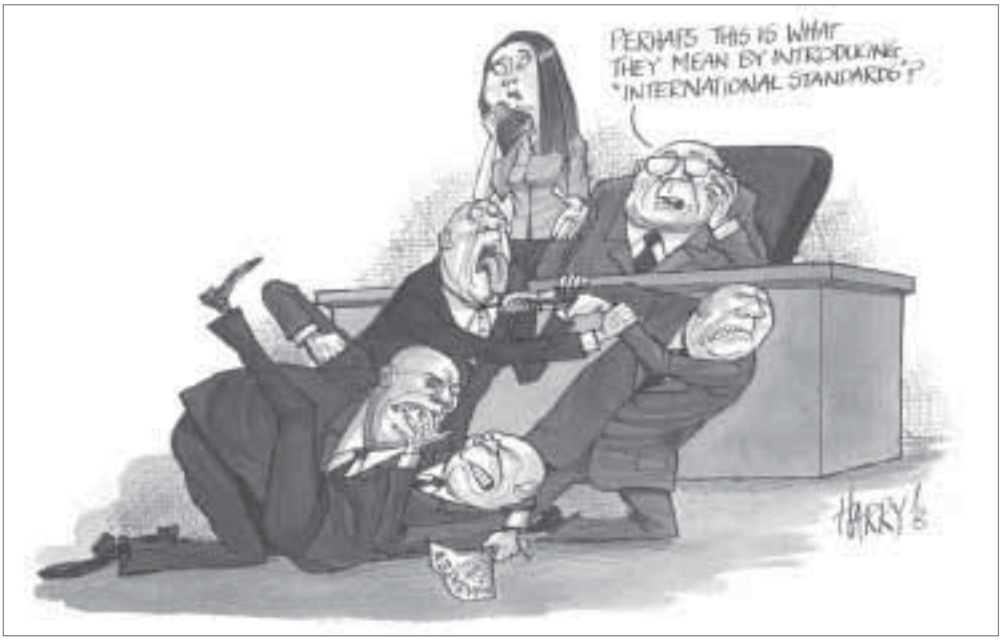
It was the first time the regulator has addressed the price war in underwriting that has come with the rapid expansion of the exchange-traded bond market since 2015.

That year, the CSRC removed many of the obstacles to the issuance of corporate bonds and allowed property developers to issue bonds on the Shanghai and Shenzhen stock exchanges. In the past three years, new issues of corporate bonds in the two bourses totalled Rmb7.3trn (US$1.1trn), according to official data.

"The market has definitely become overly crowded after these years of expansion, and unprincipled competition risks undermining the whole industry, " said a Beiijing-based DCM banker with a large Chinese securities firm, noting there were currently over 100 brokers competing for bond deals.

"I once flew to Sichuan province to pitch a small county-level LFGV only to be told by the company chairman that it had been approached by 12 other securities firms already," he recalled.

The SAC said in the notice dated June 11 that when brokerages are marketing bond



Xiaomi CDR shows China's hand

■ **Equities** Onshore portion grows to at least 50% of IPO after CSRC feedback

BY FIONA LAU, KEN WANG

XIAOMI's decision to sell more of its IPO to onshore Chinese investors than previously planned has underlined the regulator's influence on the inaugural issue of Chinese depositary receipts (CDRs).

Xiaomi said in its latest filing last Thursday that the CDR tranche will account for at least 50% of its proposed dual listing in Shanghai and Hong Kong and at least 7% of its enlarged capital.

The company is going with a bigger CDR tranche after receiving guidance from the China Securities Regulatory Commission, according to people familiar with the situation.

"The CSRC wants Xiaomi to sell more shares in China as it's the first CDR in the domestic market. They hope a successful and sizable Xiaomi listing would help attract more giant technology companies to list at home," said one of the people.

Other people close to the deal told IFR earlier Xiaomi was planning to sell about 30% of its IPO as CDRs and the rest as Hong Kong-listed shares.

The CSRC did not reply to emails seeking comment.

The latest CDR filing also says Xiaomi will set its CDR price based on pricing consultations, and that the price will be no higher than the offer price of the Hong Kong tranche.

Selling more shares as CDRs may pressure Xiaomi's valuation, according to bankers away from the transaction.

"The regulator may require Xiaomi to set its offering price at a discount to the valuation it gets from the overseas market, so as to ensure a decent aftermarket performance," said a banker close to another potential CDR offering.

"But from my point of view, the overseas valuation will be a key reference for Xiaomi's CDRs and other potential CDR offerings as the domestic market lacks price-discovery ability since the regulator has tightly controlled prices of IPOs in the past few years," said the banker.

issues, they need to be "market orientated and adhere to legal principles". It added that the SAC and CSRC were highly focused on "market-disrupting behaviour" and would punish those who engage in such practices.

The SAC, which began collecting fee data last October, said it would issue individual warnings to securities firms that had underwritten a large number of low-fee deals.

It said that, when necessary, it would work with the CSRC to conduct on-site inspections to probe whether adequate and proper due diligence had been performed for bond issues.

STATE-OWNED 'CHARM'

A closer look at the transactions fingered by the SAC shows that 49 of the 52 zero-fee deals were for securities firms, and only three were bonds arranged by securities firms for corporates.

Meanwhile, most of the issuers of the 62 deals with fees not exceeding 0.1% were large state-owned companies, such as SDIC Power Holdings, which traditionally have more bargaining power than privately owned issuers.

A senior syndicate banker based in Beijing said the race to woo state issuers has been hot since 2016 when the CSRC prioritised bond offerings from high-quality SOEs.

To please regulators and improve league table rankings, some securities firms have gone all out to win over such issuers, particularly big first-time central SOEs.

For instance, they pitched the lowest fees to outbid competitors, and then compensated the DCM team internally.

"The benefits of securing big SOE deals are manifold: it solidifies your rankings in the league tables and that will help you immensely when pitching first-time privately owned issuers, moreover, you also make the regulators happy," said the syndicate banker.

"So from a broader cost-benefit perspective, the money you lose on a single trade can be compensated in many other ways," he said. "But the consequence is that SOE issuers are being spoiled and have no respect for market prices."

He said other issuers, such as property developers, were more lucrative but subject to unpredictable policy changes.

Bond offerings from developers have dropped sharply since late 2016 when the central government stepped up efforts to rein in property prices.

Underwriters are facing a triple whammy of unfettered competition, policy-driven deleveraging, and rising default risks.

"The situation is painful for us. On the one hand, big SOE deals don't make us profit, on the other hand, the paper of property developers and LGFVs is very hard to sell this year," said the first DCM banker.

LITTLE DIFFERENTIATION

Few underwriters believe the SAC's warning will bring discipline back to the market.

"At the end of the day, the services we provide are very homogenous. It doesn't make much difference for issuers, particularly central SOEs, to pick securities firm A or B, so underwriting fee becomes the only criteria," said the syndicate banker.

Repeat issuers have less need for investment banking skills, documentation can be easily repurposed from previous filings and some issuers have friendly investors to support their fundraising. Additionally, a volatile bond market makes it very difficult even for arrangers to seize a good issue window.

Another DCM banker with a JV securities firm, who used to work on international bond deals but recently switched to China's onshore bond market, said the concerns of domestic Chinese issuers were very different.

"The first question from issuers is always: 'Can you buy our notes?' No. 'Okay, then can you help us secure approval from regulators. Still no?' That's when I know it is time for me to go," said the banker.

In the interbank bond market, where the People's Bank of China is the main regulator, underwriters, mostly banks, are said to be slightly better behaved than securities firms in the exchange-traded bond market. The National Association of Financial Market Institutional Investors, which operates under the PBoC, has a guidance fee rate of 0.3% for MTNs and 0.4% for short-term commercial paper, market participants said.

But competition is no less severe and most banks offer discounts over those benchmark rates, they said.

"I think the status quo is difficult to change. It is easy for underwriting fees to go down, but very difficult to make them go up," said the second banker. ■

INTERNET OR HARDWARE?

Xiaomi is looking for a valuation of at least US$70bn, according to people close to the discussions. It is tentatively looking to sell about 15% of its enlarged share capital in the combined listing, implying a fundraising size of roughly US$10bn.

To achieve the valuation target, which some have seen as aggressive, Xiaomi is positioning itself closer to its internet peers than other hardware makers.

That pitch is one of 84 points the CSRC has asked Xiaomi to clarify in feedback to its CDR application, posted on the CSRC's website on June 14. Why, the regulator has asked, is Xiaomi billing itself as an internet company in the filing and not a hardware company, when most of its revenues are from smartphone sales?

According to the filing, Xiaomi's internet services business accounted for only 8.6% of total revenues in 2017, versus 70.28% from smartphone sales.

"Xiaomi's internet services-related growth is expected to be mainly driven by customers in China but future growth in that market is limited. For overseas markets such as India, it will take time for Xiaomi to generate meaningful internet services revenue," said a Hong Kong-based investor who has attended a Xiaomi investor education session. India is a major market for the company's competitively priced handsets.

The three joint sponsors on Xiaomi's IPO have valued the smartphone maker at a range of US$65bn–$86bn, according to pre-deal research reports seen by IFR.

CLSA gives Xiaomi a US$74bn–$86bn valuation as of June based on a sum-of-parts approach, using a multiple of 25 times 2019 earnings for the hardware unit and 32x–39x for the internet business.

Morgan Stanley analysts put fair value for the company's equity at US$65bn–$84.6bn, equal to a 2019 P/E of 26.5x–34.1x based on non-IFRS net earnings forecasts. The bank forecasts Xiaomi's 2018 adjusted income will reach Rmb8.9bn (US$1.4bn) in 2018 and Rmb15.6bn in 2019, up from Rmb5.4bn in 2017.

Goldman Sachs values Xiaomi at US$70bn–$86bn.

Books of the Hong Kong tranche will open on June 20 with pricing on June 28.

Citic Securities, CLSA's parent, is leading the CDR sale. ■

Risk appetite rises in Japan

Equities/Bonds Recent deals reveal rising demand for growth investments

BY STEVE GARTON

Where in the world can a loss-making technology company raise over US$1bn in an IPO valued at more than 27 times 2020 earnings? Japan is unlikely to be the first answer to that question, but the ¥130.5bn (US$1.2bn) listing of used-goods marketplace MERCARI is the latest sign that the country's capital markets are shrugging off their long-held conservative reputation.

In the past month, Lloyds and Credit Agricole have turned to the yen bond market to raise low-cost regulatory capital, and Triple B rated borrowers ranging from a US glass maker to Indonesia's government have found enthusiastic supporters for their debt. In April SoftBank completed a refinancing of overseas bonds that clears the way for an IPO of its Japanese telecoms unit. And, in the most striking example, Japan's Takeda Pharmaceutical in May agreed a US$62bn acquisition of UK-listed Shire, a record for a Japanese company.

Takeda's planned takeover, in particular, is a revolutionary step for a Japanese company, involving a bigger target company and funding through US dollar debt and a dilutive overseas equity raising.

Many of those deals would have been unthinkable only a few years ago, but the combination of ultra-low domestic yields and reforms to corporate culture is finally showing results.

"The mindset is changing," said Tamao Sasada, co-head of investment banking for Japan at Bank of America Merrill Lynch. "Japanese companies are known for being very conservative, but everyone cares about margins now."

Cynics insist that Mercari and Takeda are the exceptions to the rule. Only one other Japanese technology firm makes it on CB Insights' list of so-called unicorns, and Takeda is already an international company, with a French CEO and 67.2% of its revenues for the last financial year coming from outside Japan.

They may stand out in their respective sectors, but the two deals offer a clear sign that risk appetite is back on the menu in Japan as investors and companies go in search of higher returns.

And there are other examples of Japan's animal spirits.

START TODAY, the local e-commerce group and the closest comparable for Mercari's IPO, has soared 65% since the end of March. It is poised to change its name to Zozo later this year to match its popular internet fashion brand, Zozotown, and trades at a far more racy forward earnings multiple than Mercari at close to 40x the 2020 consensus. (Investors received a discount both for Mercari's short track record and for its risky overseas expansion, as its US business is still losing money.)

SoftBank had no trouble raising ¥410bn from retail bond investors in June, cutting the coupon rate from its latest retail outing despite dropping the guarantee from its telecom unit.

The retail end of the Japanese capital markets is symptomatic of a broader growth in risk appetite. Everywhere in Japan, attention is moving from capital preservation to accumulation; from safety to risk.

One head of Japanese corporate finance argues it is a myth that investors cannot find growth in Japan. Individual investors, particularly, are willing to support risky ventures, and mid-cap companies, in particular, are looking to expand.

"Japan has been sitting on high corporate profits and very low rates for years," he said. "People are getting desperate to enhance returns."

In fixed income, Japanese institutional investors have been experimenting with larger allocations to overseas bonds and welcoming foreign issuers in the local market. That has driven demand for Samurai bonds, Tokyo Pro-bonds and – most recently – Global yen bonds, where investors need to make much quicker order decisions and rely on English-language documentation.

PREVIOUSLY IMPOSSIBLE

CORNING, a US-based glassmaker with a modest Baa1/BBB+ rating, is a case in point. Having sold seven, 10 and 20-year bonds on its debut in the yen bond market in August 2017, it returned at the end of May for another ¥65.5bn of long-term funding, through a three-tranche deal that bankers said attracted another new group of Japanese investors.

Such long-dated deals were previously impossible for a Triple B rated debut borrower in the conservative yen market, but Japanese fund managers are finding themselves forced to take more duration risk and go down the credit curve to boost returns. Loss-absorbing senior bank bonds have become especially popular.

Mexico, with a low Single A rating, also drew a strong response in April to a ¥135bn four-part Samurai that included 10-year and 20-year tranches.

"We have seen asset managers and trust banks become a lot more active," said Kazuma Muroi, debt syndication manager at Mitsubishi UFJ Morgan Stanley Securities. "They are looking for longer duration and EM names."

Meiji Yasuda Life Insurance set up a new team last year to invest in foreign credit, including Samurai bonds, overseas corporate bonds and structured products, such as project financings and aircraft-related deals.

"We plan to invest ¥800bn in foreign credit in fiscal 2017 to 2019 and have invested ¥240bn, or 30% of our plan, so far," said Ken Yoneyama, international credit and structured products group manager at Meiji Yasuda. "To meet our three-year target, we will aggressively continue with our credit investments."

Takayuki Yabe, who shares the same title, said there were two main drivers behind Meiji Yasuda's decision to invest in foreign credit: higher returns and diversification.

"In the ultra-low interest rate and high-volatility environment, we focus on credit investments as a source of excess return for us," he added, stressing that Japan's monetary policy had forced investors to rethink their approach.

The country's biggest money managers are also exploring new risks. GPIF, Japan's biggest pension fund with over ¥162trn under management, this year dropped a requirement for domestic fixed-income investments to be rated at least Triple B.

Japan Post Bank, which manages ¥207.7trn, said in its latest strategic update it would cut its holdings of government bonds and increase its allocation to credit and alternative investments in a bid to improve returns.

Five years after Haruhiko Kuroda took the reins at the Bank of Japan and embarked on an audacious monetary easing campaign, low domestic yields are becoming a problem for everyone.

"It's become very hard for investors," said a debt distribution banker at a European bank.

CAPITAL OPPORTUNITIES

Rising risk appetite is opening doors for global investment banks, who say they are better placed to advise on cross-border financings and acquisitions than their local Japanese rivals.

Acquisitions are certainly coming thick and fast. Last month, CBA sold its stake in BoCom Life to Mitsui Sumitomo Insurance. In the same week, ANZ sold its stake in a Cambodian joint venture to Tokyo-listed J Trust.

Last week, Toyota agreed to invest US$1bn in South-East Asian ride-hailing app Grab.

Some companies, such as Takeda, have outgrown their domestic market, or are facing specific challenges (expiring patents are set to eat into Takeda's Japanese earnings as generic competitors emerge). Others have an eye on long-term demographics that will dent consumption. And Japan's governance code has put corporate leaders under pressure to deliver real, transparent returns.

"Large-scale mergers would give smaller businesses the confidence to go for a US$3bn acquisition rather than a US$1bn deal," said Hidekazu Harada, co-head of Japan investment banking at BAML.

"Japanese companies tend to say no to acquisitions because they are too risky or too expensive, but now they are under huge pressure to grow."

The capital markets have an important role to play. SoftBank is considering a Tokyo listing for its telecom unit to raise money for its giant Vision Fund. Takeda is to issue both debt and equity to fund its Shire acquisition. Sharp, now owned by Taiwan's Foxconn, said in early June it would issue ¥200bn of new stock to pay off preferred stock holders and fund its acquisition of Toshiba's PC business.

A local market for growth stocks is also important in attracting private equity investment. US buyout giant Bain Capital proved that concept in November, when a ¥62bn block trade completed its staggered exit from restaurant group Skylark, three years after its IPO.

Blackstone and others are staffing up in Tokyo, further challenging the idea that growth is hard to find in Japan.

"Successful exit cases through the capital markets give private equity funds more confidence to pursue buyout opportunities," said Sasada at BAML.

RISKY BUSINESS

Bankers caution that overseas expansions have rarely turned out well for Japan. In the technology sector, Rakuten wrote down hundreds of millions of dollars on earlier investments in the likes of Play.com and Buy.com. In investment banking, Nomura's Lehman Brothers saga is well known. Japan Post lost a packet on Australia's Toll Holdings.

Overseas exposure has caused some concern in fixed income, too. Japan's financial watchdog warned regional banks to curb potential losses on foreign bonds and other securities in May after US Treasury yields spiked, Reuters reported.

Some bankers expect this will result in a more cautious approach to foreign currency investments, driving additional demand for higher-yielding yen investments.

There is no doubt that expansion is risky.

But for every high-profile flop, there is a less well-known success story. MUFG's pre-crisis acquisition of UnionBanCal has won analysts' acclaim as a foothold in the important US dollar market, and its Morgan Stanley investment in 2008 is now widely seen as a masterstroke – after dividends accounted for 17% of the group's overall profit in the last financial year.

Risk appetite also fuels innovation.

Start Today's Zozotown has found a niche in e-tailoring, where it sends consumers a polka-dotted, skin-tight suit and collects detailed size measurements from user-generated smartphone pictures. More than 1 million customers have placed orders since the "Zozosuit" was introduced last November, and the company has rolled it out for free to customers who buy from its Zozotown platform. It expects to ship 6-10 million in its first year.

If bankers can find new ways to connect the dots, capital raisings for the likes of Mercari may no longer be the exception.

Additional reporting by Takahiro Okamoto

Mercari draws crowd to tech IPO

BY CANDY CHAN

The books for the Tokyo Stock Exchange IPO of **MERCARI**, Japan's biggest used-goods marketplace, were about 30 times covered, according to a person close to the deal.

The mobile app developer raised ¥122bn (US$1.1bn) through the sale of 40.7m shares at the top end of the ¥2,700–¥3,000 range, already above the earlier indications of ¥2,200–¥2,700. There is an over-allotment option of 2.8m shares.

"It is a fantastic book. It is priced at the top [range] and has a high conviction rate across global mutual funds," the person said.

The institutional tranche was multiple times covered with long-only and sovereign wealth funds participating, while the retail tranche was 40 times covered, the person said.

About 50% of the deal went to long-only investors and the top 25 accounts took 60% of the deal.

"The (stock in) grey market is trading up 30% so obviously it's going to be well-bid," the person said.

The largest IPO in Japan this year, Mercari sold 55% of the deal to international investors and 45% to Japanese investors.

Selling shareholders included Mercari co-founder and CEO Shintaro Yamada, Development Bank of Japan and venture capital firms. Listing will be on June 19.

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

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

Green debt supply doubles in Asia

Bonds Investors focus on market development as demand outpaces offerings

BY FRANCES YOON

Green bond issuance has exploded in Asia Pacific's international markets this year, with borrowers lining up to sate fast-growing investor appetite despite concerns that the region still lacks the sophistication and oversight seen in the US and Europe.

Asian issuers, including those from Japan and Australia, sold 15 public Green bonds in US dollars and euros for a combined US$9.2bn so far this year, more than double the seven deals worth US$4.6bn in the first half of 2017, according to IFR calculations.

KOREA HYDRO & NUCLEAR POWER has mandated banks for a US dollar Green bond, with meetings to start on Friday. KHNP's proposed transaction comes shortly after INDUSTRIAL AND COMMERCIAL BANK OF CHINA raised US$2.32bn-equivalent in two Green offerings from its London branch and Hong Kong subsidiary in the past three weeks.

Despite the burgeoning new issuance, investors say current volumes are not sufficient to meet global demand for responsible investments, including Green bonds, in emerging market countries.

"There needs to be more Green sovereign issuance and more emerging market issuance," said Ashley Schulten, BlackRock's head of responsible investment for global fixed income, during a panel discussion at the annual general meeting of the ICMA Green and Social Bond Principles in Hong Kong last week.

Asian borrowers are only just becoming familiar with Green bonds and the verification process that comes with them. The majority of issuers so far this year were financial institutions, leaving only a handful of deals from corporates in China, India and Indonesia.

"For US dollar and euro issuance from the Chinese, we've eliminated a few categories that the broader investor base does not want. Clean coal is a challenging category for US and European investors. Transparency and disclosure is key. If you disclose what's in and what's not it makes it very easy for investors."

The discrepancies in what qualifies as "Green" in different countries also prevents some dedicated Green funds from actively investing in Asian Green bonds.

Green bond guidelines published by the People's Republic of China and the National Development and Reform Commission permit proceeds to be used to fund clean coal projects, in contradiction with the Climate Bonds standard closely followed by European investors.

The latest Green bonds from Chinese banks, however, have excluded categories such as clean coal from their Green bond programmes to suit the stricter global definitions, providing some comfort to global investors.

"For US dollar and euro issuance from the Chinese, we've eliminated a few categories that the broader investor base does not want.

China banks to track credit risk

Loans Proposed joint lending committees may boost syndication activity

BY YAN JIANG

China's newly merged banking and insurance regulator has called for banks to work together to monitor major borrowers, in a move that some bankers say may encourage more syndicated lending.

The China Banking and Insurance Regulatory Commission unveiled new lending guidelines on June 1 with the aim of "preventing excessive (corporate) fundraising from multiple channels and effectively containing credit risks arising from high leverage".

The proposals call for banks to establish a joint lending committee for every borrower with more than three lenders and with outstanding debt, including bonds and loans, exceeding Rmb5bn (US$782m). The committee would be responsible for monitoring credit risk and reporting all banks' exposure to the regulator at regular intervals.

Some syndicated loan bankers expect the move to boost their businesses as the concept of joint lending in the newly released guidelines appears to promote syndicated lending, with the shared goal of mitigating credit risk.

"Hopefully, we can see more than 15% growth this year (in China's syndicated loan volume) because of this new regulation," a senior banker from a major Chinese lender said.

Banking regulators in provinces and municipalities across China have been asked to submit their implementation plan and a trial list of at least 10 corporate borrowers in their jurisdictions to CBIRC by the end of this month. A meeting was held on June 8 to discuss details.

CURBING DEFAULTS

The move comes as China's campaign to reduce leverage in the economy is crimping access to finance and triggering a rising number of corporate defaults.

State-owned China Energy Reserve and Chemicals Group missed an offshore bond payment last month, while eight other issuers have defaulted on their onshore bonds this year.

The new CBIRC rules aim to minimise further shocks by making lenders responsible for consolidating and reporting credit risks. The joint lending committee would be responsible for monitoring and sharing information obtained from every relationship lender to the same borrower and its related companies, as well as imposing a cap on the borrower's total borrowing.

The lending committee will also take coordinated action when default risks rise, such as sending out alerts when total debt reaches a certain level, convening meetings and advising members to be more stringent in approving any new borrowings.

One of the borrower's top three lenders will be elected to chair the committee as well as a quarterly meeting, while reporting information regularly

Clean coal is a challenging category for US and European investors," said Marilyn Ceci, vice chair of the GBP Steering Group and head of Green bonds at JP Morgan, during the conference.

"Transparency and disclosure is key. If you disclose what's in and what's not it makes it very easy for investors."

GREEN LIQUIDITY

For now, some investors are focusing on stimulating issuance volumes first, before ironing out the different green standards.

Asset manager Amundi has teamed up with the International Finance Corporation to create the Green Cornerstone Bond Fund, billed as the world's largest Green bond fund with a focus on emerging markets.

IFC will invest up to US$325m in the new fund and Amundi will raise additional investments from international investors to bring the fund's size to US$2bn. It aims to be fully invested within seven years.

"The reason why we are doing it is to create that market," said Eric Brard, head of fixed income at Amundi Asset Management. "We want to give an opportunity to Green projects in this emerging market space to find a dedicated source of funding and, at the same time, give the opportunity to investors around the world to access these opportunities in the emerging markets."

Brard said supply generation was the immediate priority rather than focusing on the environmental impact of the bonds themselves – even though more investors are clamouring for bonds with a high beneficial impact.

"So the idea is to disseminate best practices, to facilitate the issuance of new Green bonds in these markets, even before starting to measure the Green impact of that. It's too soon in the process."

BUILDING BLOCKS

The hope is that more supply will also build a longer track record of compliance from Asian issuers. International bodies continue to develop standards that can help to better align and regulate the green financing market.

The European Commission announced last month a set of proposals aimed at setting a standard on sustainable financing. They comprise the first concrete step to establish a unified classification system for sustainable economic activities, setting disclosure requirements for environmental risk assessments and a new category of benchmarks to help compare carbon footprints.

China is also driving efforts to require issuers to disclose and calculate the impact of their green financings. In that way, Asian issuers may be able to further satisfy investor demand by offering Green bonds that have a concrete impact on improving the environment.

"We want to make sure that the issuer has done what they said they were going to do," said Orith Azoulay, global head of Green and sustainable finance at Natixis. ■

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to the regulator. Lenders will need to serve at least a month's notice to the borrower before they cut a line of credit.

Some bankers fear the rules would squeeze out smaller players and international lenders, tilting the playing field in favour of existing major relationship banks.

The guideline requires borrowers to obtain the committee's consent before raising any major financings from sources outside the committee. New lenders are required to join the lending committee before extending any loan unless it is less than 0.5% of the borrower's outstanding debt. In either case, the new loan will still need to be reported to the committee within five working days.

"The joint lending trial, if implemented seriously, will involve a lot of extra work, both for the borrowers and for the lenders," one foreign banker in Shanghai said. "Borrowers will possibly try to minimise the number of relationship banks as long as the remaining ones can meet their financing demand."

Some bankers were also sceptical of the accuracy of the information shared between the lenders and the regulator. Offshore borrowings will also not be covered as other Chinese regulators bear responsibility for governing them.

WENZHOU EXPERIMENT

China can point to an earlier experiment where cooperation between lenders helped reduce leverage and forced borrowers to consolidate their banking relationships.

In 2013, Wenzhou, a port and industrial city in Zhejiang province in south-eastern China, launched a similar move, signing up 26 banks in a self-disciplinary agreement to check excessive lending.

A total of 21,542 local companies were part of the trial lending programme as of the end of May, while the number of participating banks had increased to 48.

Outstanding debt at these companies has reduced by Rmb48.2bn from the pre-trial level, according to data from the city's banking regulator, while the average borrowing relationship for each company fell to 1.08 banks as of the end of May, down from 1.7 at the end of 2013.

According to local official Wenzhou Daily reports, a total of 123 companies defaulted in 2013, and 24% of them had borrowed from more than five banks. However, the reports said the city's non-performing loan ratio declined to 1.92% at the end of 2017 from 4.68% at the end of June 2014. ■

Indonesia Inc lines up bonds

Bonds Domestic issuance up 50% year-to-date as dollar window closes

BY KRISHNA MERCHANT

Indonesian companies are lining up rupiah bonds before borrowing costs rise further, following two rate increases by Bank Indonesia, while dollar bond issuance has slowed.

Domestic corporate bond issuance has surged 50% to Rp60trn (US$4.3bn) year to date, from Rp40trn in the same period last year, according to Mandiri Sekuritas, with more issues in the pipeline.

Power utility PERUSAHAAN LISTRIK NEGARA is eyeing Rp3trn from five-tranche conventional bonds and sukuk after dropping plans last month to issue Komodo, or offshore rupiah, notes due to currency weakness.

SARANA MULTI INFASTRUKTUR is targeting up to Rp2trn from a debut offering of Green bonds. MEDCO POWER is planning to raise Rp1.2trn from triple-tranche conventional and sukuk notes.

PELABUHAN INDONESIA IV recently raised Rp3trn and state construction company PEMBANGUNAN PERUMAHAN printed Rp1.5trn onshore bonds.

Debt bankers are expecting issuance to surge in the near term as companies rush to meet their refinancing requirements before borrowing costs rise further and shelf registrations expire in December.

"While the Indonesian central bank has already hiked rates twice, the risk premium for corporate bonds has not gone up much since onshore investors are the main buyers and there is ample liquidity in the domestic market," said Handy Yunianto, head of fixed income research at Mandiri Sekuritas.

RATE RISES

In May, Bank Indonesia raised rates by 25bp, the second time it had done so in a span of two weeks, to stem the currency's slide. Higher oil prices and the strengthening US dollar pushed down asset prices and roiled the rupiah, which is down 3% year to date. Most economists

Avanti prints rare Kiwi RMBS

Structured Finance NZ market remains moribund as RBNZ prepares new mortgage instrument

BY JOHN WEAVERS

Avanti Finance gave the New Zealand securitisation market a welcome shot in the arm last Tuesday with only the fifth issuance of residential mortgage-backed securities since the global financial crisis.

The consumer lender printed a NZ$200m (US$140m) offering of prime and non-conforming RMBS, AVANTI RMBS 2018-1, which was increased from an indicative minimum issue size of NZ$150m.

Australian and New Zealand wholesale investors bought the entire structure and, while there was no participation by investors who were new to New Zealand RMBS, several who attended the roadshow indicated a desire to be involved in subsequent Avanti RMBS offerings.

"NZ$200m for a debut issuer shows there is good depth in the market which can only encourage further supply, though I am not aware of any new potential RMBS trades being readied for sale in the rest of 2018," said Simon O'Connell, director of structured finance at arranger *Westpac New Zealand*, which was on all four previous post-financial crisis RMBS trades.

The NZ$140m Class A1 and NZ$41m Class A2 notes, both with 2.3-year weighted-average lives and respective 30% and 9.5% credit support, priced in line with guidance at one-month BKBM plus 125bp and 200bp. Pricing was not disclosed for the four junior tranches.

Two of the previous four RMBS were sold by non-bank lender Resimac in September 2014 and November 2017, for NZ$150m and NZ$250m, respectively.

This followed two NZ$100m RMBS offerings from New Zealand Finance and PSIS, which is now a co-operative bank, both in 2010.

The country's four major banks have focused exclusively on the deep, liquid, overseas covered bond markets for their mortgage-backed issuance in recent years, with ASB, Westpac New Zealand and Bank of New Zealand raising a combined €2.25bn (US$2.63bn) in the covered Eurobond market in 2017 alone.

The majors are expected to stick to the offshore covered arena, at least until the Reserve Bank of New Zealand provides clarity on its planned new mortgage-backed domestic security, the details of which are still being worked out.

The RBNZ is looking to revive the moribund RMBS market by replacing self-securitised or internal RMBS with a proposed new format for mortgage bonds, called Residential Mortgage Obligations.

RMOs, a cross between covered bonds and RMBS, would theoretically improve the risk position of the RBNZ by promoting the use of higher quality and potentially more liquid mortgage bonds as collateral in the Bank's lending operations.

RMOs would also support New Zealand market lenders by creating an additional funding instrument for residential mortgages and promote a deeper capital market through the availability of simple, comparable and transparent mortgage bond instruments, according to a November 2017 RBNZ press release.

In March the Australian Securitisation Forum, the trade body of the Australian and New Zealand securitisation markets, led negative feedback to the RMO proposal. The ASF argued that these instruments cannot be tailored to meet specific investor requirements and will suffer from investors' lack of familiarity with the new type of security.

In a response to the feedback the RBNZ last month noted the preference for the new collateral standard to allow several RMBS structures that, while becoming simpler, retain conventional mortgage bond features, as well as for instruments that pay some or all investors back more quickly as proposed in RMOs. Additional flexibility was also requested in mortgage loan standards.

"The Reserve Bank considers that the proposed standard can be adjusted in these areas while still meeting the underlying goals to improve critical features, documentation and information infrastructure. It is also willing to discuss the proposed transition path with stakeholders again," the review said.

The RBNZ plans to consult on a revised proposal and finalise the mortgage bond collateral policy review in the second half of 2018, though work on certain details like operational aspects, legal documentation and information platform may take longer. ■

are expecting another 25bp rate increase to 5% before the end of this year.

The surge in onshore deals comes as dollar bond offerings from Indonesian companies have slowed following the spike in US Treasury yields in May.

"It is not as efficient as before to raise funds in dollars because rates are going up globally," said Euben Paracuelles, an economist at Nomura.

In May, PLN paid a hefty price in the US dollar bond market. The 6.2% coupon on a 30-year tranche was the highest it had paid for dollar debt since 2011, according to Thomson Reuters data. The state-owned electricity company had also planned to issue Komodo bonds alongside the dollar tranches, but postponed that offering.

PLN is currently marketing onshore rupiah bonds with conventional and sukuk tranches in the range of 7.25%–9.5% for five to 20-year tenors.

Indonesian issuers are offering attractive yields to domestic investors.

"There is good demand for rupiah bonds from pension and insurance firms because of attractive yields," said Adi Saputra, portfolio manager for fixed income at Sucor Asset Management.

"We invest in rupiah bonds of state-owned enterprises depending on the company's financial profile, debt and leverage ratios," said Saputra.

Demand for bonds has also been helped by Bank Indonesia's rule change to allow banks to include bonds in their lending targets, after it switched to a new financing-to-funding ratio (FFR) this year, replacing the former loan-to-funding ratio (LFR).

Indonesian corporates are continuing to look at diverse ways to finance the country's infrastructure funding requirement, "as they are anticipating a possible infra budget cut next year and more investment in social welfare schemes and human capital", said Saputra from Sucor Asset Management. That could spur further bond issuance onshore.

Indonesia has ventured into unconventional instruments such as asset-backed securities, Komodo bonds, perpetual and recently Green bonds to raise funds to meet the massive infrastructure investment required over the next five years, estimated at US$500bn by the World Bank.

However, recently, President Joko Widodo has made a strategic policy shift and dropped US$20bn of planned infrastructure projects to focus on social welfare, ahead of next April's presidential and legislative elections. ■

Indian shrimp IPOs put on ice

■ **Equities** Investors want lower valuations in line with listed peers

BY S ANURADHA

Indian shrimp producers, the world's largest exporters of farmed shellfish, have been looking to cash in on a buoyant market for equity issues, but a recent fall in prices and the threat of protectionism have thrown their IPO plans in doubt.

Four seafood companies are currently waiting in the wings to launch IPOs: FALCON MARINE EXPORTS is planning to raise up to Rs15bn (US$221m), DEVI SEAFOODS (up to Rs9bn), SANDHYA MARINE FOODS (up to Rs6bn) and NEKKANTI SEA FOODS (up to Rs7.5bn).

Conditions seemed ripe for the listings at the end of last year, when strong demand from North American and East Asian markets fuelled a 33% increase of Indian shrimp exports in the first nine months of 2017, according to figures from the UN's Food and Agriculture Organisation.

But an extended winter in the US, the largest export market for Indian shrimp, has reduced demand and caused global prices to fall nearly 10% from their recent peaks.

Prices in India have fallen close to 30% so far this year according to a report from broking house Equirus Securities.

As a result, shares of listed companies in the sector such as Avanti Feeds and Apex Frozen Foods are down a respective 26% and 42% year to date.

"With the fall in the sector valuations, investors feel it's only fair that the vendors bring the IPO prices down."

Devi Seafoods and Nekkanti, which were planning to launch their IPOs in the first half, have held back so far.

"We are looking at July for a possible launch," a banker working on the Devi Seafoods deal said.

According to a Mumbai-based analyst, Devi Seafoods was looking for a P/E multiple of 20 times for the financial year to March 2020. "However, with the sector's valuation falling to 15 times, investors want the management to leave more on the table," he said.

Another negative development has been the US Department of Commerce's decision to increase the weighted average anti-dumping duty on shrimp imports from India to 2.34% from 0.84%. However, these rates are preliminary and will only finalised in September, with a possibility that the duty could end up lower, according to Equirus.

"We do not foresee any significant impact on margins of Indian shrimp processing companies as they generally pass on such cost increases to farmers," the broker said.

An ECM banker working on the Falcon IPO said the nature of the seafood industry is such that both demand and earnings are lumpy. "However, the long-term growth outlook is strong as the sector is seen as a major foreign exchange earner and the government's tax policies remain favourable."

Equirus is also confident that demand will pick up in the second half.

"Exporters are increasingly focussing on other markets such as EU and China to maintain the growth momentum. Barring the near-term headwinds which could play out over the next two quarters, we remain positive on the mid-to-long-term prospects of aquaculture in India," the report said.

SECONDARY SHARES

The IPOs of Falcon, Sandhya and Nekkanti will comprise a sizeable secondary share component while Devi Seafoods will be selling only secondary shares.

"Most of these companies are cash rich and don't need funds to grow. With the fall in the sector valuations, investors feel it's only fair that the vendors bring the IPO prices down," an ECM banker away from the deals said.

Edelweiss, *ICICI Securities* and *Nomura* are the bookrunners on the Falcon IPO.

Sandhya Marines will be selling Rs3bn of primary shares and up to 12.6m secondary shares in the IPO. *Karvy* and *SBI Capital Markets* are the bookrunners.

The Nekkanti Sea Foods IPO comprises Rs2.5bn of primary shares and 8m secondary shares. *Motilal Oswal* is the sole bookrunner.

Axis Capital, *ICICI Securities* and *Kotak* are working on the Devi Seafoods issue.

Falcon is yet to file the prospectus for its IPO. ■

TOP STORY STRATEGY

HSBC scales back Pearl Delta goals

New CEO outlines plans for global revenue growth

HSBC acknowledged last week that it was underperforming its optimistic growth forecasts in the Pearl River Delta, as it outlined an ambitions plan to grow global revenue by about 5% a year.

In his first strategy update since taking the helm in February, chief executive John Flint said he expects to more than double revenues from the Pearl River Delta to about US$500m by 2020, from US$220m last year. But the previous medium-term goal to make US$1bn in profit from the region has become a goal to make US$1bn in revenues instead.

"We haven't grown revenue as fast as we would have liked, mainly due to margin pressures," he said referring to fast-growing province of Guangdong in mainland China.

Globally, however, the bank has set an overall target of increasing revenues by about 5% a year by stepping up investment in Asia and new technology as well as trying to revive its US operations, which it said should help it improve return on tangible equity to 11% or more by 2020.

PEARL RIVER DELTA

HSBC has staked a lot of its growth plans on increasing revenue from the fast-growing Pearl River Delta.

Flint's predecessor Stuart Gulliver repeatedly talked up opportunities, especially in debt capital markets for renminbi-denominated issuances from Chinese corporates.

Europe's biggest bank previously announced that its investment in the region would include hiring 4,000 staff.

Last December, it became the first international bank to launch a Sino-foreign securities joint venture where it holds a majority stake.

Gordon French, head of global banking and markets for Asia Pacific, told investors and analysts in April that Shenzhen-based HSBC Qianhai Securities' current brokerage, underwriting and sponsoring activities gave it access to a share of a US$27bn fee pool.

There is a further US$13.6bn of potential revenue from trading and another US$4.9bn from asset management, according to French's presentation, which used data from the Securities Association of China.

However, some analysts have queried the expansion plans, pointing to the high level of bad loans in the region and competition from domestic brokers and banks.

Separately, Flint said last Monday he wants revenues from Hong Kong to rise by at least US$3bn a year as HSBC drives home its dominant position in the territory.

StanChart eyes two Asian hubs

STANDARD CHARTERED is looking at consolidating its Asian businesses in two main hubs in Hong Kong and Singapore as it continues to streamline its operations.

The emerging markets lender would run most of its South-East Asian and South Asian businesses from Singapore and its North Asian units from Hong Kong, two sources familiar with the process said.

"The group is strongly capitalised and is highly liquid, and as you would expect, we continually look at ways of optimising the group's capital and liquidity structures," the bank said in a statement.

Since taking up the reins three years ago, chief executive Bill Winters has spent a good chunk of his time exiting a number of markets and simplifying a corporate structure that had come to be seen as too sprawling and unwieldy.

Earlier this year, StanChart sold its 15% stake in Asia Commercial Bank, bringing to an end its 12-year partnership with the Vietnamese lender. The bank had already sold its retail businesses in the Philippines and Thailand.

In 2015, Winters announced plans to reorganise teams on geographic and business lines. This included halving the number of regional divisions to four: Greater China and North Asia, ASEAN and South Asia, Africa and the Middle East, and Europe and the Americas.

"This is in line with Standard Chartered's transition in the last couple of years," said one source. "They've been burned in the past and have been paring back their presence in a number of markets. Their plans are a symptom of that overall de-risking."

It is unclear at this stage whether plans to consolidate some entities will involve closing down any local subsidiaries or simply transferring certain assets to the larger Singapore and Hong Kong subsidiaries.

Analysts pointed to the fact that StanChart can conduct a lot of its business through its hubs, although the bank may still rely on local subsidiaries for certain products.

"It depends on what the business is," said Michael Puli, associate director at S&P in Singapore.

"If it's a US dollar loan, they can do that out of Singapore. Given they have a strong trade finance business, they can do that from Singapore, whereas for retail banking, it becomes very difficult, or in some cases impossible, without a local subsidiary."

In February, StanChart said it would fully consolidate its Singapore operations into its local subsidiary, Standard Chartered Bank (Singapore).

The bank said it would transfer its commercial, corporate and institutional, and private banking businesses from the local branch into the subsidiary.

The Anglo-Asian bank incorporated its Singaporean subsidiary in 2013, transferring its retail and business banking businesses as well as parts of its commercial banking unit. It said it expected to transfer the three other businesses within the next 12 to 18 months, subject to regulatory approval.

The move was interpreted at the time as an effort to meet internal TLAC requirements, set by the Financial Stability Board, for material subsidiaries of global systemically important banks.

The FSB lists a number of requirements for when a G-SIB subsidiary qualifies as material including if it holds more than 5% of the group's total risk-weighted assets. According to research from Fitch, the Singaporean subsidiary will account for 12% of StanChart's assets post-merger, up from 4% currently.

THOMAS BLOTT

HSBC's revenues from Hong Kong stood at US$15.72bn last year.

Overall, HSBC said it intends to invest US$15bn–$17bn in the next three years on technology and other growth initiatives to get an edge during "a period of disruptive technological change".

"After a period of restructuring, it is now time for HSBC to get back into growth mode," Flint said. "In the next phase of our strategy we will accelerate growth in areas of strength, in particular in Asia and from our international network."

From 2018 to 2020 HSBC aims to deliver "mid-single digit" percentage growth in revenue, slightly above the "low to mid-single digit" percentage growth in operating expenses. It will aim to grow risk-weighted assets by 1%–2% a year.

Flint is targeting a return on tangible equity of greater than 11% by 2020. HSBC had previously targeted a return on equity of more than 10%, but repeatedly fell short in recent years. Its RoE was 5.9% last year and its RoTE was 6.8%.

Flint's update underlines the contrast with Gulliver's tenure. Gulliver sought to fix compliance problems and simplify a bank that had become too unwieldy and sprawling. He sold or exited 110 businesses and geographies and slashed the balance sheet by 29%.

Flint intends to return revenues to near US$60bn by 2020, and pinpointed several areas to achieve that. Revenues slumped to US$48bn in 2016 from US$72.3bn in 2011, before nudging back to US$51.4bn last year.

The bank is aiming to get an extra US$1bn in revenues from its Asian wealth management business, including from insurance and asset management. It is also targeting more revenues from its UK home market, including at least US$400m from retail banking.

INTERNATIONAL NETWORK

HSBC expects to get an extra US$2bn of revenues from taking advantage of its international network, including US$1bn more from the global trade and receivables finance business and another US$400m from trade finance.

Flint did not announce any major changes for the investment bank, which has cut its assets in recent years in an attempt to improve profitability.

He said the global banking and markets business still had some low-returning assets that could improve, and its returns should also be helped by expanding transaction banking and by interest rates moving higher.

Flint also set out plans to turn around the US business, by focusing on international activities.

HSBC's US returns have been sluggish for years and executives have looked twice each year at the US strategy. Following a review by an independent consulting firm, the bank has opted to keep the size of the US business close to what it is now, but to avoid taking on the big US banks for domestic business and instead target more international and mid-market corporates. GBM will target foreign multinational clients in the US.

"We intend to make sure the business is focusing on the international opportunity," Flint said. "It's not a particularly exciting strategy and will take a little bit of time to implement, but we're convinced it's the right one for the group."

STEVE SLATER, THOMAS BLOTT

Global banks flex muscles in Asian ECM

International banks are reasserting their dominance in equity capital markets as a surge in follow-on offerings and equity-linked deals has helped them regain ground on their Chinese competitors.

Global banks took four of the top five slots for overall ECM fees in Asia Pacific ex-Japan during the first five months of the year, compared with none a year ago, according to Thomson Reuters data.

GOLDMAN SACHS ranked first, generating US$178.79m in fees for a 7.3% share of wallet, while there were significant gains for CITIGROUP, up six places to third, CREDIT SUISSE, jumping 20 places to fifth, and UBS, ranked sixth compared with 17th a year ago.

Overall ECM fees dipped 6% to US$2.44bn, although this belied significant gains from follow-on offerings and equity-linked deals, with fees from convertibles increasing almost fivefold to US$269m.

While Chinese banks have gained significant ground on their international peers in the last several years, global banks argue that their rivals lack the distribution capabilities or product expertise to compete in areas like convertibles or block trades.

A combination of rising interest rates and a rally in global equities during the first quarter led to a surge in convertibles and follow-on offerings, which played into the hands of global banks.

Fees from initial public offerings were down significantly, falling 29% to US$885m.

"We've seen a broad base of activity in the first part of the year with a lot of volume coming from a combination of converts, follow-ons and block trades," said Ashu Khullar, head of capital markets origination for APAC at Citigroup.

"There haven't been any giant SOE listings, that's true, but we've still seen some pretty sizeable IPOs already and the pipeline for the rest of the year is quite strong."

ECM fees remained the most resilient source of income for investment banks, aside from M&A, during the first five months with fees from DCM and loans posting larger declines over the period.

Fees from ECM exceeded exceeded income from DCM during the first quarter, as rising interest rates limited G3 bond supply, particularly in high yield.

THOMAS BLOTT

ASIA ECM UNDERWRITING FEES (DATA TO MAY 31)

Rank	Bookrunner parent	Fees (US$m)	Share of wallet (%)	2017
1	Goldman Sachs	178.79	7.34	15
2	Citic	134.51	5.52	1
3	Citigroup	132.67	5.45	9
4	Morgan Stanley	130.64	5.36	18
5	Credit Suisse	122.35	5.02	25
6	UBS	103.93	4.27	17
7	CICC	82.29	3.38	10
8	JP Morgan	74.60	3.06	–
9	China Securities	72.64	2.98	3
10	Guotai Junan Securities	67.95	2.79	5
11	Deutsche Bank	66.44	2.73	16
12	Bank of America Merrill Lynch	56.73	2.33	22
13	China Merchants Securities	52.20	2.14	7
14	Huatai Securities	47.34	1.94	8
15	Haitong Securities	42.95	1.76	4

Source: Thomson Reuters Deals Intelligence

India mulls bad bank

India has set up a panel of experts to explore mechanisms for resolving the burgeoning bad debts plaguing its financial sector, including the establishment of a 'bad bank', the country's interim finance minister said on June 8.

The panel, which has been given two weeks to submit its recommendations, will examine whether banks need to set up an asset reconstruction company (ARC) or asset management company (AMC) to take up the stressed assets from their balance sheets.

The committee is headed by Sunil Mehta, non-executive chairman of Punjab National Bank, interim finance minister Piyush Goyal told a news conference.

"This group will consider whether such an arrangement will be good for the banking system and if such a suggestion is considered advisable it will also consider the modalities by which such an ARC and/or an AMC should be set up," he said.

Indian banks, already burdened by a near-record Rs9.5trn (US$141bn) of soured loans as of last year, reported a further rise in bad loans in the March quarter after the central bank withdrew half a dozen loan-restructuring schemes and tightened some rules.

The 21 banks majority-owned by the Indian government, which account for two-thirds of banking assets in the country, hold close to 90% of soured loans.

Goyal said the government was committed to support all state-run banks and to strengthen their operations, after several lenders reported a jump in net losses last month.

"The government stands committed to support all 21 public sector banks," he said.

Goyal said the government and the central bank would make all efforts to bring state banks into a "good shape" so that they could once again become "an engine of economic growth".

On potential mergers, he said the banks would have to take a final call on consolidation based on their experiences and needs.

ABHIRUP ROY

Direct Indian listings abroad under study

India's securities regulator is considering allowing local companies to list on foreign exchanges directly rather than through depositary receipts, as they must do at present.

The Securities and Exchange Board of India said a committee of experts would look into the issue. The changes under consideration include reciprocally authorising foreign companies to list directly in India, rather that via Indian depositary receipts as is the case now.

"Considering the evolution and internationalisation of the capital markets, it would be worthwhile to consider facilitating companies incorporated in India to directly list their equity share capital abroad and vice verse. In this regard, it has been decided to constitute an expert committee to look into this aspect in detail," Sebi said in a statement.

"Considering the evolution and internationalisation of the capital markets, it would be worthwhile to consider facilitating companies incorporated in India to directly list their equity share capital abroad and vice verse. In this regard."

In the late 1990s and early 2000s Indian companies listed overseas through global and American depository receipts. However, the high cost of compliance and the ease of accessing the domestic capital markets proved a deterrent.

The last major ADR sale from India was HDFC Bank's US$1.3bn issue in 2015. Meanwhile, Standard Chartered is the only company to list in India via an IDR.

Sebi has also formed a separate group to review the Institutional Trading Platform framework established in 2015 to facilitate the listing of start-ups in sectors such as e-commerce, data analytics and biotechnology. No company has listed under the framework yet.

Sebi said the group will review the current framework and suggest any changes within a month. It did not set a deadline for the other group.

S ANURADHA

WHO'S MOVING WHERE...

■ HONG KONG EXCHANGES AND CLEARING has reappointed *Charles Li* as chief executive for a further three years.
He will remain CEO until October 2021 and will earn a base salary of HK$9.3m (US$1.18m) per annum plus bonuses, according to a statement released by the exchange last week.
Li, who joined HKEx in October 2009 and is known for his colourful turn of phrase, previously worked as a journalist at China Daily and as a lawyer before switching to finance.
He started his career in investment banking with Merrill Lynch in 1994 before joining JP Morgan, where he was appointed China chairman.
Li has overseen a number of changes during his tenure at HKEx including the launch of Stock Connect trading links with bourses in Shenzhen and Shanghai.
Earlier this year, the bourse eased rules to allow companies with weighted voting rights as well as pre-revenue and pre-profit biotech companies to list on the main board.
His leadership has also led to a softening in the exchange's relationship with the local securities regulator, with Securities and Futures Commission CEO Ashley Alder throwing his weight behind the recent listing rule changes after the SFC blocked similar proposals two years earlier.
Li's appointment is still subject to approval by the SFC.

■ HONG KONG EXCHANGES AND CLEARING has appointed two additional members to the new biotech advisory panel tasked with vetting IPO applicants from the sector.
They are *Song Ruilin*, who has been involved in research in healthcare and medicine during his time at China's State Council, and *Lawrence Tian*, a founding partner of healthcare private equity firm YuanMing Capital.
Last month, HKEx named 13 founding members, who are a mixture of investment bankers, venture capitalists and regulators. The panel was founded following recent reforms to allow pre-revenue and pre-profit biotech companies to list in Hong Kong.

■ *Qiang Liao* has left S&P after more than 13 years with the rating agency, most recently as senior director in the financial institutions team in Beijing.
Liao also worked at the China Banking Regulatory Commission and the People's Bank of China.

■ *Pranjal Srivastava*, head of equity capital markets at ICICI SECURITIES, has resigned, a person with knowledge of the development said.
His next move is not known.
Srivastava was with the firm for 20 years.
During his tenure as ECM head, ICICI Securities won IFR Asia's India Equity House Award for 2016.
ICICI Securities did not respond to an email asking for comment.

■ STANDARD CHARTERED compliance chief *Neil Barry* will leave the bank with immediate effect, according to an internal memo seen by Reuters, after an investigation into his behaviour.
The investigation concluded Barry's "managerial style, behavior and language towards some of his colleagues was inappropriate ... although it fell short of warranting his dismissal," the memo said.
Barry has expressed his regret, the memo said. He could not be immediately reached for comment.
A spokesman for StanChart confirmed the contents of the memo.

■ CIMB GROUP has appointed *Hendra Lembong*, its CEO of group transaction banking, as chief fintech officer, effective June 1.
Lembong, who will retain his role as transaction banking head, will continue to report to group CEO Zafrul Aziz. He will oversee the bank's investment across a range of technologies including artificial intelligence, blockchain and machine learning.
Lembong joined CIMB in 2013 as head of transaction banking for Indonesia before being promoted last year.

■ BNP PARIBAS has appointed *Diana Senanayake* as head of Singapore for its securities services division, effective June 14.
She reports to Philippe Benoit, head of securities services for Asia Pacific, and Pierre Veyres, Singapore CEO.
Senanayake was most recently managing director in BNP Paribas' global client coverage team. She has also worked at RBC Investor Services and Deloitte.
She replaces Mostapha Tahiri, who was appointed head of institutional investors and digital transformation for APAC last September.

■ CITIGROUP has hired *Kelvin Goh* as head of insurance in the financial institutions group of its Asia Pacific investment banking division.
Goh, who will also be head of corporate finance for Singapore, is due to join in September and will report to Simon Yuan, who was recently promoted to head of APAC FIG IB.
Goh joins from Morgan Stanley, where he was head of South-East Asia FIG, head of Singapore IB and chief operating officer for South-East Asia IB.

■ BANK OF AMERICA MERRILL LYNCH has appointed *Gordon Morrison* head of natural resources for Australia and New Zealand.
Based in Sydney, he will oversee coverage across metals and mining, oil and gas, transportation and power and utilities.
Morrison has worked at BAML for 12 years, starting in Sydney in 2006 before transferring to London in 2011 and then Houston in 2015.
He is due to relocate in September.

IN BRIEF

IFC
MoU with MAS on Green bonds

The INTERNATIONAL FINANCE CORPORATION and the MONETARY AUTHORITY OF SINGAPORE signed a memorandum of understanding on June 7 to accelerate the growth of the Green bond market in Asia.
The IFC said in a statement that it would work together with MAS to promote the use of internationally recognised Green bond standards and improve knowledge among professionals working in financial institutions.
The IFC and MAS signed the MoU on the sidelines of the IFC's recent conference in Singapore.

Bank of Taiwan
Representative office in Kuala Lumpur

BANK OF TAIWAN has received permission from Taiwan's Financial Supervisory Commission to open a representative office in Kuala Lumpur as it boosts its presence in South-East Asia, the FSC said on Tuesday.
The move is pending approval from the regulator in Malaysia, and the opening date is not yet confirmed.
The state-owned lender has overseas branches in the US, China, Hong Kong, Singapore, Japan, the UK and South Africa. It has representative offices in Bankgkok, Frankfurt, Mumbai, Silicon Valley and Yangon.

S&P
Aussie institutional bank risk raised

S&P has downgraded its assessment of the regulatory environment for Australia's banks following revelations stemming from the Royal Commission.
The rating agency said last Tuesday it had

lowered its assessment of the institutional framework of the country's banking sector to "low risk" from "very low risk".

Following its revision, S&P only rates the institutional framework of Canada, Hong Kong and Singapore as being "very low risk".

The Royal Commission, which stemmed from a money-laundering scandal involving the country's top lender Commonwealth Bank of Australia, has exposed widespread wrongdoing among Australia's largest banks.

Last month, Fitch said the short-term earnings of Australia's big banks would come under renewed pressure because of slower credit growth and banks would struggle to raise lending margins to remain profitable in the wake of the quasi-judicial inquiry.

S&P said that the economic risks faced by Australian banks had improved and so it would not be downgrading any of the banks. Still, it noted that the downgrade of the country's institutional framework eroded the cushion banks previously enjoyed protecting them from downgrades.

S&P rates Australia and New Zealand Banking Group, CBA, National Australia Bank and Westpac Banking Corporation AA–. It rates Macquarie Bank A.

Standard Chartered
HK virtual banking licence sought

STANDARD CHARTERED plans to apply for a "virtual banking" licence in Hong Kong, the emerging markets-focussed lender said last Monday.

The Hong Kong Monetary Authority is expected to start granting virtual banking licences towards the end of this year or in the first quarter of next year, it said last month.

Licensees will have no physical branches and are expected to mainly offer retail banking services.

"People do not want another account with a different brand, they want their financial lives simplified," said Samir Subberwal, head of retail banking for Greater China and North Asia at Standard Chartered, according to Reuters. "That is why we believe that the launch of a virtual bank will give clients the choice of going completely digital for their everyday-banking needs."

1MDB
Criminal charges being considered

Malaysia's attorney general said last Tuesday his office was studying possible criminal and civil action in the 1MALAYSIA DEVELOPMENT case after receiving investigation papers on the state fund from the anti-graft agency.

Malaysia reopened a probe into 1MDB following last month's election victory by a coalition led by Mahathir Mohamad, who has vowed to bring back funds allegedly siphoned from 1MDB and punish those responsible.

Former prime minister Najib Razak, who founded 1MDB, is the subject of a money laundering probe. He has consistently denied wrongdoing.

Najib has given statements to the Malaysian Anti-Corruption Commission about a transfer of US$10.6m into his bank account from SRC International, a former unit of 1MDB.

The submission of the investigation papers by the MACC to the attorney general's office indicates it may have completed its probe into SRC. It is now up to the country's top prosecutor to decide if charges need to be filed or further investigations are needed.

"I have appointed a team to study the papers with a view to possibly instituting criminal prosecution and another to study them with civil proceedings in mind," Attorney General Tommy Thomas said in a statement.

The US Department of Justice has alleged that more than US$4.5bn was misappropriated from 1MDB and about US$700m of that went to Najib's personal bank accounts.

Thomas also said he had signed mutual legal assistance requests from Switzerland, the United States, France and the UAE regarding the 1MDB probe.

Fitch
Cuts for SBI and Bank of Baroda

Fitch has downgraded the viability ratings of STATE BANK OF INDIA and BANK OF BARODA by one notch to BB+ and BB, respectively, due to weaker asset quality and poor earnings.

The rating agency said last Wednesday that regulatory efforts to speed up stressed asset resolution had led to heavy losses and capital erosion among Indian banks.

According to Fitch, 19 of India's 21 state banks reported losses in the 2018 fiscal year, while 11 banks reported Common Equity Tier 1 ratios short of the 8% minimum requirement under Basel III.

Fitch said that capital ratios were likely to remain weak unless the government provided more capital support than the budgeted US$11bn, or banks raised capital from other sources.

Fitch affirmed the issuer default ratings of BBB– for both banks plus Canara Bank and Bank of India. The outlook for the banks is currently stable.

COUNTRY REPORT

AUSTRALIA

DEBT CAPITAL MARKETS

› NAB DRAWS MIXED RECEPTION

NATIONAL AUSTRALIA BANK (Aa3/AA–/AA–) found mixed appetite for a US$1.6bn three-part senior unsecured bond offering last Monday, in contrast to the overwhelmingly positive reception Westpac and ANZ enjoyed in May.

Joint lead managers *Bank of America Merrill Lynch*, *JP Morgan*, *NAB* and *RBC Capital Markets* said US investors continue to express little concern about the ongoing Australian banking scandals, suggesting other factors may have been at work.

"After the golden years of issuance in 2016 and 2017 we may be facing a more challenging credit market as rates increase and quantitative easing is wound down," said one syndication manager on the trade.

NAB attracted tepid demand for the shorter-dated, 3.25-year, tranches with the US$500m 3(a)2 fixed-rate and US$350m 144A/Reg S floating-rate notes attracting a modest combined final order book of US$1.1bn.

Such lacklustre interest meant the leads were only able to move 5bp in from 85bp area initial price thoughts and print the 3.375% September 20 2021s 80bp wide of Treasuries. The 3.25-year floater pays a coupon of three-month Libor plus 58bp.

The new issue concession was estimated at 6bp to 10bp using the NAB January 2021s and more recent Australian major bank issues as comparables.

In contrast the 3(a)2 US$750m 3.625% five-year Green bond secured healthy final orders of US$1.3bn and priced 15bp tighter than 105bp area initial price thoughts at Treasuries plus 90bp.

The five-year new issue concession was estimated to be 1bp–6bp based on the NAB April 2023s and other recent bank issues.

› QBE TO BUY BACK GREEN 2022S

QBE INSURANCE GROUP, rated A– (S&P), has launched a tender offer to repurchase up to US$100m of its US$300m Reg S 3.0% October 21 2022 Green bond as Australia's largest global insurer looks to further reduce its debt-to-equity ratio towards a 25%–35% target range.

The minimum and maximum purchase prices for the tender offer are US$960 and US$980 per US$1,000, respectively.

The offer, via dealer managers *HSBC* and *NAB*, closes on June 19 ahead of pricing the following day and expected settlement on June 22.

In March QBE bought back US$291m of its US$300m 3.0% May 25 2023 Reg S bond through a tender offer.

› SCARCITY SUPPORT FOR WESTPAC TIER 2

WESTPAC priced a self-led A$725m (US$550m) 10-year non-call five Tier 2 note last Thursday, in line with guidance at three-month BBSW plus 180bp.

The transaction benefited from some scarcity value as the first domestic wholesale major bank Tier 2 print since September 2016.

The country's four biggest lenders raised a combined A$3.425bn from eight issues in this market between March 2014 and September 2016, but they subsequently looked elsewhere for their Basel III-compliant T2 capital needs, to jurisdictions that typically offer longer tenors and often larger size.

As domestic investors are generally unwilling to extend duration too far beyond the traditional five-year sweet spot all nine Tier 2 wholesale trades have been either 10.5-year non-call 5.5 or 10-year non-call five instruments.

In January Commonwealth Bank of Australia sold a groundbreaking US$1.25bn 4.326% 144A/Reg S 30-year bullet Tier 2 note.

The first public offering of its kind from the Asia Pacific region is not to every issuer's taste, however, as such ultra-long tenors are a mismatch against the length of Australian mortgages which have an average life of around five years before replacement or maturity.

In September 2017 CBA issued a €1bn (US$1.18bn) 1.936% 12-year non-call seven Tier 2 note, a month after Westpac and Australia and New Zealand Banking Group sold A$350m 12-year non-call seven and A$225m 15-year non-call 10 Tier 2 Eurobonds, respectively.

In January 2017 National Australia Bank issued a A$275m 15-year non-call 10 T2 note off its global MTN programme before printing the first major bank retail Tier 2 offering since 2013. The A$800m ASX-listed note had a 11.5-year non-call 6.5 structure – the longest maturity and call date yet for domestic T2 issues.

Westpac's new subordinated note has expected ratings of Baa1/BBB (Moody's/S&P), four and five notches below the bank's Aa3/AA– senior unsecured ratings.

› NAB TRUST SERVICES REPACKAGES

Unrated NAB TRUST SERVICES, wholly owned by National Australia Bank, has issued a debut A$200m senior secured Green pass-through floating-rate note with a weighted-average life of 3.2 years.

NAB was sole lead manager for last Friday's transaction, which priced in line with guidance at three-month BBSW plus 160bp.

The notes repackage eight NAB Trust Services loans to environmentally friendly industries.

The NAB low-carbon shared portfolio FRNs have been certified by the Climate Bonds Initiative.

› RENTENBANK HARVESTS QUIET MARKET

German agriculture agency RENTENBANK (Aaa/AAA/AAA) had the SSA Kangaroo market all to itself last week where it raised A$200m from a 11-year bond via joint lead managers *Deutsche Bank* and *Mizuho*.

The 3.2% May 25 2029s priced on Thursday at 99.610 for a yield of 3.2425%, 42bp wide of asset swaps and 50.25bp over the April 2029 ACGB.

› NEXTDC PLANS UNRATED RETURN

NEXTDC has mandated *NAB* to arrange investor meetings for a potential Australian dollar bond issue.

NEXTDC's last visit to the local market was in May 2017 when it raised A$300m from the sale of 6.25% four-year wholesale senior unsecured notes, dubbed Notes III, also arranged by NAB.

The unrated data-centre provider used the proceeds to redeem its A$60m Notes I and A$100m Notes II at the next optional call date of June 16 2017.

Notes I were issued in June 2014 with a five-year non-call two-and-half structure and paid a coupon of 8.0%. Notes II, with an identical maturity date of June 16 2019 were issued in November 2015 and paid a 7% coupon.

STRUCTURED FINANCE

› AMP BANK SETS RMBS GUIDANCE

Initial price guidance has been released for AMP BANK's indicative A$750m Progress

2018-1 RMBS offering, expected to launch this week.

Westpac is arranger and joint lead manager with *Deutsche Bank*, *Macquarie*, *MUFG* and *NAB*.

For the A$690m Class A notes with a 2.9-year weighted-average life price talk is one-month BBSW plus 112bp area.

For the A$40.875m Class ABs, A$11.25m Class Bs and A$6.975m Class Cs, all with 6.0-year WALs, guidance is one-month BBSW plus 160bp area, 180bp area and mid-to-high 200s area, respectively.

The A$0.9m Class D notes have been preplaced.

As an originator-remote special purpose vehicle, Progress 2018-1 should not be impacted by AMP Bank's reputation-damaging domestic scandals.

AMP Bank sold an enlarged A$1.1bn offering of prime RMBS last December through Progress 2017-2.

The A$1.012bn Class A notes, with a weighted-average life of 3.0 years, priced at one-month BBSW plus 95bp.

The A$58.85m Class AB, A$17.05m Class B, A$10.78m Class C and A$1.32m Class D notes, all with 5.4-year WALs, priced at one-month BBSW plus 140bp, 180bp, 265bp and 575bp, respectively.

SYNDICATED LOANS

› MACQUARIE BUILDS GREEN CREDENTIALS

Australian financial group **MACQUARIE** has issued a £2bn (US$2.65bn) loan, including £500m of Green debt, the company said on Wednesday.

The Green loan component makes Macquarie the first financial institution and the first Australian company to issue a Green loan under the Green Loan Principles established by the Asia Pacific Loan Market Association in March 2018.

The financing comprises a £250m three-year Green revolving credit facility, a £380m general corporate revolver, a £250m five-year Green term loan and a £1.12bn five-year general corporate term loan.

Proceeds from the Green tranches will be used to support renewable energy projects initially, and energy efficiency, waste management, green buildings and clean transportation projects in the future.

The loan will adopt the four pillars identified in APLMA's Green Loan Principles, which are based on a similar blueprint to the Green Bond Principles, seeking to establish best practice across use of proceeds; project evaluation and selection; management of proceeds; and reporting.

The loan drew strong global demand with notable interest from Asia.

HSBC coordinated syndication of the financing as joint bookrunner along with *ING Bank* and *Bank of China*. HSBC and ING were Green structuring advisers.

Macquarie acquired the UK's Green Investment Bank (now Green Investment Group) in 2017.

Macquarie said that it has led more than £15bn of investment in Green infrastructure since 2010 and has supported the creation of 20 gigawatts of Green energy capacity with a further 7 gigawatts in its pipeline.

EQUITY CAPITAL MARKETS

› YANCOAL AUSTRALIA EYES HK LISTING

ASX-listed **YANCOAL AUSTRALIA** is planning a dual primary listing in Hong Kong this year which could raise about US$600m–$800m, according to people familiar with the situation.

Yancoal Australia, which is 65.5% owned by Chinese coal giant Yanzhou Coal Mining, is working with advisers on the transaction, which is expected to hit the market in the fourth quarter of the year, say the people.

The company hopes to improve its liquidity in the secondary markets through a Hong Kong listing, which is closer to the Chinese investor base, says one of the people.

As of June 14, the 90-day average of Yancoal's daily trading volume in Australia was 840,072.02 shares, according to Thomson Reuters data. On June 14, only A$427,800 (US$323,290) of Yancoal shares changed hands on ASX.

A dual listing in Hong Kong will allow Yancoal to be closer to its Chinese shareholders, said another person close to the deal. Apart from Yanzhou Coal, Cinda International and China Shandong Investment own respective 16.7% and 5.7% stakes in Yancoal.

In response to IFR's story, Yancoal said in a statement on June 15 that the company "continues to consider several options to help improve liquidity of its shares and support the continued growth of the company".

The board had not made a decision to pursue such a transaction at this time, it says.

Yancoal, the Australia unit of Yanzhou Coal, listed on the Australian Securities Exchange on 2012 after merging with Gloucester Coal, according to Yancoal's website.

Last September, Yancoal raised US$2.35bn from a 23.6-for-1 rights issue to fund its acquisition of Coal and Allied Industries from subsidiaries of Rio Tinto. Troubled commodities trader Noble Group and one other minority shareholder tried to block the highly dilutive offering, but failed.

› PROSPA POSTPONES IPO INDEFINITELY

Australian online lender **PROSPA GROUP** has postponed a A$147m listing indefinitely following an enquiry from the Australian Securities and Investments Commission, according to a company spokesperson.

ASIC approached the company for information a day before the scheduled listing on June 6 as part of a wider review of small business loan terms, the spokesperson said. Prospa decided to defer its listing to engage with the regulator and other stakeholders.

The lender, which mainly serves SMEs, lends between A$5,000 and A$250,000 for up to a year. As of last year, the seven-year-old company said it had provided more than A$500m in loans to 12,000 businesses.

The IPO of 40.3m shares at A$3.64 each would have given Prospa a market capitalisation of A$576m. However, it cancelled the listing right before trading started.

Major shareholders including Entree Capital, Square Peg Capital, and AirTree Venture Capital committed over US$47m to the IPO, the spokesperson said, adding that the investors continue to support the company.

Macquarie and *UBS* were the leads on the deal.

CAMBODIA

SYNDICATED LOANS

› PRASAC MICROFINANCE INCREASES LOAN

PRASAC MICROFINANCE INSTITUTION has increased a three-year loan to US$100m from the US$50m target after exercising a US$50m greenshoe.

The deal attracted 11 banks in general syndication. Allocations are being finalised.

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

The deal pays an interest margin of 425bp over Libor and has an average life of 2.75 years. Lenders were offered a top-level all-in pricing of 429.4bp via an upfront fee of 12bp.

The borrower – Cambodia's largest

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

CHINA

DEBT CAPITAL MARKETS

JIUDING TACKLES CONSOLIDATION DELAY

JIUDING GROUP FINANCE is asking holders of the US$230m 6.5% 2020 additional bonds it issued last October to amend certain terms of the notes to make them fungible with the origial bonds in the same line, according to a stock exchange filing.

The bonds, issued via a reopening on October 26, were supposed to be consolidated with the original US$150m 6.5% line issued on July 25 2017, but this still has not happened.

Jiuding Group Finance launched a consent solicitation on June 8 to amend the terms and conditions of the additional bonds and the supplemental trust deed between the issuer, the guarantor and Citicorp International as trustee, to authorise the consolidation into a single series. A meeting with bondholders will take place on July 2.

A banker who was involved in the deal said the delay was due to "technical issues" but declined to give details.

"It is rare that bonds issued from a tap have not been made fungible with the original bonds after such a long time," another banker said.

The term-sheet of the tap stated that the consolidation would take place on or after February 8 2018, which was already longer than usual.

Some tap issues are fungible immediately, while some are fungible after the 40-day restricted sale period, or as specified otherwise.

The Reg S senior unsecured bonds, rated BB by S&P, carry a guarantee from the issuer's parent, Tongchuangjiuding Investment Management Group.

It was said that the guarantor failed to complete the cross-border security registration with the local branch of the State Administration of Foreign Exchange on or before January 25 2018 (the registration deadline) as stated in the bond offering circular, and hence affected the consolidation process, according to another banker involved in the October tap issue.

Moreover, based on the bond offering circular, holders can put the bonds at par if the registration conditions have not been satisfied in full on or before the registration deadline.

The bonds have fallen by more than 15 points since March and were quoted at 82.25/84.25 on June 8, the date when the consent solicitation was launched, according to Thomson Reuters. The bonds were quoted at 83.75/85.75 on June 14.

An official from Tongchuangjiuding's board secretary declined to comment.

Tongchuangjiuding is listed on China's National Equities Exchange and Quotations. Hong Kong insurer FT Life Insurance, Chinese brokerage Jiuzhou Securities and private equity firm Kunwu Jiuding Investment Holdings are some of its major operating units.

S&P on March 10 placed Tongchuangjiuding's ratings on credit watch with developing implications, following the company's proposed new share issuance of its securities subsidiary to a strategic investor who intends to take a controlling stake.

S&P believes the overall impact of the proposed transaction on the company's credit profile is positive as the proceeds from the deal would provide a good opportunity for the company to pay down its debt.

On June 7, S&P said it had extended the credit watch because of an unresolved regulatory investigation of alleged violations of Chinese securities law and regulation by the company, which could put pressure on Tongchuangjiuding's ratings, and the planned sale of its securities subsidiary, which could substantially improve its leverage.

WUZHOU INTL DEFAULTS ON SOME DEBT

WUZHOU INTERNATIONAL HOLDINGS, which suffered heavy sell-offs in its shares and bonds last month, has confirmed that it is experiencing financial difficulties and has defaulted on some of its obligations.

However, the Hong Kong-listed Chinese real estate developer said in a stock exchange filing late on June 14 that its board was not aware of any petition to wind up the company or any of its subsidiaries.

It said the board is currently liaising with creditors for alternative payment arrangements and an independent board committee established earlier this month will conduct an investigation into the financial situation of the company.

It did not give details on what payment obligations it has missed.

Wuzhou's Hong Kong-listed shares plunged 85% on May 25 on negative local news reports, before trading was suspended. Its US$300m 13.75% US dollar bonds due September 2018 slumped more than 20 points to 41/46 on the same day.

In the filing, Wuzhou said its substantial shareholder Boom Win Holdings' stake in the company has been cut to 21.2% as a result of a forced liquidation linked to the unusual movements of the company's share price. According to an earlier filing, Boom Win held a 50.8% stake.

Wuzhou has applied to resume trading of its shares on June 15 and the shares rebounded some.

The 13.75% 2018 bonds are illiquid. They were last quoted at 48/55 on June 11, according to MarketAxess.

Wuzhou develops and operates wholesale markets and commercial complexes in China. Its liquidity position has long attracted warnings from credit analysts.

Moody's has a Caa1 (negative) rating on Wuzhou and Caa2 rating on its bonds, which it said reflected the high level of liquidity risk.

Fitch on May 17 withdrew its CCC rating on the company and its bonds after it said Wuzhou had stopped providing the information it needed to maintain the rating.

ICBC INTL EYES US DOLLAR SENIOR

ICBC INTERNATIONAL HOLDINGS, rated A2/A– (Moody's/S&P), has hired banks for a proposed offering of US dollar senior notes off its MTN programme.

ICBC, *Standard Chartered Bank*, *Agricultural Bank of China Hong Kong branch*, *ANZ*, *China Construction Bank (Asia)*, *China Minsheng Banking Corp Hong Kong branch* and *DBS Bank* are joint global coordinators. They are also joint lead managers and joint bookrunners with *ABC International*, *Bank of China*, *Bank of Communications*, *BOSC International*, *Industrial Bank Hong Kong branch*, *HSBC*, *Mizuho Securities* and *Shanghai Pudong Development Bank Hong Kong branch*.

The investment bank arm of China's ICBC will meet investors in Hong Kong and hold global investor conference calls, starting on June 19.

The proposed Reg S notes will be issued by wholly owned BVI subsidiary Horse Gallop Finance with ICBC International as the guarantor.

The notes have an expected A2 rating from Moody's.

MOODY'S DOWNGRADES HUIYUAN JUICE

Moody's has downgraded **CHINA HUIYUAN JUICE GROUP** by three notches to Caa1 from B1, questioning its access to capital during a prolonged share suspension. The ratings outlook is negative.

The Hong Kong-listed Chinese juice maker said last Monday that the stock exchange had ordered it to conduct a forensic investigation of its accounts and publish its outstanding 2017 financial results before its shares could resume trading, among other requirements.

Moody's said this would delay the resumption of shares, which may lead to a breach of the conditional waivers on the company's loans. The stock has not traded since March 29.

"Non-compliance with the conditional waiver for its loans will entitle the relevant lenders to accelerate repayments. If this happens, the company's liquidity position will be severely impaired," the rating agency said.

Huiyuan on March 29 disclosed that it had provided loans totalling Rmb4.28bn (US$681m) to Beijing Huiyuan Beverage, a company 65% owned by its largest shareholder and chairman Zhu Xinli, during the period between August 15 2017 and March 29 2018.

The transaction was significant but Huiyuan did not make any announcement and did not obtain approval from independent shareholders. The omissions violated several listing rules of the Hong Kong Stock Exchange.

Moreover, the two corporate entities did not sign any formal documentation until March 29, when they entered into a loan agreement to document, and simultaneously terminate, the prior loan transactions. By then, Beijing Huiyuan Beverage had paid in full the principal and interest accrued.

Fitch cut Huiyuan to B from B+ in April and left its rating on negative watch. China Chengxin has a domestic rating of AA.

Huiyuan has US$200m of 6.5% 2020 notes outstanding. Those dropped eight points last week to 71/72.5, according to Thomson Reuters data. It also has a €200m (US$235m) 1.55% bond due July 7.

Moody's said the Caa1 rating reflected Huiyuan's high repayment risk, impaired source of funding and high corporate governance risk.

XINHU ZHONGBAO LOOKS OFFSHORE

Chinese property developer XINHU ZHONGBAO plans to raise up to US$1bn in the offshore bond market.

The issuer will be Xinhu (BVI) Holding with Xinhu Zhongbao as guarantor, according to a filing to the Shanghai Stock Exchange.

The tenor of the notes will not exceed five years, the company said.

The plan has board approval and needs shareholders' approval.

AOYUAN TAPS 2021S FOR US$225M

CHINA AOYUAN PROPERTY GROUP, rated B1/B+/BB–, has reopened its 7.50% senior notes due May 10 2021 for a tap of US$225m.

The Hong Kong-listed Chinese real estate company sold the additional Reg S bonds at 98.092 to yield 8.25%, the tight end of final guidance of 8.30% (+/–5bp) and inside initial 8.375% area guidance.

Proceeds will be used to refinance debt and for general working capital.

Following the tap, outstanding size of the three-year non-call two notes increased to US$425m, from US$200m.

The original notes were priced at par on May 2. The notes are rated B2/B/BB–.

CEB International, *CMB International*, *China Citic Bank International*, *Deutsche Bank*, *Essence International*, *JP Morgan*, *OCBC Bank*, *Orient Securities (Hong Kong)* and *UBS* were joint lead managers and joint bookrunners on the tap.

CCB LEASING PLANS MEETINGS

CCB FINANCIAL LEASING has hired five banks to arrange fixed income investor meetings in Hong Kong, Toronto and London, started on June 12.

The five are *Bank of America Merrill Lynch*, *Bank of China*, *CCB International*, *DBS Bank* and *HSBC*.

ENVISION ENERGY TO UPDATE INVESTORS

ENVISION ENERGY INTERNATIONAL will hold a global fixed income investor update call on June 22 via *HSBC*, *Bank of America Merrill Lynch*, *CMB International* and *China Citic Bank International*, according to a market source.

An in-person group meeting will also take place at CMB International's office in Hong Kong.

The Shanghai-headquartered wind-turbine manufacturer and wind-farm specialist in April priced a US$300m three-year US dollar senior Green bond at par to yield 7.50%.

The company has registered to issue offshore bonds with the National Development and Reform Commission, according to a statement posted on NDRC's website on May 11.

FORTUNE LAND PRINTS US$200M BOND

CHINA FORTUNE LAND DEVELOPMENT, rated BB+ by Fitch, priced US$200m three-year senior bonds at par to yield 9.00%.

CFLD (Cayman) Investment is the issuer of the Reg S unrated notes and the Shanghai-listed parent is the guarantor.

Proceeds will be used for refinancing and general corporate purposes.

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

The Hebei-based developer, which would benefit from China's push to establish a major new economic zone in Xiongan, issued US$500m three-year Reg S unrated notes at par to yield 6.50% last December.

GREENLAND MARKETS FLOATERS

Chinese property developer GREENLAND HOLDING GROUP, rated Ba1/BB/BB–, on Friday was marketing 3.25-year US dollar floating-rate notes at price guidance of three-month Libor plus 500bp area.

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

The senior unsecured notes, to be issued off a US$5bn guaranteed MTN programme, have an expected Ba2 rating from Moody's.

The benchmark Reg S issue has not been priced at the time of writing.

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

BOC International and *China Citic Bank International* are joint global coordinators, joint lead managers and joint bookrunners.

Fitch on June 14 revised Greenland's BB– rating outlook to stable from negative as the company has arrested the increase in leverage.

Though, the rating agency also noted that Greenland's leverage remained high at 66% at end-2017 and is unlikely to fall towards the low 50% level in the next two to three years as it will have to use 30% of its collected sales proceeds to replenish land to maintain its business scale.

QINGDAO JIAOZHOU BAY PRINTS

QINGDAO JIAOZHOU BAY DEVELOPMENT, which builds infrastructure projects in Qingdao's Jiaozhou development zone in Shandong province, on Monday priced a US$120m three-year senior unsecured Reg S bond offering.

The offering priced at 98.931 with a coupon of 6.5% to yield 6.9%, inside initial guidance of 7% area.

The size was capped at US$200m and the notes are unrated.

Zhongtai International and *Industrial Bank Hong Kong branch* were joint global coordinators and bookrunners.

WUHAN REAL ESTATE MANDATES

WUHAN REAL ESTATE DEVELOPMENT & INVESTMENT GROUP has mandated *CICC* and *ICBC* as joint global coordinators for a proposed US dollar bond offering.

The two are also joint bookrunners

alongside *Standard Chartered*, *CCB International*, *China Citic Bank International* and *Industrial Bank Hong Kong branch*.

The bookrunners will arrange investor meetings in Hong Kong, Singapore and London, which started on June 13 and will finish on June 18.

A Reg S offering of senior unsecured bonds may follow, subject to market conditions.

The bonds are expected to be rated Baa3/BBB– (Moody's/S&P), in line with the issuer.

The issuer is an investment and financing vehicle for city construction for the Wuhan municipal government in Hubei province, and is wholly owned by Wuhan State-owned Assets Supervision and Administration Commission.

FUTURE LAND PRINTS US$200M BOND

FUTURE LAND HOLDINGS raised US$200m from a US dollar bond sale to fund onshore real estate projects and to repay debt.

The Chinese property developer sold the 3.75-year 7.50% senior bonds at 98.355 to yield 8.00%, unchanged from initial guidance of 8% area.

New Metro Global is the issuer of the Reg S notes and the Shanghai-listed parent is the guarantor. The notes have expected ratings of Ba2/BB (Moody's/Fitch), in line with the guarantor.

Haitong International, *Guotai Junan International*, *China Everbright Bank Hong Kong branch*, *CMB International*, *China Citic Bank International*, *DBS Bank*, *Future Land Resources Securities*, *CEB International*, *Bank of China*, *Orient Securities (Hong Kong)* and *China Industrial Securities International* were joint global coordinators, joint bookrunners and joint lead managers.

ZHONGRONG MISSES COUPON

Chinese conglomerate ZHONGRONG SHUANGCHUANG (BEIJING) SCIENCE AND TECHNOLOGY GROUP has failed to pay a coupon on Rmb600m of puttable notes traded on the Shanghai Stock Exchange.

The privately owned company said in a SSE filing last Thursday that it failed to transfer a coupon payment of Rmb42.3m to the trustee as of June 13, the put date for the notes, after it paid principal of Rmb2.91m on the notes.

The three-year notes with a coupon of 7.05% were issued in June 2016 and allow investors to sell back the notes at the end of the second year.

The company said it would deliver the coupon payment as soon as possible, without elaborating further.

The company, based in Zoupin county in eastern China's Shandong province, has businesses in aluminium precision processing, sales of refined oil products and agriculture.

VEOLIA EYES PANDA BOND RETURN

French water management company VEOLIA ENVIRONNEMENT is eyeing a return to the Panda bond market after its debut offering less than two years ago, according to market sources.

The company intends to raise Rmb1.5bn from a private placement of one-year Panda bonds in China's interbank market, but has not yet decided on a launch date, according to sources.

It would be Veolia's second offering under its Rmb15bn Panda bond programme approved by the National Association of Financial Market Institutional Investors.

In September 2016, Veolia privately placed Rmb1bn three-year Panda bonds at par to yield 3.50% in the interbank market. The notes were quoted at 5.52%/5.42% this afternoon, according to Thomson Reuters data.

Bank of China is lead arranger on the offering.

ZHESHANG BANK PRINTS T2 ONSHORE

Hong Kong-listed CHINA ZHESHANG BANK has raised Rmb15bn from an onshore offering of Tier 2 notes.

The 10-year non-call five notes were priced at par to yield 4.80% last Thursday in China's interbank bond market.

China Chengxin has assigned ratings of AAA and AA+ to the issuer and the notes respectively.

ICBC was lead underwriter on the offering with *Bank of China*, *China Merchants Bank* as joint lead underwriter.

CFLD, GEMDALE MARKET ONSHORE

Property developers CHINA FORTUNE LAND DEVELOPMENT and GEMDALE are set to raise up to a combined Rmb5bn from public bond offerings on the Shanghai Stock Exchange to repay debt.

CFLD was marketing four-year notes with put options at the end of the second year and the end of the third year at an indicative range of 5.50%–7.20% on Friday. Books will open till Monday.

It intends to raise up to Rmb2bn from the offering.

Meanwhile, Gemdale is eyeing up to Rmb3bn from a two-tranche offering. The three-year non-put two notes are indicated at 4.7%–5.7% and the five-year non-put three notes at 5.0%–6.0%. Books will open on June 19.

CFLD is rated AAA/AA by Golden Credit Rating and China Chengxin, while Gemdale is rated AAA by United Ratings.

Citic Securities is lead underwriter on CFLD's offering with *Everbright Securities*, *China Merchants Securities*, *Zhongtai Securities* as joint lead underwriters.

CICC is lead underwriter on Gemdale's offering with *Guosen Securities* as joint underwriter.

STRUCTURED FINANCE

BANK OF NINGBO READIES ABS

BANK OF NINGBO is set to launch Rmb3bn (US$467m) of securities backed by consumer loans this week in China's interbank bond market.

The trade comprises Rmb2.64bn senior Class A notes, Rmb9.2m senior Class B and Rmb268m subordinated notes.

The Class A and Class B notes, both with expected maturity date of May 26 2019, are rated AAA/AAA and AA+/AA+ (China Bond/China Lianhe), respectively.

The unrated subordinated tranche will be retained by the originator.

Books will open on June 21.

Citi Orient Securities is sole lead underwriter, bookrunner and financial adviser on the offering.

SYNDICATED LOANS

CHEMCHINA UNIT LAUNCHES LOAN

China National Bluestar (Group), a unit of state-owned China National Chemical (ChemChina), has launched a US$500m three-year loan.

China Development Bank and *Credit Agricole* are the mandated lead arrangers and bookrunners of the transaction, which pays an interest margin of 175bp over Libor and has an average life of 2.76 years.

MLAs committing US$50m or more will receive an all-in pricing of 205bp via a participation fee of 80bp, while lead arrangers joining with US$30m–$49m earn an all-in pricing of 200bp via a 67bp fee. Arrangers joining with US$15m–$29m earn an all-in pricing of 195bp via a 53bp fee. The deadline for responses is July 18.

Funds are for refinancing and general corporate purposes.

The borrower is BLUESTAR FINANCE HOLDINGS, a subsidiary of China National Bluestar, which in turn is 63.6% owned by ChemChina.

China National Bluestar, a maker of specialty chemical products, is the guarantor, while ChemChina is providing a letter of comfort.

ZTE taps Chinese banks for US$11bn lifeline

Loans **Lenders relieved as company guarantees subsidiary's debt**

Chinese telecoms equipment group **ZTE** is applying for credit lines totalling US$10.7bn-equivalent from two state-owned banks.

ZTE is seeking US$6bn from China Development Bank and a Rmb30bn (US$4.7bn) credit line from Bank of China.

The two lenders will determine the final amounts of the two facilities, ZTE said on Wednesday.

The move follows a plunge in the company's shares by around 49% in Hong Kong and 27% in Shenzhen last week in the first three trading sessions since the stock was suspended on April 17.

The credit lines are expected to provide some relief to ZTE's lenders, which agreed the week before last to the company's request for a waiver of a covenant breach on a US$450m loan.

The waiver request was related to the suspension of trading in ZTE's shares and the consent from lenders helped avert an event of default on the loan. The waiver will remain in effect until July 18, the maturity date of the loan.

Trading in ZTE's shares on the Hong Kong and Shenzhen stock exchanges was suspended following a US trade ban on the company. Under the terms of the four-year bullet loan, signed in July 2014, a suspension of ZTE's shares on the Hong Kong stock exchange for more than 14 trading days constitutes an event of default.

ZTE's lenders will also find comfort from the company's assurance on Wednesday that it will provide a guarantee to the medium or long-term debts for ZTE (HK), its wholly owned subsidiary and the borrower on the US$450m four-year loan.

ZTE will provide a guarantee for its unit's debts for up to US$600m and for maturities of up to 66 months.

On June 7, ZTE agreed to pay up to US$1.4bn in penalties in a settlement with the US Department of Commerce, which had imposed the trade ban on the company on April 16. The ban prohibited American companies from selling to ZTE for seven years, threatening to cut off its supply chain.

To get the ban lifted, ZTE agreed to pay a US$1bn fine, place US$400m more in escrow in a US-approved bank and overhaul its leadership. The deal also includes a new 10-year ban that is suspended unless there are future violations.

Under the new agreement, ZTE must also retain a compliance team selected by the Commerce Department for 10 years. The company already has a US court-appointed monitor.

The US$450m loan paid a top-level all-in pricing of 265bp via an interest margin of 225bp over Libor and an upfront fee of 160bp. BOCHK, Credit Agricole, BNP Paribas and Societe Generale were the mandated lead arrangers and bookrunners of the maturing loan, which attracted eight other lenders in general syndication.

EVELYNN LIN

In March, ChemChina raised a US$5.5bn dual-tranche term loan. Banco Santander, Bank of America Merrill Lynch, Barclays, BNP Paribas, China Citic Bank, Commerzbank, Credit Agricole CIB, Credit Suisse, First Abu Dhabi Bank, Industrial Bank, Rabobank, MUFG, Natixis, Societe Generale and Unicredit Bank were the MLABs of that bullet loan, which offers an opening top-level all-in pricing of 181.33bp and 215bp over Libor, based on ChemChina's ratings of Baa2/BBB/A–. Pricing is tied to a ratings grid. CNAC Century (HK) is the borrower, while parent ChemChina and affiliates China National Agrochemical (CNAC) and CNAC Saturn (HK) are guarantors.

CDB FINANCIAL LEASING RETURNS

CDB FINANCIAL LEASING is seeking a US$250m three-year term loan, sources said, less than a year after it signed a US$265m onshore facility with the same tenor.

Mizuho Bank (China) and *Westpac Banking Corp* are the mandated lead arrangers and bookrunners of the onshore deal, which offers an interest margin of 110bp over Libor for an average life of 2.875 years.

MLAs committing US$30m or more earn an all-in pricing of 120bp via a 28.75bp participation fee, lead arrangers with commitments of US$15-$29m receive an all-in pricing of 117.65bp via a 22bp fee, while arrangers coming in with US$10m-$14m get a 115.57bp all-in pricing via a 16bp fee.

The borrower signed the US$265m three-year term loan last September with eight banks, including sole original MLAB Mizuho. That deal, which closed below its initial target of US$300m, offered a top-level all-in pricing of 116bp.

Shenzhen-based CDB Financial Leasing, listed in Hong Kong, is a frequent borrower. It is the financial leasing arm of China Development Bank, the country's top policy lender.

JINJIANG ENVIRONMENT GOES FOR MORE

Singapore-listed **CHINA JINJIANG ENVIRONMENT HOLDING** has increased a three-year debut financing to US$216m-equivalent from a US$150m-equivalent target.

Standard Chartered was the sole mandated lead arranger and bookrunner of the transaction, which now comprises a US$200m tranche A and a Rmb100m (US$16m) tranche B.

Only tranche A was syndicated. It offered a top-level all-in pricing of 240bp based on an interest margin of 210bp over Libor and an average life of 2.75 years.

CJEH is the borrower on tranche A, while its China-based fully owned unit **GREEN ENERGY (HANGZHOU) CORPORATE MANAGEMENT** is the borrower on tranche B. CJEH's units incorporated outside China and India will provide unconditional and irrevocable corporate guarantees.

CJEH is a waste-to-energy operator in China.

For full allocations, see www.ifrasia.com.

BEIJING HYUNDAI AUTO FINANCE BACK

BEIJING HYUNDAI AUTO FINANCE is seeking a Rmb2bn three-year term loan, after an absence of almost two years from the loan market.

ANZ, *Credit Agricole*, *HSBC*, *Standard Chartered* and *Sumitomo Mitsui Banking Corp* are the mandated lead arrangers and bookrunners of the facility, which pays an interest margin of 115% of the PBoC rate for an average life of 2.75 years. The PBoC rate for one-to-five-year loans stands at 4.75%, unchanged since October 2015.

MLAs with commitments of Rmb150m or more earn a top-level all-in of 123.8% of the PBoC rate based on an upfront fee of 115bp. Lead arrangers committing Rmb100m–Rmb149m receive an all-in of 122.7% of the PBoC rate via an upfront fee of 100bp, while arrangers coming in with Rmb50m–Rmb99m get an 85bp fee for 121.5% of the PBoC rate all-in.

Funds are for working capital and general corporate purposes, including debt repayment.

The borrower's Rmb2.5bn three-year amortising loan, signed in 2015 with 19 lenders, will mature in August. That deal paid a top-level upfront fee of 40bp, a margin of 100% of the PBoC rate for an average life which was also 2.75 years, resulting in a top-level all-in pricing of 102.8% of the PBoC rate. China cut the PBoC rate for one-to-five year loans to 5.00% from 5.25% on August 26 2015 and then to 4.75% on October 24 that year. All five MLABs in the new Rmb2bn deal plus BNP Paribas were MLABs in the 2015 deal.

The company last signed a Rmb2bn three-year amortiser in August 2016 with 22 banks, including MLABs BNP, StanChart and SMBC. That transaction paid a top-level upfront fee of 60bp and a margin of 90% of the PBoC rate for the same 2.75-year average life, translating into a top-level all-in pricing of 94.6% of the PBoC rate.

The borrower, founded in 2012, is a joint venture of Beijing Automotive Industry Holding and Hyundai Motor.

GREAT WALL MOTORS UNIT SEEKS DEBUT

TIANJIN GREAT WALL BINYIN AUTOMOTIVE FINANCE is seeking a Rmb800m one-year term financing in its debut syndicated onshore loan.

DBS Bank and *HSBC* are the mandated lead arrangers and bookrunners of the bullet loan, which can be extended by another 12 months maximum.

The interest margin is 115% of the benchmark one-year PBoC rate, which stands at 4.35%.

MLAs committing Rmb200m or more earn a top-level all-in pricing of 135% of the PBoC rate via a participation fee of 87bp, lead arrangers with commitments of Rmb100m–Rmb190m receive an all-in pricing of 133% of the PBoC rate via a 78.3bp fee, while arrangers coming in with Rmb70m–Rmb90m get an all-in of 131% of the PBoC rate based on a 69.6bp fee.

The preliminary deadline for commitments is June 29. Funds will be used for working capital and refinancing of existing debt.

The borrower, headquartered in Tianjin, is an auto finance joint venture between carmaker Great Wall Motors and Tianjin Binhai Rural Commercial Bank.

Great Wall Motors raised US$350m-equivalent through a dual-tranche three-year offshore bullet loan last September. Deutsche Bank was the sole MLAB of the loan, which paid a top-level all-in pricing of 135bp via a margin of 100bp over Libor/Euribor. The borrower was its Hong Kong-incorporated investment vehicle Billion Sunny Development, while the onshore parent was the guarantor.

VSTECS SEEKS RMB650M MAIDEN LOAN

Hong Kong-listed IT products distributor VSTECS Holdings has launched a debut Rmb650m three-year term loan.

Hang Seng Bank is the sole mandated lead arranger and bookrunner of the deal, which offers an interest margin of 120% of the PBoC rate for an average life of 2.89 years.

MLAs committing Rmb150m earn a top-level upfront fee of 55bp or an all-in pricing of 124% of the PBoC rate, which translates into 5.89% based on the one-to-five-year PBoC rate of 4.75%.

Lead arrangers with commitments of Rmb100m–Rmb149m receive an all-in pricing of 123% of the PBoC rate via a 42bp fee, while arrangers coming in with Rmb50m–Rmb99m get an all-in of 122% of the PBoC rate through a 28bp upfront fee.

The deadline for commitments is July 6. Funds are for working capital.

The borrower is ECS (SHANGHAI) MANAGEMENT, a unit of VSTECS Holdings. The parent and a Chongqing-based unit of the parent are the guarantors.

RESTRUCTURING

CERCG APPOINTS ADVISER

CHINA ENERGY RESERVE AND CHEMICALS GROUP, which defaulted on its offshore debt last month, has appointed FTI Consulting as independent financial adviser to work towards a "consensual solution" in relation to the potential restructuring of the bonds.

The company also retained DF King as identification agent to assist with the identification of, and engagement with, bondholders, according to a stock exchange filing on June 12.

CERCG, which claims to be a state-controlled company, failed to repay the principal on its US$350m 5.250% notes due May 11, blaming its troubles on a liquidity crunch.

The missed payment also triggered a cross-default on other offshore bonds, including CERCG's US$400m 5.55% 2021s and HK$2bn 6.30% 2022s notes.

Trading in the 2021s and the 2022s listed on the Stock Exchange of Hong Kong has been suspended since May 28 until further notice, according to the filing.

EQUITY CAPITAL MARKETS

PUXIN PRICES AT BOTTOM

PUXIN, a K-12 after-school tuition provider in China, raised US$122m from a NYSE IPO after pricing it at the bottom of the indicative range of US$17–$20, according to people close to the deal.

The final price represents a 2019 P/E of 18. The company sold 7.2m American depositary shares.

Sha Yunlong, a former senior vice president of NYSE-listed New Oriental Education & Technology Group, founded Puxin in 2014.

Barclays, *CICC*, *Citigroup*, *Deutsche Bank* and *Haitong International* were joint bookrunners.

UXIN LAUNCHES NASDAQ IPO

UXIN, one of China's biggest used-car marketplaces, has started bookbuilding for a Nasdaq IPO of up to US$475m.

The company is selling 38m primary American depositary shares, or about 12.4% of its enlarged share capital, at an indicative price range of US$10.5–$12.5 each.

The range represents a 2020 P/E of 10.8–12.9 and a market capitalisation of US$3.4bn–$4.0bn.

There is an overallotment option of 5.7m primary ADS.

Uxin had earlier been linked with a target of up to US$1bn, and its SEC filing indicated an offering size of US$500m. Sources close to the deal said the company was offering a smaller number of shares than originally planned.

None of the existing shareholders are selling shares. The online auction house counts KKR, TPG and Warburg Pincus among its backers.

The deal is due to price on June 26.

Goldman Sachs, *JP Morgan* and *Morgan Stanley* are leading the transaction with *CICC* and *China Renaissance*.

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

Uxin posted a net loss of Rmb839m (US$131m) for the three months ended March 31 2018, widening from a net loss of Rmb511m over the same period last year. Its revenues surged 93% year on year to Rmb649m for the first three months of 2018.

HONG KONG'S GOT WISE TALENT

WISE TALENT INFORMATION TECHNOLOGY, the operator of Chinese online recruitment services provider Liepin.com, has started bookbuilding for a Hong Kong IPO of up to HK$3.12bn (US$398m).

The company is selling 88m primary shares, or 17.8% of the enlarged share capital, at an indicative price range of HK$28.50–$35.50 each or at a 2020 P/E of 17.8–22.2

There is an overallotment option of 13.2m secondary shares from Warburg Pincus and Matrix Partners.

The deal will price on June 21.

The company will use the proceeds for research and development, acquisitions, sales and marketing initiatives and working capital.

JP Morgan and *Morgan Stanley* are the joint sponsors. They are also joint global coordinators and joint bookrunners with *Huatai Financial* and *UBS*.

The company posted a 2017 net profit of Rmb7.6m, a turnaround from a 2016 loss of Rmb128m, according to a regulatory filing. It had 38.9 million registered individual users as of December 31 2017.

VCREDIT PRICES IPO AT BOTTOM

Chinese online consumer finance provider **VCREDIT HOLDINGS** has raised HK$1.37bn from a Hong Kong IPO after pricing it at the bottom of the indicative price range, according to people close to the deal.

The company sold 68.6m primary shares, or 14% of the enlarged capital, at the bottom of the HK$20–$23 range. The final price represents a 2018 P/E of 19.7.

Cornerstone investors China Foreign Economic & Trade Trust and Infinite Benefits have agreed to buy shares for a respective US$20m and US$10m.

Credit Suisse, *Goldman Sachs* and *JP Morgan* were the joint sponsors, and joint global coordinators and joint bookrunners with *Deutsche Bank*. Other joint bookrunners were *BOC International* and *Haitong International*.

JIANGXI BANK LAUNCHES IPO

JIANGXI BANK has started bookbuilding for its Hong Kong IPO of up to HK$7.8bn.

The city commercial bank, based in south-eastern China's Jiangxi province, is selling 1.17bn primary shares, equal to a 20% free float, at an indicative price range of HK$5.94–$6.66 each.

The price range represents a 2018 forecast price-to-book ratio of 0.915–1.004 and a 2019 P/B of 0.84–0.92.

Five cornerstone investors have taken up about US$491m or 52% of the float. They are Yango Investment (US$178m), Road Shine Developments (US$115m), Sinolending Fintech (US$100m), Zhonghua Financial (US$50m) and FTLife Insurance (US$48m).

Books will close on June 19 and pricing is slated for the same day.

CCB International and *CLSA* are joint sponsors. The two banks are joint global coordinators and joint bookrunners with *AMTD*.

The other bookrunners are *CMB International*, *CEB International*, *Essence International*, *Haitong International*, *ICBC International* and *Industrial Securities International*.

For the nine months ended September 30 2017, Jiangxi Bank's net profit surged 124% to Rmb2.59bn from Rmb1.16bn a year earlier.

As of September 30 2017, Jiangxi Bank had total assets of Rmb369bn.

GANFENG GETS IPO ASSENT

GANFENG LITHIUM has received written approval from the China Securities Regulatory Commission for a proposed Hong Kong IPO of about US$1bn.

The Shenzhen-listed company plans to sell not more than 20% of its enlarged capital in its Hong Kong float. There is also a greenshoe option of 15% of the base deal size.

As of June 14, Ganfeng had a market capitalisation of Rmb44bn.

Citigroup is sole sponsor for the float. *CICC* and *Deutsche Bank* are also working on the transaction.

Proceeds will be used for mergers and acquisitions, output expansion, and research and development, among other things.

CR CEMENT BUILDS WAR CHEST

CHINA RESOURCES CEMENT HOLDINGS has raised HK$4.19bn from a top-up placement.

The company sold 450m shares at the bottom of an indicative price range of HK$9.30–$9.60 each, or at a discount of 9.9% to the pre-deal spot price.

The deal was almost two times covered with about 60 investors participating. Demand came from existing shareholders and new investors from Asia, Europe and the US. Allocations were concentrated.

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

Proceeds will be used to develop prefabricated construction and aggregate businesses, repay debts and for general working capital.

CICC and *Goldman Sachs* were joint bookrunners.

HAINAN AIR PLANS PLACEMENT

HAINAN AIRLINES plans to raise up to Rmb7.03bn from a private share placement to not more than 10 investors after scrapping plans for a Rmb15bn convertible bond offering.

The carrier said it had cancelled the CB issuance because of changes in market conditions and its development strategy.

The HNA Group subsidiary plans to acquire aviation assets valued at Rmb10.48bn from linked companies, which will be remunerated through the issue of new shares.

The concurrent Rmb7.03bn placement will comprise new shares making up as much as 20% of the enlarged capital. Temasek Fullerton Alpha, a subsidiary of the Singaporean state investment firm, has agreed to subscribe to up to Rmb700m of the placement shares, with a lock-up period of 36 months.

Proceeds will be used for engine maintenance projects, aviation training projects and purchase of aircraft.

Haitong Securities is the financial adviser on the proposed acquisition and private share placement. The deal still needs approval from shareholders and regulators.

HAIER GETS D-SHARE APPROVAL

Shanghai-listed QINGDAO HAIER has received written approval from the China Securities Regulatory Commission to issue D-shares in Frankfurt, the first of a new class of equities for Chinese companies.

The home appliances manufacturer plans to issue not more than 400m D-shares. There is a greenshoe option of 15% of the base size.

The Frankfurt listing could raise around Rmb8.27bn, based on the June 12 close of Rmb20.68.

The deal still needs approval from German regulators.

D-shares, similar to Hong Kong-listed H-shares, are new instruments being touted by the China Europe International Exchange (CEINEX), a joint-venture trading platform that the Shanghai Stock Exchange, China Financial Futures Exchange and Deutsche Boerse created in November 2015.

CEINEX markets itself as a gateway for Chinese firms looking to access European investors, offering renminbi-denominated products, including stocks, bonds and exchange-traded funds on the Frankfurt Stock Exchange's existing infrastructure and under German regulations.

CRCC PLANS SPIN-OFF LISTING

CHINA RAILWAY CONSTRUCTION CORPORATION has secured board approval for a proposed spin-off and separate listing of subsidiary CHINA RAILWAY CONSTRUCTION HEAVY INDUSTRY on the main board of the Stock Exchange of Hong Kong.

CRCHI, which makes tunnel boring machines and railtrack systems, plans to offer no less than 15% of its enlarged company capital in Hong Kong, according to a filing from CRCC. There is also a greenshoe option of 15% of the base deal.

The company's registered capital stands at Rmb3.85bn, according to an undated statement on CRCHI's website.

The proposed listing still needs approval from shareholders and regulators.

TWO CLEARED FOR SHANGHAI LISTINGS

Hong Kong-listed CHINA ALUMINUM INTERNATIONAL ENGINEERING (Chalieco) and JIANGSU NEW ENERGY DEVELOPMENT have received written approval from the China Securities Regulatory Commission to conduct Shanghai IPOs.

The CSRC has authorised combined proceeds of Rmb2.1bn for the two deals, without providing an individual breakdown.

Jiangsu New Energy has started pre-marketing for its IPO of about Rmb1.06bn from the sale of not more than 167m shares, or about 10% of its enlarged capital. *Nanjing Securities* and *Huatai United Securities* are joint sponsors.

Chalieco is expected to raise about Rmb1.04bn, based on CSRC' authorisation and the fundraising target of Jiangsu New Energy.

According to a draft prospectus filed last year, Chalieco planned to raise up to Rmb5bn through the sale of up to 1.14bn A-shares, or about 29.99% of its enlarged company capital.

China Merchants Securities is the sponsor of the IPO and joint bookrunner with *Citic Securities*.

Proceeds will be used for research and development, working capital and mergers and acquisitions, as well as debt repayment.

TUNGHSU GETS PLACEMENT APPROVED

TUNGHSU AZURE RENEWABLE ENERGY has received written approval from the China Securities Regulatory Commission for a private placement of up to 363m shares that will raise up to Rmb4.85bn at a floor price of Rmb13.36.

The floor price represents a premium of 16% to the June 13 close of Rmb11.52.

Controlling shareholder Tunghsu Group has agreed to subscribe to at least Rmb2bn of the shares.

Guangzhou Securities is the sponsor. Proceeds will be used to develop solar power plants.

ZHESHANG SEC GETS CB APPROVAL

ZHESHANG SECURITIES has obtained approval from the State-owned Assets Supervision and Administration Commission for a proposed sale of six-year convertible bonds to raise up to Rmb3.5bn.

Proceeds will be used to replenish working capital. Shareholders will review the proposal on June 20.

Separately, SHANGHAI HUAFU INVESTMENT has proposed a private placement of five-year exchangeable bonds in the shares of SHANGHAI METERSBONWE FASHION AND ACCESSORIES to raise up to Rmb2bn.

Shanghai Huafu owns 1.27bn Shanghai

ICBC Asia prints first Green bond

Bonds Hong Kong lender chooses Fed decision day to show off green credentials

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) chose a difficult day for its Green bond debut last Wednesday, pricing the first Green issue from a Hong Kong-incorporated bank on the same day as the US Federal Reserve's latest policy decision.

The rated A2/A (Moody's/S&P) lender issued US$731m-equivalent of senior unsecured Green bonds denominated in US dollars and Hong Kong dollars.

ICBC Asia is the first locally licensed bank in Hong Kong to obtain pre-issuance green finance certification from the Hong Kong Quality Assurance Agency's Green Finance Certification Scheme.

The relatively modest size, however, with the two US dollar tranches fetching just US$200m, showed that the deal was still challenging despite the Green label.

"It was not an easy deal considering the FOMC meeting and elevated Hibor rate. But the outcome, both in terms of issue size and pricing, was quite good," a banker on the deal said.

ICBC Asia priced a US$200m three-year floating-rate tranche at three-month Libor plus 75bp and a US$200m five-year floating-rate tranche at three-month Libor plus 85bp, both well inside initial guidance of 100bp area and 110bp area, respectively.

It also priced a HK$2.6bn (US$331m) two-year fixed-rate tranche at par to yield 3.00%, 25bp tighter than initial 3.25% area guidance.

Both US dollar tranches were hovering around par on Thursday morning while the Hong Kong dollar bonds were bid at 100.05, according to a trader.

The Green bonds, to be issued off ICBC Asia's MTN programme, have an expected A2 rating from Moody's.

ICBC Asia is ICBC's principal commercial banking unit in Hong Kong and a domestic systemically important bank with a 4% local market share by assets.

The US dollar floaters priced 2bp wider than Green floaters from ICBC London branch on June 5 and Bank of China London branch on May 31, but the latter two have higher ratings.

ICBC London's Green bonds are rated A1 by Moody's while BOC London's Green bonds are rated A1/A/A.

GREEN GROWTH

Hong Kong is trying to capture a bigger slice of the rapidly growing green finance sector. For instance, it plans to launch a HK$100bn (US$12.7bn) Green bond issuance programme in the 2018–19 fiscal year to provide funding for public works projects.

The World Bank in April priced its first Green bond in Hong Kong dollars and the first benchmark-sized Green bond from a supranational issuer in Hong Kong. The HK$1bn two-year issue was priced at par to yield 2.14%.

Last month, BOC priced a HK$3bn two-year fixed-rate Sustainability bond at par to yield 2.85% via its Hong Kong branch, the first of its kind from a Chinese issuer. Sustainability bonds have elements of both Green and Social bonds.

ICBC Asia uses the ICBC Green bond framework, which has received "Dark Green" shading from Cicero and was externally reviewed by Zhongcai Green Financing Consultants, and aligns with both international and Chinese Green bond standards.

Proceeds will finance eligible Green assets of ICBC (Asia) and/or the ICBC group.

Distribution statistics were not available at the time of writing. Orders for the US dollar tranches were said to be over US$1.3bn while the Hong Kong dollar tranche had over HK$4.5bn at the time of final guidance.

ICBC, *Credit Agricole*, *Agricultural Bank of China Hong Kong branch*, *Bank of Communications*, *Citigroup*, *HSBC*, *Standard Chartered Bank* and *UBS* were joint global coordinators and joint lead managers for the US dollar tranches.

ICBC, *Credit Agricole*, *HSBC* and *Standard Chartered Bank (Hong Kong)* were joint global coordinators and joint lead managers for the Hong Kong dollar tranche.

ICBC Asia and Credit Agricole were joint Green structuring advisers.

CAROL CHAN

Metersbonwe shares, or about 50.65% of its total issued capital.

The deal needs regulatory approval.

CITIC GUOAN CALLS OFF EXCHANGEABLE

CITIC GUOAN COMMUNICATIONS has scrapped a proposed private placement of exchangeable bonds of up to Rmb2bn after regulatory approval expired on June 12.

CGC let the regulatory approval lapse, in consideration of the changes in market conditions and financing costs, according to a filing from parent Citic Guoan Information Industry.

CGC planned to issue five-year notes, which could be exchanged for shares in JIANGSU BROADCASTING CABLE INFORMATION NETWORK after six months.

CGC holds 591m Jiangsu Broadcasting shares, representing about 15.2% of the company's total issued capital.

China Merchants Securities and *BOC International (China)* were joint bookrunners.

TWO FIRMS PLAN CB ISSUES

JIANGSU ZHONGTIAN TECHNOLOGY has applied to the China Securities Regulatory Commission 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.

Separately, HEILAN HOME has received written CSRC approval for a proposed issuance of six-year convertible bonds of up to Rmb3bn. The operator of branded garments plans to use the proceeds for information technology projects, logistics, as well as research and development. *Huatai United Securities* is the sole bookrunner.

HONG KONG

EQUITY CAPITAL MARKETS

IMPRO PRE-MARKETS

IMPRO PRECISION INDUSTRIES started pre-marketing for a Hong Kong IPO of about US$200m, according to people close to the deal.

Hong Kong-headquartered Impro, which makes machined components for a range of industrial customers, is expected to start bookbuilding for the proposed float on or around June 21, with pricing slated for around June 29.*BOC International* and *Morgan Stanley* are joint sponsors.

According to a regulatory filing, the company posted a 2017 net profit of HK$402m (US$51m) on revenue of HK$3bn.

INDIA

DEBT CAPITAL MARKETS

JIO DIALS FOR RS20BN BONDS

RELIANCE JIO INFOCOMM is planning to raise Rs20bn (US$296m) from a three-year domestic bond at 8.7%, according to market sources.

The telecom unit of Indian conglomerate Reliance Industries has gone on a fundraising spree in the local bond market to meet huge capex and refinancing requirements.

This is Jio's fourth bond issue since the beginning of this financial year. Jio raised Rs50bn at 8% from five-year rupee notes in two tranches and Rs10bn from four-year bonds at 7.97% in April.

Last month, parent RIL announced that Jio posted its second straight quarterly net profit since its launch in September 2016 as its cut-price plans continued to attract subscribers.

"RIL has made significant investments (around Rs2.2trn cumulatively up to March end 2018) in Jio, and we expect it to make further investments based on the actual growth and performance," said Fitch Ratings in a note dated May 16.

With more than 186 million subscribers, Jio is the fourth-biggest telecoms carrier in India.

Fitch expects Jio to add another 70-75 million subscribers in fiscal 2019, driven by its attractive high-speed 4G data and feature phone offerings.

Recently, Jio received board approval to raise up to Rs200bn from non-convertible debentures.

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

Jio is yet to make an official announcement on the final price, size and tenor of the bond offering.

J&K BANK RAISES AT1S AT 10.5%

JAMMU & KASHMIR BANK has raised Rs10bn from Basel III-compliant Additional Tier 1 bonds at 10.5%, according to a National Securities Depository filing.

The notes have a call option after five years. Brickwork Ratings has assigned a A+ rating to the notes. *Credit Suisse* is the arranger.

On May 30, J&K Bank received board approval to raise up to Rs20bn in order to meet Tier 1 and Tier 2 capital requirements.

Sales of AT1 bonds by state-owned bannks have slowed recently after the Reserve Bank of India took the unprecedented step of ordering weaker banks to redeem their capital securities ahead of schedule, triggering a debate over regulatory interference in the fixed-income sector.

NABARD TAPS JANUARY 2022

NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT has raised Rs16.55bn from a tap of its 8.6% January 2022 bond at a clean price of 99.59, or a yield of 8.748%, according to a market source.

On June 7, the Indian policy lender printed Rs14bn 10-year government of India-serviced bonds at 8.65%.

On June 1, Nabard scrapped a Rs5bn tap of the January 2022 bond after it received bids at high levels. It raised Rs14.48bn from the January 2022 offering, which settled on May 25.

Nabard is yet to make an official announcement on the yield and size of the tap.

NSE LAUNCHES TRI-PARTY REPO PLATFORM

India's National Stock Exchange has launched a tri-party repo platform for corporate bonds, in a move expected to deepen liquidity in the domestic debt market.

The exchange is planning to offer a basket repo for a tenor of one to seven days that will allow investors to borrow against AAA rated corporate bonds, as well as commercial paper and certificate of deposits rated above A1 and with a residual maturity of up to one year.

Facilitating corporate bond repos was one of the recommendations of former RBI deputy governor HR Khan in a report on corporate bonds in August 2016.

The NSE will act as the tri-party agent and central counterparty for services like collateral selection, payment and settlement, custody and management during the life of the transaction.

"It is an anonymous platform. The borrowers have an advantage as they will not have to sign a global master repurchase agreement with counterparties," said Shailendra Jhingan, managing director and CEO at ICICI Securities Primary Dealership.

The BSE also announced a similar platform in May but no trades have happened yet, according to market participants.

The new repo framework is expected to allow participants to use their collateral more efficiently, and deepen the corporate bond market as more participants sign up.

"The funding costs for corporate bonds are expected to come down and the ability of the system to hold bonds will go up," said Jhingan. "The trading will improve and spreads between corporate bonds and government securities will shrink."

Axis Bank and ICICI Securities Primary Dealership are among the first few members to sign up to the NSE platform.

In August last year, RBI said all tri-party agents would need prior authorisation from the central bank. Scheduled commercial banks, recognised stock exchanges, clearing corporations and other entities regulated by RBI and the market regulator will be eligible to become tri-party agents.

The applicants need to maintain a minimum Rs250m of equity share capital and have at least five years of experience in the financial sector, preferably in custodial, clearing or settlement services.

RELIANCE INFRA ISSUES RS3.85BN BONDS

RELIANCE INFRASTRUCTURE has raised Rs3.85bn from bonds maturing in December 2021 at 12.5%, according to a filing on National Securities Depository Limited.

Interest will be paid quarterly.

The notes are secured by a pledge of Reliance Power shares with 1.75 times security cover.

India Ratings has assigned a BBB+ rating to the notes.

SHRIRAM EYES RETAIL BONDS

SHRIRAM TRANSPORT FINANCE plans to raise a base issue size of Rs10bn from retail bonds, according to a source close to the plans.

The Indian commercial vehicle finance filed a retail bond shelf prospectus with the market regulator on June 13 to raise up to Rs50bn in one or more tranches.

Shriram has appointed *AK Capital, Axis Bank, Edelweiss Financial Services, JM Financial* and *Trust Capital* as lead arrangers.

It is targeting tenors of three, five and 10 years and the issue is likely to open in the last week of June.

Crisil and India Ratings have assigned a AA+ (stable) rating to the Rs50bn retail bond programme, citing a stable funding profile and dominant franchise in the used commercial vehicles financing segment.

Retail investors will get a good yield pick-up over government and state bonds as public bond issues are offering yields of over 9%, said Ajay Manglunia, head of fixed income at Edelweiss Financial Services.

The public bond issues of non-banking financial companies are expected to surpass the previous high of Rs423bn seen in FY14 as the retail route becomes the preferred source to raise funds, said

Icra in a note dated June 2.

Shriram is yet to make an official announcement on the retail bond offering.

SYNDICATED LOANS

› RIL SEEKS US$2.7BN REFI

Indian conglomerate **RELIANCE INDUSTRIES** is seeking a US$2.7bn refinancing, marking its second borrowing of around that size within six months.

The new loan will comprise three tranches with tenors of three and five years.

RIL is putting together an arranger group and has asked banks to respond by the end of the month.

The company's last borrowing was in December when it signed a US$2.5bn loan that saw 30 banks, including 17 senior mandated lead arrangers and bookrunners, participating. That loan comprises a 2.5-year loan of US$815m and €150m (US$185m) (facility 1) for RIL, and separate US$1bn 4.75-year (facility 2) and US$500m 5.58-year (facility 3) portions for Reliance Jio Infocomm.

RIL's borrowing was mandated at an all-in pricing of less than 110bp, while subsidiary Jio's was at less than 120bp.

RIL's US dollar and euro tranches paid top-level all-in pricings of 76bp and 46bp based on interest margins of 56bp and 37bp over Libor and Euribor, respectively. Jio's facility 2 and facility 3 offered a top-level all-in pricing of 105bp and 110bp based on margins of 84bp and 92.5bp over Libor, respectively. Facilities 1, 2 and 3 had remaining average lives of 2.375, 4.33 and 5.42 years, respectively, assuming participating lenders were transferred in December.

Meanwhile, Jio is also in the market for a ¥53.5bn (US$498m) seven-year Samurai bullet term loan, which pays a top-level all-in pricing of 65bp based on a margin of 51bp over Tibor and has a guarantee from RIL.

› HDFC MANDATES NINE

Mortgage lender **HOUSING DEVELOPMENT FINANCE CORP** has mandated nine banks on a US$750m five-year loan, which marks its return offshore after two years.

ANZ, *Barclays*, *Citigroup*, *DBS Bank*, *First Abu Dhabi Bank*, *HSBC*, *Mizuho Bank*, *MUFG* and *Sumitomo Mitsui Banking Corp* are the mandated lead arrangers and bookrunners of the bullet loan.

HDFC's last visit to the international loan markets was in July 2016 for a US$375m five-year term loan with 17 banks, of which 13 joined in general syndication. Citigroup, DBS, State Bank of India and SMBC were the MLABs of the deal, which paid a top-level all-in pricing of 139.9bp based on an interest margin of 126bp over Libor and an average remaining life of 4.82 years.

› L&T UNIT IN MARKET FOR REFI

Larsen & Toubro's Middle Eastern unit is seeking a US$136.5m refinancing.

L&T GLOBAL HOLDINGS has hired *First Abu Dhabi Bank* and *Standard Chartered* as mandated lead arrangers and bookrunners for the borrowing, which comes with a remaining life of 2.68 years.

Funds will refinance US$136.5m outstanding from a US$275m five-year loan signed in 2016.

The Indian parent is providing an unconditional guarantee. L&T Global's previous borrowing carried a letter of comfort from the parent.

The interest margin on the latest borrowing is 65bp over Libor.

Banks are invited to join as MLAs with US$25m or above for participation fees of 51bp, translating to a top-level all-in pricing of 84.03bp. Lead arrangers committing US$15m–$24m earn 45.5bp in fees for an all-in of 81.98bp.

The deadline for banks to respond is July 16.

L&T is engaged in engineering, construction, goods manufacturing, information technology and financial services.

› BIRLA CARBON ATTRACTS FIVE MORE

Five additional banks have joined as mandated lead arrangers and committed US$350m combined to a US$1.2bn loan for **BIRLA CARBON**.

The borrower, a unit of Indian conglomerate Aditya Birla Group, previously appointed 11 banks on the loan as mandated lead arrangers and bookrunners. Nine of those banks were mandated first and are underwriting US$122m apiece, while the two other lenders added later are underwriting US$50m each.

The nine banks mandated initially are *ANZ*, *Axis Bank*, *BNP Paribas*, *Credit Agricole*, *Citigroup*, *DBS Bank*, *ICICI Bank*, *Mizuho Bank* and *Standard Chartered*. *JP Morgan* and *SG Asia* joined subsequently.

The deal has not been launched into senior or general syndication.

The borrowing is split into a US$1.05bn 30-month term loan and a US$150m 30-month revolving credit, each paying interest margins of 135bp over Libor.

Birla Carbon had previously eyed a US$600m dual-tranche loan and a US dollar bond of a similar size. However, bond market conditions have not been conducive for high-yield borrowers in recent weeks given the rise in US Treasury yields because of which Birla Carbon scrapped the bond plans.

Proceeds from the loan refinance a US$925m dual-tranche five-year loan closed in March 2016. Ten lenders joined the six MLABs on that deal, which comprised a US$700m term loan and a US$225m revolver. That borrowing offered a top-level all-in pricing of 203.73bp based on a margin of 175bp over Libor and an average life of 4.35 years.

EQUITY CAPITAL MARKETS

› RITES SETS IPO PRICE RANGE

State-owned engineering consultant **RITES** has set the price range for an IPO of up to Rs4.7bn (US$69m) at Rs180–Rs185, according to a public notice.

Around 25.2m shares, or a 12.6% stake, are being sold. The Ministry of Railways currently owns 100% of the company.

The offer will be open for subscription between June 20 and June 22.

Elara Capital, *IDBI Capital*, *IDFC* and *SBI Capital* are the bookrunners.

The company earned a net profit of Rs3.5bn in the financial year that ended on March 31 2017 compared with Rs2.8bn in 2016.

› OBEROI REALTY HIRES BANKS FOR QIP

OBEROI REALTY has hired *JM Financial* and *Morgan Stanley* to manage a qualified institutional placement of up to US$200m, a person with knowledge of the transaction said.

The company recently obtained shareholder approval to sell shares for up to Rs20bn. The timing of the sale has not been finalised.

Oberoi develops residential and commercial projects in Mumbai.

It reported a profit after tax of Rs4.6bn in the financial year that ended on March 31 2018, up from Rs3.8bn in 2017.

› FINE ORGANIC SETS IPO PRICE RANGE

Additives maker **FINE ORGANIC INDUSTRIES** has set a price range of Rs780–Rs783 per share for an IPO of up to Rs6bn, according to a public notice.

Around 7.66m secondary shares or 25% of the capital are being sold.

Founders Prakash Kamat, Mukesh Shah, Jyotsna Shah, Jayen Shah, Tushar Shah and Bimal Shah are the vendors.

The IPO will be open for subscription between June 20 and June 22.

Fine Organics makes additives which are used in the food, cosmetics and paint industries.

The company earned a net profit Rs794.8m in the financial year that ended March 31 2017 versus Rs769.6m in 2016.

Edelweiss and *JM Financial* are the bookrunners.

› EMAMI CEMENT PLANS Q4 IPO

EMAMI CEMENT aims to launch an IPO of up to US$250m in the fourth quarter, people with knowledge of the transaction have said.

There will be a combination of primary and secondary shares.

Kolkata-based Emami Cement has an annual installed capacity of four million tons of cement. It is part of the Emami Group, one of India's leading personal care product makers with brands such as Zandu, BoroPlus, Navratna, Fair & Handsome and Kesh King.

CLSA, *Edelweiss*, *IIFL Holdings* and *Nomura* are working on the IPO.

› HINDUJA FINANCE FILES FOR RS10BN IPO

HINDUJA LEYLAND FINANCE has filed a draft prospectus for an IPO that will raise up to Rs10bn.

The company is targeting to launch the deal by the end of the year.

Everfin Holdings, Hinduja Ventures and IndusInd International will offer a combined 21.9m secondary shares, while Hinduja will also issue Rs5bn of primary shares.

The vendors are planning a pre-IPO placement of Rs2bn and, if successful, the primary tranche of the IPO will be reduced accordingly.

Hinduja Finance is part of the Hinduja Group and provides loans for the purchase of commercial vehicles.

The company earned revenues of Rs21bn for the year to March 31 2018 and net profit of Rs2.4bn.

The company filed for a Rs7bn IPO in 2016 but did not go ahead as the federal government's demonetisation policy affected the business of finance companies.

Axis, *Citigroup* and *Yes Securities* are the bookrunners this time around. Citigroup was not part of the 2016 syndicate, while ICICI Securities and SBI Capital no longer feature on the mandate.

INDONESIA

SYNDICATED LOANS

› PLN VENTURES OFFSHORE

Seven banks are tipped to win the mandate from Indonesian state-owned PERUSAHAAN LISTRIK NEGARA for a debut US$1.5bn corporate loan offshore.

The seven lenders are: *ANZ*, *Bank of China Hong Kong*, *Citigroup*, *Mizuho Bank*, *OCBC Bank*, *Sumitomo Mitsui Banking Corp* and *UOB*.

The financing is the borrower's first dollar-denominated corporate loan and is expected to comprise three and/or five-year tenors. Launch into syndication is targeted for sometime in July.

PLN is a frequent borrower in the bond markets and a sponsor/offtaker on project financings in Indonesia. In November Cirebon Energi Prasarana raised a US$1.74bn financing for the construction of the Cirebon 2 power plant in Indonesia. PLN has entered into a 25-year power purchase agreement with the project company.

PLN is currently raising Rp3trn

(US$215m) through bonds, including Rp750bn of sukuk notes, according to an offer document. Bookbuilding for the deal commenced on June 7 and will continue until June 26. Bahana, BNI, CGS-CIMB, Danareksa, DBS Vickers, Indo Premier and Mandiri Sekuritas are the leads.

In May, the Indonesian power utility, rated Baa2/BB/BBB, raised US$2bn from a two-part bond – US$1bn from 5.45% 10-year notes at 99.619 to yield 5.5% and US$1bn from 6.15% 30-year notes at 99.323 to yield 6.2%.

JAPAN

SYNDICATED LOANS

NIPPON REIT RAISES ¥20BN TO EXPAND

NIPPON REIT INVESTMENT is raising a ¥20bn (US$183m) bullet term loan for real estate acquisitions, the Tokyo Stock Exchange-listed real estate investment trust said in a filing.

MUFG is arranging the loan, which has six tranches with tenors ranging from one to seven years and two months. The interest margins range from 29bp to 42bp over one-month Tibor.

Drawdown is slated for July 3.

The borrower, which invests mainly in office buildings, last tapped the syndicated loan market in March when it raised eight bullet term loans totalling ¥20.9bn for refinancing. MUFG was the arranger of those loans with tenors ranging from six to 10 years and margins ranging from 36bp to 65bp over one-month Tibor.

MALAYSIA

RESTRUCTURING

PERISAI WINS RESTRUCTURING SUPPORT

PERISAI PETROLEUM TEKNOLOGI has crossed a milestone in its debt restructuring after creditors gave overwhelming support to its debt-for-equity plan at a meeting on June 8.

More than 88% voted for the Malaysian offshore marine services company's scheme of arrangement at the meeting, which was held under the auspices of the High Court of Malaya.

The approval comes almost two years after Perisai warned that holders of its S$125m (US$93.3m) 6.875% bond due October 2016 faced heavy losses. In October 2016 bondholders rejected the company's appeal for a four-month extension to the bonds.

The Perisai group of companies owes a total of US$460.5m or M$1.977bn in debt, which excludes debt owed to the company's subsidiaries and associate companies. The largest amount of around US$272.6m is owed to various units of Singapore's OCBC Bank.

Under the scheme of arrangement, all creditors of Perisai and its units will essentially be asked to convert debt into either shares or redeemable and irredeemable convertible unsecured loan stocks (RCULS and ICULS). The company also plans to raise funds through a rights issue and will enter bilateral settlement agreements with inter-company creditors to settle debt.

Perisai will issue settlement shares at M$0.1 per share to unsecured bank creditors and creditors that were covered by a corporate guarantee from Perisai, which will include bondholders. Under the proposal, bondholders will receive M$476.2m of value, which includes some accrued interest, in the form of M$18.1m of shares, M$64.4m of RCULS and M$393.6m of ICULS.

SJ Securities is principal adviser to Perisai on the restructuring plan, which Perisai expects to complete by the end of the year.

Lenders flock to piece of Takeda's jumbo deal

Loans Eye on takeout draws strong response

A slew of domestic and international banks have committed to a major portion of the US$30.85bn financing for **TAKEDA PHARMACEUTICAL**'s £46bn (US$62bn) acquisition of London-listed rare-disease specialist Shire.

A US$15.35bn 364-day tranche has attracted 18 lenders, including several international banks which are eyeing a takeout of the facility that is expected through capital market financings such as bonds.

The banks joining are *Bank of America Merrill Lynch*, *Bank of China*, *Barclays*, *BBVA*, *BNP Paribas*, *Commerzbank*, *Credit Agricole CIB*, *DBS Bank*, *HSBC*, *ING Bank*, *Intesa Sanpaolo*, *Mizuho Bank*, *Nomura Capital Investment*, *Norinchukin Bank*, *Societe Generale*, *Standard Chartered*, *Sumitomo Mitsui Trust Bank* and *Wells Fargo Bank*.

These 18 banks, along with *Bank of New York Mellon*, also committed to a US$7.5bn five-year term loan signed last Friday. Takeda will use the proceeds of the five-year loan to take out a US$7.5bn 364-day tranche that formed part of the jumbo acquisition financing.

JP Morgan, *MUFG* and *Sumitomo Mitsui Banking Corp* are the mandated lead arrangers, bookrunners and underwriters of the US$30.85bn borrowing, which also included two other 364-day tranches of US$4.5bn and US$7.5bn, respectively and a US$3.5bn 90-day portion. These three tranches were not syndicated.

The 364-day tranches and the US$7.5bn five-year term loan pay the same margins and commitment fees based on a ratings grid:

For ratings of A1/A+ or higher, the margin is 75bp over Libor, while the commitment fees are 7bp. The margin and fees increase to 87.5bp and 8bp for ratings of A2/A; 100bp and 9bp for A3/A–; 112.5bp and 10bp for Baa1/BBB; 125bp and 12.5bp for Baa2/BBB, and 150bp and 17.5bp for anything lower.

The margins on the bridge facilities increase by 25bp every three months after closing. Duration fees start at 50bp 90 days after closing, rising to 75bp 180 days after closing and to 100bp 270 days after closing. Duration fees apply to outstanding drawn and undrawn commitments.

The US$15.35bn 364-day tranche offered a 17.5bp upfront fee and the US$7.5bn five-year term loan offered a 15bp upfront fee.

Lenders will earn fees irrespective of the outcome of the acquisition proposal or the drawdown of the loan.

A group of Takeda's shareholders is trying to build support to block the Shire acquisition at an extraordinary general meeting, Reuters reported earlier.

Takeda will hold the shareholder meeting later this year or early next year to approve an issue of new stock to help fund the Shire deal, making it a de facto vote on the deal itself.

Takeda's bridge is the largest loan to date from Asia, easily trumping a ¥2.65trn (then US$23bn) jumbo refinancing in November for SoftBank Group Corp.

WAKAKO SATO

NEW ZEALAND

DEBT CAPITAL MARKETS

MERIDIAN ENERGY NETS NZ$200M

MERIDIAN ENERGY, rated BBB+ (S&P), raised the maximum NZ$200m (US$140m) it was seeking from a retail offer of seven-year senior unsecured fixed-rate notes.

The 4.21% June 27 2025s priced at par last Friday, at the tight end of mid-swaps plus 130bp–140bp guidance.

ANZ Bank New Zealand and *Westpac* were joint lead managers with Deutsche Craigs and Forsyth Barr as co-managers.

In March 2017 the electricity generator and retailer, which is 51% owned by the New Zealand Treasury, issued a NZ$150m 4.88% seven-year retail note priced at mid-swaps plus 150bp.

CCB NEW ZEALAND RAISES NZ$100M

CHINA CONSTRUCTION BANK (NEW ZEALAND), rated A1/A (Moody's/S&P), has raised the NZ$100m maximum it was seeking from last Thursday's five-year fixed-rate note offering arranged by the New Zealand branches of *ANZ*, *CBA* and *Westpac*.

The 4.005% June 19 2023s priced at par, in line with mid-swaps plus 130bp area guidance.

Pricing compares with the 105bp mid-swaps margin paid by A1/AA–/AA– rated ANZ Bank New Zealand on May 24 for a NZ$500m 3.7% five-year print.

CCB New Zealand debuted in the local market in June 2015 with a NZ$75m dual-tranche issue of three-year floating-rate and five-year fixed-rate notes.

Last November the bank priced a NZ$150m 3.932% five-year bond at mid-swaps plus 130bp.

AUCKLAND GOES GREEN

AUCKLAND COUNCIL, rated Aa2/AA (Moody's/S&P), has appointed *ANZ* as arranger and lead manager and *BNZ* and *Westpac* as co-managers for New Zealand's first municipal Green bond offer, expected to open this week.

The council intends to raise up to NZ$150m plus an additional NZ$50m in oversubscriptions for a fixed-rate five-year bond offered to New Zealand retail and institutional investors.

The proceeds will refinance debt and buy electric trains and equipment.

SINGAPORE

DEBT CAPITAL MARKETS

CRCT PLANS INVESTOR MEETINGS

CAPITALAND RETAIL CHINA TRUST will hold meetings with fixed income investors in Singapore next Tuesday to present its credentials as a potential debut bond issuer.

DBS is sole arranger for the non-deal roadshow. The Singapore-listed trust, which has assets mainly in China, counts Temasek Holdings as a major shareholder.

MAPLETREE SELLS S$200M BOND

MAPLETREE INVESTMENTS last Tuesday priced a Singapore dollar three-year bond at par to yield 2.888%.

The Singapore real estate investment fund raised S$200m (US$150m) from the sale of the notes which will be issued by Mapletree Treasury Services. The parent will be the guarantor of the notes.

OCBC was sole lead manager for the unrated deal, which will be drawn from Mapletree's US$5bn Euro MTN programme.

Settlement is on June 21. Proceeds will be used for general corporate purposes.

STRUCTURED FINANCE

PUBLIC SNAPS UP ASTREA ABS

ASTREA IV reported strong oversubscription for the retail tranche of its securitisation of cashflows from private equity funds, in the first offering of asset-backed securities to the Singapore public.

The retail part of the Class A-1 tranche, which comprised S$121m (US$90m) of the S$242m total for that tranche, drew orders of nearly S$890m, translating to coverage of 7.4 times.

The ABS priced on June 5 following bookbuilding for institutional and accredited investors, who placed orders of US$1.8bn-equivalent. Subscription for the public ran from June 6-12.

The Class A-1 notes priced at a yield of 4.350%, from initial guidance of 4.625% area.

Hyflux hit with default notice

Restructuring **Missed coupon breaches terms after earlier dividend payment**

HYFLUX, the embattled Singapore water treatment company, has received notice from the trustee of its 6% perpetual securities that a missed coupon payment on May 28 triggered an event of default.

Singapore-listed Hyflux, which applied for court protection on May 22, said bond trustee Perpetual Asia had notified it that an event of default had occurred under condition 9(b) of the S$500m (US$374m) 6% perpetual capital securities callable in 2020.

That clause in the agreement said Hyflux would be deemed in default if it failed to make a payment on the securities for a period of seven business days after the due date.

The bond trustee also said it and the bondholders reserved the right to start proceedings against Hyflux.

The default notice surprised some analysts as the perpetual bonds were sold with optional distributions and a clear warning that a deferred payment would not constitue a default. However, the offer document showed that coupon payments could not be deferred if Hyflux had paid a dividend on its common stock or preferred shares in the previous six months, and any deferral was subject to at least five business days' notice.

Hyflux said in April it would pay a dividend on its 6% preference shares on April 25.

In February, Hyflux also completed the distribution of dividends to shareholders in the form of shares in unit HyfluxShop.

"Typically for perpetuals, the deferral right is also tied to a dividend stopper. That is, if there is a deferral of interest on the perps the issuer can't then pay out a dividend to its equity holders," said a lawyer. For instance, Noble Group suspended coupon payments on its perpetual securities in June 2017 without triggering a default.

Hyflux had a similar clause, but it was backward-looking. "That is, no deferral if dividends were paid out in a preceding period," said the lawyer. "If dividends were paid out, there would be no right to defer, and therefore the coupon payment would be due and payable – hence the default."

The trustee will be unable to take any immediate action due to a 30-day automatic moratorium triggered by Hyflux's application to the Singapore High Court for protection against creditors. A hearing on the application is scheduled for June 19.

Hyflux said it would continue to engage and provide information to the perpetual trustee.

KIT YIN BOEY

The US$210m Class A-2 tranche priced at 5.500%, from 5.625% area, and the US$110m Class B priced at 6.750%, from 7.000% area.

Expected ratings are A/A (S&P/Fitch) for the A-1 notes, A (Fitch) for the A-2 tranche and BBB (Fitch) for the B.

Credit Suisse, *DBS* and *Standard Chartered* were joint lead managers.

Astrea is a vehicle of Azalea Asset Management, an indirect subsidiary of state investment holding company TEMASEK HOLDINGS. Over the course of the four Astrea ABS transactions, Temasek has gradually been opening up access to more types of investors.

"The question now is whether this opens the way for retail to invest in other securitisation structures, like RMBS," said a source close to the deal.

SYNDICATED LOANS

LOUIS DREYFUS RETURNS FOR US$500M

LOUIS DREYFUS CO ASIA has returned to the market with a US$500m three-year revolving credit facility.

Agricultural Bank of China Singapore, *ANZ*, *DBS Bank*, *UOB Bank* and *Westpac* are the mandated lead arrangers and bookrunners of the financing, which comes with an unspecified greenshoe option.

Louis Dreyfus Co is the guarantor of the facility, which pays an interest margin of 90bp over Libor.

Banks will receive a top-level all-in pricing of 147bp and the mandated lead arranger title for commitments of US$40m and above via a participation fee of 51bp, an all-in pricing of 145bp and the lead arranger title for tickets of US$25m–$39m via a 45bp fee, or an all-in of 143bp and the arranger title for US$10m–$24m via a 39bp fee.

Banks will get a 10bp utilisation fee if less than a third of funds are drawn, a 20bp utilisation fee if 33%–66% of funds are drawn, and a 40bp utilisation fee if more than two-thirds of funds are drawn.

A bank presentation is scheduled for June 19 in Singapore. Responses are due by July 16 and signing is slated for July 27.

Funds will be used for investments, refinancing, capital expenditure, working capital and general corporate purposes.

The borrower, formerly called Louis Dreyfus Commodities Asia, last raised a US$500m three-year revolver in September that was increased from a target size of US$400m. ABN AMRO, HSBC, OCBC Bank and Societe Generale were the MLABs of that financing, which attracted 24 other lenders in general syndication. The deal paid a top-level all-in pricing of 152bp based on a margin of 95bp over Libor.

RESTRUCTURING

PAC RADIANCE GIVEN MORATORIUM

The Singapore High Court has granted PACIFIC RADIANCE a moratorium on claims for six months, protecting it from legal proceedings while it works through a debt restructuring.

The Singaporean operator of offshore vessels 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 an equity injection to pare down debt and support working capital needs.

EQUITY CAPITAL MARKETS

SEA SELLS US$500M CB

Singapore-based internet company SEA has raised US$500m from a five–year convertible bond.

There is a 13-day option to increase the size by US$75m.

According to a statement from Sea, an entity affiliated with Tencent Holdings, one of the company's principal shareholders, and an entity affiliated with one of the company's directors are expected to purchase up to US$50m and up to US$30m, respectively, of the CB.

The CB carries a 2.25% interest and a conversion premium of 32.5%.

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

Goldman Sachs was the sole bookrunner.

SOUTH KOREA

DEBT CAPITAL MARKETS

IBK PLANS SOCIAL BOND

INDUSTRIAL BANK OF KOREA has hired *Citigroup*, *Commerzbank*, *Credit Agricole* and *HSBC* to arrange investor meetings in Asia, Europe and the US starting on June 18 ahead of a potential US dollar-denominated 144A/Reg S Social bond offering.

The transaction has expected ratings of Aa2/AA– (Moody's/Fitch).

The proceeds would be used to finance social projects.

KHNP JUMPS ON GREEN BANDWAGON

KOREA HYDRO & NUCLEAR POWER, rated Aa2/AA (Moody's/S&P), has mandated *BNP Paribas*, *Citigroup*, *HSBC*, *JP Morgan*, *Korea Development Bank* and *UBS* for a US dollar Green bond.

Fixed income investor meetings in Asia, Europe, the Middle East and the US will commence on June 22 for a 144A/Reg S transaction.

The proposed notes will come with a short to intermediate maturity, subject to market conditions.

SYNDICATED LOANS

SHINHAN BACK WITH US$300M LOAN

SHINHAN BANK is returning to the loan market after a three-year absence for a US$300m facility.

Mandated lead arranger and bookrunner *MUFG* is arranging the deal on a best-efforts basis. The deal carries one, three and five-year maturities.

The interest margins are 35bp, 60bp and 73bp over Libor for the one, three and five-year pieces, respectively.

MLAs committing US$75m or more receive top-level all-in pricing of 45bp, 71bp and 81bp via participation fees of 10bp, 33bp and 40bp, respectively, for the one, three and five-year tranches. Lead arrangers joining with US$50m–$74m earn all-in pricing of 44bp, 70bp and 80bp via participation fees of 9bp, 30bp and 35bp, respectively. Arrangers coming in for US$20m–$49m receive all-in pricing of 43bp, 69bp and 79bp via participation fees of 8bp, 27bp and 30bp, respectively.

The deadline for responses is June 22.

Funds are for refinancing and general corporate purposes.

In July 2015, Shinhan raised a US$300m 2.5-year senior loan. Mizuho led that deal, while China Construction Bank, Commerzbank and Standard Chartered joined as MLAs.

TAIWAN

DEBT CAPITAL MARKETS

SOCGEN READIES TAIWAN GREEN BOND

SOCIETE GENERALE has obtained regulatory approval to issue up to NT$15.6bn (US$523m) of new dollar-denominated Green bonds in Taiwan.

The Financial Supervisory Commission

said on June 12 that French bank's Taipei branch was the first foreign bank to secure such approval.

The bond proceeds will be used for major infrastructure projects in Taiwan, like offshore and onshore wind power development, solar energy development and other renewable energy plans, the FSC said in a press release.

According to a market source, SocGen is looking at a tenor of five to 15 years and the first issue is likely to be NT$1.5bn. *Yuanta Securities* is lead arranger on the offering.

The source said more foreign banks were preparing to issue new dollar-denominated Green bonds.

Previously, foreign banks were only allowed to issue foreign currency-denominated Green bonds in Taiwan.

SYNDICATED LOANS

› QUANTA COMPUTER ATTRACTS FIVE

QUANTA COMPUTER has attracted five banks so far in general syndication of its US$550m three-year loan.

The deal has received total commitments of more than US$380m, and a few more banks are processing credit approvals.

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 and for working capital purposes. Mizuho also led the 2013 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.

› WISTRON CONTINUES FUNDING SPREE

Taiwanese electronics manufacturer WISTRON has raised US$500m from a 364-day accounts receivable factoring facility, barely a month after closing a bigger borrowing.

Mega International Commercial Bank was the sole mandated lead arranger and bookrunner of the transaction, which comprises a US$500m tranche A for Wistron and a US$500m tranche B for British Virgin Islands-incorporated AII Holding. The borrower can only draw a maximum amount of US$500m combined from the two tranches.

The deal pays an interest margin of 90bp over Libor. Funds are for working capital purposes. Signing was on Monday.

Last month, Wistron raised a US$800m three-year revolving credit facility. Mega and Sumitomo Mitsui Banking Corp were the MLABs on that deal, which comprises a US$520m tranche A and a US$280m tranche B. The interest margins are 90bp and 99bp over Libor for tranches A and B, respectively. The borrower will pay any excess interest rate beyond a 40bp difference between TAIFX and Libor.

Wistron's previous AR factoring borrowing was in June last year when it signed a US$700m three-year loan. Mega was the sole mandated lead arranger and bookrunner of the deal, which pays a margin of 90bp over Libor. Accounts receivable from Lenovo Group back the financing.

For full allocations, see www.ifrasia.com.

› OFFSHORE WIND PF SIGNED

A NT$18.7bn (US$627m) project financing backing Stage 2 of the 128MW FORMOSA I OWF, Taiwan's first commercial-scale offshore wind project, has been signed.

BNP Paribas was the coordinator and financial adviser of the 16-year financing, which was signed on June 8.

The deal comprises a NT$16.6bn commercial term loan tranche and a tranche with insurance cover from Danish export credit agency EKF.

The other lenders of the commercial tranche include *ANZ*, *Cathay United Bank*, *Credit Agricole CIB* (documentation bank), *DBS Bank*, *Entie Commercial Bank*, *ING Bank* (modelling bank), *KGI Bank*, *MUFG* (insurance bank), *Societe Generale* (technical bank) and *Taipei Fubon Commercial Bank*.

The interest margin on the commercial tranche is 230bp over Taibor during the construction period. It will step down to 200bp after commencement of operations, which is slated sometime in 2020. The EKF-covered tranche offers margins ranging from 86bp to 116bp.

The deal follows a NT$2.5bn five-year club loan in May 2016 for Stage 1 of the project. Cathay United Bank, EnTie Commercial Bank and BNP Paribas were the lenders to that borrowing, which offered a margin of 225bp over three-month Taibor and an annual guarantee fee of 120bp.

Formosa I is a joint venture between Denmark's Orsted (35%), Taiwanese developer Swancor Renewable (15%) and Macquarie Capital (50%).

Formosa I is providing guarantees according to the project's administrative contract and regulations.

› AUO DRAWS STRONG RESPONSE

LCD maker AU OPTRONICS has received commitments for its NT$35bn five-year loan totalling more than NT$100bn so far in general syndication.

More than 20 lenders have so far committed to the deal.

Bank of Taiwan is the mandated lead arranger, bookrunner and facility agent.

The interest margin is tied to the borrower's after-tax net profit margin: 105bp over Taibor for an after-tax net profit margin below 0%, 100bp for 0%–2.9%, 89bp for 3.0%–5.9% and 84bp for 6% or more. The pre-tax interest rate floor is set at 1.7%. Banks were offered a top-level upfront fee of 36bp.

Funds are for refinancing purposes.

The borrower signed a NT$23bn five-year loan last July. BoT also led that deal, which pays a margin ranging from 85bp to 110b over Taibor based on the borrower's after-tax net profit margin. The deal also has a pre-tax interest rate floor set at 1.7%.

› RIH DING WATER SIGNS NT$7.51BN PF

RIH DING WATER ENTERPRISE has signed a NT$7.51bn 10-year project financing to back a sewage-treatment project in Taiwan's Taoyuan district.

Mega International Commercial Bank was the original mandated lead arranger and bookrunner, while *Taiwan Cooperative Bank* came in with the same title.

The deal comprises a NT$3.301bn tranche A, a NT$3.6bn tranche B, a NT$309m guarantee tranche C and a NT$300m tranche D.

The interest margin on tranches A, B and D is 178bp over the one-year post office savings rate. Tranche C pays an annual guarantee fee of 100bp. Banks were offered a top-level upfront fee of 25bp.

The borrower is a wholly owned subsidiary of Taiwan-listed Radium Life Tech.

For full allocations, see www.ifrasia.com.

› RUN LONG GETS FIVE-YEAR LOAN

Taiwanese real estate developer RUN LONG CONSTRUCTION has raised a NT$5bn five-year loan.

Agricultural Bank of Taiwan, *Mega International Commercial Bank* and *Taiwan Business Bank* were the mandated lead arrangers and bookrunners of the financing, which comprises a NT$100m tranche A, a NT$400m tranche B, a NT$3.76bn tranche C and a NT$740m tranche D.

The interest margin ranges from 97bp to 122bp over the one-year post office savings rate. Signing was on May 28.

The borrower last tapped the loan market with a NT$2.878bn five-year term loan in March 2014. Land Bank of Taiwan was the MLAB on that deal, which offered a margin ranging from 125bp to 135bp over the one-year savings rates of Bank of Taiwan, Chang Hwa, First Commercial Bank, Hua Nan Commercial Bank, LBOT and Taiwan Cooperative Bank.

For full allocations, see www.ifrasia.com.

EQUITY CAPITAL MARKETS

› M17 PULLS US IPO

Taiwan-based live-streaming company M17 ENTERTAINMENT has postponed its IPO on the New York Stock Exchange after obtaining US$35m in private capital.

The company said the new round of funding will allow it to remain private and flexible, while continuing to expand its business in Asia.

On June 7, the company halted its NYSE debut despite setting the price in the US$60m deal – and even ringing the opening bell.

It had priced 7.5m American Depositary shares at US$8 each, below the US$10–$12 marketing range. Citigroup and Deutsche Bank were joint bookrunners on the IPO.

The delay was not due to a pricing or demand problem, a banker close to the deal told IFR, instead describing the hold-up as a "settlement issue".

M17 operates the largest live-streaming platform for "developed Asia", which includes the markets of Taiwan, Japan, South Korea, Singapore and Hong Kong.

THAILAND

DEBT CAPITAL MARKETS

› PTTGC EXTENDS EARLY-BIRD DEADLINE

PTT GLOBAL CHEMICAL has extended the early-bird deadline on a tender offer for its US$1bn 4.25% senior unsecured notes due September 19 2022.

It had offered to redeem the bonds at face value if bondholders tendered them by June 25, or to pay a premium of US$2 per US$1,000 in principal amount if they tendered by the early-bird deadline of June 11.

The early-bird deadline has been extended to June 25, meaning that all bondholders who successfully tender will now receive the incentive payment.

Bondholders who tender their notes will be required to subscribe to new notes issued by GC Treasury Center, a wholly owned subsidiary of PTT Global Chemical, with terms identical to the existing bonds.

The like-kind swap will allow the parent company to benefit from a withholding tax exemption on distributions for bonds issued by a treasury centre.

Citigroup, *Bank of America Merrill Lynch* and *Standard Chartered* are dealer managers for the offer.

PTT Global Chemical is a petrochemical producer and an affiliate of national oil company PTT, which owns a 48.9% stake.

The new notes are expected to be rated Baa2/BBB (Moody's/S&P).

› MINOR PLANS TRIPLE-TRANCHER

MINOR INTERNATIONAL will market a triple-tranche bond this week to raise up to Bt4bn (US$125.2m).

Kasikornbank and *Siam Commercial Bank* will jointly manage and underwrite the transaction which will offer tenors of three, seven and 10 years.

The deal is not part of the funding that the Thai property company is seeking to finance its planned acquisition of Spanish hospitality chain NH Hotel Group.

Bookbuilding is tentatively scheduled for Thursday. Minor is rated A+ by Tris.

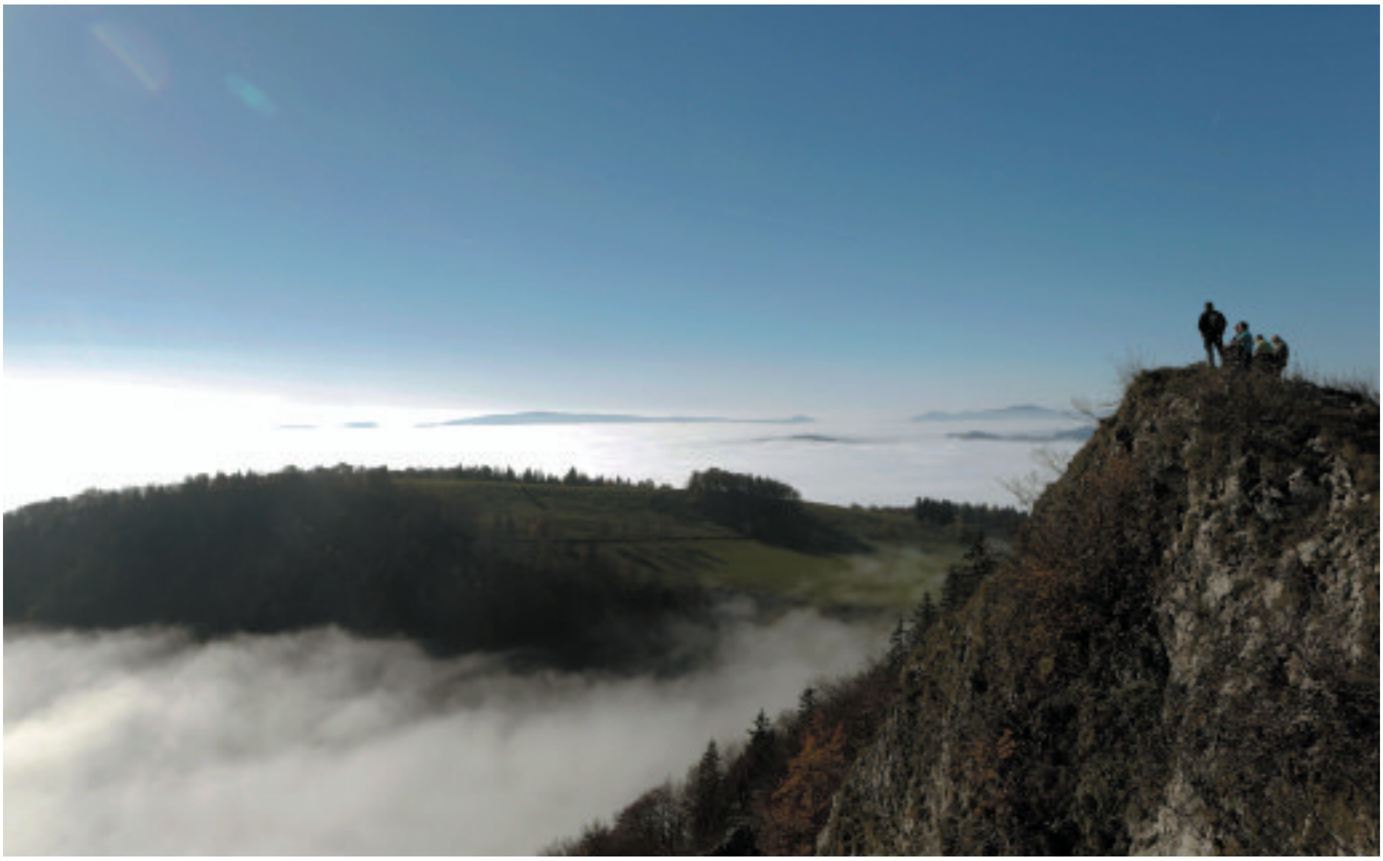
› MITR PHOL PLANS FOUR-TRANCHER

MITR PHOL SUGAR plans to market a four-tranche bond later this month to raise up to Bt10.1bn.

Bookbuilding is tentatively scheduled for June 22 when tenors of five, seven, 10 and 12 years will be offered to institutional investors and high-net-worth investors.

CIMB Thai, *Siam Commercial Bank* and *Thanachart Bank* are joint lead managers and underwriters for the deal. Proceeds will be used to repay debt and fund capital expenditure.

The Thai agricultural and commodity distributor, one of the world's leading sugar producers, is rated A+ by Tris.



ASIA DATA

LAST WEEK'S ECM DEALS

Stock	Country	Date	Amount	Price	Deal type	Bookrunner(s)
China Resources Cement	China	11/06/18	HK$4.19bn	HK$9.30	Follow-on (Primary)	CICC, Goldman Sachs
VCredit Holdings	China	12/06/18	HK$1.37bn	HK$20	IPO (Primary)	Credit Suisse, Goldman Sachs, JP Morgan, Deutsche Bank, BOC International, Haitong International

Source: IFR Asia

LAST WEEK'S EQUITY-LINKED ISSUANCE

Issuer	Country	Date	Amount	Greenshoe	Maturity	Coupon (%)	Premium (%)	Bookrunner
Sea	Singapore	13/6/2018	US$500m	US$75m	2023	2.25	32.5	Goldman Sachs

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	382.340	0.060	0.223	–0.633	144
ADHY	Asian-dollar high-yield index	593.890	0.119	–0.664	–2.826	507
AGIG	Asian-dollar government high-grade index	353.233	0.073	–0.180	–0.902	136
AGHY	Asian-dollar government high-yield index	696.146	–1.258	–1.298	–2.368	404
ACIG	Asian-dollar corporate high-grade index	408.383	0.057	0.366	–0.545	148
ACHY	Asian-dollar corporate high-yield index	488.684	0.390	–0.543	–2.920	527

Source: Merrill Lynch

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.

The event is free to attend but you must be registered. To secure your place, visit http://financial-risk-solutions.thomsonreuters.info/IndiaDCM

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