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China Tower bets on stable markets with modest IPO cornerstone tranche

Offshore bond rush resumes as China property issuers seize rare window

KKR takes second bite at record Taiwan buyout with offer for LCY Chemical

Upfront

Summer heat

This summer is proving unusually hot for Asia's capital markets – and it's nothing to do with the record temperatures in parts of Japan.

Late July is seldom a busy period for Asian bond bankers. The expat originators and fund managers have decamped to their villas in Bali or their chateaux in France. Even issuers are in short supply.

Not so this year, with a cluster of new issues crossing the tape last week. Investment-grade Asian issuers printed eight new US dollar bonds, and China's property sector alone added five high-yield financings – the busiest week from the sector since April.

Equity markets, too, are busy with a giant international listing from China Tower poised to trump Xiaomi as the world's biggest IPO since 2014.

This rush to market, however, means only one thing.

> This rush to market means issuers are expecting markets to get worse, not better.

Issuers are expecting markets to get worse, not better.

Sell in May, go away. It's a well-trodden ritual in the capital markets.

When it comes to Asian fixed income, buyers have been noticeably absent since, well, May. While the selling appears to have stopped, thanks to an easing of liquidity conditions in China, there is little to suggest a sustained rally in August – either in debt or equity.

US President Trump's constant threats of trade tariffs and currency wars should keep investors on their toes in August's holiday-thinned markets. Further outperformance in US equities is looking ever harder to justify, and even China's latest move to ease onshore liquidity is no guarantee against further defaults.

August has also proven a historically volatile month in recent years, with Europe's sovereign debt crisis causing havoc in 2011 and China's stock market collapse rocking confidence in 2015.

For the queue of Asian companies looking to raise capital in the next few weeks, a prolonged break from the volatility of the second quarter would be far better than a week on the beach.

India's bond chase

India is taking another step along the path towards a vibrant corporate bond market. It needs to get there, quickly.

The securities regulator's latest proposal to stimulate corporate bond issuance is both well thought-out and well argued, even if the content is unconventional.

Sebi plans to force big companies to meet at least 25% of their funding needs in the bond market. In most situations, dictating how companies run their finances would be considered regulatory overreach. But in India, it may not go far enough.

India desperately needs to relieve the burden on the overstretched banking system. After being forced to reveal their bad loans, most of the country's lenders are in self-preservation mode, directing their capital towards the biggest and best-known borrowers rather than smaller, more productive companies.

The central bank has already taken steps to address the problem, with additional capital charges for new loans to the country's biggest borrowers, but other regulators are dragging their feet.

Even in the bond market, restrictive investment rules for insurance and pension managers mean credit is reserved for the top borrowers. Close to 90% of all issuance is rated at least Double A, and only 20% comes from private, non-financial corporates. If India is to get its banks lending again – and get the country growing faster – Sebi's plans cannot come soon enough.

The current proposal would phase in the 25% rule over a couple of years, and would initially apply to companies with a local rating of Double A or above.

Importantly, Sebi's consultation paper floats the idea of extending this requirement to Single A borrowers if the market can absorb it. Doing so would provide more paper for yield-hungry mutual funds, deepen the rupee capital markets and create an alternative market for smaller borrowers.

That is a worthy ambition for any emerging market – especially one with a constrained, state-dominated banking sector. The sooner India's regulators can get there, the better.

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China Tower aims for broad base

Equities World's largest IPO in four years comes with modest cornerstone tranche

BY FIONA LAU

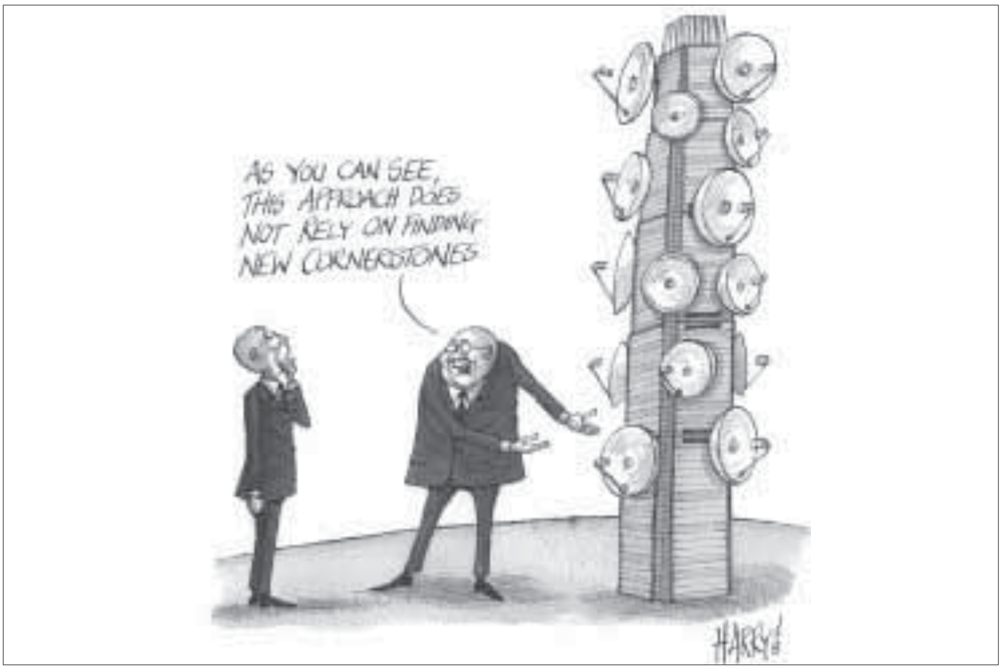
CHINA TOWER has launched its giant Hong Kong IPO after lining up cornerstone commitments for less than a fifth of the up to HK$68.1bn (US$8.7bn) base deal, gambling that markets will hold firm despite the summer lull.

The world's largest telecoms tower operator started bookbuilding last Monday for a float that is set to surpass the HK$42.6bn listing of Xiaomi in early July as the world's largest IPO since Chinese e-commerce giant Alibaba's US$25bn US listing in 2014. Including the greenshoe, China Tower could raise up to US$10bn.

The company is selling about 43.1bn primary shares, or a 25% free float, at an indicative price range of HK$1.26–$1.58 each, valuing the company at US$28bn–$35bn.

The deal is seen as a key test of the Hong Kong IPO market given the around 6% slide in the benchmark Hang Seng Index so far this year.

It also comes as China's economy has begun to lose momentum amid a government push to reduce debt and



China developers resume rush

Bonds Policy-driven rally spurs busiest week for dollar debt since April

BY CAROL CHAN, INA ZHOU

Chinese property developers scrambled to print US dollar bonds last week, taking full advantage of a policy-driven rally that some investors warned may be short-lived.

Six developers raised a combined US$2.2bn, marking the busiest week for new issues from the sector in more than three months.

In a reversal of the recent trend, most of the deals drew decent demand, closing 2-3 times covered, and their bonds traded firmer in the secondary market. That was a stark contrast to new issues as recently as July 11, when a US$200m offering from repeat issuer Agile Group struggled to clear the market and immediately traded wider.

Rather than a sustained rebound, however, many market participants saw the rush of issuance as a sign the renewed interest in the sector may be temporary.

"Market sentiment is definitely much better than in June or early July. Developers are rushing to launch their deals as the window may be short-lived in a volatile market," a DCM banker from a Chinese bank said.

"Moreover, many developers are set to announce their half-year earnings in August. They want to complete their bond issuance ahead of the blackout period," the banker added.

The Chinese high-yield bond market has rallied since mid-July after authorities provided more liquidity for the domestic market and softened the deleveraging push in the financial sector. A surprise liquidity injection into the banking sector last Monday added further confidence that China would support the economy amid an escalating trade war with the US.

Still, despite an improvement in sentiment, bankers and issuers remain realistic. All six developers structured their deals to appeal to investors' preferences, with short tenors or floating-rate structures. And, crucially, all of last week's high-yield issuers provided 30bp–50bp new issue concessions, according to bankers.

BIGGER SIZES

YUZHOU PROPERTIES, rated Ba3/BB–/BB–, led the latest batch of property names last Monday, reopening its 7.90% May 2021 senior notes with a tap more than double the original issue size. *(See China Debt capital markets.)*

The risk-on tone encouraged others to rush out deals. On Tuesday morning, SUNAC CHINA HOLDINGS, rated B2/B+/BB–, opened books for a two-year new note and SINO-OCEAN GROUP HOLDING, rated Baa3/BBB–(Moody's/Fitch), came out with three-year floating-rate notes.

CHINA FORTUNE LAND DEVELOPMENT, rated BB+ by Fitch, dashed out with a print of three-year notes with initial guidance of 9.5% area on Tuesday afternoon after an escalating Sino-US trade conflict.

"July and August are traditionally quiet months for IPOs as many investors are taking a summer break. This year, however, many IPOs are rushing out as issuers and bankers are worried the trade war will bring more uncertainty to the markets," said a banker away from the deal.

"If China Tower gets done, it will definitely send a positive signal to the IPO market."

The float got off to a good start last week, with the books covered after one day. This was particularly important given the relatively small cornerstone tranche.

Ten cornerstone investors have agreed to invest about US$1.4bn in total, covering 16%–20% of the deal – an unusually low proportion for a large IPO from a state-owned company. For instance, Postal Savings Bank of China sold about 70% of its IPO shares to cornerstone investors for its HK$59.1bn listing in 2016.

Hillhouse is leading with a US$400m commitment, followed by Och-Ziff Capital Management (US$300m) and Darsana Master Fund (US$175m).

Alibaba's Taobao China is pledging about HK$785m, CNPC Capital US$100m, Invus Public Equities US$100m and Beijing Haidian District State-owned Capital Operation and Management Center US$98.5m. ICBC Asset Management, Wallong (Hong Kong), a unit of China National Machinery Industry Corporation, and SAIC Motor HK Investment have each committed to invest US$50m.

DIVIDEND RATIO

The price range represents a multiple of 7.1x–8.0x adjusted Ebitda for 2018 and 6.5x–7.3x for 2019.

American Tower and Crown Castle International, both US-listed, and India's Bharti Infratel are trading at 18.8x, 19x and 7.5x Ebitda, respectively, for the next 12 months, according to Thomson Reuters data.

"The EV/Ebitda of China Tower is very competitive compared to the listed peers. This helps compensate for the not-so-high dividend payout ratio of the company," said a person close to the deal.

China Tower plans a dividend payout ratio of at least 50% of its annual distributable net profit, according to the prospectus. That is lower than some investors would like.

"Many IPOs are rushing out as issuers and bankers are worried the trade war will bring more uncertainty to the markets."

"Although the company is projected by its underwriters to enjoy a 10%–20% growth rate in the future, we do think this investment should also generate a decent dividend yield. A payout ratio of at least 70% could be a more comfortable level," said a fund manager.

China Tower was formed in 2014 from the tower operations of China's three state-backed telecoms providers – China Mobile, China Telecom and China Unicom – in a bid to streamline operations and reduce duplication.

As of the end of June, the company operated 1.9 million tower sites and had 2.8 million tenants. It plans to use 60% of the proceeds for capital expenditure, 30% for loans repayment and 10% for general working capital.

The deal will price on August 1. Share trading will start on August 8.

CICC and *Goldman Sachs* are the joint sponsors for float. The two banks are also joint global coordinators and joint bookrunners with *Bank of America Merrill Lynch* and *JP Morgan*. There are 11 other joint bookrunners. ■

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building a strong order book from anchor investors.

On Wednesday, GREENLAND HOLDING GROUP, rated Ba1/BB/BB–, the first high-yield Chinese property developer to issue US dollar floating-rate bonds, reopened the 2021 floaters it sold last month to raise an extra US$300m.

Then, on Thursday, China AOYUAN PROPERTY GROUP, rated B1/B+/BB–, reopened its 6.35% senior notes due 2020 for a tap of US$175m.

The previous week, the People's Bank of China took steps to ensure ample liquidity by allowing commercial banks to tap its medium-term lending facility (MLF) loans, helping them to expand lending and increase investment in bonds issued by lower-rated companies onshore, sources told Reuters at the time.

Last Monday, the central bank unexpectedly injected Rmb502bn (US$74bn) into the financial system via its one-year MLF, even though no MLF loans were due to mature on Monday.

Also last Monday, the State Council announced that it would adopt a more vigorous fiscal policy to help tackle external uncertainties, in an apparent reference to the current trade tensions with the US.

SHORT-TERM BOOST

Market participants reckoned that the policy adjustment was unlikely to provide a long-term stimulus to the China high-yield sector.

"The support (to the bond market) will be short term," said a Hong Kong-based fund manager. "The painstaking deleveraging effort is being put off, but China will – and has to – tackle the issue at a more appropriate time."

A Hong Kong-based fund manager from a Sino-foreign joint venture was also sceptical about the recent rebound.

"The credit fundamentals remain unchanged – for example, developers' mounting onshore refinancing pressure remains imminent, especially for the Single B names," he said, adding that the strong recovery in the past two weeks was partly driven by short covering.

Moreover, concerns over pricing have made some developers hesitate. For instance, COUNTRY GARDEN HOLDINGS, which the NDRC announced recently had registered an offshore bond quota, is heard to be still in discussion with investors.

The last time so many Chinese developers were in the dollar market was the week beginning April 16, when 12 deals printed. Bankers expect supply from the sector this time would be much weaker than that seen in April.

The April deluge of US dollar offerings from Chinese developers, combined with fears of rising default risks, practically shut down the China high-yield market for the past two months.

A DCM banker at a Chinese securities firm noted that developers have so far utilised most of their offshore debt quotas from the NDRC. Moreover, the blackout period around interim results will also push some names to wait until September before launching new deals.

Some recent issuers, including Yuzhou and Sunac, have now used up all their offshore debt issuance quotas, and applying for new ones will take some time. ■

KKR targets record Taiwan LBO

Loans Goldman Sachs underwrites US$1bn LCY loan in KKR's first Taiwanese buyout

BY EVELYNN LIN

KKR is to borrow around US$1bn to support its leveraged buyout of Taipei-listed specialty chemicals producer LCY CHEMICAL, braving a challenging regulatory environment that has curbed private equity dealmaking to date.

The NT$47.8bn (US$1.56bn) buyout of LCY Chemical is set to be the largest private equity-backed acquisition in Taiwan. KKR is heading a consortium of investors, including employees and family members.

Goldman Sachs is underwriting and arranging the debt financing, and Taiwan's liquid banks are awaiting news of any syndication with interest, given the country's previous lack of buyout loans.

The island's leveraged finance industry is littered with failed deals due to lengthy review periods and scrutiny from multiple regulators.

"There has been little global private equity interest in Taiwan over the past couple of years," a Taipei-based senior loans banker said.

KKR last attempted a buyout in Taiwan in April 2011, but local regulators blocked its US$1.6bn bid to take electronic component manufacturer Yageo private, citing insufficient protection of minority shareholder rights, among other reasons.

A NT$31.1bn debt package was syndicated in May that year and raised an oversubscription that allowed joint bookrunners and underwriters UBS and Nomura to cut pricing on the deal through a reverse flex.

Despite cutting the margin by 30bp to 220bp over the secondary CP rate, nearly 20 banks joined the financing, but Taiwanese regulators rejected the buyout after lengthy reviews in June 2011.

"Our government was not in favour of global PE firms' buyouts of high-profile companies in the past as they were concerned about the foreign investors' long term operational commitment and the investment's impact on competition within the sector," a second loan banker from a Taiwanese state-owned bank said.

Pinduoduo highlights US appeal

Equities China-to-US listings still in focus as latest hit deal soars 41% on debut

BY FIONA LAU

PINDUODUO made a stellar debut last week after its US$1.6bn Nasdaq IPO, proving that the US remains an attractive listing venue for fast-growing Chinese companies despite stepped-up competition from Hong Kong.

The shares of the Chinese online group discounter soared as much as 44% over the IPO price of US$19 when trading started last Thursday, before closing at US$26.70 for a 41% gain.

The massive gain gave investors food for thought after Hong Kong lured the HK$42.6bn (US$5.4bn) IPO of Chinese smartphone maker Xiaomi and the US$4bn-plus listing of online food delivery-to-ticketing services provider Meituan Dianping with the introduction in April of new listing rules to attract Chinese technology and biotech firms.

The enthusiastic reception for loss-making Pinduoduo, which was founded only in 2015 by former Google engineer Colin Huang, has shown how the US market can reward a fast-growing Chinese startup.

"Investors believe Pinduoduo can keep up its tremendous growth. The support of existing shareholders for the IPO also helped boost confidence," said a person close to the deal.

Pinduoduo's revenue soared to Rmb1.38bn (US$208m) in the first quarter of 2018 from Rmb37m a year previously. Losses remained broadly steady at Rmb201m versus Rmb207.7m a year earlier.

Existing shareholders Tencent Holdings and Sequoia Capital had indicated an interest in purchasing up to US$250m each in the IPO but were eventually allocated just US$150m each.

The books were about 20x covered, said another person close to the deal.

"The company could have set the price higher given the strong demand, but decided to leave something on the table to secure a decent aftermarket performance," said the person.

Pinduoduo sold 85.6m American depositary shares, or about 6.8% of the enlarged share capital, at the top of the US$16–$19 price range. At the final price, the company was valued at about US$24bn, compared to a US$15bn valuation in April.

MORE TO COME

Pinduoduo is one of the largest Chinese listings in the US this

EXIT HURDLES

Several other private equity buyouts have run into similar objections from Taiwanese regulators more recently, most notably a string of buyouts in the cable television industry.

In January, Carlyle Group finally sold a 62.4% stake in cable TV operator Eastern Broadcasting to Taiwanese investment firm Mao Te International, which is owned by local property tycoon Chang Kao-shiang, for NT$11.4bn after several attempts.

CTBC Bank is leading a NT$7bn five-year loan for Mao Te. (*See Taiwan Syndicated loans*.)

"It took a long time for Carlyle to get an exit as Taiwan's regulators take a cautious approach to approving foreign investment in or exiting certain sensitive industries such as public utilities and the media sector … which can also lead to delays in the approval process," a third loan banker in Taipei said.

Carlyle acquired the controlling stake in EBC in 2006 from the ex-chairman of Eastern Media International for an undisclosed sum. Carlyle and Eastern Media International (21.32%) tried repeatedly to offload their stakes since mid 2015.

Before the successful sale to Mao Te, the pair's last attempt was in June 2017, but Taiwan's National Communications Commission blocked telecommunication services provider Taiwan Optical Platform Group's proposed purchase of a 65% stake in EBC.

Four lenders, including sole lead CTBC Bank, were expected to complete a NT$13.5bn club loan for Taiwan Optical's buyout.

In 2016, Dan Mintz, a producer of Hollywood films including Iron Man 3, backed out, seven months after announcing an agreement with Carlyle and Eastern Media International to buy their combined 82.2% stake in EBC in December 2015.

In February 2017, South Korean private equity firm MBK Partners also suffered a blow to its plan to sell its stake in cable TV company China Network Systems.

Taiwan's Far EasTone Telecommunications and Morgan Stanley Private Equity Asia withdrew a joint bid for CNS, which disappointed lenders who had committed to a NT$46.8bn loan backing the buyout.

That deal also suffered a drawn-out regulatory process that lasted nearly 20 months. ■

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year and more are expected. Electric vehicle manufacturer Nio is planning to raise about US$1.5bn after the summer, while Tencent Music Entertainment is looking to raise US$3bn–$4bn in October.

"Chinese issuers are still interested in US listings, especially if their comparables are listed there. US investors are also very sophisticated in valuing fast-growing Chinese companies," said an ECM banker focused on US-Chinese listings.

However, US investors are also selective. Some smaller Chinese IPOs did not trade well earlier this year, and the enthusiasm around Pinduoduo did not help other candidates.

Last week, **AURORA MOBILE** and **CANGO** raised less than targeted from their US IPOs after selling fewer shares.

Aurora Mobile, a mobile data aggregator, raised US$77m from a Nasdaq IPO, 39% less than the US$125m target at the top end of the US$8.50–$10.50 range. Cango, a provider of automotive transaction services in China, raised US$44m from a NYSE IPO after cutting the deal size by as much as 71%.

Both companies traded well on their debut last Thursday, with Aurora shares up 3.5% to US$8.80 and Cango up 13.8% to US$12.52.

CICC, *Credit Suisse*, *China Renaissance* and *Goldman Sachs* were the bookrunners on Pinduoduo. ■

LTA extends corporate curve

■ **Bonds** Longest new issue in eight years furthers Singapore's infra funding ambitions

BY KIT YIN BOEY

Singapore's **LAND TRANSPORT AUTHORITY** added to the city-state's profile as a regional hub for long-term infrastructure finance with a S$1.5bn (US$1.1bn) 40-year bond, the longest in the currency since 2010.

The notes priced last Monday at par to yield 3.45%, in line with initial price guidance of 3.45% area.

No corporate issuer has issued bonds at such a long tenor since Temasek Holdings sold Singapore's first 40-year note in 2010, raising S$1bn.

Unlike Temasek's tightly held bonds, the new notes from LTA, whose paper tends to be more liquid, are more likely to set a new local benchmark. The Singapore government does not issue bonds with tenors longer than 30 years and the Singapore dollar SOR curve stops at 30 years as well.

The deal was LTA's second new offering this year, after the statutory board sold S$1.2bn of 10 and 30-year bonds at 2.75% and 3.35% in March. This was followed by a S$300m tap of the 30-year bonds in late March.

Despite the large issuance in March, LTA drew robust demand for its new offering. Distribution data were not disclosed but orders were more than sufficient to increase the size from a S$1bn minimum target. Insurance companies and fund managers were major purchasers of the notes.

Lacking comparable references, joint lead managers and bookrunners *DBS*, *OCBC*, *Standard Chartered Bank* and *UOB* had to price the new notes using LTA's 2048s as a guide.

"The 2048s priced at a spread of 37bp over SOR and the new 2058s are at a spread of 54bp over an extrapolated 40-year SOR," said one banker involved in the deal. "That does give a decent premium for investors. In addition, the absolute yield of 3.45% is optically a nice pick-up over the 3.35% paid on the 30-year notes."

The establishment of a 40-year benchmark furthers Singapore's goal to become an infrastructure funding hub for the region. As part of the push, the government has encouraged statutory boards to raise funds in the local market for large-scale projects.

Minister for Finance Heng Swee Keat in February floated the idea of extending guarantees to boost fundraising in the local bond market for such projects.

Infrastructure spending in the city-state is expected to rise to S$20bn in fiscal 2018, a sharp jump from S$8.5bn in 2011. The bulk of the expenditure is in housing and transportation, including a new terminal at Changi airport.

Still, bankers are not expecting an immediate flood of long-dated debt offerings as there are only a few issuers who require such tenors to match long-term assets.

"I'm also unsure if there will be sufficient liquidity in the investor market to soak up a large amount of long-dated notes which essentially are taken up by some fund managers and insurance companies," said one DCM originations banker.

"For instance, if another issuer emerges with a 40-year tenor so soon after LTA, forget a S$1bn-plus issue size; we can probably only do a S$500m or S$750m at most."

The new unrated bonds settle on July 30 and will be drawn from a S$12bn multi-currency MTN programme. The proceeds will be used to fund LTA's land transport infrastructure development projects. ■

Korean issuers ride IG rebound

Bonds Strong response to investment-grade offerings as investor appetite returns

BY FRANCES YOON

Three South Korean issuers sold US dollar bonds last week, taking advantage of pent-up demand for investment-grade credit after a turbulent second quarter.

NONGHYUP BANK, rated A1/A+/A–, gained strong traction among Asian investors for a US$500m five-year bond last Monday, giving the issuer room to tighten pricing to 122.5bp over Treasuries, comfortably inside initial guidance of 145bp area.

Steelmaker POSCO, rated Baa1/BBB+ (Moody's/S&P), priced a US$500m five-year bond at Treasuries plus 130bp on Wednesday, before INDUSTRIAL BANK OF KOREA (Aa2/AA–/AA–) came a day later with a US$500m three-year Social floating-rate note that priced at Libor plus 60bp.

Posco drew the largest order book, pulling in over US$2.8bn for its first visit to the international markets since April 2011. IBK and NongHyup attracted US$1.3bn and US$1.9bn, respectively.

The size of the books reflects growing appetite for Korean credits, which have strengthened over the summer

NongHyup tightened 1bp–2bp the day after it priced, while Posco was 5bp tighter at the end of last week. IBK's notes were also bid 2bp tighter on Friday.

Investors valued Posco's rarity value and improving fundamentals. The steelmaker's debt reduction and robust earnings won it a one-notch Moody's upgrade to Baa1 last month.

A week later, S&P revised its outlook to positive, heralding a possible rating upgrade over the next 12-24 months.

"The quality of books was pretty impressive even for a Triple B name. We really had the who's who in it," said a banker on the deal.

Posco also allocated the largest share of its bonds to North America compared to the other two deals, with 33% of the deal heading stateside. Asia booked 54% and the remainder went to EMEA.

Fund managers accounted for 63% of the 144A/Reg S senior unsecured notes, followed by insurers and pensions at 25%, banks 11% and private banks 1%.

Posco tightened pricing from initial guidance of Treasuries plus 155bp area, later revised to a final Treasuries plus 130bp–135bp range. The fixed-rate notes have expected ratings on par with the issuer.

CLEAR CREDIT

NongHyup did not release geographic distribution statistics, but two bankers said US demand was modest due to the tight pricing.

The notes priced 22.5bp inside initial guidance at 122.5bp and at the tight end of final guidance of Treasuries plus 125bp, plus or minus 2.5bp.

This was nearly flat to the issuer's curve, although the outstanding bonds had widened since the mandate announcement. NongHyup's 2022s were trading at G plus 118bp and 5bp was added for a one-year curve extension.

Both bankers said the fundamentals of the credit were also not easy for US investors to comprehend.

NongHyup plays a quasi-policy role in Korea's agricultural sector, but is owned by the National Agricultural Cooperative Federation, not the government. However, Fitch sees "an extremely high

Pledge of more after CLO debut

Structured Finance Project loan securitisation shows potential of Reg S format

BY DANIEL STANTON

Singapore's CLIFFORD CAPITAL laid out plans to securitise more infrastructure debt after breaking new ground last week with Asia's first collateralised loan obligation backed by project finance borrowings.

The US$458m transaction, priced last Wednesday, comprised multiple classes of US dollar-denominated senior secured notes backed by cashflows from a portfolio of project finance loans from across Asia Pacific and the Middle East.

"The next step will be to keep the momentum going and do a follow-up transaction as soon as possible, and build this over time into a very significant asset class," said Clive Kerner, CEO of Clifford Capital.

He estimated that a similar transaction could follow in the next 12-18 months, with the minimum size likely to be around US$500m. "The focus for now is on establishing this asset class," he said.

Clifford, in which Singapore state investment company Temasek Holdings has a 40.5% stake, sold three tranches of notes through issuing vehicle Bayfront Infrastructure with ratings ranging from Aaa to Baa3 and weighted average lives of 3.7 to 9.8 years.

As well as giving institutional investors access to a new asset class, the transaction aims to free up bank balance sheets. The proceeds from the issue will be used to acquire a portfolio of collateral obligations from Clifford Capital, DBS, HSBC, MUFG, SMBC and Standard Chartered.

The transaction had the encouragement of the Singapore government, which wants to promote the city state as an infrastructure financing hub. The Monetary Authority of Singapore, which had talked about an infrastructure debt take-out facility since 2015, put it on its roadmap for the transformation of the financial industry last year.

Work began in earnest on this transaction around nine months ago, according to Premod Thomas, head of corporate strategy at Clifford Capital. In sourcing the pool of loans, the structured finance specialist looked to provide quality and diversification, while requiring banks to hold onto a portion of the loans to ensure their interests were aligned. Time was also spent discussing the structure with the rating agency and educating investors on this new kind of transaction.

Projects underlying the loans needed to be complete, or close to completion, with loans denominated in US dollars to avoid a currency mismatch and with a floating rate.

More than 55 loans were considered for the portfolio initially, before this was whittled down to 37 loans covering 30 projects in Asia and the Middle East. Many of the loans have credit support from export credit agencies or multilateral institutions.

A US$320.6m Class A tranche, with an expected rating of Aaa (Moody's), priced at six-month Libor plus 145bp with a weighted average life of 3.7 years and an expected maturity of 7.4 years; a US$72.6m Class B tranche rated Aa3 priced at 195bp over with a WAL of 8.6 years and expected likelihood" that the government would provide support to the bank if required.

By investor type, banks took 39% of the deal, fund managers accounted for 33%, central banks and insurers took 18%, and hedge funds, private banks and securities firms 10%.

The 144A/Reg S senior unsecured notes have expected ratings from Moody's and S&P on par with the issuer.

SOCIAL RESPONSIBILITY

Government-owned IBK, which provides development finance and related banking services to small and medium-sized enterprises in Korea, attracted large orders from socially conscious investors from the US, who placed tickets as big as US$250m.

Asia took 45% of the 144A/Reg S notes, US buyers 28% and EMEA 27%. By investor type, central banks and agencies bought a combined 53%, bank treasuries 27%, fund managers and insurers a combined 17%, and corporate investors, private banks and others booked 3% in total.

Pricing tightened 25bp from initial guidance of Libor plus 85bp area. At that level, some bankers even viewed IBK's bonds as tighter than other state-owned issuers such as Export-Import Bank of Korea and Korea Development Bank, which would have paid Libor plus 61bp–62bp for a new three-year issue, said another banker on the deal.

The transaction has expected ratings of Aa2/AA– (Moody's/Fitch). Proceeds will be used to finance social projects.

Citigroup, *Commerzbank*, *Credit Agricole* and *HSBC* were joint bookrunners for IBK, while *IBK Securities* was co-manager.

Bank of America Merrill Lynch, *BNP Paribas*, *HSBC* and *Standard Chartered* were joint bookrunners on the Posco trade.

Bank of America Merrill Lynch, *Credit Agricole*, *HSBC*, *Societe Generale* (B&D) and *UBS* were joint coordinators for NongHyup. *NH Investment & Securities* was co-manager. ■

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maturity of 9.4 years; and a US$19.0m Class C rated Baa3 priced at 315bp over with a WAL of 9.8 years and expected maturity of 10.4 years. A US$45.8m subordinated tranche will be retained.

Initial guidance for the Class A tranche was Treasuries plus 140bp–150bp; 185bp–195bp for the Class B tranche; and 315bp area for the Class C tranche. Clifford Capital is the collateral manager.

REG S DEMAND

Investors looked at CLOs in the US market to provide price comparisons, and added a premium over similar Triple A rated bonds. Sources close to the deal said that investors took time to examine the structure and seek internal approvals, given that it was the first of its kind from the region, but bookbuilding started with healthy anchor demand, following a thorough pre-marketing process.

The bonds were offered under Reg S, meaning that onshore US investors, traditionally the biggest market for CLOs, could not participate.

"A lot of accounts that would have looked at this couldn't get involved, so that was a challenge, but it shows that the Reg S market is developed enough to handle this kind of transaction," said a source close to the deal.

Asian investors bought 65% of the paper, of which 26% went to Singapore-based accounts. Europe took 23% and the Middle East 12%.

Bank treasuries booked 33%, insurers 22%, asset managers 21%, pension funds and endowments a combined 17%, and private banks and family offices a combined 7%.

Citigroup and *Standard Chartered* were joint global coordinators. *DBS*, *HSBC* and *SMBC Nikko* were joint bookrunners, and *MUFG* was co-manager. ■

Temasek swoops on strong window

■ **Bonds** Singapore state investor breaks six-year absence with well-received dollar bond

BY FRANCES YOON

TEMASEK HOLDINGS seized an opportunity in an improving market to sell its first US dollar bond in six years, locking in US$1.35bn of long-term funding from investors hungry for Triple A assets.

Singapore's investment fund priced the 3.625% 10-year senior bond at Treasuries plus 72bp, setting its first US dollar benchmark since a US$1.7bn dual-tranche offering in July 2012.

Orders peaked at US$6.5bn before settling at a final US$4.7bn, marking one of the highest order books seen in Asian G3 markets this year.

The latest deal came in a strong week for primary issuance and satisfied pent-up demand for high-quality paper among investors seeking protection against volatile markets and rising interest rates.

"Our USD issuance was in response to enquiries from institutional investors about high-grade USD bonds," a Temasek spokesman said in an email. "These issues increase our funding flexibility and enhance our capital efficiency."

The notes will be issued by TEMASEK FINANCIAL (I) and are expected to be rated on par with Aaa/AAA (Moody's/S&P) rated guarantor Temasek Holdings.

People familiar with the situation said that Temasek had always been opportunistic and that last Wednesday offered a good window to capture high-grade demand ahead of this week's potentially disruptive Bank of Japan and Federal Reserve meetings.

Risk sentiment has improved in Asia's primary bond markets lately after defensive trades with high ratings tightened in secondary trading.

"People underestimate how much demand there is for Triple A paper within investor buckets and the help it could create in terms of bringing the average rating of the portfolio up," said one of the people familiar with the deal. "There's also some investors who can only buy Double or Triple A, and there's been frankly very limited issuance on this front over the last year."

The bonds were well bid in the aftermarket, moving to a range of Treasuries plus 64bp–67bp.

Fair value was estimated around Treasuries plus 70bp–75bp, based on a range of data points that include Temasek's US$1.2bn January 2023s and Triple A rated US corporate credits.

The 2023s were cited around G plus 62bp, and adding a 10bp extension for a five to 10-year curve meant the latest deal paid a minimal new issue concession.

Meanwhile, Triple A rated US corporate 10-year credits were trading in the G plus 60bp range. As those bonds are SEC-registered and are more liquid, some investors wanted more spread from Temasek.

Appetite was robust, allowing the leads to tighten guidance from the range of 90bp–95bp announced on Wednesday morning. Pricing was subsequently tightened further to Treasuries plus 80bp area, and finally to 75bp, plus or minus 3bp.

US investors bought 46% of the 144A/Reg S and 3c7 paper, Asian accounts 44% and EMEA accounts 10%.

By investor type, asset managers booked 43%, central banks and agencies a combined 25%, banks 14%, insurers and pension funds a combined 9%, corporates 7%, and private banks and others 1% each.

Bank of America Merrill Lynch, *Citigroup*, *HSBC* (B&D) *and Morgan Stanley* were bookrunners. ■

TOP STORY BANK STRATEGY

UBS beefs up for Asia-US listings

IB head reaffirms focus on ECM after recent upheaval

UBS is counting on equity underwriting and its Chinese joint venture to drive growth in Asia after a tumultuous couple of years, its top regional investment banker told IFR.

David Chin, head of corporate client solutions for Asia Pacific, said the bank had drawn a line under recent departures and was looking to grab more market share in ECM, particularly from Asia-to-US listings.

"We've been adding to the cash ECM team over the last two or three months," Chin said. "We have a full team in place now."

"When it comes to both winning deals and running them, I'm very confident with the talent that we've brought in."

Last week, UBS hired two ECM bankers from JP Morgan in Hong Kong. *Chang Liu* and *Warren Wu* both joined as executive directors, according to an internal memo seen by IFR.

Liu has joined the syndicate desk and will focus on growing the bank's China business, while Wu has joined in ECM origination with a focus on Asia-to-US listings and new economy business.

The appointments come after a period of relatively high turnover at the Swiss investment bank. Chin, who rejoined UBS last September after a two-year sojourn in academia, was the third head of CCS in APAC in just over a year.

Under the leadership of his predecessor Sam Kendall, several senior bankers left including Joseph Chee, previously head of CCS for Asia, and Damien Brosnan, formerly co-head of ECM for Asia.

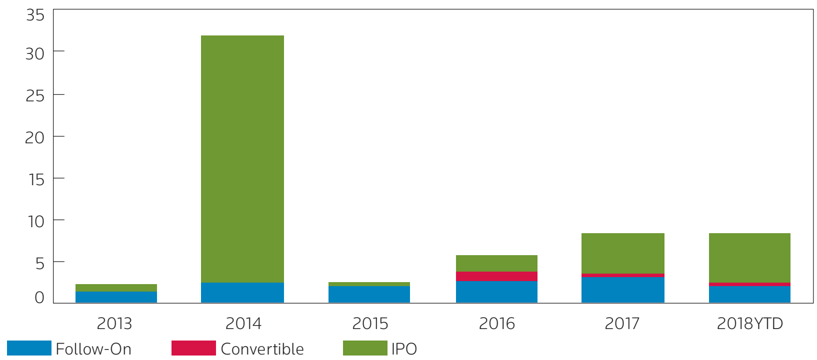
Chin is adamant that the string of high-profile departures has now come to an end.

"It's the nature of our business," he said. "Sometimes there's turnover and it just so happens that in the last 18 months, we went through a few changes."

"We have a settled team now that is up to full strength."

ASIAN EXPORTS

US EQUITY OFFERINGS FROM ASIA ARE RISING (US$BN)



Source: Thomson Reuters SDC

India's bad debts draw early bets

India's recently revised bankruptcy regime is opening up new financing opportunities for foreign banks, although only a few are ready to jump in while the system is being tested.

Among these early movers, NOMURA and DEUTSCHE BANK say they are ready to commit significant time and capital to the distressed debt market.

"India is among the very few countries in Asia outside of developed markets where there is an insolvency resolution framework now and this helps us look at distressed debt investing in a very different way as opportunities emerge," said Rahul Gupta, head of illiquid credit trading for Asia ex-Japan at Nomura.

The country introduced a new, less debtor-friendly insolvency and bankruptcy code in 2016. Then, last summer, the Reserve Bank of India forced lenders to begin insolvency proceedings against a dozen major defaulters in the National Company Law Tribunal, providing the first test of recovery rates under the new regime. It has since added 28 more companies to that list in a bid to force lenders, especially Indian state-owned banks, to deal with non-performing assets.

"India is among the very few countries in Asia outside of developed markets where there is an insolvency resolution framework now and this helps us look at distressed debt investing in a very different way as opportunities emerge."

Describing the twin developments as "game-changing for India", Aadit Seshasayee, head of Nomura's special situations group for Asia ex-Japan, says a quarter or more of his group's portfolio is likely to come from India in the next 6-12 months. "We could have an exposure of close to a few hundred million dollars in the next couple of years compared to a small book size currently," he said.

Deutsche Bank is also bullish, saying the new IBC regime has created opportunities to "be active in all kinds of financing opportunities," according to Amit Khattar, co-head of global credit trading for Asia Pacific. "We are working on five to six deals in the distressed space right now."

'THAT SCARES PEOPLE'

The bankruptcy regime gives creditors a quicker way of resolving their claims, and comes as the RBI is pushing banks to clean up an estimated US$150bn of troubled loans.

Deutsche's Khattar says the moves represent "a massive change in way people think of businesses". The controlling

US LISTINGS

The turnover within UBS's senior ranks also coincided with other major changes. Much like other global banks, UBS has been hit by growing competition from Chinese banks and brokerage houses.

Last year, UBS ranked 18th for fees on equity and equity-linked deals in Asia excluding Japan and Australia, according to Thomson Reuters data. This was the second year in a row UBS finished outside the top 10 and a far cry from previous years when it jostled for the top spot.

The bank has also been hit with an 18-month suspension of its licence for sponsoring IPOs in Hong Kong following an investigation by the Securities and Futures Commission into the 2009 China Forestry IPO. UBS is appealing the decision and can still sponsor deals for the time being.

In spite of these challenges, UBS has enjoyed a more favourable period of late after a surge in new economy listings beginning in the second half of last year.

UBS was sponsor for both the HK$13.7bn (US$1.75bn) ZhongAn Online P&C Insurance and HK$4.12bn Razer IPOs last year. It was also bookrunner on the HK$42.6bn IPO of Chinese smartphone maker Xiaomi last month, albeit alongside 22 other firms.

Chin said he wants to build on UBS's track record in handling tech listings in the region by expanding its offering for Asia-to-US listings.

"The types of deals that are getting done lately in Hong Kong require international distribution, which plays to our strengths," he said.

"It's not like in the past, where we've gone through cycles and then suddenly things turn negative and companies get delisted. With the growth of the new economy in China, listing in the US will be a consistent theme going forward."

CHINA PUSH

In May, UBS became the first foreign bank to apply for majority ownership of an existing Chinese securities joint venture following a relaxation of rules that allows foreign investors based beyond Hong Kong to own a majority stake, for now 51%, in their JVs.

UBS currently holds a 24.99% stake in the JV, UBS Securities, according to UBSS's website. The other shareholders are Beijing Guoxiang Asset Management (33%), Guangdong Provincial Communication Group (14.01%), China Guodian Capital (14%) and COFCO (14%).

UBS also merged its Greater China investment banking team following its application to increase its stake. Xuewen Bi, head of CCS at UBSS, and Asia vice chairman John Lee were appointed co-heads of the new group, while Catherine Cai was made chairman of Greater China.

According to Chin, the changes were, in part, to improve coordination between UBS and its JV. He cautioned though that while the JV's headcount would grow, UBS was not looking to compete with the domestic securities firms directly.

"We have roughly speaking about 130 people in CCS (in UBSS) and that's actually been fairly consistent since after the first few years following our launch in 2007."

"In those early days, the major Chinese firms probably had about 400 bankers and now they have 800 or even 1,000."

"We have no intention of trying to catch up to that level as a lot of that business wouldn't be attractive to us. We want to target deals where there's a cross-border angle and we can really add value."

Chin also said that while UBS would look to raise its stake beyond 51% when the regulations allow it, it had no intention of converting the JV into a 100%-owned subsidiary.

"Our structure is very different from the other banks, not only because we have management control, but because we don't partner with another securities firm," he said.

"The current largest shareholder is the Beijing city government and we want them to stay as they are a useful partner to have if you want to grow the business."

THOMAS BLOTT

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shareholders of delinquent debtor companies can no longer stonewall for years in the courts as they used to.

"Now that regime is going away and that scares people, and that is a big positive," Khattar said.

International investors such as private equity firms, distressed debt funds and hedge funds are all studying the market, but capital commitments have so far been rare.

Foreign banks see financing opportunities in three different areas. The first is helping companies avert default and avoid a bankruptcy process. Second, during the NCLT process, which typically takes six months to one year, is to provide working capital to the stressed company to keep the lights on. The third opportunity is when the bankruptcy courts sell the assets and the buyers need financing from capital markets and banks. Trading distressed debt is another possible play.

Banks may act on their own or team up with partners, according to the situation.

"Depending on the size of the deal in question, we can either do it by ourselves, or work in partnership with a number of our hedge fund clients," said Seshasayee at Nomura.

While the focus so far has been on the resolution of some of the larger stressed cases, "the next round of opportunities is expected to come from a diverse group of companies and from across a wide range of sectors," said Nomura's Gupta. "We are taking a long-term view."

Nomura is in active negotiations on a couple of situations in the power and real estate sectors, while Deutsche is in the process of closing large deals in the last phase of NCLT, according to their respective executives.

CHALLENGES

Inevitably, there are challenges alongside the opportunities.

"The number of stressed assets entering the bankruptcy courts is huge, however the courts have limited capacity and the process is still evolving," said Deutsche's Khattar.

Recoveries in initial resolutions have also been delayed because of litigation, effectively lowering the realised internal rate of returns for investors, Nomura's Gupta points out.

Bankers are also awaiting clarity around interpretation of section 29A of IBC which prevents related parties from bidding for the stressed assets.

Investors who lack experience in India are likely to wait to see successful resolutions before dipping their toes in the market.

"Access to information to conduct due diligence is another key issue. For example, several banks maintain physical data rooms," said Gupta.

Banks and owners of stressed assets are still grappling with the scale of the changes in the bankruptcy process. But bankers expect the process to get easier after the first test cases.

"As precedents are established, the next wave of resolution will be faster," said Khattar of Deutsche Bank.

KRISHNA MERCHANT

India promotes corporate bonds

India's market regulator wants large companies to meet at least a quarter of their funding requirements in the bond market from the next fiscal year.

The proposal from the Securities and Exchange Board of India, published on July 20, would apply to companies with outstanding long-term borrowings of Rs1bn (US$14.6m) or above, a credit rating of AA or above, and plans to borrow for more than one year. The framework would exclude commercial banks, and external commercial borrowing and inter-corporate borrowing between parent companies and their subsidiaries would not count towards the ratio.

Market participants say the proposals, set out in a consultation paper, are a step in the right direction at a time when banks are reluctant – or unable – to lend given the level of bad loans in India.

"The pressure on the banks will reduce and the corporate bond market will deepen further," said Killol Pandya, head of fixed income at Essel Finance AMC.

In India there has traditionally been a high reliance on the banking system to raise funds because the loan market has tended to be cheaper and deeper. However, "the push towards the bond market will increase the volume of quality paper, reduce the concentration on bank balance sheets and instil credit discipline among borrowers", wrote Care Ratings in a note dated July 23.

Implementing the proposal could be tricky, so the market regulator is taking gradual steps. "Sebi is only proposing that good, rated corporates which have easy access to the bond markets adhere to the mandatory 25% limit," said Rajeev Radhakrishnan, head of fixed income at SBI Funds Management.

Sebi has proposed a compliance mechanism that would be implemented in phases to smooth the transition because India is in a rising interest rate cycle and issuers will warm to the idea only gradually, said Radhakrishnan.

For the first two years, corporates would have an option to comply or give the reason for their non-compliance as part of disclosure requirements to stock exchanges.

From the third year, corporates would be tested over a period of two years to see if they are meeting the bond-borrowing requirement. If a company does not comply, a fine of 0.2%–0.3% would be levied on the shortfall amount.

Previously, all non-financial issuers were required to set aside a portion of their profits to cover 25% of the value of their outstanding bonds as a safeguard, but the latest proposal dispenses with that requirement, thanks in part to the introduction of the Insolvency and Bankruptcy Code in 2016.

"The IBC has addressed the default risk of bonds to a large extent as the bondholders have been kept on higher priority than even government dues in the liquidation waterfall," said Sebi in the consultation paper.

The share of corporate bonds as a percentage of GDP increased dramatically in Brazil, Russia, China and the UK in the five years following the implementation of bankruptcy reforms in those countries, Sebi wrote. The regulator estimated that the share of bonds as a percentage of GDP will increase from 17% currently to 22%–23% by 2022-23 for India due to the bankruptcy reform.

However, market participants say creating demand for these bonds will be a bigger challenge.

ADDRESSING DEMAND

"It is all right to force good, rated issuers to tap the bond markets, ensuring ample supply, but the demand also has to come," said Radhakrishnan of SBI Funds Management. "We also need to see more enabling guidelines to facilitate more demand from long-term investors as well as incentives to promote increased participation from retail investors."

A DCM banker said the pension fund and insurance regulators would have to introduce regulations to allow purchases of bonds that are rated below AAA.

The proportion of corporates borrowing via bonds compared with bank lending has increased in the past five years. However, bond issuance has been concentrated in the AAA and AA categories – these two rating brackets accounted for 89% of volume in FY18, according to Crisil – with financial sector companies dominating private placements.

Sebi's consultation paper is also in line with the RBI's move to limit banks' exposure to major borrowers. Large borrowers are barred from relying on banks for more than 50% of their total funding requirements and lenders exceeding that limit have to set aside more provisions. A borrower is considered large if it has aggregate fund-based credit limits of over Rs250bn in FY18, falling to Rs150bn in FY19 and Rs100bn beginning FY20.

Sebi has invited public comments on the proposals by August 13, and is expected to come out with a draft circular before announcing the final rules.

KRISHNA MERCHANT

Macquarie names first female CEO

Australian investment bank MACQUARIE GROUP has appointed its first female CEO, promoting the head of its funds unit *Shemara Wikramanayake* to the most senior investment banking position currently held by a woman globally.

Her elevation also marks a new phase for a financial conglomerate known for its strong record of beating profit expectations and the large pay packages of its fiercely competitive staff.

Wikramanayake's predecessors, Allan Moss and Nicholas Moore, led Australia's biggest investment bank for a decade or more each.

She will take the reins from Moore in November at a time of intense regulatory and economic headwinds for financial companies.

"It's always a challenging decision but after 10 years it felt like the time is right," Moore said on an analyst call before the bank's annual meeting, referring to his stepping down. "With Shemara, we have a really outstanding successor."

Macquarie coupled its announcement of Moore's departure with a forecast of a profit in line with the previous year.

The bank's shares have surged 134% over the 10 years under Moore's leadership as it regularly grew profits and beat forecasts.

Wikramanayake's unit delivers about a third of its profit, according to Macquarie.

By helping set up and grow the asset management unit into Macquarie's most successful division, Wikramanayake, 56, has been central to its strategy of offseting the high volatility of traditional investment banking and capital markets businesses with more stable units such as funds management.

MALE-DOMINATED INDUSTRY

Wikramanayake's appointment makes her a lonely figure in the top ranks of world investment banking, a male-dominated industry. JP Morgan's chief financial officer Marianne Lake is one of several contenders to replace Jamie Dimon, making her the only other possible female CEO of a major investment bank.

"We don't have a lot of females in leadership in the finance sector," Wikramanayake, an Australian of Sri Lankan origin, told journalists in the call.

"We need to provide more flexibility (and) we need to allow more flexibility to males, to a have more balance in their life and allow female partners … to take a front line in career," she said.

Wikramanayake was the bank's second-highest paid person in the 2018 financial year, according to its annual report, earning a total A$16.7m (US$12.4m), less only than Moore who took home A$18.9m. Another star employee of the so-called "millionaires' factory", debt banker Ben Brazil, got A$15m.

"She is an impressive individual, very deeply involved in the Macquarie culture and its risk management structure," said Morningstar banking analyst David Ellis.

"The focus on global infrastructure, the focus on energy, particularly renewables, the interconnection between the five business units, is unique. I'm sure Shemara will treasure that and improve on that."

Fairfax Media reported last year that Wikramanayake had never sold a Macquarie share in 30 years.

She takes the top role in what is expected to be a tough phase for financial services companies in Australia. The sector is facing being investigated by a Royal Commission and economists are waiting for the central bank to raise interest rates from record low levels, putting downward pressure on dealmaking.

"It is a different world where it won't be so easy," said Steve Miller, an adviser at Grant Samuel Funds Management.

"Achieving superior returns will be more challenging now."

PAULINA DURAN, COLIN PACKHAM

Nomura's Q1 profit slumps 91%

NOMURA got off to a tough start during the first quarter of its financial year as net profit tumbled 91% to ¥5.2bn (US$47m) following declines in revenue across its three business lines.

Its performance in wholesale banking, which comprises global markets and investment banking, was particularly troubling as it recorded a loss of ¥7.4bn versus a profit of ¥25.4bn a year ago.

Overall revenue from wholesale banking fell 23% year on year to ¥137.3bn with revenue from investment banking down 7% at ¥25.1bn and revenue from global markets down 26% at ¥112.2bn.

Its results were in stark contrast to the big five US banks, which reported solid trading results and an increase in investment banking fee income during the April-June quarter.

Revenue from fixed income, commodities and currency trading rose 7% on average across the five banks, while revenue from equities jumped 14%.

The US banks benefited from recent volatility linked to escalating trade tensions between China and the US and changes in central bank monetary policy globally.

These same conditions failed to lift Nomura's results, which saw revenue from equities trading fall 7% to ¥54.5bn, while revenue from fixed income fell by more than a third to ¥57.7bn.

Its performance in investment banking was slightly more resilient with revenues down 7% at ¥25.1bn. This still compared unfavourably with an 8% gain among the US banks during the same period.

The latest results will be particularly disappointing for management after a successful start to 2018, at least for its wholesale division.

It posted steady gains in fixed income during the January-March quarter, Q4 in its reporting calendar, with revenues up 14% at ¥98.8bn, a far better showing than its US peers, which managed to eke out an average increase of only 2%.

Meanwhile, equities revenues climbed almost 50% as it benefited from the same volatile market conditions that allowed the big five US banks to record a 34% jump during the same quarter.

Nomura's Q1 performance will raise questions again about the viability of its business outside Japan, which has been debated extensively since it acquired Lehman Brothers' equities and investment banking businesses in Europe and Asia.

For the last fiscal year, it recorded a slight pre-tax loss of ¥0.7bn after booking a ¥26bn hit in the Americas during Q4, because of a spike in provisions and a higher effective tax rate. Last year's loss reversed a gain a year earlier that had marked the Japanese bank's first overseas profit in seven years, underscoring its susceptibility to one-off factors.

Nomura recorded a ¥7.7bn loss in its overseas business during Q1.

The bank recorded a 9% decline in revenue to ¥92.8bn in its domestic-focused retail division, which it attributed to investor disquiet over US-China trade friction.

Revenue from asset management fell 7% to ¥26.1bn, although it noted that assets under management reached a record high of ¥50.8trn during the quarter.

THOMAS BLOTT

HKEx waits on "corporate" WVRs

HONG KONG EXCHANGES AND CLEARING has pushed back plans to launch a consultation on allowing corporate entities to act as the beneficiaries of weighted voting rights.

HKEx said in April, when it introduced controversial new rules allowing "innovative" companies to list with dual-class shares, that it planned to launch a consultation on the corporate WVR topic by July 31.

As the new WVR regime has just been put in place, HKEx said it would instead continue to consult with different stakeholders in order to develop a "broader consensus" and would update the market at a later date.

Last month, rival Singapore Exchange allowed companies with WVR to list on the main board, including when corporate vehicles are the beneficiaries of DCS structures. It said in such cases it will consider additional enhancements, including sunset clauses where the differential voting structures fall away after a period of time.

Critics of the proposals said that extending multiple voting shares to corporate vehicles would defeat the original purpose of WVRs – allowing a company's founder or other key individuals to drive the company's business plan without being subject to the usual scrutiny from shareholders – and would risk creating a secondary market in those shares.

Earlier this month, Chinese smartphone maker Xiaomi became the first company to conduct an IPO in Hong Kong with a DCS structure. Last month, Meituan-Dianping, a Chinese online food delivery-to-ticketing services provider, and online steel marketplace Zhaogang.com both filed to list with DCS structures. Others are expected to follow suit soon.

THOMAS BLOTT

IN BRIEF

SBI
Agreement signed on bad loans

More than 20 Indian lenders led by STATE BANK OF INDIA have signed a pact to speed up the resolution of bad loans.

SBI said in an exchange filing last Monday that its board had approved the inter-creditor agreement, which gives the lead lender in a consortium a bigger say in coordinating a resolution plan.

Under the terms of the agreement, the lead lender will put forward a resolution plan to an overseeing committee. The terms of the resolution plan will then require approval of 66% of lenders before becoming binding.

The lead lender will be able to arrange for the buy-out of the facilities of dissenting lenders at a value that is equal to 85% of either the liquidation or resolution value of the debt, whichever is lower. Alternatively, dissenting banks can arrange to sell the debt at 125% of the liquidation or resolution value.

The agreement is part of a slew of new initiatives designed to tackle bad debts in Asia's third-largest economy. Earlier this year, the Reserve Bank of India introduced new rules that force banks to start insolvency proceedings on loans of Rs20bn (US$292m) if a resolution plan is not implemented within 180 days of a default.

Mizuho
SEC fine for information leaks

The US Securities and Exchange Commission fined the US investment banking subsidiary of MIZUHO FINANCIAL GROUP US$1.25m last Monday over allegations it failed to safeguard information on orders from clients in its trading division.

The SEC alleged that Mizuho's traders regularly disclosed information on customers regarding share buyback orders to other traders and hedge funds. The information included the identity of the party placing the order, the order size and limit price.

Mizuho agreed to pay the penalty without admitting or denying the SEC's findings.

SGX
Talks resume with NSE over derivatives

SINGAPORE EXCHANGE has resumed talks with the NATIONAL STOCK EXCHANGE OF INDIA over a derivatives trading link.

SGX said in a statement last Wednesday that the two bourses had restarted "discussions on a potential collaboration in Gujarat International Finance Tec-City". It added that the two exchanges would "jointly engage and consult relevant stakeholders" without providing further details.

SGX and NSE had earlier scrapped talks on the derivatives link in GIFT, a new financial hub championed by Prime Minister Narendra Modi, following a legal tussle over Indian equity derivatives products offered by SGX.

The Bombay High Court referred the case to an arbitrator with a decision originally slated for the first week of February 2019. SGX said on Wednesday the proceedings had been deferred pending the outcome of negotiations between the two exchanges over GIFT.

Rothschild Bank
FINMA probe over 1MDB ends

ROTHSCHILD BANK and one of its subsidiaries committed serious violations of anti-moneylaundering rules in relation to 1MDB, the Malaysian sovereign wealth fund, Switzerland's financial regulator said.

The regulator, FINMA, said in a statement on July 20 it was nonetheless closing its probe into Rothschild. It will review the steps the institution has taken to tighten up its procedures.

Rothschild Bank said it noted the regulator's comments and regretted the breaches that occurred.

"We constantly strengthen our systems and procedures and are determined to continue to do so to identify and combat the increasingly sophisticated financial crime faced by the industry," the bank said in a statement.

The investigation is the seventh and last undertaken by FINMA into 1MDB. Malaysia's former Prime Minister Najib Razak, has been charged with abuse of power and breach of trust in a graft probe into the fund, which he set up. He has pleaded not guilty and denied wrongdoing.

Rothschild Bank is part of Paris-listed Rothschild & Co.

WHO'S MOVING WHERE...

■ **JP MORGAN** has hired five China-focused research analysts in Hong Kong as the US investment bank continues to add to its A-share coverage.

Billy Feng has joined from UBS Securities, the securities joint venture partly owned by UBS, as senior China technology analyst. He previously worked at CLSA and Thomson Reuters.

Patrick Xu has joined from Nomura as senior China industrial analyst. He previously worked at Barclays and DBS.

JP Morgan has also added *Han Fu* from rival Morgan Stanley as China basic material analyst. He previously worked at investment firm Mandalay Capital Group.

Meanwhile, *Qian Yao* has joined as China consumer analyst from Huatai Financial and *Lei Mu* is due to join in August from Sinopec Corp as China energy analyst.

The hirings come as several international banks have been bolstering their A-share research coverage following the decision last year by US index provider MSCI to add Chinese mainland stocks in its benchmark emerging markets index.

Last year, James Sullivan, JP Morgan's head of equity research for Asia ex-Japan, told Reuters that the bank had increased its Greater China coverage by 20% in 2017 and had a "fairly aggressive investment plan" in place for the following two years.

■ **GF HOLDINGS (HONG KONG)** has appointed *Tang Xiaodong* as chief executive officer.

Tang joins the Hong Kong-based subsidiary of GF Securities after four years with China Asset Management, most recently as CEO.

Tang previously worked at the China Securities Regulatory Commission and has also been with Royal Bank of Scotland and ABN AMRO.

■ *Dean Hickey*, Bank of America Merrill Lynch's head of utilities and infrastructure investment banking for Australia, has left to join **JP MORGAN**.

It is not yet clear what position he will take up at JP Morgan. Hickey joined BAML in 2014 from Rothschild & Co, where he worked as an associate director in its infrastructure and utilities team.

■ **WESTPAC BANKING CORPORATION** has appointed *Anita Fung* as a non-executive director and member of its Asia advisory board, effective October 1.

Fung is best known for her 19-year stint with HSBC, including as Hong Kong chief executive. She has also previously been with Standard Chartered.

Fung, who stepped down from HSBC in 2015, is a non-executive director of China Construction Bank and Hong Kong Exchanges and Clearing.

■ *Shen Jianguang* has left Mizuho Securities to join **JD FINANCE**, becoming the latest executive to swap his job in the banking sector for fintech.

Shen has been appointed vice president and chief economist, the company said in a statement last Thursday.

Shen joined Mizuho in 2010 and served as managing director and chief economist for Asia. He has also worked at China International Capital Corporation, the International Monetary Fund and the European Central Bank.

Earlier this month, JD Finance raised Rmb13bn (US$1.9bn) in fresh equity, valuing the company at nearly US$20bn. It has said it does not have plans for an IPO.

■ **CREDIT SUISSE** has hired *Andy Tan* in Singapore as head of syndicate for South-East Asia in its Asia Pacific financing group, the bank said last Tuesday in a press release.

Tan, who started last Monday, will be responsible for the syndication and distribution of financing transactions across the APAC financing group's products.

He reports to Sergio Morita, head of syndication & distribution for the APAC financing group, who joined in March.

"With his deep client relationships and market expertise, Andy is well positioned to further our strategic focus of leveraging the unique advantage of our integrated financing platform to deliver sophisticated, bespoke financing products and solutions across the entire capital structure to our clients in South-East Asia and Frontier Markets including Vietnam," said Morita in the press release.

Tan joins after a 12-year stint with United Overseas Bank, where he most recently was a director in the sector solutions group, according to his LinkedIn profile. He also led loan syndications for borrowers such as Tower Bersama, San Miguel Corp, Marina Bay Sands and Indonesia Eximbank across industries including real estate, financial institutions, telecoms, technology and energy in South-East Asia.

He replaces Saurabh Banglani, who left in May after nearly nine years with the Swiss lender. Banglani was responsible for loan syndications for South and South-East Asia.

In May, Credit Suisse hired Aditya Goenka as its head of APAC financing group, India.

AUSTRALIA

DEBT CAPITAL MARKETS

› BLACKSTONE TO BUY ALL INVESTA MTNS

Blackstone Group's Quartz Finance Co I is seeking to buy all A$150m (US$112m) of Green MTNs due April 5 2024 issued in March 2017 by the INVESTA OFFICE FUND.

The conditional purchase of the notes is subject to the successful finalisation of Blackstone's acquisition of all units in the Investa Office Fund, and the agreement of the noteholders to liquidate their bond holdings.

NAB is coordinating the purchase of the notes.

In June, Blackstone entered into an agreement to buy Investa Office Fund, a REIT focused on Australian office buildings, for A$3.1bn.

Blackstone is buying a 55% stake in Thomson Reuters' Financial and Risk unit, which includes IFR and LPC.

› IADB TAPS KANGAROO

Triple A rated INTER-AMERICAN DEVELOPMENT BANK has priced a A$50m increase to its 3.15% Kangaroo due June 2029, bringing the total outstanding to A$175m.

The transaction has a reoffer price of 99.587% to yield 3.195% semi-annually, equating to a reoffer level of 41bp over semi-quarterly asset swaps, in line with earlier guidance, or 53.25bp over the April 2029 ACGB.

Nomura and *RBC Capital Markets* were lead managers for the tap, which settles on August 9.

› KFW KANGAROO GROWS

German development bank KFW, rated Aaa/AAA/AAA (Moody's/S&P/Scope) and guaranteed by the Federal Republic of Germany, last Tuesday priced a A$100m increase of its 3.2% March 15 2028 Kangaroo, bringing the total outstanding to A$500m.

The reopening priced at 100.369 to yield 3.155%. This was equivalent to 44.85bp over the May 2028 ACGB and 38bp over semi-quarterly asset swaps, in line with guidance of 38bp area.

TD Securities was sole lead manager for the tap, which settles on July 31.

› MONASH UNI REVISITS CLIMATE BONDS

MONASH UNIVERSITY is planning to sell A$116m of Climate bonds in a US private placement.

The 20-year senior unsecured fixed-rate transaction, its third Climate bond offering, is expected to price by the end of this month and close in October.

Moody's has assigned the proposed bonds a GB1 Green rating. Monash is rated Aa1 with a stable outlook.

Proceeds will primarily finance a new technology education building, which has been designed to reduce emissions.

Monash is Australia's largest university in terms of enrolments.

› NWB GOES FOR BIGGER KANGAROO

Triple A rated NEDERLANDSE WATERSCHAPSBANK last Friday priced a A$50m increase to its 3.45% Kangaroo due July 17 2028, bringing the total outstanding to A$875m.

The reoffer price of 101.700 gave a yield of 3.24865% semi-annually, equating to a reoffer level of 52bp over semi-quarterly asset swaps, or 59.115bp over the May 2028 ACGB.

HSBC was the sole lead manager for the transaction, which settles on August 3.

STRUCTURED FINANCE

› PEPPER PRICES DUAL-CURRENCY RMBS

Non-bank lender PEPPER GROUP has priced a A$1bn-equivalent (US$743m) non-conforming offering of US dollar and Australian dollar RMBS, through Pepper PRS 21.

The deal was increased from an initial size of A$700m.

The A$150m Class A1-s notes with a 0.6-year WAL, priced at one-month BBSW plus 85bp, from guidance of 85bp area.

The US$250m A1-u notes with a 1.7-year WAL, priced at one-month Libor plus 88bp, from guidance of 90bp–95bp area.

The A$210m Class A1-a notes with a 2.9-year WAL, the A$141m Class A2 and A$73m Class B notes, both with 3.8-year WALs, priced at 140bp, 190bp and 220bp, respectively. Guidance was one-month BBSW plus 140bp area, 175bp–180bp area and low 200s area, respectively.

The A$31m Class C, A$21m Class D, A$14m Class E, and A$10m Class F notes priced at one-month BBSW plus 310bp, 410bp, 610bp and 720bp. An unrated A$10m Class G note was retained.

The WAL for both the C and D tranches is 3.8 years; for the E tranche it is 3.6 years; for the F tranche 2.6 years; and for the G tranche 5.0 years.

The A1-s, A1-u, A1-a and A2 tranches are all rated Aaa/AAA (Moody's/S&P). The Class B, C, D, E and F notes are rated AA, A, BBB, BB and B, respectively, by S&P.

CBA, *NAB* and *Westpac* were joint lead managers for the Aussie dollar tranches, and *Citigroup* and *NAB* were leads for the US dollar component.

› MEMBERS EQUITY TAKES IOIS

MEMBERS EQUITY BANK was last week taking indications of interest for its A$500m SMHL SERIES SECURITISATION FUND 2018-1 RMBS.

A A$460m Class A2 tranche was indicated at initial price thoughts of one-month BBSW plus 110bp–115bp area; a A$24m AB tranche at plus 165bp area; a A$7.5m B tranche at 180bp–190bp area; a A$4.5m C tranche at mid 200s; a A$1.5m D tranche at mid to low 330bp area; and a A$2.5m E tranche at high 500s.

The A2 tranche is rated Aaa/AAA (Moody's/S&P). The AB, B, C and D tranches are rated AAA, AA, A and BBB by S&P, respectively, while the E tranche is not rated. The weighted average life for the AB tranche is 2.7 years and for the others it is 4.8 years.

NAB is arranger. It is also joint lead manager with *ANZ*, *CBA* and *Macquarie*.

The transaction may launch as early as this week.

SYNDICATED LOANS

› SIX FUND MACARTHUR WIND FARM REFI

Six lenders, including a non-bank investor, have funded a A$502m (US$372m) seven-year term loan for Malaysian power producer MALAKOFF that refinances a 2013 facility for the Macarthur wind project in Australia's Victoria state.

Blackrock Real Assets, *BNP Paribas*, *ING Bank*, *Mizuho Bank*, *OCBC Bank* and *Societe Generale* have committed to the term loan.

The deal is secured on a non-recourse basis over, among others, the mortgage of shares, land and lease, as well as fixed and floating charges of the assets and the assignment of rights over the project documents, according to press release.

The facility refinances a A$529m five-year loan raised in 2013. ANZ, National Australia Bank, ING, Shinsei Bank, Industrial and Commercial Bank of China, Danish export credit agency EKF and Clean Energy Finance Corp were the lenders on that transaction, which refinanced the then project loan for the Macarthur wind farm.

Malakoff owns a 50% indirect participating interest in the unincorporated joint venture of the Macarthur wind farm through Malakoff Wind Macarthur – a wholly owned Australian subsidiary of Malakoff International. Malakoff acquired the stake in 2013 from Meridian Energy's wholly owned subsidiaries Three River Holdings No 2 and Meridian Energy Australia.

Malakoff International is a wholly owned subsidiary of Malakoff.

Malakoff last raised a US$80m three-year loan that refinanced a deal that funded its purchase of an indirect stake in a power and water desalination plant in Bahrain in 2012. Mizuho was the sole mandated lead arranger and bookrunner of the amortising facility, which attracted Bank of East Asia, First Commercial Bank of Taiwan, Hua Nan Commercial Bank and Mega International Commercial Bank. The deal paid a top-level all-in pricing of around 130bp based on an interest margin of 120bp over Libor.

EQUITY CAPITAL MARKETS

LA MANCHA CUTS EVOLUTION STAKE

La Mancha Group has raised A$261.3m (US$193m) from the sale of part of its shares in Australian gold company EVOLUTION MINING.

The block of about 92m shares, or 5.4% of the shares on issue, was priced at A$2.84 apiece, or a 6.6% discount to the pre-deal price of A$3.04.

The deal was launched on 26 July with a floor price of A$2.79.

There was strong demand from a number of large existing institutional shareholders, according to a statement from La Mancha. "It is encouraging to see support amongst a broad range of investors internationally for this placement," Naguib Sawiris, chairman of La Mancha said.

After the sale, La Mancha, the private natural resource investment vehicle of the Sawiris family, will hold about 161.9m Evolution shares, or a 9.6% stake.

There is a 45-day lock-up on the vendor. *Citigroup* and *JP Morgan* are the joint bookrunners of the transaction.

CHINA

DEBT CAPITAL MARKETS

BEIJING CAPITAL PRINTS FRN

BEIJING CAPITAL GROUP, rated Baa3/BBB–/BBB, priced a US$400m three-year floating-rate senior notes offering at three-month Libor plus 257.5bp.

This was the tight end of final guidance of Libor plus 260bp, plus or minus 2.5bp, and well inside initial guidance of 285bp area.

Orders were over US$1.1bn from 73 accounts.

Asian accounts bought 98% of the Reg S deal. Funds booked 57%, banks 32%, and retail investors and others took a combined 11%.

The notes will be issued by Trade Horizon Global and guaranteed by Beijing Capital Grand, and have the benefit of a keepwell and liquidity support deed and a deed of equity interest purchase undertaking from Beijing Capital Group.

The notes have an expected BBB rating from Fitch.

Proceeds will be used for general corporate and refinancing purposes.

Beijing Capital Group, which is 100%-owned by the Beijing municipal government, completed a roadshow in late June but waited for a better window for the deal.

HSBC, *DBS Bank*, *CICC* and *China Citic Bank International* were joint global coordinators as well as joint lead managers and joint bookrunners with *CMB International*, *Guotai Junan International* and *Orient Securities (Hong Kong)*.

SPDB International was named as a bookrunner at the start of bookbuilding, but was not listed in the syndicate at time of pricing.

GREENLAND TAPS 2021 FLOATERS

GREENLAND HOLDING GROUP, the first high-yield Chinese property developer to issue US dollar floating-rate bonds, has reopened the 2021 floaters it sold last month to raise an extra US$300m.

The additional bonds were sold at 100.020, or three-month US dollar Libor plus 485bp, unchanged from final price guidance.

Following the tap, the outstanding size of the September 26 2021 senior unsecured Reg S notes, rated Ba2 by Moody's, is US$550m.

The tap attracted final orders of over US$800m from 62 accounts. Asia took 99% of the notes and Europe 1%. By investor type, 53% went to fund managers and asset managers, 33% went to banks and securities firms, 3% to sovereign wealth funds, and 11% to private banks and corporates.

The Shanghai-based developer, rated Ba1/BB/BB–, plans to use proceeds mainly for debt refinancing and the remainder for general corporate purposes.

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

BOC International was sole global coordinator as well as joint bookrunner and joint lead manager with *China Industrial Securities International*, *Haitong International* and *Orient Securities (Hong Kong)* on the reopening.

SANDS CHINA PLANS BOND OFFERING

Macau casino operator SANDS CHINA plans to conduct a 144A/Reg S offering of senior unsecured notes, according to a stock exchange filing last Thursday.

Barclays Capital, *Goldman Sachs* and *Bank of America Merrill Lynch* have been appointed as joint bookrunners.

The Hong Kong-listed company, a 70%-owned subsidiary of Las Vegas Sands, intends to use the proceeds to repay in full its outstanding term loans under the VML Credit Facility and for general corporate purposes, including capital expenditures.

No other details, including currency and tenor, were provided.

Moody's on Thursday assigned a Ba1 rating to the proposed notes.

SUNAC CHINA DRAWS CHUNKY DEMAND

SUNAC CHINA HOLDINGS (B2/B+/BB–) on Tuesday drew orders of over US$1.5bn from 88 accounts for a US$400m two-year senior bond offering.

The deal priced at par to yield 8.625%, having tightened from initial guidance of 9% area.

Asia took 78% of the Reg S notes and EU accounts 22%. Fund managers and securities firms booked 80%, banks and insurers a combined 11%, private banks 6% and others 3%.

The Hong Kong-listed Chinese real estate company plans to use proceeds for debt refinancing. It has a call option on its US$400m 8.75% 2019 bonds on August 23.

The new bonds are expected to be rated B3/B/BB–.

HSBC, *Morgan Stanley*, *China Citic Bank International*, *China Industrial Securities International*, *CMB International*, *Guotai Junan International*, *ICBC International* and *Nomura* were joint global coordinators and joint bookrunners.

Sunac's contracted sales rose 76% year

Gansu LGFV prints rare benchmark

Bonds Policy easing provides a window for new issuance after dry spell

GANSU PROVINCIAL HIGHWAY AVIATION TOURISM INVESTMENT GROUP, seizing upon improved sentiment in Chinese credit, on Thursday priced US$350m of senior notes in the first benchmark-sized US dollar bond from a local government financing vehicle in months.

"The Chinese government's recent shift towards a more accommodative policy stance was supportive for the LGFV sector and gave room for us to launch the deal," said a banker on the transaction.

The 6.25% three-year notes were priced at 99.328 to yield 6.50%, unchanged from price guidance.

The Reg S issue offered a moderate 10bp–15bp new issue concession, according to the banker. The notes have expected ratings of BBB–/BBB– (S&P/Fitch), in line with the issuer.

LGFV bonds have been hit by heavy sell-offs in the past few months as a number of LGFVs and state-owned enterprises have defaulted on asset-management products and trust loans. New US dollar issuance of LGFVs has been partially closed since late April, with only a small number of private placements taking place.

BETTER RISK APPETITE

But China's recent easing measures have given impetus to the sector. LGFV bonds have staged a broad-based rally because of hopes that fiscal and monetary-policy adjustments will help ease the sector's financial difficulties.

China's State Council last Monday unveiled plans to adopt a more vigorous fiscal policy to help tackle external uncertainties, which include trade tensions with the US. In particular, it said financial institutions should be guided to ensure that LGFVs' reasonable financing needs are met.

The People's Bank of China has also injected significant liquidity into the financial system and said it would allow commercial banks to tap its medium-term loans, helping them, among other things, to increase investment in onshore bonds of lower-rated companies.

In addition to better risk appetite, Gansu Highway's bookrunners also lined up significant anchor interest before sending out final price guidance on Thursday morning.

"Anchor interest covered 70%–80% of the deal size before we pushed out the deal," said the banker, and the improved sentiment also attracted other investors.

Another supporting factor was the relatively sparse offshore bond supply from Gansu, a north-central province, relative to other areas like Jiangsu, Yunnan and Tianjin.

"The issuer is the only LGFV in Gansu province that has issued offshore bonds, meaning that supply from Gansu is limited," the banker said. The importance of the issuer to the provincial government also gives investors confidence, the banker said.

Gansu Highway is the only enterprise authorised by the provincial government to manage and operate transportation infrastructure projects in the province.

It first tapped the offshore bond market with US$500m three-year bonds in November 2016. It then priced €410m (US$480m) three-year bonds last November.

MORE POTENTIAL DEALS

The banker said his bank is gauging interest in other potential LGFV issuers before investors head off on holiday. These include YIWU STATE-OWNED CAPITAL OPERATION, rated Baa3 by Moody's, and TIANJIN FREE TRADE ZONE INVESTMENT HOLDING GROUP, rated Baa2/BBB+ (Moody's/Fitch), by end-July or early August.

"The outlook for the Asia credit market is difficult to predict amid global economic uncertainties, it is important to grab the window available for bond issuance," the banker said.

Research firm CreditSights said that most of its clients remain wary of the LGFV sector, preferring only to invest in higher-quality credits such as larger LGFVs with strong business profiles at higher government levels.

"Nobody seemed keen to invest in the smaller LGFVs such as county-level entities. Everyone admitted that the lack of visibility in the financial strength and viability of most LGFVs was a challenge to investors," CreditSights wrote in a note.

Gansu Highway's deal drew a final book of over US$475m from 35 accounts. By investor type, 55% went to banks, 35% went to fund managers, and 10% went to private banks, corporates and securities firms. A geographical breakdown was not available.

The proceeds will be used for business development, including general corporate purposes and debt repayment.

Bank of China, *Barclays* and *Citigroup* were joint global coordinators. They were also joint bookrunners and joint lead managers along with *Industrial Bank Hong Kong branch*, *China Construction Bank (Asia)*, *Tensant Securities*, *China Citic Bank International*, *China Everbright Bank Hong Kong branch* and *Guotai Junan International*.

CAROL CHAN

on year to Rmb192bn (US$28bn) in the first half of 2018, and the company indicated that first-half revenue was likely to increase by more than 200% over the same period a year earlier.

YANZHOU COAL MAKES COC OFFER

YANZHOU COAL MINING is offering to buy back its US$550m 5.73% notes due 2022 at a cash price of 101 after a change-of-control clause was triggered.

The offer will be open from July 30 to August 10, according to a filing.

The notes, issued by subsidiary Yancoal International Resources Development with the Hong Kong and Shanghai-listed coal producer as guarantor, were issued in May 2012.

State-owned parent Yankuang Group's stake in Yanzhou Coal was reduced to less than 50.1% on May 21 after some holders of the parent's exchangeable bonds converted those into Yanzhou Coal shares.

This triggered the change of control provision in the bond agreement, which kicks in if the Chinese government ceases to own and control 50.1% of the guarantor.

However, on July 10, Yankuang Group bought Yanzhou Coal shares over the counter, raising its stake from 49.8% to 51.8%.

YUZHOU SELLS ADDITIONAL BONDS

YUZHOU PROPERTIES, rated Ba3/BB–/BB–, tapped its 7.90% May 11 2021 senior notes for US$425m to bring the total issue size to US$625m.

The additional Reg S notes were sold at 99.126 to yield 8.25%, unchanged from final guidance.

The tap drew final orders of over US$1.5bn from 147 accounts. Of the notes, 96% went to Asia and 4% to Europe. By investor type, 81% were fund managers, 14% were banks and securities firms, 3% were private banks, and 2% were insurers.

Proceeds from the tap will be used for debt refinancing.

The original three-year non-call two notes, rated B+/BB– (S&P/Fitch), priced on May 3 at par to yield 7.90%.

After the latest tap, the Hong Kong-listed Chinese real estate company has used all of the offshore debt issuance quota it received earlier this year, according to research firm Lucror Analytics.

The timing of the reopening was good, right after China injected more liquidity in the markets and softened the deleveraging initiative, Lucror wrote in a note.

Credit Suisse was sole coordinator and active bookrunner on the tap. *BOC International* and *Yuzhou Financial Holdings* were added as joint bookrunners in a later stage.

CFLD SELLS US$200M BONDS

Property developer **CHINA FORTUNE LAND DEVELOPMENT**, rated BB+ by Fitch, has raised US$200m from an offering of three-year US dollar notes.

The notes were priced at par to yield 9.0%, being tightened from an initial price guidance of 9.5% area.

CFLD (Cayman) Investment is the issuer of the notes and CFLD is guarantor. The issue is expected to be rated BB+ by Fitch.

Haitong International, *CCB International* and *CEB International* are joint global coordinators on the offering. They are also joint bookrunners and joint lead managers with *China Industrial Securities International*, *JP Morgan* and *Yuexiu Securities*.

Earlier this month, CFLD announced that its controlling shareholder, China Fortune Land Holding, had agreed to sell 582.1m shares, or 19.7%, of the mid-sized property firm to Ping An Asset Management for Rmb13.8bn, making the latter CFLD's second-largest shareholder.

CHINA AOYUAN PRICES US$175M TAP

CHINA AOYUAN PROPERTY GROUP, rated B1/B+/BB–, has priced a US$175m tap of its 6.35% senior notes due 2020, bringing the total issue size to US$425m.

The new bonds priced at 7.45%, in line with final guidance but tighter than initial guidance of 7.70% area. The issue size was capped at US$175m.

Asia accounted for 98% of the Reg S notes, and the rest went to Europe. Fund and asset managers bought 76%, banks 16% and private banks 8%.

The notes have expected ratings of B2/B/BB–.The Hong Kong-listed Chinese real estate company plans to use the proceeds to refinance debt and for general working capital.

China Industrial Securities International, *China Merchants Securities (HK)*, *Deutsche Bank*, and *OCBC Bank* were joint lead managers and the joint bookrunners.

Guangdong-based Aoyuan last Wednesday said it expected to record an increase of around 50% of its core net profit in the first half from a year earlier.

CHINA ISSUERS EYE OFFSHORE BONDS

Chinese commercial lender **ZHONGYUAN BANK** and 12 other issuers have registered with the state planning agency, the National Development and Reform Commission, to sell offshore bonds.

Zhongyuan Bank, based in central Henan province, announced in January that its board had approved a plan to sell offshore preference shares to raise up to Rmb10bn to replenish its Additional Tier 1 capital.

The other registrants are **BEIJING MO MO TECHNOLOGY**, **XIWANG GROUP**, **HUMANWELL HEALTHCARE (GROUP)**, **WUHU CONCH INVESTMENT**, **SUNING APPLIANCE GROUP**, **LINGNAN ECO&CULTURE-TOURISM**, **SICHUAN PROVINCIAL INVESTMENT GROUP**, **JIANGSU ZHONGNENG POLYSILICON TECHNOLOGY DEVELOPMENT**, **AVIATION INDUSTRY CORPORATION OF CHINA**, **BEIJING CAPITAL GROUP**, **CHINA EVERBRIGHT GROUP** and **CHINA MERCHANTS GROUP**, according to the NDRC.

The agency did not say when the registrations were approved.

CMPH SETS SAIL IN US DOLLARS

CHINA MERCHANTS PORT HOLDINGS, rated Baa1/BBB (Moody's/S&P), has mandated *Bank of China (Hong Kong)*, *DBS Bank*, *HSBC*, *MUFG* and *UBS* as joint global coordinators for a US dollar bond.

Fixed income investor meetings in Singapore and Hong Kong and a global investor call began last Wednesday for the proposed senior unsecured notes.

The Reg S notes, if issued, are expected to be rated Baa1/BBB (Moody's/S&P).

Hong Kong-listed CMPort has a portfolio of 32 ports in 17 countries and regions, according to its website.

SINO-OCEAN PRINTS DOLLAR FLOATER

SINO-OCEAN GROUP HOLDING, rated Baa3/BBB–(Moody's/Fitch), has drawn final orders of US$1.9bn from 141 accounts for US$700m three-year floating-rate notes.

The notes were priced last Tuesday at three-month Libor plus 230bp, flat to final guidance. The initial guidance was in the 250bp area.

Asian investors were allocated 94% of the notes and European investors 6%. By investor type, banks took 42% of the notes, fund managers 40%, insurer/sovereign 10% and private banks/corporate 8%.

The notes were seen tightening by 7bp in the secondary market Tuesday afternoon, according to a trader.

The notes were issued by wholly owned subsidiary Sino-Ocean Land Treasure IV and guaranteed by the Hong Kong-listed parent company.

The notes have expected ratings of Baa3/BBB– (Moody's/Fitch), in line with the guarantor.

The Chinese real-estate company plans to use the proceeds to repay debt.

HSBC, *Goldman Sachs*, *UBS* and *China Citic Bank International* are the joint global coordinators as well as joint bookrunners and joint lead managers with *Shanghai Pudong Development Bank Hong Kong branch* and *Industrial Bank Hong Kong Branch*.

GLP TAPS TWO MARKETS FOR PANDAS

GLOBAL LOGISTIC PROPERTIES raised a combined Rmb3.5bn from two Panda bond offerings, seizing a benign issue window in China's domestic market.

It priced Rmb1.5bn three-year Panda bonds at par to yield 5.4% on July 20 in the interbank bond market after a print of Rmb2bn nine-year notes on the Shenzhen Stock Exchange on July 17.

The nine-year notes, which come with put options at the end of years three and six, were priced at par to yield 5.2%.

Yields on China Development Bank's three-year notes fell by 12bp to 3.77% during the week as the People's Bank of China pumped cash into the banking system and as it prepared to soften small firms' financing burdens.

The two offerings were issued in the name of GLP subsidiary GLP China Holdings.

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

The bonds and the issuer are rated AAA/AAA (Shanghai Brilliance Credit/China Chengxin).

China Merchants Bank and *China Merchants Securities* were sole lead on the interbank and the exchange-traded issues, respectively.

YUNNAN ENERGY DROPS ONSHORE PERP

YUNNAN PROVINCIAL ENERGY INVESTMENT GROUP has dropped an offering of onshore perpetual bonds after marketing the dual-tranche deal last Thursday.

"Considering the current market condition for perpetual bonds, the issuer has decided to drop the offering," the state-owned issuer said in a statement on the Shanghai Stock Exchange. It said it would look for another issue window to print the deal.

Tsinghua Unigroup taps €1.5bn bridge

Loans **Chinese tech giant snaps up French smartcard components maker Linxens**

State-owned technology conglomerate TSINGHUA UNIGROUP has wrapped up a €1.5bn (US$1.75bn) bridge loan for its proposed acquisition of French smartcard components maker Linxens.

Credit Suisse, *Deutsche Bank*, *Industrial & Commercial Bank of China* and *Natixis* are the banks providing the 12-month bridge loan, which was signed and funded earlier this month.

The proceeds will fund Tsinghua Unigroup's €2.2bn acquisition of Linxens, which was signed over a month ago but has not yet been announced publicly.

Tsinghua Unigroup's acquisition of Linxens from private-equity group CVC Capital Partners needs approval from the company's union as well as regulators in France and Germany.

The acquisition will be a key test of European regulators' stance on Chinese investment in the region, which has been on the rise amid the country's worsening trade relations with the US.

Credit Suisse was the sell-side adviser to CVC, which acquired Linxens in July 2015 from Astorg Partners for €1.5bn and raised a dual-currency US$1bn financing to support the leveraged buyout.

Before the Linxens deal, Tsinghua Unigroup accumulated a stake in Dialog Semiconductor, buying into share price weakness as the Anglo-German chipmaker faced uncertainty over its business relationship with Apple, its largest customer, toward the end of last year.

The stake, held via two wholly owned subsidiaries, reached 9% in December, according to company filings, making the Chinese investor the single largest shareholder in Dialog. Tsinghua did not respond to requests for comment at the time.

Failure to get local regulatory approval has previously scuttled Tsinghua's offshore investment plans, such as share purchases totalling US$2.6bn from three Taiwanese chip makers – Powertech Technology, ChipMOS Technologies and Siliconware Precision Industries – that fell through in 2016 and 2017.

Soon after, Tsinghua Unigroup made its debut in the offshore loan market, more than doubling its three-year loan to US$701m from a US$300m target.

Bank of China, Credit Suisse and Standard Chartered were the mandated lead arrangers and bookrunners, while 11 other lenders joined at different levels.

The loan paid a top-level all-in pricing of 263.33bp based on an interest margin of 220bp over Libor.

In 2015, Tsinghua Unigroup made an informal US$23bn offer for US giant Micron Technology, which was rejected by the Idaho-based chipmaker amid national security concerns – a rationale that has increasingly been used to block Chinese deals in sensitive US industries.

So far this year, China has spent US$45.5bn on European assets, more than double year-ago levels, while its investments in the US have dropped 75% to US$1.9bn, according to Thomson Reuters data.

Linxens, headquartered close to Paris, has €535m in annual sales and employs 3,500 people at nine production sites globally. It also has offices in China, Singapore and Thailand.

The company, which does not have a US presence, according to its website, makes connectors crucial for communication between smart cards and electronic readers. It also makes antennas and inlays for applications such as contactless payment, transport and access.

PRAKASH CHAKRAVARTI, KANE WU

The company intended to raise up to Rmb1.4bn from the offering. The perpetual non-call three tranche was marketed on the SSE at 5.50%–6.70% and the perpetual non-call five piece at 5.70%–6.90%.

Citic Securities was sole lead on the offering.

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

In the offshore market, Yunnan Provincial Energy Investment Group is rated BBB by Fitch.

TWO DEVELOPERS PRINT ONSHORE

Two Chinese property developers printed onshore bonds last week, raising a combined Rmb1.9bn.

GREE REAL ESTATE raised Rmb1.2bn from a dual-tranche bond offering last Thursday. A Rmb600m five-year non-put two tranche was priced at par to yield 5.30% and a Rmb600m five-year non-put three piece at 5.50% on the Shanghai Stock Exchange.

Guangdong Financing Re-Guarantee is the guarantor on the notes. Pengyuan Credit Rating has assigned ratings of AA and AAA to the issuer and the notes, respectively.

The proceeds will be used to repay debt, including three existing bonds listed on the Shanghai Stock Exchange. *Zhongtai Securities* is the sole lead on the offering.

In the interbank bond market, CHINA JINMAO GROUP printed Rmb700m 270-day notes at par to yield 4.70% last Wednesday.

China Minsheng Bank is the sole lead on the offering. The issuer, an onshore entity of Hong Kong-listed China Jinmao Holdings Group, is rated AA+ by China Chengxin.

The proceeds will be used to repay Rmb1bn short-term notes due on August 2.

STRUCTURED FINANCE

FAFC SET FOR AUTO LOAN ABS IN CHINA

FORD AUTOMOTIVE FINANCE (CHINA), a wholly owned subsidiary of Ford Motor Credit, is set for its second trade of securities backed by auto loans in China.

A Rmb1bn (US$147m) Class A1 fixed-rate tranche, a Rmb2.28bn Class A2 floating-rate tranche and a Rmb170m floating-rate Class B tranche will be offered to institutional investors in China's interbank bond market.

Books will open on August 2. The offering will also be available to offshore investors via the Bond Connect link.

The credit enhancement for the Class A1, A2 and B notes come from various sources, including subordination from Rmb298m subordinated unrated notes, Rmb252m of overcollateralisation, and a liquidity reserve of Rmb40m, according to Fitch.

Fitch has assigned expected ratings of AA+, AA+, A+ to the three senior tranches respectively.

Both the Class A1 and A2 notes are rated AAA by China Chengxin and China Bond, while the Class B tranche is rated AA+ by the two agencies.

At the cut-off date of June 1, the collateral pool consisted of 58,587 auto loans with a balance of Rmb4bn.

China Merchants Securities is lead underwriter and bookrunner on the offering, with *HSBC Bank (China)* and *MUFG Bank(China)* as joint lead underwriters. *HSBC* is financial adviser on the offering.

Mezzanine loans catch on in China

Loans **InfraRed NF agrees US$88m mezzanine loan to Keyne Properties**

Mezzanine loans are on the rise among China's small and medium-sized property developers as the country's regulators continue to restrict access to traditional bank financing.

Last month, Chinese regional developer KEYNE PROPERTIES raised a US$88m mezz loan to finance a mixed residential and business project. China-focused real estate fund manager *InfraRed NF Investment Advisers* provided the two-year offshore loan that carries a one-year extension option.

InfraRed NF has emerged as one of several providers of alternative funding to SME property developers that are facing a funding squeeze and higher financing costs onshore and offshore, as Beijing has restricted their borrowing options and international investors remain wary of default risk.

"Developers need some breathing space. For them, it makes perfect sense to borrow our money," said Grant Chien, investment director at InfraRed NF. "Our strategy is really a simple one: we pick either the local champions or the best selling projects in that city."

The facility for privately owned Keyne has an overall return in the high teens, which is more expensive than offshore bank loans or high-yield bonds, although pricing on those instruments is also rising.

For instance, Agile Group's 2022 US dollar bonds now yield 8.39%, up from 4.5% in March. It paid 8.5% for a three-year non-call two bond on July 11. The mid-sized developer, rated Ba2/BB (Moody's/S&P), also paid a top level all-in pricing of 520bp over Libor/Hibor for its HK$12.13bn-equivalent (US$1.55bn) four-year refinancing this month – richer than that for its peers and its own previous borrowings.

ALTERNATIVE FINANCE

InfraRed NF is seeing more opportunities as traditional liquidity pools dry up. It is eyeing bigger individual deals of between US$100m and US$300m-plus and expects to close one or two more deals before the end of the year.

As well as funding restrictions, Chinese developers face administrative price caps on new projects in a bid to rein in housing inflation, leading to new homes to price lower than existing units in some areas.

Keyne's mezz loan will help finance a residential-led project of approximately two million square metres, which also includes a hotel, office and retail space in Yangzhou, a city in Jiangsu province.

Keyne acquired the project as a non-performing asset after the previous owner – also a small developer – ran out of cash to continue the construction. Previous creditors included China Huarong Asset Management and affiliates, which also helped to restructure and rescue the project.

Keyne will use the mezz financing to postpone pre-sales of the outstanding one million square metres of mostly residential saleable area in the hope that the local government will approve a higher selling price at a later date.

The local government in Yanzhou recently increased the price cap for the project to Rmb10,500 (US$1,543) per square metre from Rmb9,000 two years ago. Similar existing flats nearby are fetching 20%–30% more.

Together with senior debt, the financing has a loan-to-value ratio of 65%. The mezz piece comes with several protections against downside risk, including security against a portfolio of US$900m in assets, a share pledge of an offshore vehicle that controls the Yangzhou project and more than three times debt coverage on principal and interest. There are multiple inter-creditor agreements with other lenders.

InfraRed NF is a joint venture between InfraRed Capital Partners and the Vervain Group, part of Hong Kong property developer Nan Fung.

YAN JIANG

SYNDICATED LOANS

CDH PREPS SIRTEX ACQUISITION LOAN

Bank of China Macau branch is preparing to launch a US$700m dual-tranche loan backing CDH INVESTMENTS' acquisition of Australian liver cancer treatment specialist Sirtex Medical.

The deal is expected to offer an all-in pricing of more than 300bp.

BOC Macau has underwritten the facility, which comprises a US$300m five-year term loan and a US$400m 18-month bridge.

On July 16, Sirtex said that the US Federal Trade Commission had granted early termination of the waiting period for the buyout, clearing a major hurdle for the deal to go through.

The transaction has already been approved by Australia's Foreign Investment Review Board.

In mid-June, Chinese alternative asset fund manager CDH and its partner, China Grand Pharmaceutical and Healthcare Holdings, emerged as the winners for Sirtex with a A$1.9bn (US$1.4bn) offer, trumping a rival bid from US-based Varian Medical Systems.

According to a Sirtex stock filing on June 14, CDH will ultimately own 51% of the company, while CGP will own the remainder.

In early July, Hong Kong-listed CGP announced a rights issue of up to HK$2.88bn (US$367m) to pay for the acquisition. The balance consideration for the acquisition will be funded by existing cash.

Australia is proving an attractive destination for Chinese investment in the healthcare sector, with A$5.5bn in deals agreed since 2015, according to Thomson Reuters data.

NETEASE LAUNCHES MAIDEN LOAN

Nasdaq-listed Chinese web portal NETEASE has launched a US$500m debut syndicated loan.

ANZ, *Citigroup*, *DBS* and *HSBC* are the mandated lead arrangers and bookrunners of the three-year revolving credit facility, which pays an interest margin of 95bp over Libor.

Banks committing US$50m or more will earn an all-in pricing of 113bp via a 54bp fee for the MLA title, while commitments below US$50m receive an all-in of 110bp via a 45bp fee for the lead arranger title.

Funds are for working capital and refinancing.

A bank meeting is slated for August 3 in Hong Kong, and the deadline for commitments is August 24.

COUNTRY GARDEN BACK FOR LOAN

Property developer COUNTRY GARDEN HOLDINGS is seeking a four-year term loan of up to US$2bn, its second borrowing of the year.

An arranger group is forming on the dual-currency financing, for which the price talk is more than 300bp all-in.

Country Garden's latest loan is similar to a US$1.25bn-equivalent four-year facility it signed in October. That loan paid a top-level all-in pricing of 300bp based on an interest margin of 249bp for an average life of 3.75 years.

The company's most recent loan was a HK$1.781bn three-year facility signed in April backing its acquisition of a 15% stake in real estate service provider E-House (China) Enterprise Holding. BNP Paribas was the sole MLAB and pre-funded that facility, which offered a top-level all-in pricing of 290bp via a 230bp margin for an average life of 2.5 years.

CHINA AIRCRAFT RETURNS TO MARKET

CHINA AIRCRAFT LEASING GROUP HOLDINGS is returning to the loan market for a US$790m six-year loan after it raised a smaller borrowing amount last October.

Credit Suisse, *Societe Generale* and *Shanghai Pudong Development Bank* are the mandated lead arrangers and bookrunners, while *China Everbright Bank*, *Credit Agricole CIB* and *Industrial & Commercial Bank of China (Asia)* joined as MLAs.

The deal offers an interest margin of 210bp over Libor and has a five-year average life.

Lead arrangers committing US$65m or more will receive an all-in pricing of 230bp via a participation fee of 100bp, while arrangers joining with US$50m–$64m earn an all-in pricing of 227bp via a 85bp fee. Lead managers joining with US$30m–$49m earn an all-in pricing of 224bp via a 70bp fee, while co-lead managers joining with US$15m–$29m earn an all-in pricing of 221bp via a 55bp fee.

The borrower is CHINA AIRCRAFT GLOBAL, a special-purpose vehicle owned by China Aircraft Leasing. The funds will be used to buy 18 airplanes.

Last October, China Aircraft Leasing raised a US$425m 4.5-year pre-delivery payment financing via unit CALC PDP 3. China Everbright Bank Hong Kong branch and ICBC (Asia) were the MLABs of that facility, which offered a top-level all-in pricing of 284bp based on a margin of 265bp over Libor and a 85.5bp fee.

INDUSTRIAL BANK CLOSES BULLET

INDUSTRIAL BANK FINANCIAL LEASING has closed a Rmb762m one-year term loan after five banks joined in general syndication.

E. Sun Commercial Bank is the facility agent and original mandated lead arranger and bookrunner on the bullet transaction, which had an initial target of Rmb500m.

The loan comprises a Rmb100m offshore tranche, solely taken by E. Sun, and a Rmb662m onshore portion, which was syndicated. Both portions pay an interest margin of 108.5% of the PBoC rate.

China Merchants Bank Beijing branch, *East West Bank (China)*, *Hana Bank (China)* and *Land Bank of Taiwan* Tianjin branch joined the deal as MLABs.

The loan offered top-level all-in pricing of 123% of the PBoC rate via a top-level participation fee of 63bp. The PBoC rate for one-year loans is 4.35%.

Signing is slated for the end of this month and the facility is expected to be drawn in mid-August.

The deal follows a US$80m three-year amortising term loan the borrower signed in February. Bank SinoPac (China) and Industrial Bank Beijing branch were the MLABs of that deal, which paid a top-level all-in pricing of 167.21bp over Libor based on a margin of 160bp for an average life of 2.775 years.

The borrower is a fully owned unit of Industrial Bank.

For full allocations, see www.ifrasia.com.

EQUITY CAPITAL MARKETS

ESR PLANS HONG KONG IPO

ESR, a pan-Asia logistics real estate developer, owner and operator, is planning to raise about US$1.5bn from a Hong Kong IPO in 2019, according to people familiar with the situation.

The company, backed by private-equity firm Warburg Pincus, is in discussions with potential advisers for a planned IPO.

ESR, headquartered in Hong Kong, was formed from the merger of e-Shang and Redwood in January 2016. e-Shang was co-founded by Warburg Pincus and two entrepreneurs, Sun Dongping and Jeffrey Shen, in 2011.

According to ESR's website, its investors include APG, Canada Pension Plan Investment Board, Goldman Sachs, PGGM, Ping An and SK Holdings.

In May, Chinese online retailer JD.com invested US$306m in ESR. In June, ESR said it had closed a pre-IPO investment from Citic Securities One-Belt-One-Road fund, a private-equity investment fund of CLSA, without disclosing the investment amount.

ESR could not immediately be reached to comment. Warburg Pincus declined to comment.

According to ESR's website, the company manages over 9 million square metres of gross floor area in projects owned and under development across China, Japan, Singapore, South Korea and India.

BEIGENE PLANS SECONDARY LISTING

Nasdaq-listed Chinese biotech company BEIGENE is planning to raise up to US$1bn from a secondary listing in Hong Kong, making it the largest biotech float in the city this year, according to people familiar with the situation.

The leads on the deal have started meeting with investors for the float, said the people, and bookbuilding is expected to start by the end of July.

Goldman Sachs and *Morgan Stanley* are the joint sponsors.

The company plans to sell about 10% of its enlarged share capital in the secondary listing to raise US$800m–$1bn, said the people.

BeiGene's stock closed at US$173.12 last Thursday, giving it a market capitalisation of US$9.3bn. The stock has gained 77% so far this year.

BeiGene, an early-stage cancer drug developer, joins a growing list of Chinese biotech companies looking to sell shares in Hong Kong following the introduction of new rules earlier this year.

Hong Kong's exchange operator loosened its rules to attract more listings from Chinese new-economy companies, including tech firms and early-stage drug developers.

According to a regulatory filing, BeiGene's internally developed lead drug candidates are in late-stage clinical trials, and it is marketing three in-licensed drugs in China from which it has been generating product revenue since September 2017.

The company lost US$104.6m in the first quarter of 2018 on revenues of US$32.5m.

ASCLETIS COMPLETES LANDMARK IPO

ASCLETIS PHARMA has raised HK$3.1bn (US$400m) from a Hong Kong IPO, the city's first under new rules designed for early-stage biotech companies.

The Chinese biopharma company sold 224m primary shares at HK$14 each, the midpoint of an indicative price range of HK$12–$16 a share, according to people close to the deal.

The final price translates into a 2020 P/E multiple of 27.8.

The books were multiple times oversubscribed with strong support from global and regional long-only funds and healthcare focused funds. Allocation heavily skewed towards long-only funds and healthcare focused funds, with the top 15 investors taking more than two-thirds of the deal and the top 20 investors taking about 75%.

The company brought in Singaporean sovereign wealth fund GIC as a cornerstone investor for an investment of US$75m.

Ascletis is the first IPO candidate to take advantage of an April 30 rule change allowing biotech firms with no profits or revenues to list in Hong Kong.

There is an overallotment option of up to 33.7m shares.

The company's shares will start trading on August 1.

Founded in 2013, Hangzhou-based Ascletis manufactures anti-viral, cancer and liver disease drugs.

China Merchants Securities, *Goldman Sachs* and *Morgan Stanley* are joint sponsors for the IPO.

MINDRAY PLANS BIG CHINEXT IPO

SHENZHEN MINDRAY BIO-MEDICAL ELECTRONICS, a Chinese manufacturer of medical devices, has cleared a China Securities Regulatory Commission hearing for a ChiNext IPO which could raise Rmb6.3bn (US$929m).

The planned float of Mindray, which was delisted from the New York Stock Exchange in March 2016, is set to be one of the largest on China's Nasdaq-style ChiNext board after the Rmb5.46bn listing of Contemporary Amperex Technology (CATL), China's largest lithium battery producer, in June.

Mindray said in a regulatory filing that it plans to sell up to 122m shares, or about 10% of the enlarged share capital, to raise funds for the development of eight projects costing a combined Rmb6.3bn.

It is unclear at this stage whether Mindray's IPO can reach its target size. CATL wanted to raise Rmb13bn but was forced to cut its deal size by more than half as it could not sell its shares above the regulator's unwritten valuation cap of 23 times historical earnings.

Mindray listed in the US in September 2006.

According to the filing, Mindray's net profit rose 61% to Rmb2.6bn in 2017 from a year earlier, while its revenue grew 24% over the same period to Rmb11.2bn.

The company still needs written approval from the CSRC before it can launch the deal.

Huatai United Securities is the sponsor for the deal.

OPERA PRICES IPO AT TOP

Norwegian software developer **OPERA** has raised US$115m from a Nasdaq IPO after pricing the shares at the top of the US$10–$12 indicative price range, according to people close to the deal.

The company sold 9.6m primary American depositary shares. There is an overallotment option of up to 1.4m shares.

Concurrently to the IPO, and subject to its completion, Opera will sell a combined US$60m of shares in a private placement to bitcoin mining hardware manufacturer Bitmain and IDG Capital Fund/IDG Capital Investors. The former will take up US$50m and the latter US$10m.

CICC and *Citigroup* are joint bookrunners for the deal.

AURORA AND CANGO UNDERSHOOT

AURORA MOBILE and **CANGO** have both raised less than targeted from their US IPOs after selling fewer shares. *(See News)*

Aurora raised US$77m from a Nasdaq IPO after selling 9m American depositary shares at the bottom of an indicative price range of US$8.5–$10.5 each.

The Shenzhen-based company, also known as Jiguang, originally planned to sell 12m ADS.

The final price represents a 2020 P/E of 13.3.

Credit Suisse, *Deutsche Bank* and *Goldman Sachs* were the bookrunners.

Meanwhile, Cango raised US$44m from a NYSE IPO after cutting the deal size by as much as 71%.

The company sold 4m American depositary shares at US$11 each, the mid-point of an indicative price range of US$10–$12, according to people close to the deal.

It originally planned to sell 12.5m ADS.

The final price represents a 2019 P/E of 10.7.

Bank of America Merrill Lynch, *Goldman Sachs* and *Morgan Stanley* were the joint bookrunners.

VIVA BIOTECH FILES US$200M IPO

VIVA BIOTECH, a Chinese drug discovery service, has filed a Hong Kong IPO that aims to raise around US$200m, according to a person close to the deal.

CICC is the sole sponsor on the proposed float.

As of April this year, the company had nearly 300 early-stage biotechnology and pharmaceutical clients worldwide, covering the development of 1,000 drug targets and over 7,000 protein structures.

According to the regulatory filing, the company offers services that include research, hit screening, lead optimisation and drug candidate determination. It also makes strategic equity investments in potential biotechnology startups.

The company posted total income of Rmb30m in the first four months of this year, compared to Rmb28m for the same period last year. It had total income of Rmb76m in 2017, up from Rmb24m in 2016.

Chairman and CEO Cheney Mao owns 38.7% of the company and non-executive director John Wu has a 21.6% stake.

Proceeds will be used for expanding the business to add more biotechnology Chinese startups into the portfolio and beef up the company's commercial and research capabilities in the biologics and chemistry contract manufacturing organisation sector.

ZHENGZHOU COAL PLANS PLACEMENT

ZHENGZHOU COAL MINING MACHINERY plans to raise up to Rmb1.8bn from a private A-share placement.

The Hong Kong and Shanghai-listed company plans to sell not more than 346m A-shares to not more than 10 investors.

The placement price will not be lower than 90% of the average trading price of ZCMM's A-shares during the 20 trading days prior to the pricing day.

The company will use the proceeds for the construction of factories and research & development centres and for the development of an industrial park.

HOPE EDUCATION TO PRICE IPO AT TOP

HOPE EDUCATION is likely to price its Hong Kong IPO at the top of the indicative price range to raise HK$3.2bn, people with knowledge of the transaction said.

The Chinese company is likely to sell 1.67bn primary shares, or 25% of the enlarged share capital, at HK$1.92 per share given strong demand, said the people. That would value the company at US$1.63bn.

There is a greenshoe option of up to 250m primary shares.

Value Partners will commit US$55m as a cornerstone investor.

Founded in 2007, Hope Education owns and operates colleges and institutes for primary, secondary, higher, vocational, and continuing education. It is a member of Hope Group, which was co-founded by Chinese agribusiness tycoon Liu Yonghao and his brothers.

The company is backed by several high-profile shareholders including Citic Prudential Life Insurance and China Everbright.

The proceeds will be used to acquire higher education schools and to construct new campuses, as well as to repay debts and for general corporate purposes.

The deal priced on July 27 and share trading will start on August 3.

Citigroup and *China Merchants Securities* are the joint sponsors.

Hope Education posted a 2017 profit of Rmb209m on revenue of Rmb752m.

HONG KONG

SYNDICATED LOANS

H&H REFI HITS LIMITED SYNDICATION

Hong Kong-listed paediatric nutritional products maker HEALTH AND HAPPINESS INTERNATIONAL HOLDINGS, formerly known as Biostime International Holdings, has launched a US$350m-equivalent three-year refinancing into limited syndication.

Goldman Sachs is mandated lead arranger and bookrunner of the facility, a US$300m-equivalent term loan and a US$50m-equivalent revolving credit facility.

The overall facility is available in US and Australian dollars. The interest margins range from 150bp to 225bp over Libor/BBSY tied to H&H's ratings from Moody's and S&P. The initial margin is 200bp.

MLAs committing US$75m or more will receive an all-in pricing of 233.33bp via a participation fee of 100bp, while lead arrangers joining with US$50m–$74m earn an all-in pricing of 228.33bp via a 85bp fee. Arrangers joining with US$25m–$49m earn an all-in pricing of 223.33bp via a 70bp fee.

The borrower is BIOSTIME HEALTHY AUSTRALIA INVESTMENT, an indirect unit of H&H.

H&H and other units are guarantors of the senior secured term loan.

The facility will refinance a US$450m three-year senior secured term loan the borrower signed in April 2016 with 12 lenders, including MLABs and underwriters Goldman Sachs and Industrial & Commercial Bank of China. The 2016 borrowing comprised a US$239.5m tranche and a US$210.5m-equivalent portion in Australian dollars and paid a top-level all-in pricing of 465bp based on a margin of 375bp for an average life of 2.5 years.

Proceeds from the US$50m senior secured multi-currency revolver will be used for general corporate purposes and working capital. The US$450m loan was used to refinance a bridge loan of the same size, which backed Biostime's A$1.39bn (US$1bn then) acquisition of an 83% stake in Australian vitamin maker Swisse Wellness.

FIRST PACIFIC RETURNS WITH LOAN

FIRST PACIFIC is returning to the loan market for a US$200m six-year loan after a nearly three-year absence.

Mizuho Bank is the mandated lead arranger and bookrunner of the transaction, which offers an interest margin of 120bp over Libor and has an average life of 4.83 years.

Lead arrangers committing US$30m or more will receive an all-in pricing of 130.35bp via a participation fee of 50bp, while arrangers joining with US$15m–$29m earn an all-in pricing of 127.25bp via a 35bp fee.

The borrower is a special-purpose vehicle owned by First Pacific, which is also providing a guarantee.

First Pacific last tapped the loan market via its unit FP Finance with a US$320m three-year club in November 2015. Bank of America Merrill Lynch, BNP Paribas, BPI Capital, China Banking Corp, HSBC, Mizuho Bank, National Australia Bank, Sumitomo Mitsui Banking Corp and Sumitomo Mitsui Trust Bank were the lenders to that facility.

Hong Kong-listed First Pacific has business interests in South-East Asia in telecoms, infrastructure, food products and natural resources.

GOSHAWK AVIATION INCREASES LOAN

Goshawk Aviation, the aircraft leasing company owned by Hong Kong's Chow Tai Fook conglomerate, has increased its five-year term loan to US$430m after six banks joined in general syndication.

Dublin-based Goshawk Aviation, which counts Chow Tai Fook Enterprises and affiliate NWS Holdings as equal shareholders, launched the deal in March an an initial size of US$300m.

Sole mandated lead arranger and bookrunner *Agricultural Bank of China* Hong Kong branch then signed and pre-funded the facility at US$300m on May 30.

By the end of June, *SG Asset*, *First Commercial Bank*, *Hua Nan Commercial Bank* and *Taiwan Business Bank* joined to close the deal at US$300m. More recently, *Royal Bank of Canada* and *Chong Hing Bank* came in to increase the loan size to US$430m.

The bullet deal offered a top-level all-in pricing of 168.5bp based on an interest margin of 160bp over Libor.

The borrowers are DIONYSUS AVIATION and MAGUEY DUTCH AVIATION. The guarantor is Goshawk Aviation. Funds are for general corporate purposes.

For full allocations, see www.ifrasia.com.

TEXHONG BACK WITH HK$1BN LOAN

TEXHONG TEXTILE GROUP is returning to the loan market for a HK$1bn (US$127m) three-year loan after it raised a smaller borrowing amount last year.

Sumitomo Mitsui Banking Corp is the mandated lead arranger and bookrunner of the transaction, which offers an interest margin of 136bp over Libor and has an average life of 2.7 years.

Lead arrangers committing HK$200m or more will receive an all-in pricing of 165bp via a participation fee of 78.3bp, while arrangers joining with HK$100m–$199m earn an all-in pricing of 161bp via a 67.5bp fee.

A site visit and bank meeting are expected to be held in Jiangsu province's Xuzhou city or in Shanghai from July 30 to July 31. Commitments are due on August 17.

The funds are for capital expenditure and general corporate purposes.

The borrower obtained a HK$600m three-year refinancing in April last year. Chiyu Banking Corp was the MLAB of that financing, which offered a top-level all-in pricing of 180bp over Hibor via a margin of 170bp over Hibor and a 27bp upfront fee.

Founded in 1997, Texhong has operations in mainland China, Vietnam and Macao.

UNIVERSAL MEDICAL UPSIZES LOAN

GENERTEC UNIVERSAL MEDICAL GROUP has increased a dual-currency loan to US$618.5m-equivalent after nine banks joined in general syndication.

Agricultural Bank of China Hong Kong branch, *China Construction Bank (Asia)*, *Chong Hing Bank*, *Shanghai Pudong Development Bank Hong Kong branch* and *Bank of CommunicationsHong Kong branch* are the mandated lead arrangers and bookrunners.

The bullet transaction now has a HK$1.911bn tranche and a US$375m portion. The original target was US$350m-equivalent when the deal was launched in May.

Lenders were offered a top-level all-in pricing of 180bp based on an interest margin of 150bp over Libor/Hibor and a 90bp participation fee.

Signing is slated for the end of this month. Funds are for general capital requirements.

The Hong Kong-listed borrower was known until earlier this month as Universal Medical Financial & Technical Advisory Services. Its wholly owned subsidiary China Universal Leasing served as the guarantor in the transaction.

The latest deal follows a maiden offshore loan signed in December, which was doubled to US$600m following commitments from 17 banks in general syndication. CCB (Asia), CTBC and Shanghai Pudong Development Bank were the MLABs of the three-year bullet facility, which paid a top-level all-in pricing of 190bp based a margin of 160bp over Hibor/Libor.

The borrower provides financial and management services to hospitals in China. Its largest ultimate shareholder, with a 37.7% stake, is China General Technology (Group) Holding, which is owned by China's central government.

For full allocations, see www.ifrasia.com.

INDIA

DEBT CAPITAL MARKETS

RIL GETS BOARD NOD TO RAISE BONDS

RELIANCE INDUSTRIES has received board approval to raise up to Rs200bn (US$2.9bn) through private placements of bonds in one or more tranches.

The proceeds will be used for refinancing and for general business purposes.

Separately, the Indian conglomerate has mandated 17 banks on a US$2.7bn refinancing, returning to the loan markets for its second borrowing since December.

RIL recently launched a fibre broadband system to make deeper inroads into India's wireless and fixed-line internet industry. The new fibre network will be rolled out in 1,100 cities and will potentially connect 50 million homes.

Earlier in July, telecom unit RELIANCE JIO INFOCOMM raised Rs15bn from three-year bonds at 8.7%.

JSW BONDS TO RAISE UP TO RS100BN

JSW STEEL has received board approval to raise up to Rs100bn from bonds through a private placement or public issue, in one or more tranches, according to a release on exchanges.

The funds will be raised mainly to replace short-term loans, meet long-term working capital requirements, for approved capital expenditure/reimbursement of capex already incurred and for general corporate purposes.

Earlier this year, the Indian steelmaker mandated 10 banks for a five and 10-year dollar bond offering, but was not able to go ahead with the deal because of market volatility.

PFC WITHDRAWS BOND OFFERING

POWER FINANCE CORP has withdrawn a two-part bond offering after it received bids at higher levels, according to market sources.

"The lowest bid for the five-year tranche was at 8.55% and 8.48% for a 10-year portion versus expectations of 8.4% and 8.32%," said a market source.

The Indian state-owned company was targeting a base size of Rs5bn, plus a greenshoe option of Rs15bn from five and 10-year bonds.

In May, PFC raised Rs5bn from five-year tax-free bonds.

The notes have AAA ratings from Care, Crisil and Icra.

PNB HOUSING EYES TAP OF JULY 2020S

PNB HOUSING FINANCE is planning to raise up to Rs3.55bn from a tap of its 8.56% July 2020 bonds at a yield of 8.81%, according to a market source.

The Indian non-banking finance company is targeting Rs550m, plus a greenshoe option of Rs3bn.

The notes are rated AAA by Care.

PNB Housing Finance is yet to make an official announcement on the bond offering.

ULTRATECH CEMENT EYES BONDS

ULTRATECH CEMENT, a unit of India's Aditya Birla Group, is planning to raise Rs5bn from three-year domestic bonds, according to market sources.

The cement manufacturer recently received shareholder approval to raise up to Rs90bn from non-convertible debentures on a private-placement basis.

In April, UltraTech announced the acquisition of the cement business of CENTURY TEXTILES AND INDUSTRIES for Rs86bn. It is also in the fray to acquire BINANI CEMENT, which is facing bankruptcy proceedings, for Rs75.6bn, according to a Reuters report.

In November last year, UltraTech raised Rs4bn from five-year bonds at 6.93%.

The bonds are rated AAA by Crisil.

UltraTech is yet to make an official announcement on the size and tenor of the bond issue.

SYNDICATED LOANS

UPL BACKS ARYSTA BUY WITH LOAN

Indian agrochemicals company UPL is backing its around US$4.2bn acquisition of US-based Arysta LifeScience with a US$3bn five-year loan.

MUFG and *Rabobank* are initially providing the bullet term loan.

UPL is acquiring Arysta from Platform Specialty Products through Mauritius-based subsidiary UPL Corp.

The acquisition is also backed with a US$1.2bn equity investment from Abu Dhabi Investment Authority and global alternative asset firm TPG, which are each investing US$600m for a combined stake of 22% stake in UPL Corp.

UPL said it expects to retain an investment-grade credit rating after the acquisition.

The acquisition comes just 11 months after Platform Specialty abandoned the sale of Arysta after failing to attract bids meeting its valuation of more than US$4.5bn.

At least two consortia were looking at Arysta last year including a private equity group led by Blackstone Group and CVC Capital Partners, and a pairing of UPL and buyout firm New Mountain Capital.

UPL was in talks with banks over a US$3bn-$4bn bridge loan to finance the potential acquisition.

Platform Specialty will change its name to Element Solutions on the closing of the acquisition.

RELIANCE INDUSTRIES MANDATES 17

Indian conglomerate RELIANCE INDUSTRIES has mandated 17 banks on a US$2.7bn refinancing, returning to the loan markets for its second borrowing since December.

The mandated lead arrangers and bookrunners are *ANZ*, *Bank of America Merrill Lynch*, *Barclays*, *BNP Paribas*, *Citigroup*, *Credit Agricole*, *DBS Bank*, *First Abu Dhabi Bank*, *HSBC*, *MUFG*, *Mizuho Bank*, *Scotiabank*, *Societe Generale*, *Standard Chartered*, *Sumitomo Mitsui Banking Corp*, *UOB Bank* and *Westpac*.

The MLABs signed the loan on Tuesday and are expected to launch it into general syndication around mid-August. Roadshows are slated for September.

The facility will comprise three tranches, two of which have amortising repayments.

Proceeds will refinance portions of loans RIL signed in 2012, 2014 and 2015.

The leads on the latest loan were also the senior MLABs on a US$2.5bn financing RIL signed in December. That facility comprises a 2.5-year loan of US$815m and €150m (US$185m) (facility 1) for RIL, and separate US$1bn 4.75-year (facility 2) and US$500m 5.58-year (facility 3) portions for its unit, Reliance Jio Infocomm.

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

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

IRFC LAUNCHES 10-YEAR SAMURAI

State-owned INDIAN RAILWAY FINANCE CORP has launched its US$250m-equivalent 10-year Samurai loan into general syndication.

Mandated lead arrangers and bookrunners *Mizuho Bank*, *MUFG* and

Sumitomo Mitsui Banking Corp pre-funded ¥26.23bn on March 28.

The bullet loan has a remaining life of 9.5 years assuming lenders participating in general syndication are transferred in by September 28. It pays an interest margin of 80bp over yen Libor.

Banks are invited to join as lead arrangers with tickets of ¥2bn or above for participation fees of 190bp translating into a top-level all-in pricing of 100bp. Arrangers committing ¥1.0bn–¥1.9bn earn fees of 142.5bp for an all-in of 95bp.

The deadline for responses is August 31 with signing targeted in the week of September 10.

The proceeds will finance the company's acquisition of rolling stock.

The pricing on IRFC's loan is tighter than that on a ¥39.42bn 10-year Samurai loan for Indian state-owned NTPC, which closed in early April. Mizuho, MUFG and SMBC were the MLABs of that loan, which paid a top-level all-in pricing of 105bp based on a margin of 95bp over Tibor and a weighted average remaining life of 10 years. Eight other Japanese banks joined the deal in general syndication.

IRFC and NTPC are rated Baa2/BBB–/BBB– (Moody's/S&P/Fitch).

IRFC is returning to the loan markets after more than two years. In November 2015, it raised US$400m in three-year money to refinance a five-year loan it had closed in November 2013. Mizuho, MUFG and SMBC were the MLABs.

Last December, it raised US$500m from 10-year Green dollar bonds at 3.835%. In March, it raised Rs26bn (US$399m then) through 15-month bonds at 7.72%.

EQUITY CAPITAL MARKETS

› AAKASH FILES IPO PROSPECTUS

AAKASH EDUCATIONAL SERVICES has filed a draft prospectus for an IPO of up to Rs10bn (US$145m) with a targeted launch before March 31 2019.

Around 18.5m secondary shares will be sold in the IPO. The vendors include founders JC Chaudhry, Aakash Chaudhry and other members of the Chaudhry family.

Founded in 1988, the company coaches students for national level examinations to join engineering and medical colleges. As of March 31 2018, the company employed 1,969 faculty members and operated 170 classroom centres across 103 cities in India. Of these, 67 centres are operated through franchisee arrangements.

The company earned a net profit of Rs1.6bn in the financial year that ended on March 31 2018, versus Rs635.5m in 2017.

Citigroup, *CLSA* and *Kotak* are the bookrunners.

› ACT TAKES ITS TIME ON US$400M IPO

ATRIA CONVERGENCE TECHNOLOGIES is moving slowly on its plan for a US$300m–$400m IPO after a fall in the shares of locally listed peers, people with knowledge of the transaction have said.

The Bangalore-based broadband internet service provider had not fixed a timetable for the IPO, which was expected in the second half of this year.

Mobile phone operator Reliance Jio Infocomm is planning to start offering broadband services from November, which has triggered fears of a price war. Shares of broadband companies Dish TV, Bharti Airtel and Tata Communications have fallen as a result.

Jio's entry into mobile internet services disrupted that market considerably and hit the earnings of incumbents such as Bharti Airtel, Idea Cellular and Vodafone.

Primary shares of Rs8bn and 10.2m secondary shares will be sold in the IPO.

Investment fund Argan Mauritius and private equity firm TA FVCI are among the vendors of the secondary shares. Argan currently owns 57% of the company and TA 37.7%. The rest of the shares are owned by founder Chinnaswamy Sunder Raju and some individual shareholders.

In the prospectus, ACT says it is India's third-largest wired broadband internet service provider with 1.28m customers as of the end of last year, or a 6.9% market share.

ACT earned a net profit of Rs1.71bn in the financial year to March 31 2017, up from Rs1bn in 2016.

Citigroup, *HDFC Bank*, *ICICI Securities* and *JP Morgan* are the bookrunners.

› CREDITACCESS GRAMEEN PLANS IPO

Microfinance firm CREDITACCESS GRAMEEN is targeting the launch of its Rs12bn–Rs15bn IPO in August, people with knowledge of the transaction said.

Primary shares of Rs9bn and 10.3m secondary shares will be sold in the IPO. Controlling shareholder CreditAccess Asia NV, which owns 99% of the company, will be selling the secondary shares.

CreditAccess Grameen will be the second Indian microfinance firm planning an IPO this year after Spandana Sphoorty. Equitas Holdings, AU Small Finance Bank and Ujjivan are the country's other listed microfinance companies.

The company reported a net profit of Rs803m in the financial year that ended on March 31 2017 versus Rs832m in 2016. Profit fell because of higher provisioning for bad loans.

Credit Suisse, *ICICI Securities*, *IIFL Holdings* and *Kotak* are the bookrunners.

INDONESIA

DEBT CAPITAL MARKETS

› INTILAND DEVELOPMENT PICKS BANKS

INTILAND DEVELOPMENT, rated B2/B (Moody's/Fitch), has mandated *Citigroup* and *UBS* as joint bookrunners and joint lead managers for a US dollar senior unsecured bond.

The Indonesia-based property developer will meet investors in Hong Kong and Singapore from Monday for the proposed notes, which are expected to be rated on par with the issuer.

› INDONESIA EXIMBANK EYES RP2TRN BONDS

INDONESIA EXIMBANK is in the market to raise Rp2trn (US$138m) from a four-tranche bond offering, according to an offer document.

The policy lender has put out indicative prices in the range of 7.00%–7.75% for 370 days, 7.50%–8.50% for three years, 7.75%-8.75% for five years and 8.00%-9.00% for seven years.

The notes are rated AAA by Pefindo. The interest on the bonds is payable quarterly.

The books opened on July 26 and close on August 9.

Mandiri Sekuritas is the lead arranger for the bond issue.

Earlier in July, Indonesia Eximbank raised US$1.15bn from a dollar loan after attracting 30 lenders in general syndication despite tight pricing levels.

SYNDICATED LOANS

› DELTA MERLIN LOAN CLOSES WITH NINE

A US$215m term loan for Indonesian textile manufacturer DELTA MERLIN DUNIA TEXTILE has closed with nine banks joining in general syndication.

BNP Paribas, *ING Bank*, *Maybank* and *Standard Chartered* were the mandated lead arrangers and bookrunners of the transaction, which was reduced from a US$250m target and will be signed soon.

The deal paid top-level all-in pricing of 520.77bp (onshore) or 495.77bp (offshore) based on interest margins of 490bp (onshore) and 465bp (offshore) over Libor.

Funds are for working capital and to refinance a US$250m loan signed in September 2015. ANZ, BNP Paribas, Deutsche Bank, Indonesia Exim, StanChart and Sumitomo Mitsui Banking Corp were the MLABs of that deal, which comprised a five-year term loan tranche A and a three-year term loan tranche B. The respective margins for tranches A and B were 532bp and 502bp over Libor, and the top-level fees were 130bp.

For full allocations, see www.ifrasia.com.

JAPAN

DEBT CAPITAL MARKETS

SMBC AVIATION PRINTS IN DOLLARS

SMBC AVIATION CAPITAL FINANCE last Monday priced a US$500m short five-year bond at Treasuries plus 133bp.

This was at the tight end of guidance of Treasuries plus 135bp, plus or minus 2bp, and inside initial price thoughts of 155bp area.

The 144A/Reg S notes have expected ratings of BBB+/A– (S&P/Fitch) and mature on July 15 2023.

Goldman Sachs (B&D), *Citigroup*, *Credit Agricole*, *JP Morgan*, *RBC* and *SMBC Nikko* were joint bookrunners.

The Dublin-headquartered borrower is owned and supported by a consortium of Sumitomo Mitsui Banking Corporation, Sumitomo Mitsui Finance and Leasing, and Sumitomo Corporation.

PHILIPPINES READY FOR SAMURAI RETURN

The REPUBLIC OF THE PHILIPPINES last week filed a securities registration statement to issue Samurai bonds for the first time in eight years.

The sovereign is planning to offer three, five, seven, 10, and 20-year Samurai bonds, with the caveat that one tranche or more may be cancelled, according to the registration statement.

Marketing has not officially started yet.

Pricing is scheduled for August 8, but the statement says it may be pushed back about one week. The Bank of Japan's policy board is meeting this week amid much speculation about potential monetary-policy tweaks, which may affect the timing of the Philippine offering.

The country last visited the yen market in 2010 with a ¥100bn 10-year bond carrying a guarantee from Japan Bank for International Cooperation.

The new trade will not have a JBIC guarantee and will be a standalone yen issue, the likes of which the sovereign frequently sold from 1978 to 2000, according to Thomson Reuters data.

The return to the Samurai market was anticipated as Philippine officials met Japanese investors in June. It was then reported that Manila aims to raise as much as US$2bn from yen and US dollar-denominated bond issues before the year-end.

Daiwa, *Mitsubishi UFJ Morgan Stanley*, *Mizuho*, *Nomura* and *SMBC Nikko* are the leads.

SYNDICATED LOANS

TRIO SIGNS DESALINATION PROJECT LOAN

Three Japanese banks signed a US$114m 20-year loan for the JGC Corp-led Sharqiyah desalination project in Oman on July 11, *Nippon Export & Investment Insurance* (Nexi) said in a statement last Monday.

Nexi will provide 100% political and 90% commercial risk coverage to the loan, which was provided by *MUFG*, *Shinsei Bank* and *Sumitomo Mitsui Trust Bank*. This is Nexi's first insurance coverage for a seawater desalination plant project.

Shinsei is providing US$38m to the project, it said in a separate statement on Tuesday. The other two lenders did not disclose how much they are providing.

The borrowing entity is AL ASILAH DESALINATION, owned by Japan's JGC (75%), Oman's United Infrastructure Development (20%) and South Korea's Doosan Heavy Industries & Construction.

The project is expected to begin operations in April 2021 and to sell about 80,000 cubic metres of desalinated water per day to Oman Power & Water Procurement for more than 20 years. The total project cost is estimated at ¥20bn (US$180m).

Hyundai shrugs off JGB volatility

Bonds **Strong demand for latest Korean Samurai despite spike in benchmark yields**

HYUNDAI CAPITAL SERVICES returned to the Samurai market for the first time since October 2015 with a total ¥22bn (US198m) three-tranche transaction, including a five-year piece, the issuer's longest tenor so far.

This is the third yen deal from South Korea after the June 12 summit between the US and North Korea.

The transaction comprised ¥12.4bn 0.34% two-year, ¥5.5bn 0.40% three-year, and ¥4.1bn 0.65% five-year. The spreads over yen offer-side swaps were 24bp, 29bp, and 49bp, all inside the tighter end of the price guidance ranges during the soft-sounding period of 25bp–30bp area, 30bp–35bp area, and 50bp area, due to quite strong demand for the capped offer size.

Investor demand already exceeded Hyundai's expectations before official marketing began.

"It went oversubscribed on Friday [July 20], Day Two of soft-sounding," said a banker on the deal. "That helped us narrow guidance ranges steadily." Official marketing started on July 23.

Strong demand and a capped issue size also helped the deal price well inside the issuer's US dollar curve. According to calculations by market sources, the Samurai trade was about 10bp–20bp inside in all three tranches.

"Everyone may start looking to issue Samurais if they look at this deal," said a second banker on the deal.

The main buyers of the Hyundai Samurai were trust banks and asset managers, but, as has been the case in recent deals, regional investors also participated, taking more than 20% of the total volume. The five-year tranche attracted a life insurer as well.

The deal went smoothly, brushing aside the spike in JGB market volatility. JGB yields hit five-month highs last week on reports that the Bank of Japan will debate policy tweaks at its meeting on July 30 to July 31 to make its monetary policy more sustainable.

Leads said the higher volatility had no impact on the Hyundai deal. "The yen credit market has been unaffected since Monday [on July 23] even though JGBs are volatile, and such stability is this market's superiority," said a third banker on the deal.

Citigroup, *Mitsubishi UFJ Morgan Stanley* and *Mizuho* are the leads on the deal, which is rated A–/A+ by S&P/JCR.

TAKAHIRO OKAMOTO

JOGMEC SIGNS ZERO-INTEREST LOAN

JAPAN OIL GAS & METALS NATIONAL CORP's latest ¥30.992bn one-year bullet term loan has priced at a zero interest rate following heavy oversubscription of up to ¥265.7bn, the state-backed company said on July 20.

The interest rate on the government-guaranteed loan was determined through conventional auctions, similar to JOGMEC's previous zero-interest loan in April. *Mizuho Bank* is the agent.

Several lenders, including regional banks, joined in syndication.

Drawdown is slated for August 10. Proceeds are for operating funds.

On its last visit in April, JOGMEC raised ¥393.536bn through a one-year term loan that was also heavily oversubscribed.

MCUBS MIDCITY SIGNS REFI

MCUBS MIDCITY INVESTMENT CORP signed last Thursday a ¥15.3bn bullet loan for refinancing, the Tokyo Stock Exchange-listed real estate investment trust said in a statement.

Mizuho Bank arranged the loan, which is split into seven tranches with tenors ranging from 4.5 to 10 years. Three of the seven tranches pay interest margins ranging from 27.5bp to 50bp over three-month Tibor, while the other four tranches carry fixed-rate interest, which is yet to be determined.

Aozora Bank, *Hyakugo Bank*, *Mizuho Trust & Banking*, *MUFG*, *Nishi-Nippon City Bank*, *Resona Bank*, *Senshu Ikeda Bank*, *Sumitomo Mitsui Banking Corp* and *Sumitomo Mitsui Trust Bank* joined in syndication.

Drawdown is slated for July 31.

The funds will refinance a ¥4.8bn five-year term loan completed in July 2013 and a ¥10.5bn three-year term loan closed in July 2015. Mizuho arranged both loans.

The borrower invests mainly in office buildings in Tokyo, Osaka and Nagoya.

EQUITY CAPITAL MARKETS

INVINCIBLE SELLS NEW UNITS

INVINCIBLE INVESTMENT, a Japanese real estate investment trust, is set to raise ¥42bn (US$374m) in a follow-on offering of new units.

The REIT plans to sell 909,524 units in the base deal at ¥45,776 per unit, representing a discount of 2.5% to the company's close at ¥46,950 last Wednesday.

About 52% of the shares, or 477,500 units, are being sold to international investors and 48% to domestic investors. The international-domestic tranche allocation is different from the original plan of 45% versus 55%.

There is an overallotment option of 45,476 units.

The domestic public offering ran from July 26 to July 27.

The company will use the proceeds to finance the purchase of six hotel properties. Any remaining proceeds will be used for future acquisitions.

Mizuho Securities, *Morgan Stanley* and *SMBC Nikko* are the joint global coordinators. They are also joint bookrunners and lead managers with *Citigroup* and *Nomura* in the international offering.

WORLD CO PLANS TSX RELISTING

Apparel maker WORLD CO is planning to relist on the Tokyo Stock Exchange with a targeted market capitalisation of around ¥100bn, Thomson Reuters DealWatch reported last week.

Nomura and *SMBC Nikko* have been appointed to advise on the listing, tentatively scheduled for the end of September. The deal might include a global offering.

World Co delisted in 2005 when it was taken private in a US$1.96bn management buyout.

Founded in 1969, the Kobe-headquartered fashion clothing company adopted a holding company structure last year to spin off brands into separate companies aligned by business model and marketing channels.

It has also expanded internationally in recent years, for example establishing a joint venture with Thai conglomerate SAHA Group in 2016.

World Co posted revenue of ¥246bn in the year to March 2018, down from ¥250bn a year earlier, according to the company's website. However, operating income rose to ¥15.9bn from ¥14.5bn over the same period.

MALAYSIA

DEBT CAPITAL MARKETS

AFFIN BANK DEBUTS IN AT1

Affin Bank has sold M$500m (US$125m) of Basel III-compliant Additional Tier 1 bonds at par to yield 5.8% with a spread of 201.5bp over Malaysian government securities.

The pricing compared with initial price guidance of 5.90%-5.96%, following strong orders that exceeded M$1bn. The notes are rated A3, below the Malaysian bank's AA3 corporate rating, to reflect the expected robust support from majority shareholder Lembaga Tabung Angkatan Tentera, commonly known as the Armed Forces Fund.

Malaysian rating agency RAM said Affin Bank is also supported by strong capitalization. The bank's capital buffer is expected to stay above 300bp, based on its capital management growth plans, it said.

This was the Malaysian bank's first AT1 issue, the proceeds of which will fund general banking working capital needs and business purposes.

There will be a loss-absorption feature, which will require bondholders to write down investments if the bank becomes non-viable or if its common equity Tier 1 capital ratio falls below 5.125%. Affin's current CET-1 capital ratio stands at 12.3% on a consolidated basis as of end-March.

The notes, with a call in year five, will settle on July 31. *Affin Hwang Investment Bank*, *CIMB* and *Maybank* were joint lead managers for the deal, which will be drawn from a newly established M$3bn AT1 programme.

SYNDICATED LOANS

FLY SIGNS AIRCRAFT PURCHASE LOAN

New York-listed FLY LEASING has signed a US$1.27bn secured loan backing its purchase of aircraft from Malaysia's flagship budget airline AirAsia.

BNP Paribas, *Citigroup*, *Commonwealth Bank of Australia* and *Deutsche Bank* are the original mandated lead arrangers and bookrunners of the facility, which was reduced slightly from a US$1.2867bn target. *First Abu Dhabi Bank* and *MUFG Union Bank* joined as MLABs, while *Fifth Third Bank* and *Korea Development Bank* came in as MLAs before the launch into general syndication.

The deal comprises a US$574.5m term loan tranche A for Fly Leasing and a US$695.7m term loan tranche B for INCLINE B AVIATION.

Tranche A is further split into a US$143.64m two-year tranche and a US$430.91m five-year portion, while tranche B comprises a US$173.93m two-year tranche and a US$521.8m five-year portion.

Signing was on July 19 and drawdown was on July 23.

The two and five-year tranches offered top-level all-in pricing of 166.13bp and 196.21bp, respectively, based on interest margins of 150bp and 180bp over Libor and estimated average lives of 1.86 and 4.01 years.

Fly Leasing is managed by aircraft lease giant BBAM.

For full allocations, see www.ifrasia.com.

EQUITY CAPITAL MARKETS

QSR TARGETS AUGUST IPO FILING

QSR BRANDS, the operator of KFC and Pizza Hut in Malaysia and Singapore, aims to file the draft prospectus for an IPO of US$400m–$500m with the Securities Commission in August, a person with knowledge of the transaction has said.

The Malaysian poultry producer and restaurant operator is targeting a launch before year-end.

QSR hired banks in late 2016 and intended to proceed with the IPO last year, but held back because of the weakness in the local currency and stockmarket ahead of the May 2018 federal elections. At one time it considered an asset sale instead of an IPO.

Citigroup, *Credit Suisse* and *Maybank* are the joint global coordinators.

QSR is the sole KFC franchisee in Malaysia, Singapore, Brunei and Cambodia.

The company was taken private in 2013 by a consortium of CVC and Employees Provident Fund Board, in partnership with Johor Corporation.

PHILIPPINES

EQUITY CAPITAL MARKETS

CAL-COMP PHILIPPINES PLANS IPO

Consumer technology company CAL-COMP TECHNOLOGY PHILIPPINES is planning to launch its Ps6.4bn (US$124m) IPO in mid-August subject to investor demand, a person with knowledge of the transaction said.

The company is meeting investors to gauge demand.

In the preliminary prospectus, the company said it would sell 378m shares at a maximum price of Ps17. There is a greenshoe option of 19.9m secondary shares. Together with the greenshoe option, the shares to be sold represent 27% of the company's share capital.

Cal-Comp is a subsidiary of Taiwan's New Kinpo Group.

Cal-Comp manufactures external hard-disk drives, televisions, personal computers, laser printers and smart-home appliances. The IPO funds will be used to expand its business in the Philippines.

BDO Capital is the issue manager.

ROBINSONS BANK LIKELY TO GO PUBLIC

ROBINSONS BANK is to be turned into a universal bank and go public within the next five years, according to JG Summit Holdings, the parent of the Philippine commercial bank.

The plan, first reported by local media, was confirmed in a stock exchange filing by the holding company of the Gokongwei family.

Robinsons Bank is "also not closing its doors on a prospective partnership with a foreign bank that can add value to the bank," according to the media report later confirmed by JG Summit.

In the Philippines universal banks are allowed to engage in underwriting and invest in equities of non-allied undertakings in addition to all other activities of commercial banks.

Robinsons Bank will need to raise its capital to Ps20bn from Ps15bn to meet the capital requirements for a universal bank. According to the local media report, it is seeking authority to raise its capital to as much as Ps27bn.

BDO Unibank, Metropolitan Bank and Trust and Bank of the Philippine Islands are some examples of universal banks.

SINGAPORE

DEBT CAPITAL MARKETS

CAGAMAS VISITS SING DOLLAR

CAGAMAS last Thursday raised S$65m (US$48m) from the sale of two-year bonds priced at par to yield 2.52%.

Cagamas Global will be the issuer of the notes, which will be guaranteed by the parent company. The bond will be rated A3 by Moody's, identical to Cagamas' corporate rating.

CIMB Investment Bank was the dealer for the notes, which will settle on August 3.

The national mortgage lender recently raised HK$351m (US$45m) in two-year notes priced on July 19 at par to yield 3.1%. BNP Paribas was the dealer, while Bank of China Hong Kong was co-manager.

RESTRUCTURING

PAC RADIANCE SEEKS PROTECTION

PACIFIC RADIANCE, the cash-strapped offshore marine services company, has applied to the Singapore High Court to stay legal proceedings as it continues restructuring discussions with various stakeholders.

Singapore-listed Pacific Radiance has asked the court to impose a moratorium until December 11 on any moves to appoint a receiver or commence legal efforts against the company or its assets, except with the approval of the court.

The application under section 211B(1) of the Companies Act (Cap 50) grants the company immediate protection for 30 days.

Pacific Radiance won a similar moratorium for subsidiaries Pacific Crest and CSI Offshore on June 11. The latest application filed last Monday relates to the parent company.

Pacific Radiance is preparing to launch a consent solicitation early next month to seek approval from holders of a S$100m (US$74m) 4.3% bond due August 29 2018 on a restructuring plan.

SWISSCO UNIT GETS EXTENSION

SWISSCO HOLDINGS has obtained approval from the Singapore High Court to extend the judicial management of subsidiary Swissco Offshore to September 18.

The court approval was given on July 18. The embattled parent company is also under judicial management, which was extended in May to March 19 2019. The Singapore-based oil and gas services company also received court approval for judicial managers to present restructuring proposals to creditors at meetings by November 14.

Both Swissco Holdings and Swissco Offshore were put under judicial management in April last year, about six months after Swissco Holdings defaulted on a coupon payment on S$100m 5.7% bonds due April 2018.

SOUTH KOREA

DEBT CAPITAL MARKETS

SK BROADBAND EYES DOLLAR BOND

SK BROADBAND, rated A–/A– (S&P/Fitch), has hired *BNP Paribas*, *Citigroup* and *HSBC* to arrange fixed income investor meetings in Asia and Europe, starting on July 30.

A US dollar-denominated Reg S offering with a short to intermediate maturity may follow, subject to market conditions.

The company is a leading provider of IPTV, broadband and VOIP services in South Korea.

LOTTE P&D PLANS SUSTAINABILITY BOND

LOTTE PROPERTY & DEVELOPMENT has mandated *Mizuho Securities*, *Societe Generale* and *Standard Chartered* as joint global coordinators and joint bookrunners for a US dollar-denominated Sustainability bond.

A series of fixed-income investor meetings in Asia began last Thursday.

The Reg S senior unsecured notes have an unconditional and irrevocable guarantee from Kookmin Bank and an expected Moody's rating of Aa3.

Lotte Property & Development operates the 123-story Lotte World Tower and Mall, a major tourism and shopping complex in Seoul.

Wpd sends RFP for project

Loans First phase to raise NT$64.7bn

German wind project developer WPD is requesting proposals for a NT$64.7bn (US$2.1bn) 18-year project financing for the first phase of an offshore wind project in Taiwan's Yunlin area.

Sumitomo Mitsui Banking Corp is the financial adviser on the deal, which comprises a NT$25.88bn commercial loan tranche and a NT$38.819bn ECA tranche with insurance cover from EKF, Hermes and Atradius.

The deadline for responses is August 20, and the deal is expected to close by the end of this year.

Separately, Wpd will raise another project financing of about NT$55bn to back the second phase of another offshore wind project in Taiwan's Guanyin area next year.

The projects are part of Taiwan's ambitious target to install 5.5GW of offshore wind power capacity by 2025. On April 30, the country's Ministry of Economy announced the award of 1GW of grid connection capacity to Wpd for the implementation of the two projects.

The Yunlin project, to be built eight kilometres off Yunlin County's coast, will be commissioned in 2020/2021 with about 650–700 MW. The Guanyin project, to be built two kilometres off Taoyuan County's coast, will be commissioned in 2021 with about 350 MW.

In June, a NT$18.7bn project financing was signed to back the second stage of the 128MW Formosa I OWF, Taiwan's first commercial-scale offshore wind project. BNP Paribas was the coordinator and financial adviser on the 16-year financing, which comprises a NT$16.6bn commercial term loan tranche and a portion with insurance cover from EKF.

The other banks lending to the commercial tranche included ANZ, Cathay United Bank, Credit Agricole CIB (documentation bank), DBS Bank, EnTie Commercial Bank, ING Bank (modelling bank), KGI Bank, MUFG (insurance bank), Societe Generale (technical bank) and Taipei Fubon Commercial Bank.

The interest margin on the commercial tranche was 230bp over Taibor during the construction period. The margin will step down to 200bp after the start of operations, which is expected sometime in 2020. The EKF-covered tranche offered margins ranging from 86bp to 116bp.

EVELYNN LIN

TAIWAN

SYNDICATED LOANS

KKR EYES LOAN FOR LCY CHEMICAL

Private-equity firm KKR is sounding the market for a loan of about US$1bn to support its leveraged buyout of Taipei-listed specialty chemicals maker LCY CHEMICAL. (*See News*.)

The loan is likely to be denominated in US and NT dollars.

KKR is leading a consortium of investors, including employees and family members of the founders of LCY Chemical, for the buyout which values the target at NT$47.8bn (US$1.56bn).

The consortium will pay NT$56 per share, representing a 17.3% premium to LCY Chemical's closing price on July 20, according to the latter's press release on July 22.

Upon completion, KKR will hold a majority and controlling interest in LCY Chemical, which will be delisted from the Taiwan Stock Exchange.

KKR is making the proposed investment from its Asian Fund III. The take-private transaction is expected to close in the fourth quarter, subject to approval from shareholders and regulators in Taiwan and China.

Founded in 1965, LCY Chemical makes specialty chemicals with a concentration on thermoplastic elastomers and performance plastics used in a wide range of products.

QUANTA COMPUTER INCREASES LOAN

QUANTA COMPUTER has increased a three-year loan to US$880m from the US$550m target after attracting 19 banks in general syndication.

Mizuho Bank was the mandated lead arranger and bookrunner of the transaction, which comprises a US$560m tranche A for Quanta and a US$320m tranche B for its Cayman-incorporated subsidiary QUANTA INTERNATIONAL.

The interest margins for tranches A and B are 87bp and 95bp over Libor, respectively. The Taiwanese notebook computer maker will pay any excess interest rate beyond a 42bp difference between TAIFX and Libor.

Banks joining as MLABs were offered a top-level upfront fee of 15bp. Signing was on July 18.

Funds are to refinance a US$360m revolving credit facility signed in August 2013 and for working capital purposes.

Mizuho also led the 2013 deal, which had a three-year tenor with a two-year extension option and offered a margin of 108bp over three or six-month Libor. The borrower would pay any excess interest rate beyond a 38bp difference between TAIFX and Libor.

For full allocations, see www.ifrasia.com.

ADCB BACK WITH US$400M LOAN

ABU DHABI COMMERCIAL BANK is returning to the loan market for a US$400m loan after a nearly two-year absence.

Mizuho Bank is the initial mandated lead arranger and bookrunner of the facility. *Bank of China* joined with the same title before the launch.

The loan is equally split into a three-year tranche and a five-year portion. Only the five-year tranche is being syndicated.

The interest margins are 63bp and 95bp over Libor for the three and five-year pieces, respectively. The marketed remaining life is 4.83 years.

Lead arrangers committing US$30m or more will receive an all-in pricing of 105.35bp via a participation fee of 50bp, while arrangers joining with US$20m–$29m earn an all-in pricing of 104.32bp via a 45bp fee. Managers joining with US$10m–$19m earn an all-in pricing of 103.28bp via a 40bp fee. Commitments are due on August 10.

In November 2016, ADCB, which is rated A/A+ (S&P/Fitch), raised a US$600m three-year senior unsecured term loan. Wells

Fargo was the MLAB on that deal, which offered a top-level all-in pricing of 115.4bp via a margin of 95bp and a 59bp upfront fee.

MAO TE SEEKS NT$7BN RECAP LOAN

Taiwan-based investment firm MAO TE INTERNATIONAL INVESTMENT is seeking a NT$7bn five-year loan for the recapitalisation of cable television operator Eastern Broadcasting, in which it has acquired a controlling stake. (*See News*.)

CTBC Bank is the mandated lead arranger and bookrunner of the transaction, which has attracted four to six banks in limited syndication.

The deal offers an interest margin of 125bp over Taibor, with a pre-tax interest rate floor of 1.7%. Lenders are being offered a top-level upfront fee of 25bp.

Earlier this month, Mao Te, owned by Taiwanese property tycoon Chang Kao-shiang, acquired a 10.8% stake in EBC from minority shareholders, bringing its total shareholding to 94.5%.

That helped Mao Te conclude a process that began last August when Chang established the investment firm, which has mainly engaged in property investments and trading of building materials in Taiwan.

In November, Mao Te acquired a 21.3% stake in EBC from Eastern Media International for NT$4.3bn, and followed it up with the purchase in February of a 62.4% stake from private equity giant Carlyle Group for NT$11.4bn.

Carlyle had raised a NT$32bn loan in July 2006 to fund the leveraged buyout. The three-tranche loan paid top-level all-ins of between 218.38bp and 222.24bp based on initial margins of between 190bp and 205bp over the primary CP rate and a blended average life of 5.57 years.

THAILAND

DEBT CAPITAL MARKETS

TUC RINGS IN TIGHT PRICING

TRUE MOVE H UNIVERSAL COMMUNICATION has priced a dual-tranche bond of three and five years at the tight ends of guidance.

The three-year tranche will pay 3.7% while the five-year tranche will pay 4.05%. Guidance was shown during the pre-marketing period in early July at 3.7%–3.8% and 4.05%–4.15% for the respective tenors.

Investors were invited to subscribe to the notes from July 26 to August 1.

The Thai mobile phone operator, rated BBB+ by Tris, is seeking to raise up to Bt20bn (US$606m) in total, with the three-year tranche targeted at high-net-worth investors for Bt12bn.

Joint lead managers are *Bangkok Bank*, *CIMB Thailand*, *Kasikornbank*, *Krungthai Bank* and *Siam Commercial Bank*. The proceeds will be used to refinance maturing bonds.

True Move is a subsidiary of Thai telecom company True Corporation.

TOYOTA LEASING PLANS RETURN

TOYOTA LEASING THAILAND is planning to sell up to Bt8bn of bonds in five tranches in early August.

Bangkok Bank, *CIMB Thailand*, *Kasikornbank* and *Krungthai Bank* are joint lead managers and underwriters.

Bookbuilding is scheduled for August 2. The Thai automobile-leasing company is expected to offer tenors of two, three, four, five and seven years. Preliminary price indications are in the ranges of 20bp–30bp, 25bp–35bp, 33bp–43bp, 40bp–50bp and 50bp–60bp for the respective tranches.

The relatively tight spread indications reflect Toyota Leasing's rating of AAA from Tris and a guarantee from parent Toyota Motor Finance Netherlands, whose ultimate parent is Japan's Toyota Motor Corporation.

This is Toyota Leasing's second visit to the local bond market this year, having raised Bt4bn in a three-tranche issue of three, five and seven years in May. The company is a frequent issuer in the baht market.

NAVA NAKORN PLANS DEBUT

NAVA NAKORN ELECTRICITY GENERATING has mandated *Bank of Ayudhya*, *Kasikornbank* and *TMB Bank* to jointly lead manage a debut bond offering to raise up to Bt6.4bn.

The small Thai power producer is expected to market three tranches of three, 10 and 16 years, all of which will be amortised to match its liabilities. Bookbuilding is slated for end-August.

NNEG operates a 125MW gas-fired cogeneration power plant in the Nava Nakorn industrial estate, selling the bulk of the electricity produced to state-owned Electricity Generating Authority of Thailand under a 25-year power purchase agreement.

The company is ultimately owned by Ratchaburi Electricity Generating Co, Nava Nakorn and PTT Group subsidiary Global Power Synergy.

The issuer is currently expanding the power plant's capacity by another 60MW in phase II, which is estimated to cost Bt3bn.

AYUDHYA CAPS FUNDS FOR REFI

AYUDHYA CAPITAL AUTO LEASE last week printed Bt2.5bn of two-year bonds priced at par to yield 2.12%.

The proceeds will be used partly to refinance Bt2.3bn of bonds that are maturing on July 28 and 31.

The Thai leasing company, rated AA by Tris, is owned by *Bank of Ayudhya*, which is also sole lead manager and underwriter. Settlement was made last Thursday.

VIETNAM

SYNDICATED LOANS

BIDV EXTENDS DEADLINE FOR LOAN

The deadline for BANK FOR INVESTMENT & DEVELOPMENT OF VIETNAM's US$150m three-year bullet loan was extended to the end of last week from mid-July.

The transaction attracted around five lenders, with another half dozen expected to join last week.

Cathay United Bank is the mandated lead arranger and bookrunner of the refinancing, which has a US$150m greenshoe option and offers an interest margin of 117bp over Libor.

MLAs joining with US$40m or more or US$30m–$39m will receive a top-level all-in pricing of 137bp or 133.67bp via upfront fees of 60bp or 50bp, respectively. Lead arrangers joining with US$20m–$29m earn an all-in pricing of 127bp via a 30bp fee, while arrangers joining with US$15m–$19m earn an all-in pricing of 123.67bp via a 20bp fee.

The Vietnamese government owns a majority stake in BIDV.

ASIA DATA

LAST WEEK'S ECM DEALS

Stock	Country	Date	Amount	Price	Deal type	Bookrunner(s)
Pinduoduo	China	26/07/18	US$1.63bn	US$19	IPO (primary)	CICC, Credit Suisse, China Renaissance, Goldman Sachs
Ascletis Pharma	China	26/07/18	HK$3.1bn	HK$14	IPO (primary)	China Merchants Securities, Goldman Sachs, Morgan Stanley
Aurora Mobile	China	26/07/18	US$76.5m	HK$8.5	IPO (primary)	Credit Suisse, Deutsche Bank, Goldman Sachs
Cango	China	26/07/18	US$44m	US$11	IPO (primary)	Bank of America Merrill Lynch, Goldman Sachs, Morgan Stanley
Invincible Investment	Japan	25/07/18	US$374m	¥45,776	Follow-on (primary)	Mizuho Securities, Morgan Stanley, SMBC Nikko, Citigroup, Normura
Evolution Mining	Australia	16/07/18	A$257m	A$2.79	Follow-on (secondary)	Citigroup, JP Morgan
Opera	China/Norway	27/07/18	US$115m	US$12	IPO (primary)	CICC, Citigroup

Source: IFR Asia

ASIAN SYNDICATED LOAN PIPELINE UPDATES WEEK OF 23 JULY

Company	Currency	Size (m)	Margin (All-in)	Tenor (mths)	Facility	Arrangers
Australia						
Crookwell II Wind Project	A$	200			Revolver/Term Loan	
Investa Office Fund	A$	3,000	200	60	Revolver/Term Loan	Citi, DB, NAB
Junior Adventures Group	A$	140	550	72	Term Loan	Nomura, CS
	A$	10	550	72	Revolver/Line >= 1 Yr.	Nomura, CS
State Bank of India Sydney	A$	100	93 (105)	36	Term Loan	CTBC, Mizuho
	A$	100	126 (133)	60	Term Loan	CTBC, Mizuho
China						
eHi Car Services	US$	200	350 (440)	36	Term Loan	DB
Sinochem Hongrun Petrochemical	US$	250	310 (388)	36	Term Loan	Natixis
Hong Kong						
CMB International Leasing Management	US$	400	95	36	Term Loan	ABC, ICBC
CNCB (Hong Kong) Investment	US$	500	165 (180)	36	Term Loan	Mizuho, HSBC, ICBC, CCB
Fortune Oil PRC Holdings	US$	400	225 (275)	36	Term Loan	UBS
Huarong Investment Stock Corp	HK$	3,000	220 (260)	12	364-Day Facility	CS
Tianyi (Summi) Holdings	US$	80	350 (388)	36	Term Loan	HSBC
Indonesia						
Grasberg Copper and Gold Mine	US$	5,000			Term Loan	PT Bank Mandiri Persero
Antam	US$	170		60	Term Loan	
Indomobil Finance Indonesia	US$	100	110 (133)	36	Term Loan	OCBC, ANZ, CIMB, DBS, SMFG
Indonesia Asahan Aluminium Persero	US$	4,000		18	Bridge Loan	OCBC, SMFG, HSBC, BTMU, BNP
Perusahaan Listrik Negara (Persero)	US$	1,200	102.32 (118)	60	Term Loan	BoC, UOB, SMFG, Mizuho, Citi
	US$	300	85 (104)	36	Revolver/Line >= 1 Yr.	UOB, BoC, SMFG, OCBC, ANZ
Japan						
Asahi Kasei Corp	US$	1,060			Term Loan	
Invincible Investment Corp	¥	13,119	50	60	Term Loan	Mizuho
	¥	13,120	40	48	Term Loan	Mizuho
	¥	10,761	30	36	Term Loan	Mizuho
	¥	2,359	30	36	Term Loan	Mizuho
	¥	1,099	20	12	Term Loan	Mizuho
Taiyo Nippon Sanso Corp	€	5,000			Bridge Loan	
New Zealand						
Waikeria Prison	NZ$	525			Revolver/Term Loan	Mizuho, KfW, BTMU, Natixis, ANZ
Singapore						
Louis Dreyfus Co Asia	US$	500	90 (147)	36	Revolver/Line >= 1 Yr.	UOB, DBS, ABC, ANZ, Westpac
Trafigura Group	US$	1,500			Term Loan	OCBC, DBS, SMFG, ICBC, ANZ
Taiwan						
E-Da Development Corp	NT$	3,000	141	180	Term Loan	Land Bank of Taiwan
	NT$	5,000	141	180	Term Loan	Land Bank of Taiwan
	NT$	730	141	180	Term Loan	Land Bank of Taiwan
Neo Solar Power Corp	NT$	10,000			Term Loan	
YFY Inc	NT$	6,000		60	Term Loan	
	NT$	3,000		60	Term Loan	

Source: Thomson Reuters LPC

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