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INTERNATIONAL FINANCING REVIEW ASIA

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Who's next? Chinese high-yield bonds tumble amid rising default rates

CDB undercuts rivals on Sri Lanka loan in bold display of Belt & Road muscle

Promised abolition of highway tolls unnerves Malaysian bondholders

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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

Default drama

If international investors ever thought they would escape the default drama that is playing out in China's domestic debt market, they can think again.

China Energy Reserve and Chemical Group, the company behind a record US$5bn bid for a Hong Kong office block barely six months ago, confirmed last week that it had defaulted on its offshore bonds after failing to redeem a US$350m note on May 11.

CERCG had given no hint of its troubles as recently as May 8, when it sold US$150m of six-month paper to South Korean investors. Even after the missed payment, the group's Hong Kong unit said it expected to repay investors in a matter of days, before eventually conceding defeat.

A single bad apple need not spoil the market. But this is looking like anything but an isolated case. CEFC China Energy, which has offshore bonds due in November, is in trouble after a probe involving its chairman. The parent of Huachen Energy, which has US$500m of offshore bonds outstanding, is facing questions over its onshore accounts.

> China has made it very clear that more defaults are to be expected – both onshore and offshore

China has made it very clear that more defaults are to be expected – both onshore and offshore – as it reins in excessive leverage and allows unproductive companies to fail.

So far, 39 issuers have defaulted in the domestic bond market since Shanghai Chaori Solar Energy Science and Technology became the first borrower to default in early 2014. At a total of Rmb137.8bn, the bonds that have gone bad account for less than 1% of China’s Rmb18.56trn corporate bond market.

That number is sure to rise. According to CICC, eight issuers have defaulted on domestic bonds this year, with five out of those defaults taking place since late April. That is already up on a total of six domestic defaults in the whole of 2017.

Global investors will need to be on the lookout for any sign of trouble. With a volatile global market in the background, anyone holding Chinese bonds is in for a dramatic year.

Ask not about the tolls

Malaysia's new government is treading a dangerous path in the capital markets. While it has pledged to honour the former regime's international obligations, renegotiating key domestic projects would be a retrograde step.

The Pakatan Harapan government may be less than a month old, but it has wasted no time in making its mark on the infrastructure sector. Prime Minister Mahathir Mohamad has already pledged to scrap a high-speed rail link with Singapore – reviving his long-time rivalry with the Lion City – and to renegotiate the terms of the 688-kilometre East Coast Rail Link, one of China's pet projects under its Belt and Road initiative.

Mahathir argues the cost savings are necessary to bring down the national debt after former leader Najib Razak saddled the country with billions of dollars of contingent guarantees – including more than US$9bn from scandal-hit state fund 1MDB.

The local markets are understandably nervous that they will end up footing the bill.

One of the coalition's election promises was the removal of tolls on all highways across the country – no doubt a popular move for Malaysia's millions of car owners. Tearing up the concession agreements, however, would leave the government on the hook for compensation and for M$53bn (US$13.5bn) of infrastructure bonds at a time when it is trying to save costs.

The worst option for the government would be to renegotiate the debt, since that would erode confidence in a crucial area of infrastructure finance. Malaysia's ringgit bond market stands alone in South-East Asia for its ability able to support long-term projects because investors trust that there will be no nasty surprises along the way. Rewriting the terms of the 23 highway-related bonds and sukuk outstanding would destroy that perception.

Infrastructure stocks are down heavily since the election, and the whole market reacted badly to last week's Singapore link cancellation.

Mahathir and his ministers need to tread carefully if they are to keep investors' confidence on their side.

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COMPANY INDEX

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JUNE 2 2018 ISSUE 1043

Contents

News

› Malaysian highway tolls 06 › CERCG default 06 › BOC's Sustainability bond 08

Default watch for offshore China

■ **Bonds** Wild price swings add to sense of panic in high-yield sector

BY CAROL CHAN

Nervous investors sent several Chinese high-yield bonds tumbling last week after warnings of rising default rates triggered a guessing game over the next company to run into trouble.

Sudden sell-offs rocked OCEANWIDE HOLDINGS, GUORUI PROPERTIES, HUACHEN ENERGY and state-owned QINGHAI PROVINCIAL INVESTMENT GROUP as bondholders jumped at any excuse to cut and run.

They followed a sudden plunge in shares and bonds of WUZHOU INTERNATIONAL HOLDINGS on May 25.

"With unusual movements like these, it is a warning signal of rising offshore default risk from mainland issuers," said a credit analyst from a European asset management firm.

Bankers put the wild swings down to a mounting sense of panic following a rise in onshore default rates and a missed offshore payment from CHINA ENERGY RESERVE AND CHEMICALS GROUP. (*See News.*)

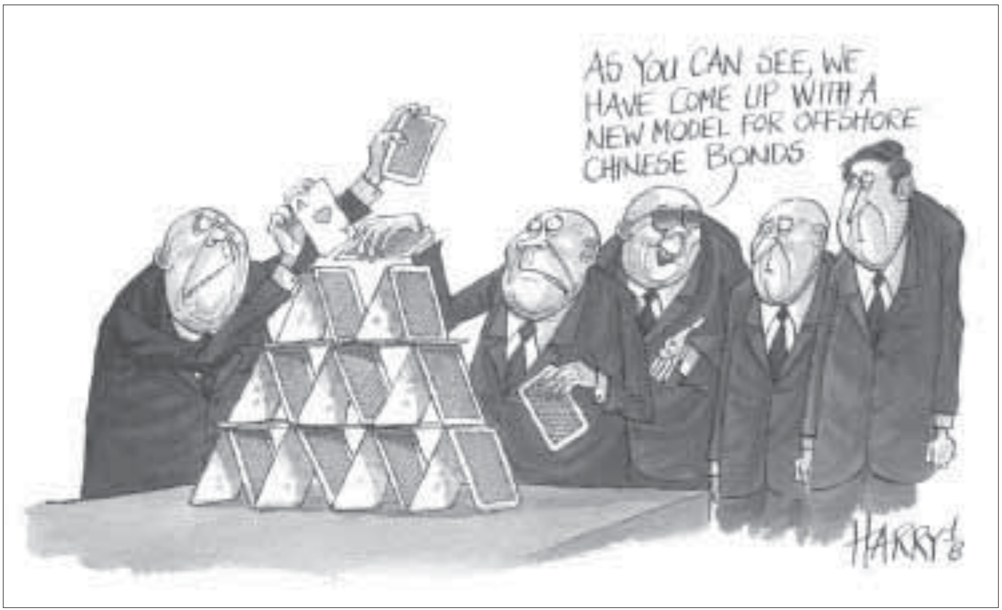
"The default from CERCG, as well as recent negative headlines, further dented the already weak market sentiment. Investors are worrying that there may be more default events, especially for those Single B or Triple C names," a banker from a Chinese investment bank said.

The banker said the high-yield market had at least partially closed for industrial names, weak LGFVs and first-time issuers.

"We have some industrial and LGFV clients in the pipeline, but have advised them to wait for a better window."

Some industrial credits are trading at 15%-plus yields, making the cost of a new issue prohibitive for many companies.

SHANDONG YUHUANG CHEMICAL's 6.625% 2020s, issued in March 2017 with a B from Fitch, were



CDB bags Sri Lanka mandate

■ **Loans** Chinese lender undercuts commercial rivals on sovereign borrowing

BY PRAKASH CHAKRAVARTI

China Development Bank has knocked out commercial lenders on a US$1bn loan for the DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA, underscoring China's ability to support the Belt and Road initiative with cheap financing.

The Chinese policy bank offered very aggressive terms, committing eight-year funding at an all-in cost of 5.3%, a grace period of three years and bi-annual repayments of US$100m after the fifth year, according to Reuters.

In contrast, a competing loan proposal from a group of 10 international banks offered three-year money with all-in pricing of around 280bp over Libor – equivalent to about 5.274% at the current rate. The 10-bank group was a 'Who's Who' of global lenders and was one of four bidders vying for the mandate.

"It's a bond-like deal in the loan markets and very good for Sri Lanka," said one banker from the rival group, pointing to the far longer maturity in CDB's proposal.

The attractive terms add to concerns that China's Belt and Road initiative is distorting the financing markets through soft loans dressed up as commercial agreements.

"CDB's loan for Sri Lanka is politically motivated, not commercially driven. This type of lending is akin to a sovereign wealth fund pursuing the state objective," said one banker in Singapore.

"The Lankan government will lap it up."

CDB has faced criticism in the past for cut-price lending, but has largely avoided competitive situations in recent years.

Chinese policy banks, however, have recently stepped up lending in Sri Lanka. CDB was sole lender on a US$805m 10-year loan with a three-year grace period for the Port City of Colombo in May last year, having agreed a US$330m loan for Port of Colombo South Harbour in late 2015.

Last month, the Export-Import Bank of China approved a US$1bn loan to Sri Lanka for the construction of the first phase of the central expressway, in what will be one of the largest projects undertaken by the China in the island nation.

In mid-April, around the time Sri Lanka was seeking last quoted with a yield of 16.5% on May 31, according to Thomson Reuters prices.

Coking coal and resources company ZHONGRONG XINDA GROUP's 7.25% 2020s, issued last October and rated BB– by Fitch, were quoted at 19.1% on June 1.

JIANGYIN CHENGXING INDUSTRIAL GROUP, rated B by Fitch, has been unable to issue US dollar bonds despite meeting investors in February.

The chemical producer's Ebitda margin in the first six months of 2017 was 10.98%, according to its preliminary offering prospectus.

DEFAULT ALARM

In addition to the CERCG incident, the unusual movements of some high-yield credits also drew investors' attention.

Property developer Wuzhou's Hong Kong-listed shares plunged 85% on May 25 on negative mainland news reports, before trading was suspended. Its US$300m 13.75% US dollar bonds due September 2018 slumped more than 20 points on the same day and were last quoted at 45/50.

Huachen's US$500m 6.625% bonds due 2020 sold off around 15 points on May 28 after its Shanghai-listed parent Wintime Energy's onshore bonds fell the previous week. Wintime said on May 17 it had received an inquiry from the Shanghai Stock Exchange on its 2017 financial report and its potential liquidity risk given its huge amount of short-term debt. Huanchen's 2020s were last quoted at 70/73 on MarketAxess on May 31.

Wuzhou, which specialises in wholesale markets and commercial complexes, remained suspended and had yet to give an explanation for the unusual movements at the time of writing.

Wuzhou is rated Caa1 (negative) by Moody's and its bonds are rated Caa2. Fitch on May 17 withdrew its CCC ratings on the company and its bonds, saying that Wuzhou had stopped providing the information it needed to maintain the ratings. Moody's has a B1 (stable) rating on Huachen and a B2 rating on its bonds.

REFINANCING RISK

Oceanwide's US dollar curve slumped 3-10 points on May 31 after S&P and Fitch cut its ratings.

S&P on May 30 downgraded the China-based property developer and financial holdings group's rating to CCC from B– and its outstanding senior unsecured notes ratings to CCC– from CCC+. Fitch has downgraded Oceanwide and its bonds rating to B– from B.

S&P warned that Oceanwide has "significant refinancing uncertainty" over its large outstanding debt maturities, including its US$200m 6.50% notes due in July 2018 and US$600m 9.625% notes due 2020 but puttable in August 2018.

Oceanwide, a frequent issuer in the offshore market, has held a call with investors and hinted at a potential exchange offer for the puttable bonds.

Another eye-catching credit last week was Qinghai Investment, which is rated BB– by S&P. The provincial-level aluminium-to-hydropower SOE's US dollar bond curve was down 2-7 points on May 30 without known or concrete reason, although there were rumours that it is mulling to issue new bonds.

Guorui's bonds plummeted on May 31 after it said it was planning to issue more debt. Its 7.00% 2020s fell 15 points while its 10.20% 2019s fell 4-5 points on the day. Despite the plunge, the property developer still managed a US$100m two-year US dollar private placement at par to yield 10.00% via *Haitong International*.

Its 7.00% 2020s rebounded slightly to 78.5/85.0 on June 1, while its 10.20% 2019s also rebounded some and were quoted at 91.255/93.255, according to Tradeweb. Both bonds still yield over 20% on the bid side.

Market participants said higher US rates, heavy supply, trade tensions between the US and China, and now Italy's latest bout of political uncertainty, have raised refinancing risks for lower-rated borrowers.

A DCM banker from a Chinese brokerage said privately owned companies and weak LGFVs were more vulnerable amid China's deleveraging campaign.

"There is increased differentiation of credit risk this year as the market turned weak," the banker said. "For some issuers, it is not a question of how much they're willing to pay. They just cannot find enough interest from investors." ■

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proposals for the loan, the sovereign printed a US$2.5bn two-part international bond, split equally into five and 10-year portions priced to yield 5.75% and 6.75%, respectively.

ALL IN THE TIMING

The bond issue showed Sri Lanka's ability to attract long-term funding on commercial terms, despite volatility in the international debt markets and domestic political and social unrest. The country declared its first state of emergency in nearly nine years in early March in response to communal violence, and the parliament was suspended in April.

The government, however, is preparing to refinance big debts that fall due before 2022, with the start this year of repayments on expensive foreign infrastructure loans, Reuters reported. According to finance minister Mangala Samaraweera, the debt crisis would further worsen next year, when US$4.3bn comes up for debt servicing.

Sri Lanka also appeared high up on a Moody's watch list of frontier markets that rely on foreign currency funding and are at risk from rising US dollar yields and oil prices.

The May 25 report identified Sri Lanka as the most vulnerable among 15 countries in Asia Pacific due to upcoming debt obligations that would add pressure on the already-low foreign exchange reserves, which as of April 27 stood at US$9.93bn.

"Most banks would be unable to lend as long as five years given Sri Lanka's macroeconomic fundamentals. It is a foreign exchange-starved country with a massive debt pile," said the first banker.

LUCKY NUMBER EIGHT

The eight-year tenor on CDB's Sri Lanka's loan is an unusually long maturity for an Asian sovereign in the syndicated market.

In November, the Islamic Republic of Pakistan signed a US$700m 10-year loan that paid a top-level all-in pricing in the low to mid-200s based on an interest margin of 225bp over Libor.

The deal for Pakistan, rated B3/B/B, was its largest, longest and most tightly priced loan since the 1990s. But the low margin was thanks largely to a partial guarantee from the International Bank for Reconstruction and Development, a unit of the World Bank.

Sri Lanka's loan has no credit enhancement but offers terms significantly better than its previous syndicated loan in July last year. The government signed a US$1bn three-year amortising facility that paid a top-level all-in pricing of 250bp based on an interest margin of 200bp and a two-year average life. ■

Mahathir takes toll on debt market

Bonds Pledge to abolish tolls affects M$53bn of bonds and sukuk

BY KIT YIN BOEY

Malaysia's new government made headlines last week when it abruptly cancelled a planned high-speed rail link between Kuala Lumpur and Singapore, but bond investors are more worried about its promise to abolish all highway tolls.

The move, part of the Pakatan Harapan coalition's election manifesto, would affect some M$53bn (US$13.5bn) of Islamic and conventional bonds from companies that rely on toll revenues to service their debt.

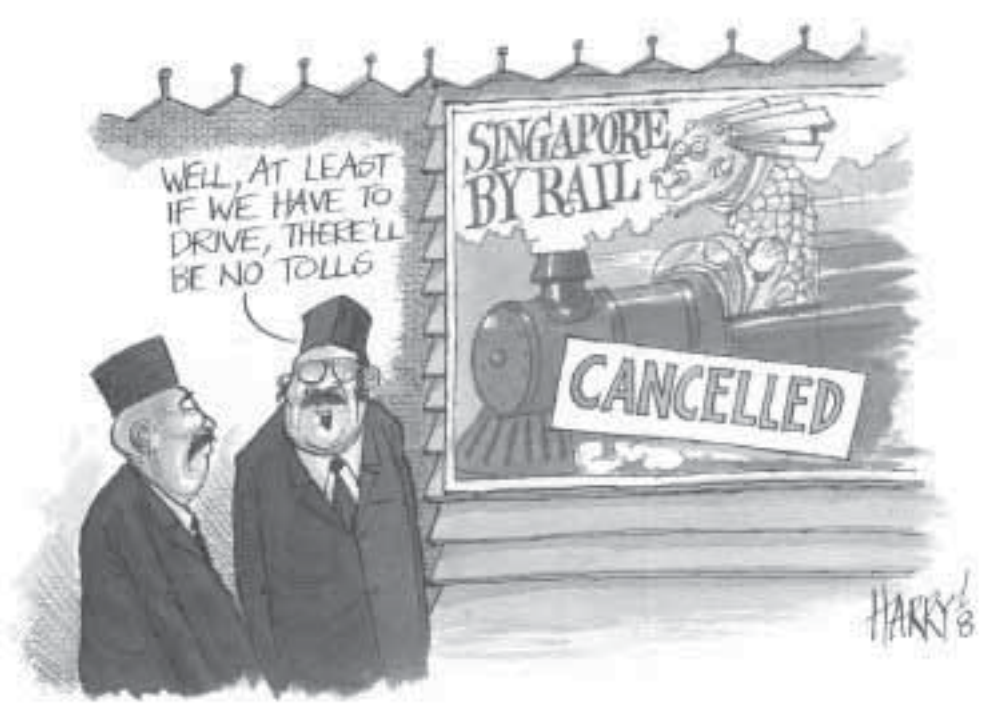
"We are extremely worried and no one seems to have realised our plight as bondholders," said one major investor in toll road-related bonds. "There are potential repercussions to cancelling tolls on all the projects, which are detrimental to the investors and the capital markets that have provided critical support to the country's infrastructure developments."

"Until all the policies are clear, including those on planned infrastructure projects, everyone will be taking defensive positions."

The government-appointed council of eminent persons has held meetings with toll-road concessionaires and their parent companies to gauge the impact of a potential toll ban. So far, no announcement has been made on what form the ban will take and how the concessionaires will be compensated.

In response, local rating agency Marc has placed the ratings on all toll-road instruments on its "developing" list.

The heightened regulatory and political risk threatens to undermine confidence in Malaysia's local bond market, which has long stood out in Asia for its ability to



CERCG delivers wake-up call

Bonds Offshore default comes amid concerns over limits to state support

BY INA ZHOU

CHINA ENERGY RESERVE AND CHEMICALS GROUP confirmed last week that it had defaulted on its offshore debt, handing investors a stark warning that some Chinese bonds may not be as safe as first thought.

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, the company said in an exchange filing.

CERCG's US$400m 6.125% January 2019s were quoted at a cash price of 36 on Friday and its US$265m 6.25% November 2019s at 38, according to a trader. Both notes were close to par on May 11 before the missed payment.

CERCG said that the tightening in credit conditions in the mainland over the past two years had restricted its access to domestic financing channels, including bank loans and bond issues.

However, some market participants questioned that explanation, noting that the company has not issued any bonds in China's domestic market and had reported a cash balance of Rmb9.66bn (US$1.51bn) at the end of 2017, according to its audited financial report.

"I am wondering where the Rmb9.66bn cash had gone since the end of 2017," said a Hong Kong-based credit analyst.

The company gave no hint that it was in trouble as recently as May 8, when CERCG Capital sold US$150m of six-month paper to South Korean investors, according to a rating report. Those notes have since been downgraded to C from A2 by South Korean credit agency NICE Investors Service.

CERCG said that its business would operate as usual and it planned to divest certain assets in order to resolve its cashflow difficulties.

The company also proposed to suspend all 2018 interest payments on the US dollar 5.55% 2021s and Hong Kong dollar 6.30% 2022s notes.

finance long-term greenfield infrastructure projects.

Twenty-three issuers have M$52.83bn of highway-related bonds and sukuk outstanding, which are mainly held by domestic institutional investors and government-linked pension funds.

The largest issuer is **PROJEK LEBUHRAYA USAHASAMA**, a unit of state-owned contractor UEM, which has M$30.2bn of bonds and sukuk outstanding from eight toll-road projects. The bulk of these bonds are not guaranteed by the government.

Credit analysts are expecting the removal of tolls to be done in stages to avoid major disruption to the bond market.

"Another option could be a conversion of the 'user pay' concept to long-tenure shadow toll roads," said Marc's vice-prsident of ratings David Lee. "Under the shadow toll road concept, used in the United Kingdom, the contracting authority pays tolls to the concessionaire instead of the end-users."

The Pakatan Harapan government, which unseated Najib Razak's administration in a shock May 9 election victory, has tried to allay concerns by stating that it plans to keep to the terms of the toll-road concessions, one of which will require government compensation if the tolls are removed.

Malaysia has a history of government intervention in toll-road projects. The Najib government removed tolls on some expressways with compensation paid to the affected concessionaires.

"We are extremely worried and no one seems to have realised our plight as bondholders. There are potential repercussions to cancelling tolls on all the projects, which are detrimental to the investors and the capital markets that have provided critical support to the country's infrastructure developments."

The most recent ban was announced last October when toll collections were removed at highways in Selangor, Kedah and Johor. The government set aside M$448m in the 2018 budget as compensation.

This is, however, the first time that the impact will be felt across the industry.

"It is going to be hugely confusing and messy," said the investor. "You are not dealing with 'one contract fits all' approach. Each concession and bond contract has different terms so the government will have to deal with each and every toll road differently."

HIGH-SPEED LINK

The high-speed rail (HSR) link between Kuala Lumpur and Singapore, estimated to cost up to M$110bn (US$28bn), appears set to be the first major infrastructure project to fall victim to the new government's cost-cutting.

Plans for MRT 3, a mass rapid transit circular line with an estimated cost of M$40bn, will also be pulled, while the Sabah stretch of the Pan-Borneo highway may also be shelved.

At the same time, contrary to expectations, the east coast rail link (ECRL) project appears set to continue, said the new government.

"I was expecting the HSR project to go ahead and ECRL to be shelved, but it seems like their fortunes have switched instead," said one banker. "Actually, with the speed of the announcements, I have no idea of what to make of things now."

Although Prime Minister Mahathir Mohamad told local media last Monday that he would ditch the HSR to cut public debt, he later tempered his remarks and said the government could revisit the project later when its fiscal position has improved.

Construction has not yet begun on the HSR project, although the first contracts were awarded earlier in the year.

Meanwhile, a Johor Bahru-Singapore rapid transit system plan remains in place, although the government is looking to lower the initial cost of M$4bn.

The new administration said the true federal government debt - including contingent liabilities incurred under Najib's regime - stood at M$1.1trn, above the previous official figure of M$687bn, raising fears that the sovereign's ratings may be adversely affected.

As a result, mega projects still in the pipeline have become prime cost-cutting targets. ■

Trading in the two notes has been suspended since last Monday.

OWNERSHIP DEBATE

CERCG's default followed a warning last month from China's finance ministry and economic planning agency that onshore and offshore creditors should not assume automatic government support for state-owned issuers or local government financing vehicles.

In its latest US dollar bond offering circular dated December 2017, CERCG claimed that it was a state-controlled company. Beijing Municipal Commission of Commerce held a 30% stake in the company, Guoneng Natural Gas Import and Export (Beijing) owned 28%, China Overseas Holding Group 27% and China Economic Cooperation Center 15%.

However, the top-listed shareholder denied it had any stake in CERCG. "We are a governmental agency and we are not allowed to invest in any companies," a spokeswoman for Beijing Municipal Commission of Commerce told IFR.

Hong Kong-incorporated China Overseas Holding Group claims to be a central SOE, but does not appear on the list of central SOEs compiled by the State-owned Assets Supervision and Administration Commission.

China Economic Cooperation Center, a unit under the International Department of Communist Party's Central Committee, could not be reached for comment at the time of writing.

Guoneng Natural Gas Import and Export is controlled by state-owned China National Petroleum Corporation, according to data from the Beijing Administration for Industry and Commerce, a government body for business registrations.

Earlier this year, China Energy Reserve and Chemicals Group Properties, a subsidiary of the issuer, pulled out from the purchase of a Hong Kong skyscraper, The Center.

Norman Lin, CEO of CERCG's Hong Kong unit, told IFR last Thursday that the company was seeking a financial adviser to take care of the offshore debt issues, but declined to comment further.

The default also hit the onshore bonds of Shenzhen-listed Jinhong Holding Group, of which Chen Yihe, the chairman of CERCG, is also chairman. Jinhong's Rmb800m 2020s notes dropped 13 points to a cash price of 78 in the wake of CERCG's default. Jinhong said CERCG did not hold any stake in the company. ■

China bonds with sustainability

Bonds Bank of China adds new label to rare Hong Kong dollar issue

BY CAROL CHAN

BANK OF CHINA last Thursday became the first Chinese issuer of Sustainability bonds, raising funds for projects with environmental and socio-economic benefits.

The bank, rated A1/A/A, priced HK$3bn (US$382m) of two-year fixed-rate Sustainability bonds at par to yield 2.85% via its Hong Kong branch.

It also issued US$500m three-year and US$500m five-year floating-rate Green bonds at three-month Libor plus 73bp and plus 83bp, respectively, via its London branch.

Sustainability bonds have elements of both Green and Social bonds. Proceeds from BOC's Hong Kong dollar bonds will be used to fund eligible projects related to renewable energy, clean transportation, access to essential services and employment generation.

"This forms part of the issuer's plan to promote the development of Green financing and the Hong Kong local currency bond market," a banker on the deal said.

"Bookbuilding momentum was good which allowed the issuer to price the bonds without a new issue premium," he said, noting that some European Green investors participated in the US dollar tranches.

Final pricing for both the three-year and five-year US dollar tranches tightened 27bp from initial guidance while the two-year Hong Kong dollar piece tightened 30bp from initial guidance.

RARE ISSUANCE

BOC's Hong Kong dollar tranche was only the second public offering in the city's relatively small and illiquid market this year. Bank of Communications Hong Kong branch priced HK$3bn of two-year bonds on May 9 to yield 2.95%.

The banker said BOC's Hong Kong dollar tranche offered a cost saving of 5bp–6bp compared with an hypothetical two-year US dollar bond.

At present, the Hong Kong dollar debt market consists principally of small private placements mostly issued by banks. The largest public offering to date is China Development Bank Corp Hong Kong branch's HK$7.75bn three-year floaters last year.

Although the Hong Kong dollar debt market is expected to remain quite small in the near term, some banks are starting to encourage issuers, including corporate names, to look at it as an alternative.

A privately owned Chinese first-time corporate issuer is said to be mulling a public offering of at least HK$1.5bn as early as this month, under the Hong Kong Monetary Authority's pilot bond grant scheme.

The HKMA has offered to pay up to half of each bond issue's expenses, capped at HK$2.5m, under a three-year scheme designed to attract first-time issuers to the city.

"Demand for Hong Kong dollar bonds is not big, but some local banks and local investors such as insurance companies and fund managers of Mandatory Provident Fund need to deploy their Hong Kong dollar cash," the banker said.

STRONG DEMAND

BOC's HK dollar tranche attracted final orders of HK$4.5bn from over 40 accounts. All of the notes were allocated to Asia. By investor type, 82% were banks, 15% were fund managers, 2% were private banks, and 1% were sovereign wealth funds.

Its three-year US dollar tranche drew final orders of over US$970m from 65 accounts. Asia took 79% of the notes and Europe 21%. By investor type, 56% were banks, 22% were fund managers, 16% were central banks, sovereign wealth funds and insurers, and 6% were private banks.

The five-year US dollar

Viva fuels Aussie IPO market

Equities Refiner set for biggest Australian float since 2014

BY FIONA LAU

Australian fuel refiner and retailer VIVA ENERGY set the ball rolling on the largest ASX IPO in more than three years, handing the Australian equity market a much-needed boost.

Viva last Wednesday started pre-marketing a deal that could value it at around A$5bn (US$3.8bn), according to people close to the deal. Vitol, Viva's owner, is expected to float around 50% to 60% of the company, raising about A$2.5bn–$3bn based on the targeted valuation.

If the IPO comes to fruition, it will be the biggest in Australia since health insurer Medibank Private raised A$5.68bn in November 2014.

"We need Viva to get this right. The IPO market has been quiet for so long. We need an attractive deal to get investors' interest back to IPOs again," said an ECM banker away from the deal.

The Viva deal would be a short in the arm for a market which had a poor 2017 and has seen recent signs of revival overshadowed by market volatility. IPOs in Australia last year raised just US$3.9bn, the lowest since 2012, according to Thomson Reuters data.

Oil and gas company QUADRANT ENERGY, which was expected to be the first big float to hit the market this year, has pushed back its IPO as major shareholders are also considering a trade sale. The company is valued at around A$4bn.

The response to the Viva deal is also crucial to the forthcoming sizable IPOs. Commonwealth Bank of Australia, the country's largest bank, plans to list its COLONIAL FIRST STATE GLOBAL ASSET MANAGEMENT unit, estimated to be worth around A$3bn–$5bn, later this year.

Consumer finance company LATITUDE FINANCIAL SERVICES, backed by Deutsche Bank and private equity firm KKR, plans to raise about A$2bn from an IPO. Vodafone Group is also planning to spin off its New Zealand unit in a dual listing in Australia and New Zealand for about A$1bn.

GROWTH PROSPECTS

Viva was valued at between A$4.3bn and A$6.2bn during pre-marketing, according to a person close to the deal. Ebitda is expected to reach A$605m in 2018.

Caltex Australia, Viva's rival, posted 2017 Ebitda of A$871m. The company traded at an enterprise value/Ebitda of about 7.3x last Thursday with a market capitalisation of A$7.45bn.

"Most of Viva's business is defensive in nature. They need to show us where the tranche drew final orders of over US$780m from 35 accounts. Asia took 88% of the notes and Europe 12%. By investor type, 81% were banks, 11% were central banks, sovereign wealth funds and insurers, 6% were fund managers, and 2% were private banks.

The newly priced Reg S notes, with expected ratings of A1/A/A, were hovering around reoffer in the secondary market.

Proceeds from the US dollar bonds will be used to fund eligible green projects related to renewable energy, pollution prevention and control, and clean transportation.

BOC, *Bank of America Merrill Lynch*, *Credit Agricole* and *HSBC* were joint global coordinators, joint lead managers and joint bookrunners for all the tranches.

BNP Paribas Hong Kong branch, *Citicorp International* and *Commerzbank* were joint lead managers and joint bookrunners for the US dollar tranches.

Commonwealth Bank of Australia Hong Kong branch was joint lead manager and joint bookrunner of the Hong Kong dollar tranche. ■

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growth is if they want a higher valuation," said a Sydney-based investor.

Viva refines fuels and sells fuels and other products to retail and commercial customers.

The company holds the licence to the Shell brand in Australia, with a network of 900 service stations, and owns the Geelong Refinery in Victoria.

It was built from Royal Dutch Shell's former refinery and petrol station business in Australia, which Vitol bought for US$2.6bn in 2014.

The institutional bookbuilding will take place around mid-June before the prospectus is lodged in the third week of June.

Bank of America Merrill Lynch, *Deutsche Bank* and *UBS* are leading the transaction. ■

Tailwind for Taiwan Green loans

■ **Loans** Offshore wind farm projects offer multi-billion-dollar financing opportunities

BY EVELYNN LIN

Taiwan's ambitious plans for offshore wind farms are luring international project financiers with the promise of at least NT$400bn (US$13.35bn) in lending opportunities.

Underlining Taiwan's commitment to the development of renewable energy, its government expects to auction two gigawatts of wind power capacity in June, in addition to the 3.8GW it already awarded in late April to 10 offshore wind farms proposed by seven developers.

"We estimate that the 10 projects need a total investment of around NT$600bn, and around NT$400bn will be raised from financial institutions. There is a huge potential of jumbo deals coming out in the second half of this year," a senior loan manager at a state-owned bank said.

International developers, mainly from Europe, have flocked to grab lucrative wind farm development rights, seeking a foothold in Asia for a technology that has expanded rapidly back home.

Germany's WPD has won two projects for a combined 1GW in the Yunlin and Guanyin regions. Denmark's Orsted is the other big winner, bagging a contract to install 900MW capacity.

Copenhagen Infrastructure Partners, Canada-based Northland Power, Taiwanese state-run companies Taiwan Power and China Steel Corp, and Swancor Renewables are the other companies picked for developing the seven remaining projects.

Banks are bidding for a NT$120bn 15-year project financing for the two wpd projects with strong interest from domestic banks eyeing better returns than typically available in Taiwan's loan market.

"These project financings offer much higher interest margins and pay a premium of 150bp–200bp over similar plain vanilla loans," the first banker said.

Asia's loan market has begun to welcome Green financings following the publication of a set of green loan principles by the London-based Loan Market Association and the Asia Pacific Loan Market Association in March.

CHALLENGES AHEAD

Taiwan has set a target of installing 5.5GW of offshore wind power capacity by 2025. While the green energy drive will provide promising financing opportunities for Taiwanese banks, the road is fraught with hurdles relating to credit risks, exposure limits, and potential political potholes.

Two financings for offshore wind farm projects point to relatively low participation from Taiwanese banks.

"We welcome the new lending business, but we have very little experience in providing non-recourse project finance and assessing credit risks for those financings. We need to cooperate with foreign banks and at the same time develop specific funding solutions locally that are suitable for Taiwan," said the banker at the state-owned lender.

A NT$16bn 16-year loan backing Stage 2 of the Formosa I OWF, the country's first commercial-scale offshore wind project, attracted only four domestic lenders. Danish export credit agency EKF provided insurance cover on the financing, which is in documentation and has eight international banks as leads. It follows a NT$2.5bn five-year club loan in May 2016 for Stage 1 of the project in which two Taiwanese banks and BNP Paribas participated.

"We see foreign offshore turbine manufacturers are seeking to comfort the local lenders by bringing in ECAs, but the standard international practice may not be entirely applicable to Taiwan," said another Taipei-based senior loan banker.

Although Taiwan has relaxed regulations on lending to the sector to encourage investment in renewable energy, domestic banks could face sectoral limits as more jumbo financings emerge.

Another constraint for lenders is the long tenor on the financings, which goes well beyond the date for presidential elections in Taiwan slated for 2020. A potential change in government and policy around renewable energy poses risks to lenders committed to these wind farm project financings.

VOLUME BOOST

Nevertheless, the deals would add to the flow of financings in a year that has proven to be resilient for Taiwan, which was one of two loan markets in Asia to record significantly strong growth.

In the first quarter of 2018, Taiwan recorded 29 syndicated loans for a total of US$6.29bn, up 68% from US$3.73bn from 26 facilities in the same period last year, as top-tier and frequent borrowers launched sizeable financings to take advantage of the abundant liquidity and falling pricing.

That tally will get a further boost from jumbo loans that have followed and with the expected flow of wind farm financings. In April, Advanced Semiconductor Engineering wrapped up a NT$90bn five-year term loan backing its planned merger with peer Siliconware Precision Industries. It was Taiwan's biggest and most successful acquisition financing with a blowout response from 35 banks in general syndication.

A couple of other big-ticket loans are in the market with LCD maker Innolux and its peer AU Optronics raising a combined NT$70bn. ■

Hainan Airlines braves dark skies

Bonds HNA affiliate likely to face resistance for unrated offshore bond

BY FRANCES YOON

HAINAN AIRLINES HOLDING, an affiliate of debt-laden Chinese conglomerate HNA Group, is pushing ahead with plans to sell a US dollar bond, even as it is undergoes a restructuring exercise and faces weak market conditions.

HNA's flagship carrier mandated *Guotai Junan International* as sole global coordinator to meet investors on June 1 in Hong Kong to gauge interest for short-dated bonds.

Hainan Airlines was expected to meet resistance from investors who are increasingly concerned about the poor performance of Chinese high-yield bonds and growing fears that some companies are struggling to repay debt. (*See News.*)

The carrier is planning an unrated issue – and it needs the money. It has US$600m of US dollar bonds maturing this year, according to Thomson Reuters data, split equally between June 21 and October 31 maturities.

"It's a bad time to come to the markets right now, but Hainan Airlines has a near-term refi need so they'll try their luck," said Tony Chen, a credit analyst at Nomura. "It's uncertain how receptive the market will be given their market window. The market is very tough and it's not going to get better in the near term especially for weak issuers."

"It's a bad time to come to the markets right now, but Hainan Airlines has a near-term refi need so they'll try their luck. It's uncertain how receptive the market will be given their market window. The market is very tough and it's not going to get better in the near term especially for weak issuers."

Hainan Airlines' Shanghai-listed shares have been halted since January in an ongoing restructuring exercise. It is taking over stakes owned by parent HNA in two local airlines and five other aviation and tourism businesses.

Last October, Hainan Airlines issued US$300m 364-day senior unsecured notes at a yield of 6.35%.

Two months later, it had to postpone an offering of Rmb1bn (US$155m) perpetual non-call three securities last week in China's interbank bond market due to a lack of demand.

HNA Group, meanwhile, has been unloading billions of dollars of assets after a two-year, US$50bn acquisition spree highlighted its opaque ownership and aggressive use of leverage.

OTHER OPTIONS

Hainan Airlines is eyeing a 364-

Mixed fortunes for Aussie REITs

Bonds QIC delivers a textbook trade as Growthpoint struggles

BY JOHN WEAVERS

An increasingly cautious outlook for the Australian property market helps explain the contrasting fortunes of two recent bond offerings from listed property trusts.

While Single A rated QIC FINANCE SHOPPING CENTRE FUND negotiated a challenging local market with a smoothly executed trade last Monday, Triple B rated GROWTHPOINT PROPERTIES AUSTRALIA has yet to find a home for its proposed debut offering.

Following an extended bull market, house prices in Australia have stalled over the last 18 months, notably in Sydney, while growth in commercial property prices and rents has also cooled.

"We remain a long way from a full-blown housing or property crisis – that would require an unlikely leap in interest rates and/or unemployment – but caution is certainly in vogue, particularly regarding the 'riskier', highly geared end of the market," said one Sydney-based banker.

Two asset managers who spoke to IFR said the rating difference between Single A REITs like QIC and Triple B Growthpoint can have a major impact, especially if, as in the latter's case, there is no plan to eventually secure Single A status.

"Comparing the two, QIC is a familiar name with significantly higher ratings, lower gearing and more conservative financial targets," said one.

"We remain a long way from a full-blown housing or property crisis – that would require an unlikely leap in interest rates and/or unemployment – but caution is certainly in vogue, particularly regarding the 'riskier', highly geared end of the market."

In a textbook operation QIC, rated A– (S&P), raised A$200m (US$151m) last Monday from a senior unsecured medium-term note issue with a 5.5-year tenor that reflected investors' preference for the short end of the proposed five to seven-year maturity range.

Joint lead managers *CBA* and *NAB* went out with initial guidance at asset swaps plus 130bp–135bp for a minimum A$100m 5.5-year issue.

Demand peaked at over A$400m, providing sufficient traction to price the enlarged deal by the close of business and inside guidance at asset swaps plus 128bp, despite a high level of attrition among price-sensitive investors.

The 3.75% December 6 2023s priced at 99.84 to yield 3.7825%. Australian accounts, mostly asset managers, bought 90% with Asia taking the remaining 10%.

The Brisbane-based management services company benefited from a local track record with three other bonds outstanding and some scarcity value, having last visited the domestic market in August 2015 with another A$200m 3.75% 5.5-year MTN.

QIC also diversified its funding base with a US$200m US private placement last April, evenly split between 10-year and 12-year tranches.

The new issue will refinance

day bond offering, but it has other options to refinance the debt maturities, said a source close to the discussions, while declining to elaborate on those options.

A syndicate banker away from the deal said issuers with low credit ratings have paid as much as 150bp of new-issue premium to attract interest recently.

"It helps to get anchors that will accept at final guidance, and we've seen private banks buying short-term bonds so offering rebates should also help," he said. "Basically, in a rough market, clarity is key."

On a standalone basis, Hainan Airlines has been growing. First-quarter net profit rose 60.2% year on year on growing passenger traffic. The airline has also been expanding overseas, opening new routes serving European cities such as London and Madrid.

It may also be able to take advantage of an improved outlook for the HNA group following Singaporean state investor Temasek's interest in its aviation and logistics assets.

On Wednesday, Reuters reported that Hong Kong Airlines, another HNA affiliate, is considering an IPO in the "short to medium term" and tapping investors to raise funds through the issue of new shares and convertible bonds.

The unrated senior guaranteed Reg S notes, if issued, will be issued by Hainan Airlines (Hong Kong) Co, a wholly owned offshore subsidiary, and will be unconditionally and irrevocably guaranteed by Hainan Airlines.

Hainan Airlines said its current controlling shareholder is Grand China Air Co, which in turn, is controlled by Hainan's State-owned Assets Supervision and Administration Commission (SASAC). ■

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the A$100m July 25 2018s and finance new developments.

EXTRA JUICE

Growthpoint, rated Baa2 (Moody's), has yet to print its inaugural offering after joint leads *ANZ*, *NAB*, and *Westpac* released indicative price guidance for a seven-year Green MTN at 170bp–175bp area over asset swaps back on May 21. The intention was to launch the note as early as the following day.

With the market backdrop deteriorating, ASX-listed Growthpoint, which invests in Australian industrial, office and retail properties, may have to offer more to get a sizeable trade away, something shareholder-focused REITs can be reluctant to do as they strive to maximise dividend streams.

Though not directly comparable with Aussie REITs, German property group Aroundtown, rated BBB+ (S&P), offered a 200bp asset-swap spread for its debut A$250m seven-year Kangaroo bond on May 4.

It is not only the locally that investor appetite for Australian REITs has proven fickle. European demand has also been restrained lately, though this is largely due to indigestion after a glut of real estate issuance in early 2018. There has been €17.9bn of such supply in euros so far this year, more than double the €8.8bn issued in same period in 2017, according to Thomson Reuters data.

In April retail property firm Scentre Group, rated A1/A (Moody's/S&P), finally issued a €500m (US$577m) 1.75% 10-year Eurobond, a year after an extensive European roadshow, while Stockland, rated A3/A–, was unable to progress beyond the minimum €300m issue size for its eight-year Reg S print.

VICINITY CENTRES, rated A2/A, has yet to pull the trigger on a proposed a euro or US dollar Reg S bond with a maturity of seven to 10 years that began marketing in April. However, bankers in Europe said the delay reflects the euro market's recent weakness and the issuer being in no rush to raise funds. ■

TOP STORY EQUITIES

MSCI eyes next move for China stocks

Mainland shares included in EM benchmark for first time

MSCI expects to raise the weighting of Chinese A-shares in its benchmark emerging markets index in "fewer and larger steps", its president said last week, as the landmark inclusion of mainland-listed stocks went off without a hitch.

The index provider formally incorporated 226 large-cap mainland stocks into the widely tracked MSCI Emerging Markets index last Friday.

Each stock has been given an initial 2.5% weighting of its market capitalisation, rising to 5% on September 3.

"This is a very small but a very important step in the right direction," Baer Pettit, MSCI's president, told reporters.

"Our assumption is that having passed this initial stage, the next steps will likely be fewer and larger."

The MSCI EM index is tracked by roughly US$1.9trn of assets globally and the inclusion of Chinese A-shares is expected to trigger tens of billions of dollars worth of inflows from foreign investors, according to analysts.

The embrace represents the biggest endorsement so far of China's efforts to open up its domestic capital markets to global investors.

According to data from Hong Kong Exchanges and Clearing, northbound daily turnover through its Stock Connect schemes with bourses in Shanghai and Shenzhen reached Rmb34.69bn (US$5.41bn) last Thursday, up 57% on the previous day's trading volumes as passive investors adjusted their portfolios in the build up to the MSCI inclusion.

The combined northbound turnover fell back to Rmb19.91bn last Friday after the shares were added to the index.

ECONOMIC REALITY

The addition of renminbi-denominated shares to the index follows at least four years of talks between China and the US index provider.

Before relenting last June, MSCI had declined to add A-shares to the EM index in three previous annual reviews, citing weak corporate governance standards, regular share suspensions and difficulties faced by investors in repatriating funds.

While the frequency of share suspensions has receded since the stock market crash of 2015, the number remains high even by emerging-market standards.

MSCI's Pettit conceded that share suspensions remained the biggest barrier to increasing the weighting of Chinese stocks in the EM index, although he said he was confident that MSCI would eventually move towards 100% weighting.

"The index is a reflection of the economic reality of global capital markets, so that is the nature of what it should be as they are available to international investors."

"Our bias will be, precisely because the market is a large one, to make further inclusions, which are of greater materiality than this first one. I think it's probably not a helpful or sustainable path to include a market like China in many little steps."

"From where we are today, clearly it will be a big leap to get to 100%, but I don't see why eventually we shouldn't get there."

Pettit declined to comment on the exact timing of full weighting for A-shares, although he suggested that it might occur more quickly than with Taiwan and South Korea, which took five and six years respectively from when they were first admitted to reach 100% weighting in the EM index.

"I think it's extremely difficult to extrapolate from one market to another because they each have their own characteristics," he said.

"Our bias will be, precisely because the market is a large one, to make further inclusions, which are of greater materiality than this first one. I think it's probably not a helpful or sustainable path to include a market like China in many little steps."

CONNECTING CHINA

The initial entry of A-shares in the MSCI index is expected to trigger a wave of foreign inflows into China's domestic equities market.

According to research from UBS, the total fund flows could reach as high as US$18.4bn once the first phase is completed in September. It estimates US$3.6bn will come from passive investors and the remaining US$14.8bn from active investors.

MSCI announced the final number of stocks that would go into the index last Wednesday, having dropped embattled telecoms equipment maker ZTE and six other companies whose shares have been suspended.

In preparation for inclusion, regulators in China and Hong Kong quadrupled the daily northbound quota under both Stock Connect schemes last month to Rmb52bn. Regulators also raised the southbound quota fourfold, to Rmb42bn.

Trading volumes through both Stock Connect schemes have picked up in the build-up to last Friday. According to research from CLSA, northbound inflows in April and May were Rmb38.7bn and Rmb38.5bn respectively, higher than the monthly average of Rmb14.1bn during the first quarter.

However, most analysts reckon the possibility of the quota being breached is slim.

"The chance of the daily quota being used up is currently pretty remote," said Alexious Lee, head of China capital access at CLSA.

"One question is what would happen if the regulator allows CDR (China depository receipts) and a company like Alibaba, which has a market cap of around US$500bn, were to issue depository receipts that could be traded via the Stock Connect schemes."

MSCI's Pettit said that reform of the quota system would encourage the index provider to raise the weighting of A-shares.

"The presence of a possible cap is by definition a gating factor," he said. "If we're making a judgment as to the weight, by definition, we may be thinking that we're going to bump up against a limit at a certain stage."

THOMAS BLOTT

ANZ, Deutsche, Citi face charges over Aussie capital raising

Australia is preparing criminal cartel charges against AUSTRALIA AND NEW ZEALAND BANKING GROUP and underwriters DEUTSCHE BANK and CITIGROUP over a US$2.3bn share issue, in an unprecedented move with potential implications for global capital markets.

The pending charges, which can carry hefty fines and 10-year prison terms, threaten to change the way institutional capital raisings are handled around the world and do further damage to the reputation of Australian lenders already mired in scandal.

The Australian Competition and Consumer Commission said federal prosecutors would charge ANZ, its treasurer Rick Moscati, the two investment banks and several more unnamed individuals over the 2015 stock placement.

All three banks denied wrongdoing and vowed to defend the charges, with Citigroup saying the regulator was effectively criminalising practices long seen as the norm in the financial industry.

"The charges will involve alleged cartel arrangements relating to trading in ANZ shares following an ANZ institutional share placement in August 2015," ACCC chairman Rod Sims said in a statement.

"It will be alleged that ANZ and the individuals were knowingly concerned in some or all of the conduct."

The third underwriter, JP Morgan, was not named by the regulator as a target and declined to comment.

Australia has some of the toughest anti-cartel laws in the world, however the decision to pursue criminal charges surprised experts given they are harder to prosecute than civil charges.

The move was "almost unique" in Australian corporate history and indicated prosecutors had a high level of confidence in their case, said Andrew Grant, a banking expert at the University of Sydney Business School.

ANZ shares were 2% lower last Friday afternoon, while other banks were down less than 1%. The broader market was down 0.2%.

"It's probably the last thing they need," Bell Potter banking analyst TS Lim said.

Rating agency Moody's said the charges were "credit negative" for ANZ.

THE CAPITAL RAISING

In 2015, with Australian banks under pressure to meet new capital requirements, ANZ and larger rival Commonwealth Bank of Australia raised a combined A$8bn (US$6.04bn) in a single week.

ANZ said last Friday that the lead managers did not disclose they kept about 25.5m shares of the 80.8m shares issued in a A$2.5bn institutional placement, a fact that is being investigated separately by the corporate regulator.

The flood of new bank equity weighed heavily on stock prices. ANZ shares fell 7.5% on August 7 2015 when the Melbourne-based lender announced it had completed the institutional component of the raising, according to a Reuters analysis.

The joint underwriters allegedly reached an understanding on the disposal of shares, prompting the cartel criminal charges, Citigroup said last Friday.

"Underwriting syndicates exist to provide the capacity to assume risk and to underwrite large capital raisings, and have operated successfully in Australia in this manner for decades," the New York-headquartered investment bank said.

Criminal charges for share underwriters had never been considered by an Australian court and had never been addressed in guidance notes published by regulators, it added.

"If the ACCC believes there are matters to address, these should be clarified by law or regulation or consultation," it said.

Deutsche said it was cooperating with investigators and took its responsibilities "extremely seriously".

Caron Beaton-Wells, a professor of competition law at University of Melbourne, said the ACCC and the prosecutor would only bring criminal charges if they were satisfied they would be proven.

"The ACCC has long said … that the most potent deterrent for cartel conduct is a potential jail term," Beaton-Wells said.

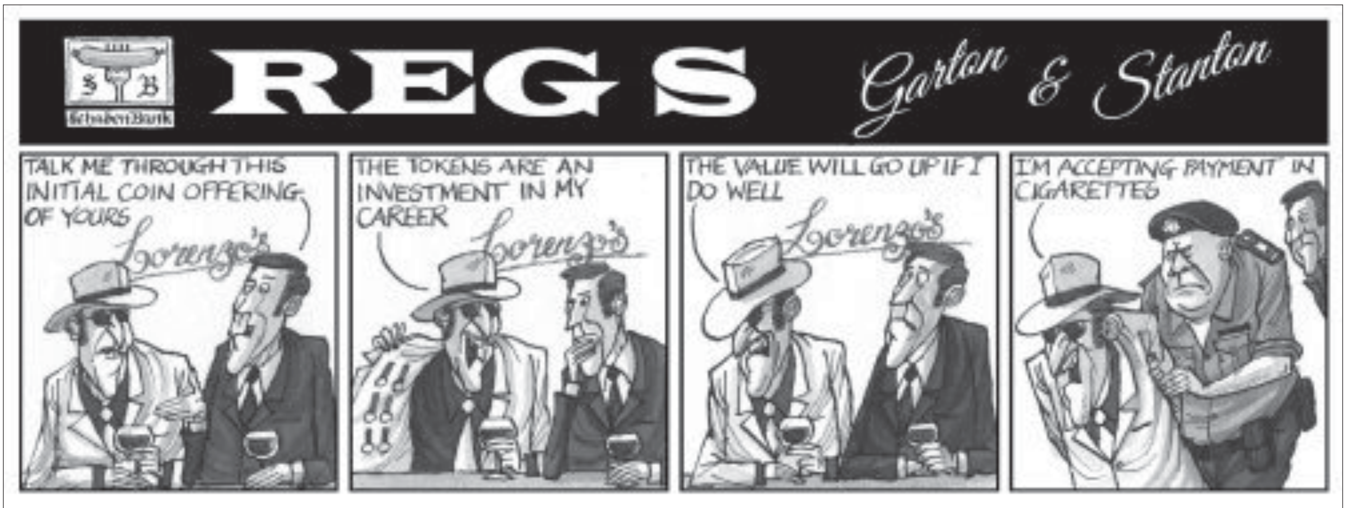
"I don't think it's a sudden decision to ramp up, just that it's taken a long time to find conduct for proceeding criminally."

The development compounds a publicity nightmare for Australia's biggest financial firms as they grapple with almost daily allegations of wrongdoing at a public inquiry, which is scheduled to run to the end of the year.

Barristers for the inquiry have raised the prospect of criminal charges against the country's top wealth manager, AMP, over allegations it misled the corporate regulator.

Number one lender CBA is also facing a separate civil lawsuit alleging thousands of breaches of anti-money laundering protocols.

PAULINA DURAN, BYRON KAYE



SGX drops Gujarat derivatives plan

SINGAPORE EXCHANGE and the NATIONAL STOCK EXCHANGE of India have shelved tentative plans for a derivatives trading link as the legal tussle between the two bourses rumbles on.

SGX said in February it was working with NSE on establishing a derivatives trading link in Gujarat International Finance Tec-City, a new financial hub championed by Prime Minister Narendra Modi, after NSE terminated its licensing agreement with the Singaporean exchange. These plans have now been dropped, two sources told IFR.

The split comes after the Bombay High Court last Tuesday reaffirmed an earlier injunction against SGX over the planned launch of new Indian equity derivatives contracts.

SGX issued a strong rebuke to NSE over its stance.

It said its actions "adversely affected international investors who rely on SGX's platform to manage the risks of their exposures to the Indian market, and significantly diminishes access to, and interest in the capital markets in India". SGX said it remains "open to a collaborative long-term solution" with NSE.

In an unusual move, the Monetary Authority of Singapore weighed in on the spat, urging all "all parties concerned to work together to find an amicable solution that will continue to encourage investments in the Indian market".

NSE said in a statement that it "remains committed to providing open and ease of access to Indian markets for international investors" and had "worked in good faith

In an unusual move, the Monetary Authority of Singapore weighed in on the spat, urging all "all parties concerned to work together to find an amicable solution that will continue to encourage investments in the Indian market".

with SGX over the last several months in finding a collaborative solution".

The dispute stems from a decision by NSE, BSE and the Metropolitan Exchange in February to cease licensing data to overseas exchanges for trading and settling derivatives in an effort to stop liquidity moving offshore.

Several sources said NSE took action following SGX's decision to expand into single-stock futures contracts for Nifty 50 companies earlier this year.

SGX has until August an agreement with India Indexes Services & Products, a subsidiary of NSE, which gives it a data licence for its Nifty family of products.

Once the licensing ban takes effect in August, SGX will cease issuing derivatives contracts based on Nifty indices, although NSE will continue to support open contracts up to 12 months thereafter.

SGX had said in April it would delist its Nifty family of products in June and transition to new derivatives contracts, although it was forced to postpone the launch of its new products last week, pending the the outcome of its legal battle with NSE.

SGX has not confirmed where it will get the data for its new contracts, although several sources have said the exchange will use reference value methodology from publicly available prices on futures contracts.

The Singaporean bourse said following the Bombay High Court's decision to uphold the interim injunction, it will continue to offer its Nifty family of products until August.

The court has referred the case to arbitration, with a decision to be made by June 16.

THOMAS BLOTT

Early days for Barclays in Australia

BARCLAYS is looking to add coverage bankers in Australia, where it recently reopened an office after shutting down its presence on the ground two years ago.

However, the British bank will take a patient approach to growing market share, Paul Early, co-head of Australia said.

"The model we're employing means we're going to be relying on a lot of the other offices from a product perspective," he said."We're very much focused on improving our coverage in Australia, which will come from a mixture of internal relocations and external hires."

"We are looking to expand but will do so in measured way."

He said the bank was focusing its efforts on natural resources and financial sponsors as well as financial institutions as it scaled up.

Barclays announced it was reopening an office in Sydney just over a month ago.

Early, who joined Barclays in 2007 in Sydney and led the mining and metals sector coverage for Australia before transferring to Hong Kong in 2012, was appointed co-head alongside Richard Satchwell.

Satchwell, who was most recently part of the Europe and Middle East leveraged finance team in London, had helped wind down the bank's operations in Australia in 2016 as part of the lender's wider move to close down its operations in some Asian markets.

The recent volte-face comes after a more favourable period for the bank.

Earlier this year, it said its corporate and investment bank achieved a return on equity of 13% during the first quarter, well above its cost of capital and a sign that its efforts to reduce its risk-weighted assets are bearing fruit.

"We're certainly in a much stronger place than we were two or three years ago as a bank," said Early.

"I think, to be frank, the decision that was taken around the return to Australia was because it is the third largest banking wallet in the region and it makes sense to have a presence here."

Following its exit in 2016, Barclays continued transacting Australian deals with support from its Singapore and Hong Kong operations. It has been particularly active in event-driven financings and offshore debt capital market issues from the country's four major banks.

Early said that having a presence on the ground would improve its offering to clients in those areas, although he said it would not herald an expansion into a range of new products.

"If you take the Australian banks as an example, they rely on offshore capital markets for their funding. Those markets generally are either in the US or the UK, both of which we have a strong presence in."

"We're not going to be targeting Australian dollar bond issuances as that doesn't play to our strengths in terms of global connectivity."

"We do look at Australian dollar issuances, for example in the Term Loan B market, but that's because it feeds into our strengths globally."

THOMAS BLOTT

Deutsche cuts bite far and wide

The impact of DEUTSCHE BANK's pledge to cut at least 7,000 jobs is being felt from London to Sydney.

Germany's biggest bank has already laid off a handful of corporate finance specialists in Australia, including head of metals and mining *Richard Gannon* and head of infrastructure and utilities *Andrew Martin*, according to a person familiar with the matter.

Deutsche is also cutting a team of 10 investment bankers in London focused on emerging market deals, a second person said.

The team, led by 18-year Deutsche veteran Philipp von Danwitz, learned of the cuts recently, said the person, who spoke on condition of anonymity.

Deutsche declined to comment.

The bank is expected to shed more than 100 people in Asia, according to a third source.

The cuts will mainly involve the equities and fixed-income businesses and, in the first phase, the bulk will be roles that are not client facing.

Six hundred bankers have been let go since Sewing took over last month as Deutsche's CEO and announced a plan to scale back its global investment bank, refocusing on Europe and its home market after three consecutive years of losses.

Last month, he said he would reduce global staff by more than 7,000, including 25% of the global equities business, which has a heavy presence in London and New York.

Deutsche's top investment banker, Garth Ritchie, told staff on May 24 that global head of equities Peter Selman would "provide more detail on the equities plan in the next few days," according to a memo read to Reuters.

"I honestly think everyone sitting there thinks every job is being looked at. I don't think any particular business is safer than others. People just want to know what the outcome is, to be able to get on with business, particularly for those working with clients."

The job cuts are hitting morale. "We will know in the next week what staff will be impacted. People are on tenterhooks," one Deutsche bank employee in Australia said.

"I honestly think everyone sitting there thinks every job is being looked at," the banker said.

"I don't think any particular business is safer than others. People just want to know what the outcome is, to be able to get on with business, particularly for those working with clients."

Sewing tried to reassure staff in a separate memo seen by Reuters, saying that the cuts would "create headroom for investments in other areas" and that employees should have the "courage and the confidence to emerge stronger from this difficult period".

The latest restructuring comes at a very bad time for Deutsche in Asia, one source said. There was some expectation that it would be able to get some big clients in the equities business as part of Chinese stocks' inclusion in the MSCI index.

"There would definitely be some doubt in the mind of the new clients as to how focused Deutsche will be on the business, and therefore the bank's ability to work with them for a longer period," said the source.

Some of Deutsche's equities business rivals in Asia including UBS, JP Morgan and Credit Suisse are aggressively pitching to the German bank's existing clients by talking about the restructuring, vying to take market share away from it in the region, three people familiar with the matter said.

A spokesman for Deutsche also declined to comment on expected job cuts in Asia. JP Morgan declined to comment. UBS and Credit Suisse were not immediately available for comment.

TOM SIMS, PAULINA DURAN

Air India sale draws a blank

India's high-profile offer to sell a stake in AIR INDIA failed to attract a single bidder by the deadline on May 31, dealing a blow to Prime Minister Narendra Modi's target for offloading stakes in government-held firms.

The no-show by buyers in a booming aviation market underlines the challenges the government faces in fixing the debt-laden national carrier, and was a setback for Modi's credentials as a reformer willing to step away from running money-losing businesses.

The government announced a plan in March to divest a 76%stake in Air India and offload about US$5.1bn of its debt, but prospective buyers stayed away, with some citing onerous terms as a reason for their lack of interest.

The government is now considering changing the terms of the sale, the process for which will be re-evaluated in the next two weeks, said R N Choubey, the top civil servant in the Ministry of Civil Aviation.

"It did not meet the expectation of participation we had," Choubey told reporters, even though his ministry thought giving 76% management control was "good enough".

Choubey said there was no plan to extend the May 31 deadline.

Earlier the government had eased some terms and extended the period to make bids, but still found no takers for the airline, which flies some lucrative routes but also has one of the industry's highest employees-per-aircraft ratios.

Selling the state carrier had been seen as key to Modi's plans to divest assets and help keep the fiscal deficit at 3.3% of GDP, a goal already under pressure from giveaways to farmers and other welfare benefits ahead of a national election in 2019.

Renu Kohli, a Delhi-based independent economist, said the government would now need to step up elsewhere to meet its divestment target.

"Relative to what we are seeing this year … uncertainty in the financial markets, aggravated distress among banks and rising interest rates and oil prices, it does not seem like a very supportive time for people to come and buy such an asset," Kohli said, adding that Air India needed large investment.

India has set a target to raise Rs800bn (US$11.8bn) from the sale of state assets in the current fiscal year that started on April 1, and Air India was expected to be a significant contributor.

While the government had not set any minimum price, banking sources had told Reuters the sale could have fetched between Rs80bn and Rs100bn.

ADITI SHAH

HKEx gets tough on delistings

Hong Kong's bourse is introducing tougher delisting rules, in a nod to investors who have long bridled over the length of share suspensions in the city.

Beginning on August 1, companies whose shares have been suspended for 18 months will be delisted at the discretion of the exchange's operator, Hong Kong Exchanges and Clearing.

HKEx will be able to trigger earlier action by issuing a delisting notice, which will give issuers some time to remedy any issues before delisting kicks in.

The exchange will also be allowed to delist companies immediately under exceptional circumstances, for example where a court has found management responsible for fraud.

HKEx is introducing a similar regime for the Growth Enterprise Market, although the suspension period before delisting occurs is slightly shorter at 12 months.

The changes follow a consultation paper last September in which the regulator proposed a suspension period of 12, 18 or 24 months before delisting occurs.

The exchange said in its consultation conclusions that it opted against a 12-month cut-off period due to concerns about "market readiness" but said it would revisit this later.

Currently, companies with insufficient operations or assets face a three-stage delisting process. At the end of each stage, the exchange has to assess whether it is appropriate to proceed to the next stage, which makes the procedure cumbersome.

Investors have long compared Hong Kong unfavourably with other regulatory regimes, for example, in China, where companies can be delisted after posting losses for three consecutive years.

According to HKEx, as of April 31, 60 companies had been suspended for more than three months. The record holder, Chinese mining company, Real Gold Mining, has been suspended since 2011.

THOMAS BLOTT

HKEx 'hard at work' on ETF Connect

HONG KONG EXCHANGES AND CLEARING is "working very hard" on ETF Connect, a cross-border scheme that would give Chinese investors exposure to overseas assets through exchange-traded funds listed in Hong Kong, an exchange official said.

The exchange is working to resolve some technical issues involving settlement between Hong Kong and mainland bourses, Victoria Coe, a senior vice president at HKEx responsible for China market development, said on the sidelines of a conference in Shanghai on May 24.

She declined to forecast when the scheme will be launched.

The ETF Connect plan underlines HKEx's ambition to broaden its trading links with mainland China after the launch of Stock Connect schemes with Shanghai and Shenzhen, and Bond Connect.

China has been accelerating the opening up of its capital markets and promoting cross-border capital flows. ETF Connect, once launched, would boost Greater China' US$92bn market for ETFs and exchange-traded products, the fourth largest in the world.

ETF Connect would also create new business opportunities for ETF managers and help to increase trading volume at the HKEx, Shanghai and Shenzhen stock exchanges.

Chris Pigott, head of Hong Kong ETF Services at Brown Brothers Harriman, said that strict capital controls in China mean there is "pent-up demand from investors in China for global diversification". He expects ETF Connect to be launched before the end of this year.

According to a recent BBH survey with professional ETF investors, nearly 90% of mainland China respondents said they would be likely to invest in Hong Kong ETFs if ETF Connect was launched.

"Many Hong Kong fund managers are hugely interested, hoping the ETF products they issue can be qualified for investment under ETF Connect," HKEx's Coe said, without identifying what type of products would qualify.

Over the past 10 months, average daily trading volume in the China-bound leg of the Stock Connect has surged by 262%, while the Hong Kong-bound leg jumped by 248%, she said.

SAMUEL SHEN, JOHN RUWITCH

IN BRIEF

1MDB
Task force looks for missing funds

A Malaysian task force investigating the 1MALAYSIA DEVELOPMENT scandal is working with counterparts in Singapore to retrieve funds believed to have been misappropriated.

The task force, which met nine Singapore officials last week, said both sides would cooperate to return the funds to the Malaysian government.

"Our cooperation is also aimed at collecting evidence and tracking down witnesses in Singapore as soon as possible," the task force said in a statement.

"The teams will also establish a money trail to trace funds and existing assets."

A Singapore police spokesperson confirmed investigators were in Malaysia following a request to assist with the investigation, but gave no further details.

Malaysian officials earlier met officers of the US FBI and Department of Justice.

At least six countries, including the US and Switzerland, are investigating claims that US$4.5bn was siphoned out of the fund, which was founded by former Prime Minister Najib Razak.

Najib has denied any wrongdoing.

Newly elected Prime Minister Mahathir Mohamad has vowed to investigate the 1MDB scandal and act against those who may have abetted, or benefited from, corruption at the fund.

Maybank
Record Q1 profit

MAYBANK posted its highest first-quarter profit, helped by a continued decline in impairment losses.

Net profit for the quarter ending March 31 was M$1.9bn (US$476m), up 10% from a year ago.

Revenue was 2% higher at M$11.5bn.

Net impairment losses fell 7.7%, while the gross impaired loans ratio improved to 2.37% percent from 2.40%.

The Q1 profit beat an average estimate of M$1.85bn from two analysts surveyed by Thomson Reuters.

First Commercial Bank
Clearance to open Frankfurt branch

FIRST COMMERCIAL BANK has received permission from Taiwan's Financial Supervisory Commission to open a branch in Frankfurt, becoming the first Taiwanese bank to get approval from the regulator to set up a branch in Germany.

Last November, Bank of Taiwan received permission from the FSC to open a

representative office in Frankfurt.
State-owned FCB also has operations in Australia, Cambodia, Canada, China, Japan, Hong Kong, Macau, Myanmar, Laos, Singapore, Thailand, the Philippines, the US, the UK and Vietnam.

ICICI Bank

Allegations against CEO to be probed

ICICI BANK said last Wednesday it will institute an inquiry into the allegations raised by an anonymous whistleblower against chief executive Chanda Kochhar.
ICICI, India's third-biggest lender by assets, said the probe, headed by an independent person, would examine allegations that the chief executive did not adhere to provisions relating to the bank's code of conduct and whether her actions involved "conflict of interest".
The bank is battling allegations that Kochhar allegedly favoured Videocon Group in its lending practices. Videocon's founders had an investment in a renewable energy company founded by Kochhar's husband.
The bank has backed Kochhar, calling the rumours "malicious and unfounded".

Sebi

Tighter rules for credit ratings

India's market regulator has finalised tougher disclosure standards for credit ratings in a bid to improve transparency in the domestic bond market.
The Securities and Exchange Board of India's rules require rating agencies to publish a list of all rating actions and defaults every six months.
Any review of an issuer's ratings should be carried out only by the agency's rating committee, which must have a majority of independent members with no financial relationship with the rating agency.
Rating agencies must also publish any ratings that were not accepted by issuers on their websites for a period of 12 months.
Last year, in a consultation paper, the market regulator said rating agencies needed to have stronger financial resources and safeguards against potential conflicts of interest.
Rating agencies faced criticism last year following the sudden downgrades of Reliance Communications' debt instruments, following news reports that the company was months late on payments to domestic banks.

WHO'S MOVING WHERE...

■ MORGAN STANLEY is reshuffling its Asian debt business following the departure of one of its regional co-heads for fixed income capital markets.
Ethan Farbman, who was head of debt syndicate and co-head of fixed income capital markets for Asia Pacific, is leaving to join one of Morgan Stanley's clients, according to an internal memo IFR has seen.
James McKenna, the other co-head until now, will become sole head. He reports to Julien Begasse de Dhaem, head of global capital markets for APAC.
Ernst Grabowski will take over from Farbman as head of debt syndicate. Grabowski has held a number of roles in debt capital markets and leveraged finance, and most recently ran the bank's non-China high-yield business in the region.
Oskar Arnoldsson has been appointed regional head of leveraged and acquisition finance, which includes oversight of the non-China high-yield business. He has worked in the fixed income capital markets group since 2011.

■ *Helen Hao*, a Shanghai-based associate in STANDARD CHARTERED's loan syndications team, is transferring to another team within the bank. Friday was her last day with the loans team. Hao has been with the bank since August 2015.

■ CHINA EVERBRIGHT BANK has lost the services of *Swee Ngee Teo* and *Leo Chung* from its loan syndications team in Hong Kong, sources said. Teo was a senior vice president, while Chung was an assistant vice president.

■ *Jackie Chien*, head of ECM syndicate at CHINA MERCHANTS SECURITIES, is leaving the firm, according to people familiar with the situation. Chien has worked at the Chinese investment bank for five years. She will be joining Fidelity International as a director in the capital markets team next week.

■ STANDARD CHARTERED has hired *Leonard Ng* as executive director in its debt capital markets team. Based in Singapore, he reports to Aaron Gwak, head of capital markets for ASEAN.
Ng was previously with Australia and New Zealand Banking Group and has worked at Bank of America Merrill Lynch and Deutsche Bank as well.

■ The head of the NEW ZEALAND DEBT MANAGEMENT OFFICE, *Sarah Vrede*, has resigned from the Treasury to take up company directorships and consulting roles, the Treasury said in a statement.
Vrede joined the Treasury in 2013 and has headed the NZDMO since 2014.
An announcement regarding her successor will be made prior to her last day on June 29.

■ JP MORGAN has hired Macquarie Capital veteran *Jim Miller* as vice chairman of investment banking in Australia.
Miller, who spent 21 years with Macquarie before retiring in 2015, led the bank's Australian and New Zealand infrastructure business.
He also serves as chairman of Infrastructure Victoria, an entity set up by the government of Victoria to advise the state on its infrastructure programme.

■ HSBC has appointed *Stuart Milne* chief executive officer for Malaysia, effective May 24.
Milne replaces Mukhtar Hussain, who was recently appointed to the newly created role of head of the Belt and Road Initiative for Asia Pacific.
Milne reports to Peter Wong, deputy chairman and chief executive of HSBC's Hong Kong-headquartered subsidiary.
Milne has been with HSBC since 1981 and since 2012 was CEO for India.

■ Japanese megabank MUFG has hired *Kristy Datson* from ANZ as a senior relationship manager to cover the utilities and infrastructure sectors in Melbourne.
Datson joined ANZ in 2001, according to her LinkedIn profile. She was most recently head of loan asset management and integration since May 2016. She is expected to start her new role later this year.

■ COMMONWEALTH BANK OF AUSTRALIA has appointed *Fergus Blackstock* as head of term funding.
Blackstock, who will report to head of group funding Kylie Robb, will be in charge of running and optimising the group's term funding, including debt and Tier 2 issuance.
He will commence in his new role in late August following a 13-year stint at UBS where he is currently head of DCM Australasia.
Prior to this, Blackstock covered FIG DCM with HSBC in London for seven years.

■ UBS has hired *Ranjan Sharma* from Bank of America Merrill Lynch to take over as head of equity capital markets for India.
He reports to Anuj Kapoor, head of investment banking for India.
Sharma replaces *Rohan Talwar*, who is taking a coverage role in the technology, media and telecom team in Hong Kong, according to people familiar with the move.
Talwar, who was head of India ECM since 2014, will report to Randy Gelber, head of TMT for Asia Pacific.
A Hong Kong-based spokesman for UBS confirmed the moves.

AUSTRALIA

DEBT CAPITAL MARKETS

› DEUTSCHE BAHN SELLS KANGAROO

State-owned German rail operator **DEUTSCHE BAHN**, rated Aa1/AA– (Moody's/S&P), issued its third Kangaroo bond last Tuesday with a A$206m (US$154m) 10-year print via sole lead *Mizuho*.

The 3.494% June 13 2028s priced at par, 72bp wide of asset swaps and 77.9bp over the May 2028 ACGB.

Deutsche Bahn debuted in the Australian dollar market last September with a A$600m dual-tranche, seven and 10-year trade which at the time was the biggest from a European corporate. It followed up a month later with a A$150m 15-year issue.

Although the federal government wholly owns Deutsche Bahn, the company does not benefit from an explicit sovereign guarantee, unlike Triple A rated agencies KfW and Rentenbank.

It is viewed as agency risk in Europe, but more as corporate risk in Australia, according to local bankers.

› NAB TRUST MARKETS GREEN FRN

Unrated **NAB TRUST SERVICES,** wholly owned by National Australia Bank, has mandated *NAB* to arrange an investor conference call for a potential offering of Australian dollar-denominated senior secured Green floating-rate notes with a weighted-average life of 3.2 years.

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

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

STRUCTURED FINANCE

› AMP BANK ROASHOWS RMBS

AMP BANK has mandated *Deutsche Bank*, *Macquarie*, *MUFG*, *NAB* and *Westpac* to market a potential Australian dollar funding and capital relief RMBS under AMP Bank's Progress RMBS programme.

Investor meetings are due to be held in London on June 13 and 14 with the possibility of holding additional European meetings.

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

Vocus raising A$1.4bn as part of turnaround

■ **Loans** Telco manages debt load after scrapping Kiwi sale

Australia's fourth-largest phone company **VOCUS GROUP** is raising a A$1.417bn-equivalent (US$1.06bn) refinancing to manage its debt load as it embarks on a turnaround after dropping plans in April to sell its New Zealand business.

Vocus went on a three-year US$2.4bn acquisition spree that yielded little rewards and cancelled its annual dividend in 2017 after missing its profit guidance.

ANZ, *Commonwealth Bank of Australia*, *HSBC* and *National Australia Bank* are the mandated lead arrangers and bookrunners of the refinancing. The transaction comprises a A$510m-equivalent 4.25-year bullet revolver tranche A, a A$510m-equivalent 3.25-year bullet revolver tranche B, a NZ$160m (US$111m) 3.25-year bullet revolver tranche C, a A$75m-equivalent 2.25-year bank guarantee and letter of credit tranche D and a A$175m 2.25-year amortising tranche E. Tranches B and C will amend and extend existing facilities.

Tranches A and B are also available in US dollars, while tranche D is also available in New Zealand, Singapore and US dollars.

The margins are based on a net leverage ratio. The margins for tranche A are: 300bp over BBSY/Libor (3.5x or more), 265bp (3x to less than 3.5x), 230bp (2.5x to less than 3x), 190bp (2x to less than 2.5x), 170bp (1.5x to less than 2x), 155bp (1x to less than 1.5x) and 145bp (less than 1x).

For the respective net leverage ranges, tranches B and C offer margins of 285bp, 250bp, 215bp, 175bp, 155bp, 140bp and 130bp. The benchmarks for tranche B and C are BBSY/Libor and BKBM, respectively.

Tranche E offers margins of 270bp, 235bp, 200bp, 160bp, 140bp, 125bp and 115bp over BBSY.

The initial margins are 230bp, 215bp and 200bp for tranches A, B and C, and E, respectively, based on the current let leverage of 2.5x to less than 3x.

Tranche D offers a margin of 135bp over BBSY/BKBM/Libor/Sibor for all levels.

Lenders are being offered the MLA title for commitments of A$125m and above, the lead arranger title for A$100m–$124m, the co-arranger title for A$75m–$99m, the senior manager title for A$50m–$74m and the manager title for A$25m–$49m.

The fees are: 65bp for tranche A, 50bp for tranches B and C, and 35bp for tranches D and E for the MLA and lead arranger titles; 62.5bp for tranche A, 47.5bp for tranches B and C, and 32.5bp for tranches D and E for the co-arranger title; 60bp for tranche A, 45bp for tranches B and C, and 30bp for tranches D and E for the senior manager title; 57.5bp for tranche A, 42.5bp for tranches B and C, and 27.5bp for tranches D and E for the manager title.

For tranches B and C, lenders will get a 10bp fee for existing commitments.

Bank meetings were held in Sydney on May 15, Singapore on May 16 and Taipei on May 17. The deadline for responses is June 7.

The borrowers are: Vocus Group, **VOCUS GROUP HOLDINGS**, **VOCUS (NEW ZEALAND) HOLDINGS** and **M2 GROUP**.

Earlier this month, Vocus appointed new group managing director and CEO Kevin Russell from Telstra where he ran the retail division. Vocus's previous CEO Geoff Horth stepped down in February after the company cut its full-year 2018 guidance due to the loss of fixed-line customers and an overestimation of the profitability of its fibre-optic broadband business.

EVELYNN LIN

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

AFG READIES SIXTH RMBS

Non-bank lender **AUSTRALIAN FINANCE GROUP** has mandated *ANZ* and *NAB* to talk to investors this week about a potential Australian dollar-denominated offering of senior and subordinated RMBS.

AFG priced its fifth and biggest prime RMBS on August 31 2017, a A$350m offering through AFG Series 2017-1 Trust.

The A$65m Class A1s and A$250m Class A2s, with weighted-average lives of 0.4 and 3.0 years, priced at one-month BBSW plus 70bp and 120bp, respectively.

The A$22.54m Class ABs, A$6.02m Class Bs, A$4.20m Class Cs, A$1.05m Class Ds and A$0.63m Class Es, all with 4.2-year WALs, priced 165bp, 225bp, 310bp, 410bp and 597bp over one-month BBSW, respectively.

SYNDICATED LOANS

ACCOLADE WINES PRICES BUYOUT LOAN

ACCOLADE WINES has priced a A$700m-equivalent (US$529m) loan package backing Carlyle's A$1bn buyout of the business.

The £301m seven-year term loan B priced at 475bp over Libor, the tight end of 475bp–500bp guidance, while the A$150m-equivalent multi-currency revolving credit facility pays 400bp over BBSY.

The term loan includes a 0% floor and sold with an issue price of 99.5.

The term loan B, which includes 101 soft call for six months, will be used to finance the buyout and for refinancing. The six-year revolver will be used for general corporate purposes.

Accolade was assigned B2/B/B corporate ratings following the deal's launch, with Moody's estimating its leverage at 6.3 times Ebitda for the deal.

The group's Ebitda stood at A$80m for the year to March 2018, from revenues of A$811m.

Citigroup, *Credit Suisse*, *ING Bank*, *Mizuho Bank* and *Rabobank* were mandated lead arrangers on the deal. Credit Suisse is admin agent.

Despite being based in Australia, Accolade is the biggest selling wine company in the UK by volume, according to its website, with brands such as Echo Falls, Hardy's Wines and Kumala.

Carlyle is paying more than three times the A$290m paid by Accolade Wine's private equity owner CHAMP Private Equity seven years ago when it formed Accolade after buying Constellation Brands' Australian wine-making operations, along with some UK and South African labels.

CHINA

DEBT CAPITAL MARKETS

TIMES CHINA RAISES US$450M

TIMES CHINA HOLDINGS, rated Ba3/B+/BB–, raised US$450m from an offering of US dollar senior unsecured notes to refinance debt and for general corporate purposes.

The Chinese property developer priced the three-year non-call two notes at par to yield 7.85%, inside initial 8% area guidance.

The Reg S issue has expected ratings of B1/BB– (Moody's/Fitch).

Final statistics of the deal were not available but orders were said to be over US$1.7bn, including interest from leads, at the time of final guidance.

Guotai Junan International, *UBS*, *Deutsche Bank*, *China Citic Bank International*, *China Industrial Securities International*, *CICC*, *CMB International*, *Haitong International* and *JP Morgan* were joint lead managers and joint bookrunners.

CHINA SOUTH CITY TAPS

CHINA SOUTH CITY HOLDINGS, rated B/B (S&P/Fitch), on Monday tapped the US$150m 10.875% senior bonds due August 24 2020, priced earlier in May, for an extra US$100m.

The reopening priced at 99.649 to yield 11%, in line with final guidance.

Proceeds will be used to refinance debt and for general corporate purposes.

The Chinese logistics and trade centre developer and operator priced the original notes on May 17 at 99.654 with a reoffer yield of 11%. The Reg S issue notes are rated B–/B (S&P/Fitch).

UBS, *Bank of America Merrill Lynch* and *Guotai Junan International* were joint global coordinators for the reopening, as well as joint bookrunners with *HSBC*, *Haitong International*, *AMTD* and *BOC International.*

GUORUI PRINTS US$100M SENIOR

GUORUI PROPERTIES, rated B/B (S&P/Fitch), priced a US$100m two-year US dollar senior bond at par to yield 10.00%, according to a stock exchange filing on Friday.

The Hong Kong-listed Chinese real estate company plans to use proceeds for debt refinancing and general working capital purposes.

The Reg S notes have expected ratings of B–/B (S&P/Fitch).

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

Guorui in February priced US$250m 364-day US dollar notes at par to yield 10.20%.

The company's US dollar bonds slumped on Thursday afternoon after it said it was planning to issue more debt.

KAISA GETS FIRST ONSHORE RATING

KAISA GROUP HOLDINGS, the first Chinese property developer to default on international bonds, has obtained its first onshore credit rating.

China Chengxin Securities Rating has assigned a AA+ credit rating with stable outlook, indicating minimal default risk from an unfavourable economic environment.

A company spokesperson said the company was aiming to expand its financing channels but declined to comment whether it would issue onshore bonds.

Kaisa said in a statement the rating would enhance its reputation among investors and financial institutions.

"This will also provide strong support to the group's scale expansion, reinforce Kaisa's market competitiveness and boost its investment and financing activities," it added.

Kaisa defaulted on its overseas bonds in 2015 but has since returned to the international markets. It completed an exchange offer and new-money issue in the offshore bond market last June after a restructuring of its domestic and foreign debt.

It once had ratings from international agencies Moody's and S&P but those were withdrawn in 2015 after the default. Currently, Kaisa does not have ratings from the three global rating firms.

YIWU LGFV EYES US DOLLAR BOND SALE

YIWU STATE-OWNED CAPITAL OPERATION, rated Baa3 (Moody's), has hired banks for a proposed offering of US dollar senior unsecured notes.

Standard Chartered Bank, *Bank of China*, *Citigroup* and *Guosen Securities (HK)* are joint global coordinators as well as joint lead managers and joint bookrunners with *CMBC Capital*, *CNCB HK Capital* and *Shanghai Pudong Development Bank Hong Kong branch*.

The Chinese local government financial vehicle for Yiwu city in Zhejiang province started to meet investors in Hong Kong, Singapore and London from May 31.

The proposed Reg S bonds will be issued by wholly owned BVI subsidiary Chouzhou International Investment and Yiwu State-owned Capital will be the guarantor. The bonds have an expected Baa3 rating from Moody's.

Yiwu State-owned Capital developed and operates Yiwu Small Commodity Market, a wholesale market, and also has interests in public utilities, infrastructure and property development, among others.

The company last November priced US$500m 4.00% three-year US dollar bonds at 99.796 to yield 4.073%, or Treasuries plus 225bp.

CCB MARKETS US DOLLAR FRN

CHINA CONSTRUCTION BANK HONG KONG BRANCH, rated A1 by Moody's, was marketing dual-tranche Reg S US dollar notes last Friday.

Initial price guidance for three-year and five-year floating-rate notes was three-month Libor plus 100bp area and 110bp area, respectively.

China Construction Bank (Asia), *CCB International*, *Citigroup*, *BNP Paribas* and *Mizuho Securities* are joint global coordinators,

They are also joint lead managers and joint bookrunners with *Bank of China (Hong Kong), Commonwealth Bank of Australia*, *Crédit Agricole CIB*, *ICBC International*, *KGI Asia*, *Nomura*, *Scotiabank* and *Wells Fargo Securities*.

The notes are expected to be rated A1 by Moody's.

CCRE MAKES US$86M TAP

CENTRAL CHINA REAL ESTATE, rated Ba3/BB– (Moody's/Fitch), has reopened its 6.875% US dollar senior bonds due October 23 2020 for a US$86m tap.

The Chinese property developer sold the additional Reg S notes at 99.0745 for a yield of 7.30%, tighter than initial 7.625% guidance.

Final statistics of the deal were not available but orders were said to be over US$725m, including interest from leads, at the time of final guidance.

Proceeds from the tap will be used to repay debt and for general corporate purposes.

The company priced the original notes on April 16 at 99.718 for a yield of 7.0%. The notes are rated B1/BB– (Moody's/Fitch).

Following the tap, the outstanding size of the notes is US$386m.

Credit Suisse, *Haitong International* and *Morgan Stanley* were joint bookrunners.

FUJIAN ZHANGLONG PRINTS US$100M

State-owned **FUJIAN ZHANGLONG GROUP**, rated BB+ (Fitch), has reopened its US$300m 5.60% 2021s for US$100m.

The tap was priced at 97.804 to yield 6.50%, flat to final price guidance.

Wholly owned unit Full Dragon (Hong Kong) International Development will be the issuer of the notes and Zhanglong Group will be the guarantor.

The notes have an expected rating of BB+ (Fitch).

Proceeds will be used for domestic debt refinancing and project investments.

CEB International, *Mizuho Securities* and *Chiyu Banking Corp* are global coordinators, joint bookrunners and joint lead managers on the offering.

Zhanglong Group, a local government financing vehicle in Zhangzhou, south-eastern Fujian province, is active in trading, water supply, real estate and construction.

PING AN GETS DOUBLE ORDERS

PING AN REAL ESTATE has drawn final orders of over US$500m from 39 accounts for US$250m 363-day notes.

The notes were priced at par to yield 5.10%, the tight end of final guidance of 5.10%–5.15%. Initial guidance was 5.50% area.

By investor type, fund managers/banks were allocated 68% of the notes and private banks 32%.

In terms of geography, Asian investors took 98% and European investors 2%.

Fuxiang Investment Management is the issuer of the Reg S unrated notes and Pingan Real Estate Capital is the guarantor.

The bonds also have the benefit of a keepwell deed and a liquidity support undertaking provided by Ping An Real Estate.

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

Guotai Junan International and *Silk Road International* were joint global coordinators as well as joint lead managers and joint bookrunners with *BOCOM International* and *Zhongtai International*.

SICHUAN DEVELOPMENT HIRES BANKS

SICHUAN DEVELOPMENT HOLDING, rated A– by Fitch, has hired banks to arrange investor meetings in Singapore and Hong Kong starting on June 4 ahead of a proposed offering of Reg S US dollar notes.

Standard Chartered Bank, *CMBC Capital* and *BOC International* are joint global coordinators. They are also joint bookrunners and joint lead managers with *ICBC (Asia)*, *Shenwan Hongyuan Securities (HK)*, *China Everbright Bank Hong Kong branch*, *China Citic Bank International*, *Bank of Communications* and *Natixis*.

A Reg S senior unsecured offering of US dollar notes under Sichuan Development's US$2bn medium-term note programme may follow.

The notes will be issued by Yieldking Investment and will be unconditionally and irrevocably guaranteed by Sichuan Development International Holding with the benefit of a keepwell deed and a deed of equity interest purchase undertaking provided by Sichuan Development.

Both the issuer and the guarantor are wholly owned subsidiaries of Sichuan Development.

The notes are expected to be rated A– by Fitch.

Sichuan Development is a state-owned investment and asset management vehicle in southwestern Sichuan province.

CITIC PACIFIC SELLS DEBUT PANDAS

State-owned **CITIC PACIFIC** has raised Rmb1bn (US$156m) from its debut offering of Panda bonds on the Shanghai Stock Exchange.

The three-year notes were priced at par to yield 4.90%.

The conglomerate, incorporated in the British Virgin Islands, intends to use the proceeds for Belt and Road projects.

Both the issuer and the bonds have received ratings of AAA from China Chengxin.

This is Citic Pacific's first issue under its Rmb10bn Panda bond programme approved by the China Securities Regulatory Commission.

China Securities is lead underwriter and bookrunner for the offering, with *Citic Securities* as joint lead underwriter.

GUANGZHOU R&F ISSUES ONSHORE

Chinese property developer **GUANGZHOU R&F PROPERTIES** has raised Rmb1bn from a private bond placement on the Shanghai Stock Exchange.

The three-year notes, which give investors the option to redeem at the end of the first and second years, were priced at par to yield 6.80%, according to market sources.

China Merchants Securities, *Citic Securities*, *CICC* and *Huatai United Securities* are arrangers on the deal.

The Hong Kong-listed property developer, rated AAA by United Ratings, won approval from the SSE earlier this month to raise up to Rmb20bn from private bond placement.

NAFMII HALTS PROPERTY PANDAS

Chinese regulators have halted Panda bond offerings from overseas-incorporated Chinese property developers in the interbank bond market as part of a nationwide effort to rein in rising housing prices, according to sources briefed on the move.

The halt is in line with the central government's ongoing efforts to cool property prices and is also aimed at limiting risks in the nascent Panda bond market, according to sources who were orally briefed in late May by the National Association of Financial Market Institutional Investors, the main regulator for corporate bonds in the interbank bond market.

On May 20, the Ministry of Housing and Urban-Rural Development said it would step up checks on local governments' efforts to rein in property prices, and will hold accountable those who fail to do so.

That was the second time in May that the ministry had voiced concern about property prices. Earlier in the month, it told governments in 12 cities to rein in rapidly rising property prices and tighten regulations.

So far this year, China Jinmao Holdings Group, China Resources Land and Sino-Ocean Group Holding have sold Panda bonds in the interbank bond market. The last such offering was from China Jinmao, which printed Rmb3bn of three-year Panda notes at par to yield 4.99% in April.

"It is still uncertain whether those issuers which have been granted Panda bond programmes would be able to use the remaining quota," said one of the sources.

In January, Country Garden Holdings scrapped a Rmb1.8bn Panda bond offering after failing to secure the yield it wanted. It has not come back to the Panda bond market since then, although it has a Rmb9.5bn Panda bond programme approved by the NAFMII.

Other types of corporate bonds, including short-term notes and medium-term notes in the interbank bond market, are still available to some property developers.

For instance, China Vanke said on Friday that it would open books on a Rmb2bn offering of 270-day notes in the interbank bond market on June 4.

In the exchange-traded market, no developers have printed public Panda bond offerings since late 2016 when the China Securities Regulatory Commission imposed stringent scrutiny on bond financing by developers against a backdrop of surging land and house prices. Private placements have also become very scarce.

The latest move by the NAFMII closes off another financing alternative for the capital-hungry property sector, where a clampdown on shadow banking has already raised refinancing risks.

It has also dashed hopes among bankers that property developers would drive a rebound in the volume of Panda bond issuances.

Last year, a sharp drop in financings from overseas-incorporated Chinese developers contributed to a decline in Panda bond volumes, United Credit Ratings said in a report last week.

In 2017 issues of Panda bonds in the interbank and exchange-trade markets reached Rmb71.7bn, down 40% down from 2016, UCR said. Issuance in the exchange-trade market fell 75% to Rmb11.6bn.

STRUCTURED FINANCE

JINKE PROPERTY SELLS ABS

Shenzhen-listed developer **JINKE PROPERTY GROUP** has printed Rmb1.6bn (US$251m) of securities backed by an entrusted loan to its property management unit.

Jinke is the third property developer this year to sell a public offering of asset-backed securities in China's interbank bond market, after Yango Group and Beijing Uni-Construction Real Estate Development.

Jinke last Thursday priced a Rmb1.5bn senior tranche with expected maturity date of June 5 2024 at par to yield 7.0%. A Rmb100m unrated subordinated tranche is retained by the issuer. The senior tranche is rated AAA by China Lianhe.

A source familiar with the deal said Jinke started sounding out the deal to potential investors much earlier and had secured sufficient anchor orders before launching the deal this week.

"Seven percent is a pretty good result for the issuer," he said, noting that it was challenging to sell property developers' ABS given the weak market sentiment following a recent run of onshore bond defaults.

The transaction is secured against a Rmb1.6bn entrusted loan from Jinke Property Group to Jinke Property Services Group, a subsidiary. China Construction Bank is the agent bank.

The loan has a tenor of six years and will be paid with property management fees.

The proceeds from the ABS will be used to repay debt and to replenish capital.

China Merchants Securities is lead underwriter and bookrunner on the offering with *China Construction Bank* as joint lead underwriter.

SAIC-GMAC READIES AUTO LOAN ABS

SAIC-GMAC AUTOMOTIVE FINANCE aims to sell Rmb10bn of auto loan-backed securities this week, the largest single trade originated by car finance companies (excluding banks) in China's interbank bond market.

The trade is split into Rmb2.8bn of Class A1 fixed-rate notes, Rmb5.82bn of Class A2 floating-rate notes, Rmb730m of Class B floaters and Rmb650m unrated subordinated notes.

The first three tranches are expected to score ratings of Aa3, Aa3 and A1 from Moody's, respectively.

The Class A1 and Class A2 notes have received ratings of AAA/AAA (China Bond/Lianhe Ratings), while the Class B notes have been rated AA+/AA+ (China Bond/Lianhe Ratings).

The notes will be issued in the name of Rongteng 2018-2 Retail Auto Loan Securitization.

Books will open on June 5. The offering will also be available to offshore investors via Bond Connect.

Citic Securities is the lead underwriter and bookrunner on the offering, with *ICBC*, *China Merchants Bank*, *Bank of Nanjing* and *Mizuho Bank (China)* as joint lead underwriters.

HSBC Bank (China) is financial adviser.

SAIC-GMAC Automotive Finance printed Rmb2.79bn auto loan ABS in March.

As of end-June 2016, GMAC UK, a wholly owned subsidiary of General Motors, held 35% of SAIC-GMAC Automotive Finance.

CCB POSTPONES RMB10BN RMBS

CHINA CONSTRUCTION BANK postponed a Rmb10bn offering of residential mortgage-backed securities that it had planned to launch last Monday, its 10th such trade this year, amid concerns of oversupply.

China's largest mortgage lender said it would look for another issue window to print the deal in the interbank bond market after assessing the market environment and its own situation.

A banker familiar with the matter said supply concerns weighed on the issue after CCB had already issued Rmb90bn of RMBS year to date.

Most investors who bought into CCB's previous trades were those with low funding costs, the banker said, adding that CCB would have to woo new investors who might demand higher yields.

The postponed deal was also to be available to offshore investors via Bond Connect.

Citic Securities was lead underwriter and bookrunner on the offering with *China Merchants Securities*, *Huatai Securities* and *Guosen Securities* as joint lead underwriters.

SYNDICATED LOANS

› SHANGHAI SUMMIT SIGNS PART OF LOAN

Property developer Shanghai Summit Group has signed one tranche of its US$340m two-part debut loan, while syndication remains ongoing for the other portion.

Shanghai Summit signed the US$225m 11-month tranche A on May 19. *Deutsche Bank* is the mandated lead arranger and bookrunner of the loan, which also includes a US$115m eight-month tranche B.

The borrower is LONGEMONT REAL ESTATE, Shanghai Summit's Singapore-incorporated wholly owned unit.

Tranches A and B offered top-level all-in pricing of 168.89bp and 153.33bp based on interest margins of 130bp and 120bp over Libor and average lives of 0.9 years and 0.6 years, respectively.

Bank of Shanghai and Shanghai Pudong Development Bank are providing separate standby letters of comfort to tranches A and B, respectively.

For full allocations, see www.ifrasia.com.

› COMPEQ CHONGQING BORROWS US$150M

COMPEQ MANUFACTURING (CHONGQING) has signed a US$150m five-year onshore term loan.

Bank of Taiwan was the original mandated lead arranger and bookrunner of the transaction, while 11 other banks came in with the same title.

The deal comprises a US$50m tranche A and a US$100m tranche B.

The unsecured loan, guaranteed by Taiwan-listed parent Compeq Manufacturing, pays an interest margin of 105bp over Libor. The borrower will pay any excess interest rate beyond a 40bp difference between TAIFX and Libor.

Banks were offered a top-level upfront fee of 14bp. Signing was on May 23.

Funds are to back a factory expansion project in central China's Chongqing city and to refinance a US$84m five-year term loan completed in December 2013.

For full allocations, see www.ifrasia.com.

› HANGZHOU JINHONG CLUBS LOAN

HANGZHOU JINHONG PROPERTIES has raised Rmb1bn (US$156m) through a three-year term loan from two banks to finance the development of a real estate project.

Nanyang Commercial Bank (China) committed Rmb800m and is the facility agent, while *Shanghai Pudong Development Bank Hangzhou branch* committed Rmb200m.

The amortising loan, with an average life of 2.45 years, pays an interest margin of 130% of the PBoC rate, which is at 4.75% for one-to-five-year tenors. Participating banks were also offered a 12.2bp upfront fee.

The deal was signed on March 1 and fully drawn on April 20. The facility has a six-month grace period after which repayments take place semi-annually, with the first four instalments accounting for 5% each and the final two for 40% apiece.

The project comprises a residential and retail development with gross floor area of 374,584 square metres. The borrower is a Hangzhou-based company set up in 2015 to develop the project in the city's Yuhang district.

The land under construction will form the security, while borrower's three ultimate shareholders Guangxi Construction Engineering Group, Jincheng Real Estate Group and Sunac China Holdings are guarantors.

EQUITY CAPITAL MARKETS

› ALIBABA, TENCENT BACK FOXCONN IPO

FOXCONN INDUSTRIAL INTERNET named China's three leading technology companies among 20 strategic investors on its Rmb27.12bn (US$4.25bn) Shanghai IPO, the largest A-share listing in three years.

Alibaba Group, Baidu and Tencent have each subscribed to Rmb300m of the IPO shares as strategic investors. All three face a lock-up period of 36 months.

The other strategic investors are mainly government-controlled investment funds, state-owned companies and insurance companies.

Those investors, similar to cornerstone investors in Hong Kong, will be barred from selling any shares for at least 12 months.

The Shenzhen-based subsidiary of Taiwan's Foxconn, the world's largest electronics contract manufacturer, set the IPO price last month at Rmb13.77 per share, a discount of 59% to the average valuation of its listed peers.

The price also represents a historical post-IPO P/E of 17.09 times, below the regulator's unwritten valuation cap of 23 times historical earnings.

FII's float is the largest A-share listing since Guotai Junan Securities raised Rmb30bn from a Shanghai IPO in June 2015, weeks before China's stock market tumbled.

To ease concerns of the impact of such a large deal on the wider market, FII sold a large portion of the IPO under lock-up arrangements.

The 20 strategic investors took 30% of the 1.97bn IPO shares. Retail investors got 1.006bn shares after a clawback, covering 51% of the offer. Institutional buyers received 260.84m shares, or 13% of the deal, with a 12-month lock-up, and 111.79m tradeable shares, or 6% of the deal.

Due to the unusual lock-up structure, only about 57% of the total IPO shares will be free to trade immediately after listing.

The institutional tranche was about 502 times covered, while the retail tranche was 711 times covered before clawback.

CICC was the sponsor on the float.

FII plans to use the proceeds for investment in industrial internet platforms, cloud computing, the production of internet equipment, research and development of 5G industrial internet systems and computing data centre projects.

› FANGDD.COM PLANS HONG KONG IPO

FANGDD.COM, China's first online real estate marketing platform, plans to list in Hong Kong early next year in an IPO which could raise up to US$800m, according to people familiar with the situation.

Fangdd is in discussion with banks for the planned IPO which could value it at around US$3bn, say the people.

The fundraising will be around US$500m–$800m depending on the size of the stake the company will sell, say two of the people. The deal is expected to come as early as the first quarter of next year.

Fangdd did not reply to emails seeking comment on its plans.

Founded in 2011, Shenzhen-based Fangdd is an online-to-offline real estate platform connecting property sellers to homebuyers.

The company counts CDH Investments and FountainVest Partners among its investors.

Fangdd received a US$223m private financing led by FountainVest in 2015, which valued the company at around US$1bn.

Fangdd operates in 50 cities in China including Beijing, Shanghai, Nanjing and Hangzhou, according to the company's website.

› MIDEA PROPERTY ARM FILES FOR HK IPO

MIDEA REAL ESTATE has filed an application to the Stock Exchange of Hong Kong for a proposed IPO.

The property arm of Shenzhen-listed Midea Group, China's leading appliance maker, plans to raise about US$800m from the float, according to sources familiar with the situation.

BNP Paribas and *CLSA* are joint sponsors.

According to the regulatory filing, the firm posted 2017 profit and total comprehensive income of Rmb1.89bn on revenue of Rmb17.72bn.

HUIFU PAYMENT OPENS BOOKS

Third-party payment firm **HUIFU PAYMENT** has started bookbuilding for a Hong Kong IPO of up to HK$1.91bn (US$244m).

The company is selling 225m primary shares, or 18% of the enlarged share capital, at an indicative price range of HK$6.50–$8.50 each. The price range represents a 2018 P/E of 29.4–39.6 and 2019 P/E of 18.9–25.5.

Huifu has brought in Shanghai Lianyin Venture Capital, a subsidiary of China UnionPay, as a cornerstone investor, taking Rmb80m of the float.

Pricing is slated for June 6.

CLSA and *JP Morgan* are joint sponsors and joint global coordinators. They are also joint bookrunners with *CCB International*, *Haitong International*, *Credit Suisse* and *CMB International*.

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

UXIN FILES FOR NASDAQ IPO

UXIN, one of China's biggest used-car marketplaces, has filed for a US$500m Nasdaq IPO with the US Securities and Exchange Commission.

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 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.

The online auction house counts KKR, TPG and Warburg Pincus among its backers. In January 2017, it sealed a US$500m funding round.

ABC WINS APPROVAL FOR PLACEMENT

AGRICULTURAL BANK OF CHINA has received approval from the China Securities Regulatory Commission for a record Rmb100bn private placement of A-shares.

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

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

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

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

RETAIL BUYERS SWAMP CATL IPO

Retail investors piled into the Rmb5.46bn ChiNext IPO of **CONTEMPORARY AMPEREX TECHNOLOGY** (CATL), China's largest lithium battery producer, after a regulatory cap on its valuation forced the company to slash its fundraising target.

The retail tranche was 3,201 times covered, triggering a clawback that will allocate 90% of the IPO shares to individual investors. The institutional tranche was earlier about 537 times covered.

CATL set its IPO price last week at Rmb25.14 per share, equivalent to 22.99 times historical earnings and in line with the securities watchdog's unwritten limit of 23 times. The price translates to an 8% discount to the average valuation of listed peers in the electrical machinery and equipment manufacturing industry.

The IPO size, however, is 58% lower than CATL's initial target of Rmb13bn.

The company, which produces batteries for electric vehicles, sold 217m new shares, or about 10% of its enlarged capital.

Proceeds will be used for two production projects.

China Securities is the sponsor and joint bookrunner with *Goldman Sachs Gao Hua Securities* and *Industrial Securities*.

360 FORGES AHEAD WITH BIG PLACEMENT

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

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

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

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

The deal still needs regulatory approval.

BEIJING CAPITAL has received written approval from the China Securities Regulatory Commission for a proposed private share placement of up to Rmb2.69bn.

The water services company plans to place up to 964m shares at a floor price to be set on the first day of issuance.

China Securities is the sponsor of the placement, proceeds of which will be used for water treatment and supply projects, as well as for working capital.

FAR EAST HORIZON EXITS CONSUN

Far East Horizon has raised HK$689m from the sale of its entire stake in **CONSUN PHARMACEUTICAL GROUP**.

The clean-up trade involved 80.59m shares, or 9.2% of Consun's total issued capital, at an indicative price range of HK$8.55–$8.80 each. The block priced at the bottom of the guidance range, representing a discount of 10.8% to the pre-deal spot of HK$9.58.

Investors were sounded on the deal before the launch and there was visibility for more than the deal size at launch.

Books were well oversubscribed with demand from international long-only institutions, hedge funds and Chinese institutions.

Around 20 accounts participated with the top five getting half the deal.

Energon HK and United Vantage Corporation, two wholly owned subsidiaries of Far East Horizon, were the selling shareholders. *JP Morgan* and *UBS* were joint placing agents.

APPROVAL FOR JANGHO'S SPIN-OFF

Shanghai-listed **JANGHO GROUP** has received China Securities Regulatory Commission approval for a proposed spin-off and listing of subsidiary **STEVE LEUNG DESIGN GROUP** on the main board of the Stock Exchange of Hong Kong.

SLDG, a Hong Kong-based interior design and decoration company, plans to sell no less than 25% of its enlarged company capital in Hong Kong, according to a filing from Jangho in 2016. Proceeds will be used to expand the business and replenish working capital.

SLDG posted profits of HK$74m in 2017 on revenue of HK$435m.

Dongxing Securities (Hong Kong) is the sponsor for the IPO.

CHANGSHA LENDER GETS IPO NOD

BANK OF CHANGSHA has cleared a China Securities Regulatory Commission hearing for a proposed Shanghai IPO of up to 1bn shares, or about 24.5% of its enlarged capital.

The lender may raise more than

Rmb7bn, based on its historical book value of Rmb7.42 per share.

Proceeds will be used to strengthen Core Tier 1 capital. *Citic Securities* is the sponsor.

The deal still needs written CSRC approval.

Hong Kong-listed **CSC FINANCIAL**, also known as China Securities, has started pre-marketing a Shanghai IPO of up to Rmb2.17bn.

The brokerage plans to offer up to 400m A-shares, or about 5.2% of its enlarged capital.

It will set the price on June 5 and start bookbuilding two days later.

Proceeds will be used to increase the firm's capital.

UBS Securities and *China Galaxy Securities* are joint sponsors on the IPO, and joint bookrunners with *Zhong De Securities* and *Haitong Securities*.

GDS RAISES US$250M FROM CB

Nasdaq-listed **GDS HOLDINGS** has raised US$250m from a seven-year put-five convertible bond.

The CB was priced at a 2% coupon, within the 1.75%–2.25% range. Conversion premium was set at 32.5%, mid-point of the 30%–35% range.

There is a US$50m greenshoe which can be exercised within 30 days.

The deal was launched when Asian markets were down last Wednesday. Demand started to pick up when the US market jumped on Wednesday night as worries over Italy's political crisis faded.

The CB, the first equity-linked issue from a US-listed Chinese issuer this year, has drawn strong demand exceeding US$900m. The book was multiple times covered with more than 80 investors participating.

There was a balanced mix of hedge funds and outright investors. Demand came predominately from US-based investors and there was also good support from Asia and Europe.

Credit spread was assumed at 500bp, implied volatility at 30 and fair value at 106.

The Chinese data centre operator will use the proceeds to build and acquire new data centres, repay debt and for general corporate purposes.

Citigroup, *JP Morgan* and *RBC* were joint bookrunners.

CHINA MERCHANTS PLANS JUMBO EB

CHINA MERCHANTS GROUP has mandated *Citic Securities*, *China Merchants Securities* and *Huatai United Securities* as joint bookrunners for a proposed private placement of five-year exchangeable bonds to raise up to Rmb15bn, according to an exchange filing.

The EBs will be exchangeable into shares of **CHINA MERCHANTS SHEKOU INDUSTRIAL ZONE**.

The group owns 5.23bn China Merchants Shekou shares, or about 66% of the industrial park developer's total issued capital.

The deal needs regulatory approval.

LIAONING FANGDA GETS EB APPROVAL

LIAONING FANGDA GROUP INDUSTRIAL has received approval from the Shanghai Stock Exchange to raise up to Rmb6bn from a private placement of three-year bonds exchangeable into shares of **FANGDA CARBON NEW MATERIAL**.

Liaoning Fangda holds 731m Fangda Carbon shares, representing 40.85% of the company's issued capital.

Huatai United Securities is the sole bookrunner.

Fangda Carbon makes graphite and carbon products.

HONG KONG

DEBT CAPITAL MARKETS

SOCAM INVESTORS AGREE AMENDMENTS

SOCAM DEVELOPMENT said holders of 86.10% of its US$280m 6.25% notes due 2020 have agreed to a consent solicitation to amend the terms of the bonds.

The amendments will give the Hong Kong-listed property development and construction group greater flexibility to purchase, redeem or acquire its shares and to declare and pay dividends for up to HK$300m (US$38m).

Holders of the 2020s, which were issued in 2017, received US$6.25 per US$1,000 in principal amount if they agreed to the changes.

SOCAM said it has settled payment of the consent fees to all the consenting bondholders on May 25.

SWIRE PROPERTIES SETS UP MTN

SWIRE PROPERTIES, rated A2/A (Moody's/Fitch), has set up a US$4bn medium-term note programme with *HSBC* and *Standard Chartered Bank* as joint arrangers.

Swire Properties MTN Financing is the issuer under the programme and the Hong Kong real estate company is the guarantor.

The MTN programme is listed on the Stock Exchange of Hong Kong.

Swire Properties, a 82%-owned subsidiary of Swire Pacific, on May 10 said it intends to dispose of its 100% ownership stakes in office buildings Cityplaza Three and Cityplaza Four in Quarry Bay, Hong Kong. Moody's said the disposal plan, if successful, will be credit positive for both Swire Properties and its parent.

The company in January issued a US$500m 10-year 3.50% Green bond at Treasuries plus 110bp.

SYNDICATED LOANS

AFFINITY CLOSES TRIMCO STAKE LOAN

AFFINITY EQUITY PARTNERS has closed a US$255m five-year amortising financing backing its purchase of a majority stake in garment label maker Trimco International Holdings.

Cathay United Bank and *CTBC Bank* were the mandated lead arrangers, bookrunners and equal underwriters of the transaction, which comprises a US$240m term loan tranche A and a US$15m revolving credit tranche B.

The all-in pricing is in the high 300s, while the debt represents leverage of around 4x–5x. Signing was on May 25.

Affinity agreed to buy the majority stake in Hong Kong-headquartered Trimco for US$520m from Partners Group in early January.

Partners Group had bought the stake in Trimco in 2012 from another private equity firm, Navis Capital Partners.

At the time, it had borrowed US$55m in a senior loan from four Taiwanese banks. CTBC was the sole facility and security agent and MLAB. Ta Chong Bank, Taipei Fubon Commercial Bank and Taishin International Bank joined to share the MLA title.

The five-year amortising term loan, with an average life of about three to 3.5 years, paid a margin of 450bp over Libor.

For full allocations, see www.ifrasia.com.

SHENZHEN RAISES HK$10BN CLUB LOAN

Hong Kong-listed property developer **SHENZHEN INVESTMENT** is raising a HK$10bn (US$1.27bn) five-year club loan.

Bank of China (Hong Kong) is the coordinator on the deal, which offers an interest margin of 195bp over Hibor and has an average life of 3.75 years.

Lenders are being offered an all-in pricing of 220bp via an upfront fee of 93.75bp. There is a 45bp commitment fee during the six-month availability period.

Funds are for refinancing existing debt.

The borrower last tapped the loan market in March 2016 for a same-sized five-year club deal. Bank of China (Hong Kong), Bank of East Asia, CITIC Bank International, DBS Bank, Hang Seng Bank, Industrial & Commercial Bank of China, Wing Hang Bank and Wing Lung Bank were the lenders to that deal.

Shenzhen Investment is the largest listed property developer under the Shenzhen State-owned Assets Supervision and Administration Commission. It mainly engages in the development of residential property, commercial property and property complexes, as well as property investment and management.

CITIC CAPITAL LAUNCHES HK$2.5BN REFI

CITIC CAPITAL HOLDINGS has launched a HK$2.5bn three-year refinancing.

Bank of China (Hong Kong), *Bank of CommunicationsHong Kong branch*, *China Everbright BankHong Kong branch*, *Hang Seng Bank* and *HSBC* are the mandated lead arrangers and bookrunners.

A third of the facility is a bullet term loan tranche A, while the rest is a revolving credit tranche B.

The deal, which was launched on Wednesday, offers an interest margin of 200bp over Hibor.

Lead arrangers committing HK$400m or above earn a top-level all-in pricing of 240bp via an upfront fee of 120bp, arrangers with HK$150m–$390m commitments receive an all-in of 230bp via an 90bp fee, while senior managers joining with HK$100m–$140m get an all-in of 220bp via a 60bp fee.

The deadline for commitments is June 22.

Funds will be used to refinance a HK$3bn three-year bullet loan the borrower signed in September 2015 with 19 banks, including six MLABs.

That loan offered a top-level all-in pricing of 250bp based on a margin of 210bp over Hibor.

Citic Capital is a unit of Hong Kong-listed Chinese state-owned conglomerate Citic providing alternative investment management and advisory services.

KWG PROPERTY BACK FOR US$300M

Chinese real estate company KWG PROPERTY HOLDING is in the market for a US$300m-equivalent four-year loan, 1.5 years after it signed a larger borrowing.

HSBC and *Standard Chartered Bank* are the mandated lead arrangers and bookrunners of the transaction, which can be drawn in either Hong Kong or US dollars.

The deal offers an interest margin of 366bp over Hibor/Libor and has a remaining average life of 3.675 years.

MLABs committing US$75m-equivalent or more will receive an all-in pricing of 405bp via an upfront fee of 143bp, while MLAs joining with US$50m–$74m earn an all-in pricing of 400bp via a 125bp fee. Lead arrangers joining with US$25m–$49m earn an all-in pricing of 395bp via a 107bp fee.

Responses are due on June 22.

Funds are for refinancing and general corporate purposes.

The Hong Kong-listed borrower's last visit to the loan markets was in January 2017 for a HK$3.03bn-equivalent four-year transferable term loan. Bank of East Asia, Hang Seng Bank, HSBC and StanChart (Hong Kong) were the MLABs on that deal, which offered an all-in pricing of 395bp via a margin of 351bp over Hibor or Libor and a 154bp upfront fee.

AGILE INCREASES REFI TO HK$10.4BN

Chinese developer AGILE GROUP HOLDINGS has increased its latest four-year refinancing to HK$10.4bn-equivalent from HK$6bn, according to a company statement.

The borrowing is split into a HK$8.834bn tranche and another US$200m portion, paying an interest margin of 395bp over Hibor/Libor, Agile said in a filing on May 21 when the deal was signed.

The financing has a greenshoe option of HK$2.5bn to allow more lenders to join at a later stage.

Hang Seng Bank, *HSBC* and *Standard Chartered* were the mandated lead arrangers and bookrunners on the facility, which offered top-level all-in pricing of 520bp based on an average life of 3.4 years.

The pricing is richer than that paid by peers in the market and Agile's own previous borrowings, partly due to the longer four-year maturity compared with the typical three-year tenors.

For example, Agile's HK$3.519bn three-year term loan in November paid a top-level all-in of 473bp based on a margin of 389bp over Hibor. Hang Seng Bank and StanChart were the MLABs on that amortising loan.

Agile also said on May 21 that it would trigger an event of default if Chen Zhuo Lin ceases to be its chairman, or if his family reduces its stake to 50% or below from the current level of 64.46% or loses management control of the developer.

NEWOCEAN ENERGY RAISES US$170M

Hong Kong-listed natural gas and LPG distributor NEWOCEAN ENERGY HOLDINGS has raised a US$170m-equivalent four-year club loan, according to a company statement and sources.

HSBC was the coordinator of the deal, which comprises a US$145m tranche A and a HK$195m tranche B.

The interest margin is 350bp over Hibor/Libor. Funds are for refinancing and working capital purposes.

The borrower last tapped the market with a US$150m four-year club deal in August 2016. ANZ, CTBC Bank, Standard Chartered and Taiwan Cooperative Bank were the lenders to that deal.

For full allocations, see www.ifrasia.com.

INDIA

DEBT CAPITAL MARKETS

INDIAN RETAIL BOND ISSUES TO SURGE

Issues of retail bonds are expected to reach an all-time high in India during the current financial year ending in March 2019, according to rating agency Icra.

The public bond issues of non-banking financial companies (NBFCs) are expected to surpass the previous high of Rs423bn (US$6.27bn) seen in FY14 as the retail route becomes the preferred source to raise funds, Icra says in a note.

"Tighter liquidity conditions, rising bond yields and weak capital position of public sector banks that enjoy a dominant 70% share of bank credit is likely to increase retail bond issuances during FY19," said Karthik Srinivasan, senior vice president and group head of financial sector ratings.

While there has been more demand from NBFCs for bank credit since the end of last year, the trend is unlikely to last given the challenges at state-owned banks and tighter central bank lending guidelines, Icra says.

Additionally, overseas funding opportunities are not a viable option due to the hardening of global yields and the depreciation of the rupee, resulting in higher hedging costs. Masala investors may want higher returns to offset currency risks, according to Icra.

In the April to June quarter of FY19, NBFCs are likely to borrow Rs200bn via retail bond issues, more than four times the Rs47bn borrowed through this route in the same period last year.

Earlier this month, SREI EQUIPMENT FINANCE raised Rs5.31bn from a three-tranche public issue. Recently, DEWAN HOUSING FINANCE CORP (DHFL) received final subscriptions of Rs110.26bn for a public issue.

Last week, JM FINANCIAL CREDIT SOLUTIONS raised Rs7.5bn from subordinated bonds via the retail route.

INDIABULLS HOUSING FINANCE is expected to hit the market soon after it received board approval to raise up to Rs150bn in one or more tranches from public bond issues.

NBFCs generally offer a 25bp–75bp premium to attract retail investors. "It may also result in better investor appetite amid limited increase in rates for bank deposits and volatile returns in debt and equity markets," said Srinivasan.

JM FIN RETAIL BONDS OVERSUBSCRIBED

JM FINANCIAL CREDIT SOLUTIONS has raised Rs7.5bn from a public bond issue, according to Edelweiss Securities.

The Indian non-banking financial company received total subscription of Rs16.75bn, or 2.23x the issue size, but decided to retain only Rs7.5bn.

Institutional investors and corporate investors were both allocated Rs1.5bn of the bonds and individual and retail investors were both allocated Rs2.25bn.

The issuer had set yields between 9.25% and 9.75% for tenors of 38 months, five years and 10 years, with an annual payout. It also gave monthly and cumulative payout options to investors, according to the prospectus.

The issue opened on May 28 and closed on May 29, much earlier than the original June 20 deadline.

Icra has assigned a AA (stable) rating to the notes.

SIDBI TAPS JUNE 2021 NOTES

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA has raised Rs5.5bn from a tap of its June 2021 bond at a clean price of 99.87 to yield 8.5489%.

The rupee notes are rated AAA by Care.

On May 28, Sidbi raised Rs11.83bn at 8.5% from the June 2021 bonds.

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

FUTURE BOARD APPROVES RS15BN BONDS

FUTURE ENTERPRISES has received board approval to raise up to Rs15bn from rupee-denominated bonds in the next 12 months, according to an exchange filing. The notes

Tata Sons expands arranger group

Loans **Borrower launches US$1.5bn financing**

TATA SONS, the holding company of conglomerate Tata Group, has launched a US$1.5bn borrowing after expanding the arranger group to a dozen banks.

Nine lenders were first mandated on the borrowing in early March. They were *ANZ*, *Bank of America Merrill Lynch*, *Citigroup*, *Credit Agricole*, *Export Development Canada*, *Mizuho Bank*, *MUFG*, *Standard Chartered* and *State Bank of India*.

BNP Paribas, *First Abu Dhabi Bank* and *Societe Generale* joined as mandated lead arrangers and bookrunners.

The deal is equally split into a four-year tranche A, a five-year tranche B and six-year tranche C.

The blended average life is five years and the blended average interest margin is 90bp over Libor.

Banks are invited to commit equally to tranches A, B and C (option 1), or tranches A and C (option 2), or tranche C (option 3). The blended margin for those joining tranches A and C is 91bp, while tranche C offers a margin of 102bp.

MLABs committing US$100m or more receive participation fees of 65bp (options 1 and 2) and 70bp for (option 3) for top-level blended all-in pricing of 103bp, 104bp and 113.7bp, respectively, on the three tranches. MLAs joining with US$50m–$99m earn fees of 55bp and 60bp for blended all-ins of 101bp, 102bp and 112bp, while lead arrangers coming in for US$25m–$49m receive fees of 45bp and 50bp for blended all-ins of 99bp, 100bp and 110.3bp on the three tranches, respectively.

The deadline for responses is July 6.

Proceeds are for end uses permitted under the automatic route in India's external commercial borrowing guidelines or specific permission from the Reserve Bank of India under the approval window, including but not limited to investment of shares capital and making of loans to group infrastructure companies Tata Teleservices and Tata Teleservices (Maharashtra).

Tata Sons last borrowed in its own name in April 2007 when it closed a US$150m seven-year bullet loan that paid a top-level all-in pricing of 57.5bp based on an interest margin of 52.5bp over Libor. Twelve banks participated in the deal, including seven MLABs.

The latest loan coincides with a couple of borrowings for other Tata Group entities. In January, Tata Steel picked 21 banks for a US$2.16bn six-year loan to refinance short-terms loans at one of its units in Singapore. The size of that borrowing has since been reduced to US$1.7bn after the steelmaker raised US$1.3bn through a 5.5 and 10-year bond paying coupons of 4.45% and 5.45%, respectively. It was India's first high-yield bond of the year.

The same month Tata Motors closed syndication of a £640m (US$850m) loan that has attracted 20 lenders in general syndication.

EVELYNN LIN

Road cleared for RCom asset sales

Bonds **Anil Ambani-led company agrees to pay Rs5.5bn to Ericsson**

RELIANCE COMMUNICATIONS' bonds and shares rallied last week after the company staved off bankruptcy proceedings and said it expected to complete its asset sale to Reliance Jio Infocomm.

The Anil Ambani-led company's 6.5% US$300m bonds due 2020 were trading at a cash price of 53.75 on Friday afternoon after rising to a high of 58.45 on Thursday following the announcement. The dollar notes were up from a recent low of 50.95 on May 16 on worries of a delay to its asset sale plans.

Onshore, RCom shares were trading at Rs17.4 on Friday afternoon, up from a six month low of Rs10.5 on May 16.

Telecom equipment maker ERICSSON had started insolvency proceedings against RCom over unpaid bills, threatening its restructuring plans.

The bankruptcy appeal court in New Delhi on Wednesday put those proceedings on hold after RCom and the Swedish firm agreed a settlement. The Indian telecom company must now pay Rs5.5bn to Ericsson by September.

The National Company Law Appellate Tribunal (NCLAT) also asked RCom and Ericsson to file an affidavit by June 7 stating they will abide by the settlement.

RCom said on Wednesday that it expected to complete a US$2.68bn asset sale to Reliance Jio Infocomm and Canada's Brookfield in the coming weeks, according to a Reuters report.

While RCom should be able to reduce debt with asset sales, bondholders still face heavy writedowns.

"Even in the event that RCom does manage to pull itself out of the insolvency process, we don't see value in the bonds given the redemption payments from the Jio deal range from ~28-43 cents," said Nomura analysts in a note dated May 23.

There is limited recovery potential on the bonds post redemption payments from the Jio deal, given insignificant earnings from RCom's remaining businesses (enterprise and data centre), limited equity value in Global Cloud Xchange and still elevated debt, said Nomura.

On Tuesday, RCom said its unit RELIANCE INFRATEL had reached a separate settlement with its minority shareholders in relation to the sale of its tower and fibre assets

With debt of Rs457.33bn at the end of March 2017, RCom is the most-leveraged listed telecoms carrier in India, hit by a fierce price war over the last year started by the entrance of Reliance Jio, controlled by Anil Ambani's older brother Mukesh.

Separately, RCom said its consolidated net loss widened to Rs198.27bn in the quarter to March, compared with a loss of Rs11.12bn rupees a year ago, as the company provisioned for asset impairments.

KRISHNA MERCHANT

(Additional reporting by Sankalp Phartiyal and Suhail Hassan Bhat at Reuters)

may be issued in one or more tranches.

Last month, the Indian retailer raised Rs5bn from six-year bonds at 10%.

Care has assigned a AA– rating to the notes.

NABARD SCRAPS TAP

NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT has scrapped a Rs5bn tap of its 8.6% January 2022 bond after it received bids at higher levels, according to a market source.

Most investors placed bids at 8.69%, while the lowest bid was at 8.6% for a small amount of Rs250m.

On May 25, Nabard raised Rs14.48bn from January 2022 bonds at 8.6%.

Crisil and Icra have assigned AAA ratings to the rupee notes.

SYNDICATED LOANS

SBI LAUNCHES US$750M LOAN

STATE BANK OF INDIA has launched a US$750m three-year loan, eight months after it signed a same-sized five-year borrowing.

Axis Bank, *Barclays*, *Credit Agricole*, *First Abu Dhabi Bank*, *HSBC*, *MUFG*, *SBI Capital Markets*, *Standard Chartered* and *UOB Bank* are the mandated lead arrangers and bookrunners.

The deal, which was pre-funded in late February, offers an interest margin of 70bp over Libor and has a 2.6-year remaining life.

MLAs committing US$30m or more will receive an all-in pricing of 90bp via a participation fee of 52bp, while lead arrangers joining with US$20m–$29m earn an all-in pricing of 89bp via a 49.4bp fee. Arrangers coming in for US$10m–$19m will receive an all-in pricing of 88bp via a 46.8bp fee.

Bank presentations were held in Taipei on Tuesday and Singapore on Wednesday. The deadline for responses is June 29.

Funds are for general corporate purposes.

The borrower last tapped the loan market in September for a US$750m five-year loan. That facility paid a top-level all-in pricing of 115.35bp based on a margin of 105bp over Libor and a 4.83-year remaining life. Axis, Barclays, BNP Paribas, Citigroup, DBS Bank, FAB, HSBC, MUFG, Mizuho Bank, SBI Capital Markets and StanChart were the MLABs of the deal, which attracted eight other lenders in general syndication.

INDIABULLS PAYS UP FOR QUICK RETURN

INDIABULLS HOUSING FINANCE is back for a US$200m five-year loan, barely two months after signing a same-sized, same-tenor borrowing.

ANZ, *Barclays* and *MUFG* are the mandated lead arrangers and bookrunners of the bullet loan, which carries an unspecified greenshoe and pays an interest margin of 145bp over Libor.

Banks are invited to join as lead arrangers with US$35m or above for upfront fees of 110bp, translating to a top-level all-in pricing of 167bp. Arrangers joining with US$20m–$34m earn 100bp in fees for an all-in of 165bp, while managers coming in for US$10m–$19m receive 90bp for an all-in of 163bp.

Bank presentations will be held in Taipei on Monday and Singapore on Tuesday. The deadline for response is June 29.

Proceeds are for on-lending.

The pricing is richer than on the borrower's last transaction in March when it raised US$200m through a five-year amortising facility. That deal paid a top-level all-in pricing of 143bp based on a margin of 120bp over Libor and an average life of 3.56 years. MUFG and State Bank of India were the original MLABs of the financing, while Korea Development Bank came in with the same title. Seven other lenders joined in general syndication.

EQUITY CAPITAL MARKETS

VARROC, TCNS TO LAUNCH IPOS

VARROC ENGINEERING and TCNS CLOTHING plan to launch respective IPOs of Rs18bn

(US$267m) and Rs12bn at the end of June, people with knowledge of the transactions have said.

Car parts maker Varroc will offer 18.5m shares for sale. Of these founder Tarun Jain will sell 1.75m shares, Omega TC Holdings will sell 15m and Tata Capital 1.4m.

Garment maker and retailer TCNS will offer 15.7m shares for sale. Sellers include Wagner, an affiliate of US private equity fund TA Associates with a 44.2% stake in TCNS, chairman and executive director Onkar Singh Pasricha, who currently owns 16.3% of the share capital, major shareholder Arvinder Singh Pasricha (21.6%), managing director Anant Kumar Daga (3.1%) and shareholder Amit Chand (1.25%).

TA Associates invested in TCNS in a US$140m funding round in 2016.

Varroc makes components for automobile companies such as Bajaj Auto, Honda Motors, Yamaha, Ford, Jaguar Land Rover, Fiat Chrysler and Groupe PSA in India. The company recorded revenue of Rs74bn in the nine months to December 31 and a net profit of Rs3bn.

TCNS sells the W, Aurelia and Wishful brands of women apparel in India, Nepal, Mauritius and Sri Lanka. The company reported a revenue of Rs7.1bn in the financial year to March 31 2017 and an operating profit of Rs1.5bn.

Citigroup, *Credit Suisse*, *IIFL Holdings* and *Kotak* are the bookrunners on Varroc.

Citigroup and *Kotak* are the banks on TCNS Clothing.

INDONESIA

EQUITY CAPITAL MARKETS

› MNC STUDIOS PRICES IPO AT BOTTOM

Media company MNC STUDIOS INTERNATIONAL is set to raise Rp780bn (US$56m) from its IPO after setting the price at the bottom of the Rp500–Rp650 range, a person with knowledge of the transaction said.

MNC Studios is selling 1.56bn primary shares for a 29.98% free float.

The institutional offer closed in mid-May while the retail offer opened last Wednesday and closes on June 4. MNC Studios is a subsidiary of Jakarta-listed Media Nusantara Citra.

MNC Studios' businesses include film production, advertising and talent management.

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

JAPAN

DEBT CAPITAL MARKETS

› FAST RETAILING OFFERS XL SIZE

FAST RETAILING, the owner of Japanese clothing brand Uniqlo, raised a massive ¥250bn (US$2.3bn) in the domestic bond market on Wednesday at maturities of five, seven, 10 and 20 years.

The deal comprises a ¥80bn 0.11% five-year tranche, ¥30bn 0.22% seven-year, ¥100bn 0.405% 10-year, and a ¥40bn 0.88% 20-year portion.

The size matches Fast Retailing's only previous bond issue, from December 2015, but increases the average duration to an impressive 9.64 years from 6.65 years. In its debut offering, Fast Retailing sold ¥30bn of three-year bonds, a ¥100bn five-year, ¥50bn seven-year and a ¥70bn 10-year tranche.

The new issue is the biggest corporate bond offering in Japan's domestic market since Asahi Group Holdings raised ¥280bn in maturities of three, five, seven, and 10 years in June 2017.

According to DealWatch, a Thomson Reuters publication, the transaction, which was marketed under the pot system rather than the traditional retention system that is more common in the yen domestic market, drew over ¥340bn of demand.

Mitsubishi UFJ Morgan Stanley, *Mizuho*, *Nomura*, and *SMBC Nikko* were joint lead managers.

SYNDICATED LOANS

› INVESCO OFFICE SIGNS ¥12BN REFI

INVESCO OFFICE J-REIT signed four bullet term loans totalling ¥12bn for refinancing on Wednesday.

Sumitomo Mitsui Banking Corp was the arranger of a ¥5.7bn three-year 11-month

MUFG struggle raises stakes for peers

■ Bonds **Bank prints small euro deal, adding pressure for next-in-line SMFG**

MITSUBISHI UFJ FINANCIAL GROUP only managed to raise €350m (US$409m) of senior debt against a brutal market backdrop, potentially pushing pricing wider for SUMITOMO MITSUI FINANCIAL GROUP, which had already announced a roadshow.

MUFG began marketing a five-year floater and/or 10-year fixed trade on May 22 but dropped the longer note and pushed ahead with the floater alone on Wednesday.

Initial price thoughts came at three-month Euribor plus 60bp area for what was meant to be a benchmark, typically €500m or more. Leads *Morgan Stanley* and *MUFG* managed to tighten the spread by 5bp to a final 55bp, but the deal was sized at just €350m.

The issue has initial ratings of A1/A–/A.

A banker away suggested the trade was unlucky, though not mispriced – Mizuho's April 2023 floater, which has similar ratings as MUFG, was bid at 47bp, implying fair value for MUFG was in the low to mid-40s. Investors, however, are proving less willing to support trades while markets are so fragile.

"It's bad luck in terms of the day; the open was bad and it just got worse," the banker said. "You'd have thought a five-year floater was defensive enough, but clearly it wasn't. It just shows you how very difficult the backdrop is today."

MUFG was right to drop the 10-year, he noted. Britain's Nationwide Building Society picked that tenor in the covered market the same day, but drew the smallest book of the day's four deals in that sector.

MUFG's outcome is likely to pile further pressure on holdco and non-preferred senior spreads, which have leaked wider in recent months.

That will have a knock-on effect for SMFG, which mandated *SMBC Nikko*, *Goldman Sachs*, *Barclays*, *BNP Paribas* and *HSBC* for a five to 10-year euro senior fixed and/or floating transaction (A1/A–). It was due to meet investors from last Monday.

Adding to the volatile backdrop was the political chaos in Italy that rocked risk markets last week. Although risk appetite bounced back somewhat after fears of a snap Italian election and subsequent eurozone exit were dialled down, 10-year BTP yields still remain well above the May 3 close.

ALICE GLEDHILL, JON PENNER

Samurai stability for Credit Agricole

Bonds **Yen market delivers despite Italian jitters, but long marketing takes a toll**

CREDIT AGRICOLE raised a respectable ¥87bn (US$797m) from an offering of multi-tranche Samurai bonds in a rollercoaster week for European bonds.

The transaction provided yet another example that an international yen deal is not easily derailed, even when overseas markets succumb to volatility.

The French bank sold ¥9.7bn of 0.204% five-year senior preferred notes at 5bp over yen offer-side swaps, ¥6.8bn of 0.509% 10-year senior at 20bp over swaps, ¥47.2bn of 0.654% 10-year senior non-preferred at 50bp over, and ¥23.3bn of 0.959% 10-year senior non-preferred at 65bp over.

It began marketing on May 29 at the height of the Italian political crisis. Italian 10-year bond yields spiked up to 3.40% as snap elections seemed inevitable and the head of the central bank Ignazio Visco warned that the country was "only a few short steps away from the very serious risk of losing the irreplaceable asset of trust".

The turmoil in the European bond market triggered a secondary market sell-off on May 30 in the Samurai bonds of Italian and Spanish names. French Samurai bonds too were affected, with the widening spreads in secondary making the Credit Agricole trade less attractive.

Some investors who were looking at the deal on a relative-value basis reduced their orders or pulled out altogether, resulting in a substantial decrease in orders.

"The book size roughly halved at one stage," said a banker on the deal.

However, investors returned as the European market stabilised the following day, orders rose again and the total issue size came to ¥87bn. Leads said more than 100 investors participated.

Life insurers and regional banks were decent buyers. Lifers showed good demand in all the four tranches, while regionals took about 45% of the five-year senior non-preferred tranche and about 20% of the 10-year senior non-preferred.

TRACK RECORD

Regional investors were again motivated by the clearer guidelines from Japan's Financial Services Agency in April on banks' holdings of bonds counting towards total loss-absorbing capacity requirements. Thanks to the FSA guidelines, last week's Lloyds Banking Group MREL deal attracted massive demand from regional investors.

The Credit Agricole deal was made possible, not just due to regional participation but to the issuer's strong commitment to the Japanese investor community. The French bank usually issues Samurai bonds in June, especially since 2015. The deal also proved the resilience of the yen market even in tough market conditions.

On the flip side, some longstanding conventions in the Samurai market proved to be drawbacks, notably the long marketing period which exposes the issuer to market swings.

Credit Agricole sounded out investors on Monday and conducted three-day marketing before pricing on Friday.

Another negative was the rigidity of guidance ranges. At the start of marketing, the ranges were the 5bp area for the five-year senior, 18bp–20bp for the 10-year, 45bp–50bp for the five-year senior non-preferred, and 60bp–65bp for the 10-year senior non-preferred. Feeling the ranges were too narrow, some relative-value investors turned away. But bankers said they could not reset guidance or price outside the ranges.

If the yen market is to grow, this points to the necessity of shortening marketing periods and adopting more flexible guidance ranges.

Credit Agricole, *Daiwa*, *Mizuho*, *Mitsubishi UFJ Morgan Stanley*, *Nomura* and *SMBC Nikko* were leads on the deal rated A1/A/A+ for the senior preferred tranches and Baa2/BBB+/A+ for the senior non-preferred portion.

TAKAHIRO OKAMOTO

loan and a ¥5.3bn four-year 11-month loan, which pay interest margins of 35bp and 45bp over three-month Tibor, respectively.

Development Bank of Japan, *Mizuho Bank*, *MUFG*, *Resona Bank* and *Sumitomo Mitsui Trust Bank* joined in syndication.

Nippon Life Insurance is providing a ¥300m three-year 11-month loan and a ¥700m four-year 11-month loan as bilateral loans, which pay fixed interest rates of 0.5% and 0.6%, respectively.

The drawdown date for all the facilities is June 6.

The borrower, which invests in large office buildings in Japan's major urban areas, last tapped the syndicated loan market last month when it raised a ¥33.2bn bullet term loan for real estate acquisitions.

SBERBANK SIGNS ¥30BN JBIC LOAN

SBERBANK, Russia's largest state-owned commercial bank, has signed a ¥30bn export credit facility with *Japan Bank for International Cooperation*.

The facility, signed on May 24, is to provide medium and long-term financing in yen to local companies in Russia and neighbouring countries for the purchase of machinery and equipment from Japanese exporters, JBIC said in a statement.

EQUITY CAPITAL MARKETS

BEAUTY COMPANY PLANS FOLLOW-ON

RIZAP GROUP plans to raise about ¥34.8bn (US$317m) from a primary follow-on offering.

The Japanese beauty and health company will sell 20.27m shares in the base deal and there is an over-allotment option of 3.03m shares.

The shares will be offered at a discount of 4.0%–7.0% to the market price on the pricing day.

Based on the company's closing price of ¥1,718 on May 28, the total deal size could be ¥40bn if the over-allotment option is fully exercised.

Books will close on June 5 for international investors and June 6 for domestic investors. Pricing is slated for June 6 at the earliest.

There is a 180-day lock-up for the issuer and the founder's family.

SBI Securities and *Credit Suisse* are joint bookrunners for the domestic tranche, while Credit Suisse and *Deutsche Bank* are joint bookrunners for the international tranche.

Proceeds will be used for investment, strengthening the group's synergy platform, and debt repayment.

MALAYSIA

DEBT CAPITAL MARKETS

MERCEDES PLANS M$3BN DRIVE

MERCEDES-BENZ SERVICES MALAYSIA plans to set up a M$3bn (US$764.4m) CP/MTN programme that will be wrapped with an irrevocable and unconditional guarantee from German parent Daimler.

HSBC and *UOB Malaysia* are joint arrangers for the programme, according to a filing made on the Securities Commission website.

The notes are rated AAA to reflect the wrap from Daimler, which also provides ongoing funding support to the Malaysian unit. Mercedes-Benz Services Malaysia, set up in 2012, provides commercial vehicle financing and insurance solutions to customers. Its rapid financing growth over the last few years has put pressure on its gearing ratio, which rose to 13.7x at end-December 2017 from 6.1x at end-2013, said RAM.

MONGOLIA

DEBT CAPITAL MARKETS

› DBM EYES DOLLAR BOND

DEVELOPMENT BANK OF MONGOLIA has asked banks to pitch for roles on a potential US dollar senior bond offering, according to a source.

The Mongolian state-owned policy bank originally sent requests for proposals in February, but has started the process again since so much time has passed since then without a deal. At the time, it was said to be looking at a senior bond with an issue size of US$300m–$400m without a government guarantee.

Proceeds will be used to take out short-dated, high-interest debt.

DBM has ratings of B3/B– (Moody's/S&P), on par with the sovereign.

In January, Moody's upgraded DBM to B3 from Caa1, after it upgraded the sovereign. DBM is state-owned and has a public policy role, increasing the chances of benefiting from government support, Moody's wrote.

DBM's last dollar bond, a US$580m note due on March 21 2017, carried a sovereign guarantee, and prompted an exchange offer for a new Mongolian government dollar bond as the maturity date approached.

NEW ZEALAND

DEBT CAPITAL MARKETS

› HOUSING NEW ZEALAND NEST NZ$500M

HOUSING NEW ZEALAND, rated AA+ (S&P), made a strong return to the local bond market last Friday, raising the maximum target of NZ$500m (US$350m) combined from a five-year and seven-year offering with both tranches pricing at the tight end of guidance.

The NZ$250m 2.97% five-year printed at par, 32bp wide of mid-swaps and 68.5bp over the April 2023 NZGB, while the NZ$250m 3.36% seven-year priced at par, 48bp and 80.5bp over mid-swaps and the April 2025 NZGB.

Joint lead managers *ANZ* and *Westpac* had released indicative respective price guidance ranges of mid-swaps plus 32bp–38bp and 48bp–55bp.

Housing New Zealand is a Crown agency that provides housing services for New Zealanders in need.

STRUCTURED FINANCE

› AVANTI PLANS RARE KIWI RMBS

AVANTI FINANCE has mandated *Westpac* to arrange investor meetings for a potential New Zealand dollar RMBS transaction.

Such a deal would be only the fifth New Zealand RMBS since the global financial crisis.

Two of these were sold by non-bank lender Resimac in September 2014 and November 2017, for NZ$150m (US$105m) and NZ$250m, respectively. This followed two NZ$100m RMBS by 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 overseas covered bond market 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.

PHILIPPINES

SYNDICATED LOANS

› RIZAL BACK FOR US$300M LOAN

RIZAL COMMERCIAL BANKING CORP is returning to the loan market after an absence of nearly

Corning's return attracts new buyers

■ **Bonds** US glass maker raises ¥65.5bn through second Global yen issue in less than a year

US specialty glass manufacturer CORNING, rated Baa1/BBB+ (Moody's/S&P), returned to the yen market last week after less than one year, cultivating its investor base with a ¥65.5bn (US$603m) three-tranche Global bond deal.

It priced ¥10bn 0.722% seven-year notes at 56bp over yen mid-swaps, ¥30.5bn 1.043% 10-year notes at 78bp over and ¥25bn 1.219% 12-year notes at 88bp over.

At first glance, the deal looks less impressive than Corning's debut in August 2017. Then it issued ¥21bn seven-year, ¥47bn 10-year and ¥10bn 20-year bonds, or ¥12.5bn more in total. Furthermore, there was no 20-year tranche this time but a 12-year piece. A banker on the deal said the decision not to issue 20-year paper reflected a lack of participation from the investors who had purchased 20-year bonds last year.

However, lead managers emphasised the positive aspects of the new trade, such as fresh demand from investors who did not participate last year.

"The main reason for Corning with such credit ratings to be able to issue the longer-dated notes is that we were able to bring in new investors," one of the leads said.

The new demand came from life insurers, public funds and asset managers. The 12-year tranche was purchased by different life insurers from those who purchased the 20-year bonds last year.

Both seven and 10-year tranches were sold mainly to lifers, trust banks and asset managers, but public funds did participate in both tenors as well.

Another positive was that Corning was less affected by the European bond market rout than European financial issuers. Pricing did widen from last year, but only slightly.

Compared to the 10-year Samurai bonds issued by Lloyds Banking Group on May 24 that priced at 65bp over swaps, 24bp wider from the prior deal in December, Corning's 10-year widened by just 2bp from last year.

The proceeds will likely be kept in yen, not swapped to US dollars, as the issuer has operations in Japan.

Bank of America Merrill Lynch, *MUFG* and *SMBC Nikko* were joint lead managers.

TAKAHIRO OKAMOTO

three years for a US$300m 2.5-year bullet loan.

ANZ, *Commerzbank*, *CTBC Bank*, *First Abu Dhabi Bank* and *Standard Chartered* are the mandated lead arrangers and bookrunners of the deal. StanChart was initially mandated on the financing and brought in the other banks.

The deal offers an interest margin of 88bp over Libor.

Lead arrangers committing US$20m or more will receive an all-in pricing of 106bp via a participation fee of 45bp, while arrangers joining with US$10m–$19m earn an all-in pricing of 104bp via a 40bp fee.

Bank presentations will be held in Taipei on Tuesday and Singapore on Wednesday. The deadline for responses is June 25.

Funds are for refinancing and general corporate purposes.

The borrower's last visit to the loan market was in September 2015 for a US$280m three-year bullet facility. Deutsche Bank and ING Bank were the MLABs on that deal, which offered a top-level all-in pricing of 155bp based on a margin of 120bp over Libor.

Rated Baa2/BB+ (Moody's/Fitch), RCBC is 33.9% owned by Pan Malayan Management & Investment, while Taiwan's Cathay Life Insurance has a 22.7% stake.

Separately, RCBC said in a filing last week that it will open a planned Ps15bn (US$285m) rights offer for subscription between June 25 and June 29.

EQUITY CAPITAL MARKETS

› DOUBLEDRAGON SETS RANGE

Developer **DOUBLEDRAGON PROPERTIES** is set to raise up to Ps5.4bn (US$103m) from a follow-on stock offering at a preliminary range of Ps30–Ps40 per share.

The transaction comprises a base deal of 135m shares with an over-allocation option of up to 15m, according to a stock exchange filing. DoubleDragon's shares ended 2.9% lower at Ps30 last Wednesday, down 24% since the start of the year.

Books are scheduled to open on June 4 and close on June 8.

The price range and the bookbuilding period are not yet final and are subject to change, according to a person with knowledge of the transaction. In a regulatory filing earlier this year, the company said it would sell the shares at a maximum price of Ps50.

BPI Capital and *Maybank ATR Kim Eng* are the lead underwriters. Maybank is also international bookrunner with *Credit Suisse* and *UBS*.

› DEL MONTE PHILIPPINES OPENS IPO

DEL MONTE PHILIPPINES has opened the institutional books for its IPO of up to Ps13.5bn, according to a person with knowledge of the transaction.

Books close on June 6.

Parent Del Monte Pacific is selling 587m shares in a Ps18–Ps23 range. The shares being offered represent 21% of the capital.

In the preliminary filing Del Monte Philippines had said up to 559.4m shares would be sold at a maximum price of Ps29.88.

The public offer will run between June 8 and June 18 and the shares will list on the Philippine Stock Exchange on June 25.

BDO Capital is the sole global coordinator.

Del Monte Philippines intends to use the proceeds to repay debt and meet general corporate needs.

The company makes canned pineapple and tropical mixed fruits, fruit concentrates, tomato sauce, spaghetti sauce and tomato ketchup.

Del Monte Pacific is listed on the Singapore Exchange and the PSE.

SINGAPORE

DEBT CAPITAL MARKETS

› DBS GOES ABROAD

DBS BANK has raised US$100m from an offering of two-year bonds priced at 3.12%, according to an announcement to the Singapore Exchange.

The self-led bond settled on May 29.

The deal came a week after the Singapore bank sold a £111m (US$147m) three-year floating-rate note at three-month Libor plus 0.21% on May 25.

RESTRUCTURING

› HYFLUX PLANS MEETINGS

HYFLUX plans to meet holders of its outstanding senior and perpetual notes as part of a series of meetings to be arranged

AAA Oil & Fats back for refi

■ Loans **Borrower returns after eight months**

AAA OILS & FATS is self-arranging a US$550m refinancing, eight months after it signed a larger borrowing.

The facility comprises a US$450m two-year revolving credit tranche A and a US$100m trade facility tranche B of up to two years.

There are greenshoe options of US$100m and US$50m for tranches A and B, respectively.

Tranche A offers an interest margin of 150bp over Libor. For this portion, mandated lead arrangers and bookrunners committing US$100m or more receive an upfront fee of 45bp, while MLAs joining with US$75m–$99m earn a 35bp fee. Lead arrangers coming in for US$50m–$74m receive a 25bp fee, while arrangers taking US$25m–$49m are paid a 15bp fee. Senior managers joining with US$10m–$24m earn a 10bp fee. There is a 5bp early bird fee for those joining by June 15.

Tranche B has letters of credit, standby letters of credit, bank guarantees, performance bonds and overdraft facilities, which banks can ask to join. This tranche is expected to be signed bilaterally with each lender. For tranche B, lenders are being offered an annual fee of 15bp for tickets of US$75m or more and an annual fee of 10bp for US$50m–$74m for the first year, and 20bp and 15bp, respectively, for the second year.

A site visit will be held in Indonesia on June 20. The deadline for responses is early July.

The loan carries guarantees from immediate parent Apical Group, a palm oil refiner in Indonesia that had a market share of about 8% of the global palm oil industry in 2016, and indirect parent Asian Agri.

The borrower's last visit to the loan market was in August 2017 for a US$800m facility. ABN AMRO was the facility agent of that loan, which had a two-year maturity and a two-year extension option. That deal comprised a tranche A secured revolving trade facility of US$630m and a tranche B secured term loan of US$170m. The margins were 225bp and 260bp over Libor for tranches A and B, respectively. Banks were invited to join at top-level upfront fees of 90bp and 140bp on tranches A and B, respectively.

AAA Oils & Fats is part of the RGE Group, a privately owned integrated resource-based industrial group in Asia Pacific. The group's businesses include pulp and paper mill company Asia Pacific Resources International Holdings, palm oil mills and refineries, and specialty cellulose and cellulosic fibre mills.

EVELYNN LIN

by the Securities Investors Association Singapore.

Talks will also take place with equity shareholders.

The Singapore water treatment services provider applied in late May to be placed under the Singapore High Court's protection as it restructures its debt and reorganises its businesses. A court hearing will be held on June 19.

Hyflux said earlier that it would not pay an interest obligation due on May 28 on its S$500m (US$373.6m) 6% perpetual capital securities. The company said that it was in talks with the perpetual trustee on the situation.

By announcing it would not pay the coupon, Hyflux triggered an event of default in a financial covenant on its three senior bonds, namely a S$100m 4.25% note due September 7 2018, a S$100m 4.2% note due August 29 2019 and a S$65m 4.6% note due September 23 2019. The company said it would send a notice of this event to the trustee of the notes.

Hyflux also has an outstanding S$400m issue of cumulative non-convertible perpetual Class A preference shares (CPS), which were not called on April 25. That did not constitute an event of default but, as a result, the coupon stepped up to 8% from 6%.

The company has not given any indications of how it will approach restructuring, but credit analysts believe banks will support its debt workout efforts.

"If senior lenders are required to take larger impairments, this would increase the probability of CPS and perpetual holders to be equitized into common equity, at least in part," said OCBC Bank's credit analyst Ezien Hoo.

SOUTH KOREA

DEBT CAPITAL MARKETS

› HYUNDAI CAPITAL PRINTS SWISSIE

HYUNDAI CAPITAL SERVICES, rated Baa1/A–/BBB+, on Wednesday priced a SFr300m (US$303m) five-year senior unsecured bond at par to yield 0.695%.

This was equivalent to mid-swaps plus 85bp, the tight end of 85bp–90bp guidance.

The notes are expected to be rated Baa1/A– (Moody's/S&P).

Credit Suisse and *UBS* were lead managers.

› KOWEPO MOBBED IN SAFE-HAVEN QUEST

KOREA WESTERN POWER drew an overwhelming response to a US$300m 3.75% five-year bond on Thursday, as investors snapped up the defensive credit in a volatile market.

The state-owned utility, rated Aa2/AA (Moody's/S&P), priced the Reg S-only deal at Treasuries plus 112.5bp, well inside the initial Treasuries plus 140bp area after orders exceeded US$2.5bn at final guidance. By final pricing, there was little adjustment to books, with US$2.3bn of orders still standing.

A new-issue concession of around 7bp was spotted based on the average G-spread on recent issues from Korean SOEs, such as Korea Hydro, Korea Oil and Korea Water.

The bonds were bid at Treasuries plus 107bp in the aftermarket.

"We were conscious of volatile markets so we built in the new-issue concession at initial price guidance, based on premiums of 10bp–15bp seen in the US overnight," said a banker on the deal.

"This was a great result. Korea is serving the flight-to-quality play at a time when investors are getting torched from China high-yield bonds."

By region, Asia took 83% and EMEA 17%. Funds, asset managers and insurers accounted for 69% of the notes and banks were allocated 28%. Private banks and others took 3%.

Proceeds will be used to refinance bonds Kowepo last issued in 2013. Those US$500m 2.875% notes are due October 10, according to Thomson Reuters data.

Kowepo's senior unsecured notes have expected ratings on par with the issuer.

Kowepo is one of six power utilities under the control of Korea Electric Power, producing about 90% of the country's electricity.

BNP Paribas, *Citigroup* (B&D) and *HSBC* were joint bookrunners.

EQUITY CAPITAL MARKETS

› SAMSUNG UNITS CUT CROSS-HOLDINGS

Samsung Life Insurance and Samsung Fire & Marine Insurance have raised W1.32trn (US$1.22bn) from the sale of part of their stakes in **SAMSUNG ELECTRONICS**.

SLI sold 23m shares and SFM 4m at W48,750 each, versus an indicative price range of W48,300–W49,500. The price represents a 1.5% discount to the pre-deal close of W49,500.

Books were multiple times covered with participation from 130 investors, including international long-only funds, hedge funds and domestic institutions. The top 10 investors were allocated 55% of the deal.

Samsung Electronics shares fell 3.5% last Wednesday before the block launched, after local media reported that Samsung Life planned to sell part of its stake.

The stock closed 2.42% higher last Thursday.

The block trade comes after South Korea's antitrust chief called on Samsung Group, the country's biggest conglomerate, to streamline its cross-shareholding structure.

According to a Reuters report on May 10, Kim Sang-jo, chairman of the Korea Fair Trade Commission, said the ownership and control structure of Samsung Group, was not sustainable.

Samsung Life said in a regulatory filing that the disposal was to pre-emptively remove regulatory risks.

There is a 45-day lock-up on the vendors for the block trade.

Goldman Sachs and *JP Morgan* were the placing agents.

TAIWAN

SYNDICATED LOANS

› ACE WORLD, ASIA CROWN SEEK US$297M

ACE WORLD INVESTMENT and affiliate **ASIA CROWN ENTERPRISE** are seeking a US$297m-equivalent three-year loan.

Chang Hwa Commercial Bank is the mandated lead arranger and bookrunner of the transaction, which comprises a US$190m tranche and a NT$3.2bn (US$107m) piece.

The NT dollar portion offers an interest margin ranging from 60bp to 80bp over Taibor, while the margin on the US dollar portion is 195bp over Libor. The borrower will pay any excess interest rate beyond a 35bp difference between TAIFX and Libor.

Taiwanese lenders are being invited to join as MLAs with commitments of US$35m–$38m and NT$600m–$640m for an upfront fee of 22bp, as co-arrangers with US$25m–$34m and NT$500m–$599m for a 12bp fee, or as participants with US$10m–$24m and NT$300m–$499m for a 5bp fee.

Non-Taiwanese lenders are being invited to join as MLAs with commitments of US$60m–$70m for an upfront fee of 22bp, as co-arrangers with US$40m–$59m for a

12bp fee, or as participants with US$20m–$39m for a 5bp fee.

The deadline for response is June 29.

Funds are for refinancing and working capital purposes.

› TCC UNITS ISSUE RFPS

Two units of conglomerate Taiwan Cement have sent out requests for proposals to relationship banks for two facilities totalling NT$7.5bn.

TAIWAN PROSPERITY CHEMICAL is the borrower of a NT$4bn five-year loan for refinancing, while TA-HO MARITIME is the borrower on a NT$3.5bn seven-year facility for capital expenditure and working capital purposes, marking its debut in the loan market.

The deadline for submitting bids is June 5.

In December 2013, Taiwan Prosperity Chemical raised a NT$2.6bn five-year financing. Bank of Taiwan, CTBC Bank, Mega International Commercial Bank, Taiwan Cooperative Bank and Taipei Fubon Commercial Bank were the mandated lead arrangers and bookrunners on that deal, which was split into a NT$1.9bn term loan and a NT$700m revolving credit. Tranche A offered an interest margin of 60bp over the 90-day secondary CP rate, while tranche B paid 65bp over the same base rate. There was a pre-tax interest-rate floor of 1.5% on both tranches.

THAILAND

DEBT CAPITAL MARKETS

› PTT GLOBAL CHEMICAL HOLDS TENDER

PTT GLOBAL CHEMICAL has announced a tender offer for its US$1bn 4.25% senior unsecured notes due September 19 2022.

Bondholders who tender in the offer 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 issuer is offering to redeem the notes at face value. The deadline is June 25 and settlement is expected on June 28.

Holders who tender by the early-bird deadline of June 11 will be paid a premium of US$2 per US$1,000 in principal amount.

The "like-kind" swap will allow the parent company to benefit from a withholding tax exemption on distribution benefits for bonds issued by a treasury centre. Thai Oil conducted a similar offer in April this year, after PTTEP carried out the first transaction in July 2017.

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.

Moody's expects the total amount of 2022 notes outstanding to remain at US$1bn after the transaction. The new notes are expected to be rated Baa2/BBB (Moody's/S&P).

› THAI AIRASIA PLANS TRIPLE-TRANCHER

THAI AIRASIA plans to sell up to Bt5bn (US$156m) of bonds in tenors of three, five and 10 years.

Bookbuilding is slated for mid-June via joint lead managers and underwriters *Bangkok Bank*, *CIMB Thai* and *Kasikornbank*.

The deal comes a year after the Thai regional airline privately placed Bt1.6bn of three and five-year notes at 2.65% and 3.28%, respectively, in mid-May last year.

Thai AirAsia, rated A– by local agency Tris, is jointly owned by Thailand's Asia Aviation and Malaysia's AirAsia Group.

› INDORAMA MARKETS BT15BN BOND

INDORAMA VENTURES was marketing six bond tranches last Friday in tenors of three to 15 years to raise up to Bt15bn.

Guidance was 2.21%–2.31% for the three-year tranche, 2.68%–2.78% for a five-year tranche, 3.08%–3.18% for a seven-year tranche, 3.73%–3.83% for a 10-year piece, 4.02%–4.12% for a 12-year piece and 4.17%–4.27% for the 15-year piece.

Bangkok Bank, *Kasikornbank*, *Krungthai Bank* and *Siam Commercial Bank* are joint underwriters and lead managers.

This is the largest transaction for the Thai petrochemical products maker, rated A+ by Tris, since October 2014, when it sold Bt15bn of 7% step-up perpetuals to retail and institutional investors.

› BANKS VIE FOR TREIT

Banks are bidding for a mandate from TICON FREEHOLD AND LEASEHOLD REIT to lead and underwrite a Bt3.74bn bond.

The industrial property trust plans to sell bonds with tenors of up to 10 years to refinance bank loans. Ticon REIT, rated A by Tris, is on a Bt3.5bn acquisition drive to expand its assets, with plans to finance all purchases with debt.

› RATCHTHANI PLANS DUAL-TRANCHER

RATCHTHANI LEASING will return this week for its third visit to the bond market this year to raise Bt3bn.

Bookbuilding is slated for Monday and plans are for a minimum size of Bt2bn with a Bt1bn greenshoe. Tenors of 2.5 and three years are being indicated to investors.

Kasikornbank and *Thanachart Bank* are joint lead managers and underwriters. The notes are rated A– by Tris to reflect the issuer's strategic value to parent Thanachart Bank.

Ratchthani Leasing sold Bt2.9bn of two-year 10-month and three-year bonds in two transactions in February and March.

› ICBC THAI GOES WIDE

ICBC THAI LEASING has raised Bt4.2bn from two, three and four-year bonds priced at the wide ends of guidance.

It sold Bt2.8bn two-year notes at 2.06%, Bt370m of three-year notes at 2.18% and Bt1.03bn of four-year notes 2.42%. Guidance for the respective tranches was 1.92%–2.06%, 2.04%–2.18% and 2.28%–2.42%.

Settlement was on May 25. *Bangkok Bank* and *Kasikornbank* were joint lead managers and underwriters.

ICBC Thai Leasing is locally rated AAA by Fitch to reflect its strategic importance to parent Industrial and Commercial Bank of China Thai.

› SANSIRI PRINTS BT2BN

SANSIRI has raised Bt2bn from the sale of three-year bonds, priced at par to yield 3%.

The notes settled last Wednesday. *Krungthai Bank* was sole lead manager and underwriter.

The Thai propery developer, rated BBB+ by Tris, has an outstanding Bt2bn five-year 4.95% bond due to mature on August 23.

EQUITY CAPITAL MARKETS

› BTS RAISES BT3.53BN FROM VGI BLOCK

BTS Group Holdings has sold a Bt3.53bn (US$110m) stake in Thailand's VGI GLOBAL MEDIA in a block trade, a person with knowledge of the transaction said.

Public transit group BTS sold 464m shares, up from the original target of 423m, at a fixed price of Bt7.60 per share, according to a term-sheet.

The price represents a 9.5% discount to the pre-deal close of Bt8.40.

Around 30 accounts participated in the transaction and the top 10 investors were allocated 80% of the deal.

BTS sold 6.5% stake from its 22.75% holding. There is a 90-day lock-up on the vendor.

Shares of the media and marketing company closed flat at Bt8.40 last Wednesday.

Credit Suisse was the sole bookrunner.

ASIAN SYNDICATED LOAN PIPELINE UPDATES WEEK OF 29 MAY

Company	Currency	Size (m)	Margin (All-in)	Tenor (mths)	Facility	Arrangers
Australia						
Reliance Worldwide Corp	A$	250		36	Revolver/Term Loan	ANZ, CBA
	A$	250		48	Revolver/Term Loan	CBA, ANZ
	A$	250		60	Revolver/Term Loan	ANZ, CBA
China						
Goodbaby (Hong Kong)	US$	152	190 (220)	36	Term Loan	SCB
	US$	98	190 (220)	36	Term Loan	SCB
QuMei Home Furnishings Group	Rmb	1,800			Term Loan	CMB
Hong Kong						
Belle International Holdings	HK$	13,500		60	Term Loan	BAML, HSBC
Fosun Industrial	US$	550	150 (175)	36	Term Loan	First Abu Dhabi Bank, Westpac, SCB, BNP, ANZ
Muse Holdings B	HK$	16,500	315 (349)	60	Term Loan	CMBC, Shanghai Pudong, CMB, China Citic Bank, BTMU
Powerlong Real Estate Holdings	US$	200	340 (435)	42	Term Loan	HSBC
India						
Tata Steel [Ex-Tata Iron & Steel]	Rs	115,000	(880)	9	Bridge Loan	IndusInd, Housing Development Finance Corp,
						Tata Sons, Kotak Mahindra Group, Yes Bank
Malaysia						
FLY Leasing	US$	146	150 (166)	24	Term Loan	First Abu Dhabi Bank, KDB, Fifth Third Bank, Citi, CBA
	US$	437	180 (196)	60	Term Loan	CBA, KDB, Citi, Fifth Third Bank, First Abu Dhabi Bank
	US$	176	150 (166)	24	Term Loan	KDB, Fifth Third Bank, First Abu Dhabi Bank, BTMU, CBA
	US$	528	180 (196)	60	Term Loan	CBA, Citi, KDB, BTMU, BNP
Philippines						
Rizal Commercial Banking Corp	US$	300	88 (106)	30	Term Loan	CTBC, ANZ, SCB, First Abu Dhabi Bank
Singapore						
Oiltanking Odfjell Terminal Singapore (OOTS)	S$	100		84	Term Loan	HSBC
Pacific Light Power	S$	1,114			Term Loan	
Wii Pte	US$	750	85 (103)	36	Revolver/Line >= 1 Yr.	HSBC, DBS, UOB, BTMU, Westpac Banking Corp
	US$	750	105 (118)	60	Term Loan	Mizuho, HSBC, Westpac Banking Corp, OCBC, DBS
Taiwan						
Winbond Electronics Corp	NT$	10,180	92	84	Guarantee	TCB

Source: Thomson Reuters LPC

MERRILL LYNCH ASIAN DOLLAR INDEX

Index	Description	Index level	1 week total return	1 month total return	3 months total return	OAS
ADIG	Asian-dollar high-grade index	383.844	0.564	0.339	−0.204	146
ADHY	Asian-dollar high-yield index	596.374	−0.443	−1.223	−2.676	514
AGIG	Asian-dollar government high-grade index	355.167	0.667	0.010	−0.431	135
AGHY	Asian-dollar government high-yield index	708.451	0.705	−0.633	−1.545	378
ACIG	Asian-dollar corporate high-grade index	409.774	0.530	0.456	−0.130	150
ACHY	Asian-dollar corporate high-yield index	489.450	−0.669	−1.340	−2.898	541

Source: Merrill Lynch

LAST WEEK'S ECM DEALS

Stock	Country	Date	Amount	Price	Deal type	Bookrunner(s)
CS Wind	South Korea	28/05/18	W38.4bn	W29,550	Follow-on (Secondary)	Citigroup, NH Investment & Securities
Samsung Electronics	South Korea	30/05/18	W1.32trn	W48,750	Follow-on (Secondary)	Goldman Sachs, JP Morgan
Consun Pharmaceutical Group	China	30/05/18	HK$689m	HK$8.55	Follow-on (Secondary)	JP Morgan, UBS
VGI Media	Thailand	30/05/18	Bt3.53bn	Bt7.60	Follow-on (Secondary)	Credit Suisse

Source: IFR Asia

LAST WEEK'S EQUITY-LINKED ISSUANCE

Issuer	Country	Date	Amount	Greenshoe	Maturity	Coupon (%)	Premium (%)	Bookrunner
GDS Holdings	China	30/5/2018	US$250m	US$50m	2025	2	32.5	Citigroup, JP Morgan, RBC

Source: IFR Asia

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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