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INTERNATIONAL FINANCING REVIEW ASIA

SEPTEMBER 1 2018 ISSUE 1056 www.ifrasia.com

BNP Paribas challenges old Samurai traditions with jumbo euroyen bond

Goldman leads Meituan sponsors with US$81bn pre-IPO valuation

Papua New Guinea revives 20-year push for sovereign bond debut

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PFI

Upfront

Bonjour vitesse

It sounds unlikely that the French would have anything to teach Japan about efficiency, but BNP Paribas caused a stir in the yen bond market last week.

BNP Paribas is a regular issuer in the Samurai market, but opted for a euroyen issue for its second yen print of the year, expecting it could mop up a modest amount of cash.

Instead, it managed to raise over ¥100bn, more than most Samurai offerings, in a fraction of the time and with much less effort. True, it would not have been possible had Japanese investors not already been familiar with the bank from its Samurai deals and regular investor updates, but it should make market participants rethink the way foreign issuers sell bonds in Japan.

Global yen offerings from the likes of Starbucks and Walmart in 2017 have already proven that well-known issuers need not bother translating their prospectus into Japanese. And the low-documentation Pro-Bond format, targeting professional investors only, is catching on: Poland recently filed to sell pro-bonds, a deal that would make it the first sovereign to break with the Samurai tradition.

> In a world where a Tweet can sink markets, and fintech solutions are springing up every week, Samurai bankers have some catching up to do.

The leisurely Samurai offering schedule is looking increasingly outdated. Some issuers, including Aussie bank Westpac, have recently tried to shorten that marketing period, but the typical deal still takes over a week to make it from announcement to pricing.

Samurai bankers have some catching up to do. In a world where a Tweet can sink markets, and fintech solutions are springing up every week, market windows open for a matter of hours, not days.

Arguably, though, Japan is the only part of the Asian bond market that still conducts thorough credit analysis. Underwriters take time to visit every corner of the investor base, and make a real effort to engage with the buyside, who have no qualms about turning down an offering if questions are not answered to their satisfaction or if they need more time to study the credit.

It would be a shame if that level of diligence were to drop in the rush for faster offerings. But a more efficient and flexible format for issuers would help deliver the one thing Japan prizes over all others: growth.

Finger lickin' leverage

A buyout of restaurant group Yum China may be off the menu for now, but Asia's leveraged finance market is unlikely to go hungry for long.

Lenders had been salivating at the prospect of a record LBO financing, following news that Hillhouse, KKR and others were preparing a bid for Yum, owner of the China franchise for KFC and Pizza Hut, among others.

With a US$17.6bn price tag and US$8bn of debt, a deal would have been comfortably Asia's largest leveraged financing, trumping last year's US$11.6bn buyout of warehouse operator GLP and its far more modest serving of debt - a trifling US$4.1bn.

Yum rejected the proposal last week, but its stock price jump suggests many investors still expect a deal will be done. Whether or not that happens, the next tasty feast for Asia's levfin community cannot be far away.

Asia has all the ingredients it needs for a giant buyout. On the debt side, the region's banks are highly liquid and hungry for higher-yielding assets. They are also growing increasingly comfortable with more aggressive structures, and competition for the few buyouts that come to market can only work in the sponsors' favour when it comes to pricing.

On the equity side, global buyout firms are sitting on billions of dollars of dry powder. Carlyle has just raised US$6.5bn for Asian buyouts; KKR closed a US$9.3bn whopper last year. Add to that the emergence of cashed-up Chinese sponsors, such as Hillhouse, and the recipe is almost complete.

The only thing missing is an easy target. But as Asian companies mature and founders hand down to younger generations, nothing is off the table. It can only be a matter of time before Asian LBO records fall.

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BNP Paribas breaks yen habits

Bonds Euroyen offering beats Samurai format on both size and speed

BY TAKAHIRO OKAMOTO

BNP PARIBAS, rated Aa3/A/A+, sent shockwaves through the yen bond market last week with a benchmark offering that challenged two deep-seated Japanese traditions.

The French bank's second big yen issue of the year was a quick-fire deal on euroyen documentation, but it raised a whopping ¥102bn (US$913m) across two tranches of five and 10-year senior non-preferred bonds.

The deal's success could have big implications for foreign issuers in the yen market, where the extensive local disclosure requirements and long marketing period under the traditional Samurai format deter many potential borrowers.

"Because of the euroyen format and shorter period of marketing, some investors did refrain from buying or couldn't get ready in time," said a banker on the deal. "But, many other investors showed no resistance."

Compared to typical Samurai deals, which require one or two days of sounding and three to four days of marketing, BNP Paribas sounded the market for just one day before marketing the deal on Tuesday and Wednesday.

The French bank is a frequent yen bond issuer, usually coming to the Samurai market once a year. In February, it issued senior non-preferred bonds for ¥37.8bn in the five-year and ¥1.9bn in the 10-year.

While the Samurai format is still the issuer's favourite, this time it issued euroyen as issuing off its EMTN programme is quicker and easier and it was confident of decent demand, especially after Goldman Sachs raised ¥40bn from the sale of a 5.25-year euroyen earlier this month.

Demand turned out to be bigger than expected. Bankers had thought demand for the five-year portion would match the GS deal, with an additional ¥10bn for the 10-year tranche, but the final response was twice that.

BNP Paribas's name recognition as a frequent Samurai issuer helped draw demand despite the euroyen format, but it was still notable that it drew such large orders with a shorter marketing period.

The new senior non-preferred deal consisted of ¥85.3bn of 0.66% five-year notes and ¥16.7bn of 0.994% 10-year bonds. The spreads over yen offer-side swaps were 48bp and 62bp, respectively.

The deal's success could have big implications for foreign issuers in the yen market, where the extensive local disclosure requirements and long marketing period under the traditional Samurai format deter many potential borrowers.

The five-year tranche priced 2bp tighter than where peer BPCE priced the five-year in July, matching the spread between BNP's five-year SNP Samurai priced in February and BPCE's priced in January. In the 10-year, BNP Paribas priced 7bp tighter than its rival, beating the 4bp spread earlier this year, but the near-1% coupon on the BNP Paribas euroyen was attractive enough to draw demand.

REGIONAL SUPPORT

A broad range of investors, including some foreign buyers, participated in the five-year tranche, while Japanese life insurers and regional investors took the 10-year.

As has been the case in recent TLAC-eligible deals, this deal drew good participation from regional Japanese investors. Regional investors, many of which were believe to be slow in making investment decisions because it takes time to get internal approvals, took a decent ¥34bn across both tranches, providing fresh evidence that regional buyers can also act quickly.

"It is still true that the [Japanese] investor base is smaller in the euroyen format," said a second banker on the deal. The Samurai format is more popular because those

securities count towards domestic investment quotas and are also included in the Japanese bond indices that many asset managers follow.

On the flip side however, the Samurai format is not ideal for issuers because of its Japanese language documentation and continuous disclosure requiements.

"You cannot do a quick fundraising even when market conditions improve, because Samurai documentation takes time," the second banker said.

However, the size of the BNP Paribas deal may pave the way for other foreign issuers, especially those with existing EMTN programmes, to tap the yen market more easily and flexibly.

"We tried not just the euroyen format but a shorter marketing period, but we were able to draw over ¥100bn," said the second banker. "I think this will have a reasonable impact on those issuers who are looking to raise money in the yen market."

Bankers away from the deal said that the shorter marketing period was only possible due to the issuer's track record in the yen market and its flexibility to allocate orders in full, but admitted the deal would have a positive impact on the yen market.

"This deal will help lower the psychological hurdle for other issuers," said a domestic syndicate banker hoping that there will be more issuers accessing the yen market.

By shortening the marketing period, the market risk can be reduced.

"Minimising the market risk is our homework," said another domestic syndicate banker, expecting people to try the shorter marketing in future Samurai deals as well.

BNP Paribas and *Nomura* were the bookrunners for the SNP deal, which comes with expected ratings of Baa1/A-/A+. ■

Meituan value may hit US$81bn

Equities Research analysts split on valuation ahead of giant Hong Kong IPO

BY FIONA LAU

MEITUAN DIANPING, one of the world's largest technology unicorns, kicked off a debate over valuations in the sector last week as it started pre-marketing for a Hong Kong IPO of at least US$4bn.

Market participants are closely watching how investors will value Tencent-backed Meituan after research from the three IPO sponsors gave it a wide range of US$45bn–$81bn.

After a volatile debut for Xiaomi in July, Meituan's IPO poses a new test of Hong Kong's ability to rival the US investor base for giant tech listings.

Meituan has built a dominant share of China's online market for services, ranging from food delivery to ticketing services, but has yet to turn a profit. It posted a huge loss of Rmb19bn (US$2.8bn) in 2017 on surging marketing and research expenses and after accounting for its preferred shares, and is expected to face stiffer competition from Alibaba-backed Ele.me, its biggest rival.

Still, the deal is set to be one of the largest Hong Kong IPOs this year. Depending on final pricing and the size of the float, Meituan's IPO could rival Chinese smartphone maker Xiaomi's US$5.4bn July listing as the world's biggest tech float since Alibaba went public in 2014.

Even at the low end of the sponsor valuations, Meituan would become the world's third-most valuable technology start-up, behind only ride-hailing giants Didi Chuxing and Uber.

Meituan is also set to be only the second company to list with weighted voting rights in the city, after the Stock Exchange of Hong Kong introduced new rules in April to attract more offerings from tech and biotech companies.

Xiaomi, the first to list in Hong Kong with a dual-class structure, saw its shares close at HK$17.14 last Thursday, 0.8% above its IPO price.

2020 PROFITS

Meituan is only expected to turn profitable in 2020, according to pre-deal research reports.

Bank of America Merrill Lynch is giving a pre-money valuation of HK$355bn–$424bn (US$45bn–$54bn) to Meituan. *Morgan Stanley*'s report values the company at US$50bn–$65bn, while *Goldman Sachs*' is at US$57bn–$81bn, both post-money.

Goldman, which has the most aggressive valuation on Meituan, gives a 2020 growth-adjusted P/E of 33x–47x.

That is far higher than Chinese internet giant Tencent, which traded at a 2020 P/E multiple of about 23x last Thursday, and e-commerce giant Alibaba Group at 22x.

Goldman forecasts Meituan to report a GAAP net loss of Rmb12.7bn (US$1.9bn) and Rmb4.5bn in 2018 and 2019 respectively. The adjusted net loss after share-based compensation is Rmb10.7bn in 2018 and Rmb1.9bn in 2019.

With a rapid growth in revenue of the food delivery business on a significantly improved margin, the US bank expects Meituan to post a GAAP net profit of Rmb8.37bn and an adjusted net profit of Rmb11.7bn in 2020.

The report forecasts revenue of the food delivery business, which generates about 60% of Meituan's revenue, to increase almost four-fold from Rmb21bn in 2017 to Rmb81bn in 2020 with gross margins to improve from 8.1% to 27% over the period.

BAML also expects the profitability of Meituan's food delivery business to gradually improve as scale grows and efficiency improves.

BIG NUMBERS

Although the joint sponsors are giving out big numbers on Meituan's valuation, investors reckon a valuation of around US$40bn–$50bn is more realistic.

"The key concern is still on its food delivery business. Increasing competition from Ele.me may make it harder for Meituan to improve the margin of its delivery business," said a fund manager.

Meituan had a 59.1% share of China's online on-demand delivery market in the first quarter of 2018, according to its prospectus, versus 36.0% for Ele.me.

To battle with Meituan, Alibaba announced last week it would merge food delivery platform Ele.me and lifestyle services firm Koubei and inject the combined platform with more than US$3bn in a financing round led by Japan's SoftBank Group.

Meituan is tentatively planning to start bookbuilding on September 4 before pricing on September 12. The listing is scheduled for September 20.

The company runs a range of online businesses spanning food delivery to ticketing services in China.

China Renaissance is the financial adviser. ■

PNG to end 20-year bond wait

Bonds Frontier sovereign readies first US dollar offering

BY FRANCES YOON

The **INDEPENDENT STATE OF PAPUA NEW GUINEA** is teeing up a debut US dollar sovereign bond as it looks to end a remarkable 20-year journey to the international capital markets.

The Pacific nation is said to be targeting a US$500m-$1bn issue as early as October. *Citigroup* and *Credit Suisse* are among the banks working on the deal, according to sources, who added that no official mandate has been announced.

This will be the fourth time in 20 years that the Pacific nation has hired banks to arrange a foreign-currency bond issue.

In mid-1999, it held investor roadshows with JP Morgan and Warburg Dillon Read, but postponed bond plans - which had already been held up by a dispute with mercenaries - before turning to the International Monetary Fund the following year.

In March 2013 it hired Barclays, BNP Paribas and JP Morgan for a potential US dollar bond, but no deal materialised, and in June 2016, it visited London, Boston and New York with ANZ, Bank of China, JP Morgan and Societe Generale, but stopped short of announcing a deal.

PNG said the proposed bond offering would inject much-needed liquidity into its economy, giving it diversification away from expensive local borrowing that has stoked inflation.

"We are raising these external funds so that we can shift our borrowings from the high cost and saturated domestic market which has been a major cause of the increase in interest costs in recent years," the Department of Treasury wrote last month in the country's mid-year economic and fiscal outlook report.

"This will not only help our budget but will mean that we can start releasing more funds to the line ministries to improve front line service delivery, but it will also allow for the foreign exchange imbalance to be addressed and for more credit to be available by the banks to our domestic businesses and citizens."

Treasury officials did not return messages seeking further comment.

Papua New Guinea's potential debut comes as a slew of emerging-market sovereigns are also planning deals for this year. The **DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA** is said to be looking at US dollars and a Panda bond, while the **REPUBLIC OF INDONESIA** (Baa3/BBB–/BBB) and the **REPUBLIC OF THE PHILIPPINES** (Baa2/BBB/BBB) are rumoured to be eyeing dollar issues.

Market sources have also floated the **PEOPLE'S REPUBLIC OF BANGLADESH**, rated Ba3/BB-/BB-, as another candidate for a debut dollar bond. Bangladesh has also been linked with a dollar offering for years, but a finance ministry official told IFR that a transaction was unlikely this year.

The only dollar bond issue from Bangladesh came in 2014 from wireless telecommunications operator Banglalink Digital Communications, which benefited from the strength of its ultimate parent, Russia's Vimpelcom group.

TURKEY TURMOIL

Papua New Guinea's first foray in international bond markets comes after financial turmoil in Turkey, Argentina's request for an early disbursement of IMF bailout funds and rising US interest rates have made many investors cautious about emerging-market debt.

The Pacific nation, which is rated B2/B (Moody's/S&P), is also grappling with slower economic growth, lower-than-expected government revenues, a shortage of foreign currency and tight onshore liquidity.

S&P cut the rating one notch to B in April, while Moody's changed the outlook to negative from stable in March and said it could downgrade the rating if the country increased its reliance on short-term domestic market funding at high local-currency interest rates to fund fiscal deficits.

With the country facing multiple economic headwinds despite financial aid from the Asian Development Bank and World Bank, bankers say that deal could be a tough sell in a more cautious market.

However, one London-based fund manager said that the country's lack of history in the international markets may be an advantage, as it can serve as a hedge against broader global weakness since it will be less

correlated to other markets.

"Some of these isolated debut sovereigns are somewhat removed from US rates and contagion. They also don't rely heavily on global trade, so there won't be an impact from a Trump tweet," he said.

"If it's a well-priced deal that is small in size, even in the midst of this uncertainty, buying it can still be justified. If nobody else is long on it, there is the potential of getting short-term gains."

ECONOMIC HEADWINDS

PNG's economy has been under pressure, leading the IMF to project that it faces several years of economic stagnation.

The IMF projects GDP growth of 2.9% in 2018, falling to 2.6% next year.

"Financing fiscal deficits remains challenging. Domestic banks are around their internal limits for lending to the government, and the central bank is acting as lender of last resort when government bond auctions are undersubscribed," said S&P analysts in a report.

"Combining subdued revenues with a raised interest burden has resulted in a significant deterioration in our debt servicing ratio from previous forecasts."

A drought and earthquakes have also slowed growth to around 2% this year and in 2019, which is lower than similarly rated sovereigns, said Moody's. Growth could accelerate in 2020 if work on the country's liquefied natural gas project begins.

To provide financial relief, the government received its first syndicated loan in offshore markets in November 2016. Credit Suisse led that deal, initially providing US$200m before expanding the loan to US$310m in syndication, IFR reported at the time.

S&P said PNG could borrow up to US$500m under the Credit Suisse facility. It has drawn down about US$300m to date and expects to use the remaining US$200m during 2018, said S&P. ■

Yum China buyout on back burner

■ Loans Rejected offer dashes hopes for record Asian leveraged financing

BY PRAKASH CHAKRAVARTI, CHIEN MI WONG

The rejection of a US$17.6bn bid for fast-food group YUM CHINA HOLDINGS has dealt a blow to Asia's leveraged finance market, which had been eyeing a big payday from China's biggest private equity buyout.

Yum China last week rejected a mooted offer of US$46 a share from a consortium led by Chinese investment firm Hillhouse Capital Group. A formal bid would have valued the New York listed operator of KFC, Pizza Hut and Taco Bell brands in China at 13x Ebitda.

Lenders were considering providing up to US$8bn of debt, including a senior loan of around US$6.5bn–$7.0bn and a mezzanine financing of US$1.0bn–$1.5bn, although the Hillhouse consortium had not mandated any banks.

A US$8bn debt deal for Yum China would have represented leverage of around 6x, with the senior portion accounting for 4.8x–5.2x.

That would have set a record in Asian leveraged finance, eclipsing a ¥825bn (US$7.51bn) facility earlier in the year for the Bain Capital-led buyout of Toshiba Corp's memory chip unit.

Yum China's shares rose sharply on Tuesday on news of the rejected offer, as investors adjusted their valuation expectations. The stock jumped 11% at one point before closing 3.4% higher, and added to those gains during the week. Thursday's close of US$38.47 was a 7.0% gain in three days.

"The deal is not entirely dead. It depends on the strategies and the appetites of the sponsors and whether they would revisit the situation," a leveraged finance banker in Hong Kong said.

The consortium also included sovereign wealth fund China Investment Corp, and private equity firms Baring Private Equity Asia and KKR.

People familiar with the situation said DCP Capital, an investment firm run by former KKR senior executives, was also involved, and Chinese investment firm Primavera Capital, an existing shareholder in Yum China, was also expected to roll over its equity.

Yum China's unsuccessful buyout follows an earlier private equity acquisition of a fast-food chain in China.

In February 2017, a Citic-led consortium purchased a majority stake in the China and Hong Kong businesses of US fast food giant McDonald's Corp for US$2.08bn.

The Citic group borrowed US$986m with leverage of less than 3x.

ASIAN DYNAMICS

The earlier enthusiasm around a Yum China buyout is symptomatic of the intermittent nature of Asia's leveraged finance market, where banks jump at rare opportunities to lend at higher returns.

Private equity firms have been able to raise debt with higher leverage ratios, looser covenants and tighter pricing in Asia due to abundant liquidity and rising competition between arrangers.

In May sponsor Affinity Equity Partners closed a US$255m five-year amortising loan backing its purchase of a majority stake in Hong-Kong based garment label maker Trimco International Holdings.

Leverage of 5.25x and an average life of 4.65 years were significantly more aggressive than 2.25x gearing and 3.75-year average life on a US$55m five-year amortising loan that backed Partners Group's earlier buyout of Trimco in 2012.

"We see changing structures for the same asset, but the margins remain the same or are even lower," Eileen Yang of CTBC's global capital market group, corporate finance department said at a leveraged and acquisition finance conference in Hong Kong last Tuesday.

CTBC has underwritten five loans for Trimco and banks have been willing to lend more as they become more familiar with the the credit, she added.

Other participants at the Asia Pacific Loan Market Association's conference were more critical of the stop-start progress of the region's leveraged finance market.

"There isn't sufficient dialogue within the lender community or with borrowers as to moving away from the status quo, and as a result we are not making progress on obvious changes that can benefit everyone," said John Kim, senior managing director at CVC Capital Partners.

"One good example is maturity. In Hong Kong and Singapore, we are perpetually stuck with a five-year maturity. The other example is amortisation," he added.

Leveraged finance structures have evolved in Australia, where the domestic institutional investor base is developing an interest, and issuers are also able to tap the US TLB market.

Quadrant Private Equity recently closed a A$150m (US$110m) unitranche loan backing its purchase of a majortiy stake in before-and-after-school care provider Junior Adventures Group.

The six-year secured unitranche financing is only the fourth since the structure made its Australian debut last year, and the first for an LBO in the syndicated market. Previous unitranche loans have been largely closed as bilateral or club deals.

"I see the unitranche as a force that is going to complement bank liquidity and help grow the market," said CVC's Kim. ■

China leads Asian bond rebound

Bonds September supply surge could weigh on investor sentiment

BY CAROL CHAN

Dollar bond sales from Asia regained momentum last week with 13 issuers raising a combined US$4.515bn as market sentiment improved.

More supply is expected in September after investors came back from their summer holidays and issuers ended their blackout periods around first-half earnings announcements.

"Bankers and issuers are expecting a huge amount of supply in September, thus some issuers grabbed the end-August window to avoid fierce competition," said a syndicate banker from a Chinese brokerage who had arranged a few new issues and roadshows last week. "Market sentiment has seen an improvement and many issuers in the pipeline are looking for windows."

Last week's supply was unsurprisingly dominated by Chinese issuers, ranging from insurer CHINA PING AN INSURANCE OVERSEAS (HOLDINGS) and aluminium producer ALUMINUM CORPORATION OF CHINA to high-yield property issuers CHINA AOYUAN PROPERTY GROUP, RONSHINE CHINA HOLDINGS and GEMDALE CORPORATION.

Local government financing vehicles SHANGHAI LINGANG ECONOMIC DEVELOPMENT (GROUP) and TIANJIN LINGANG INVESTMENT HOLDING took advantage of improved sentiment, while other Chinese issuers included conglomerate ZHUHAI HUAFA GROUP. (*See China Debt capital markets.*)

Apart from supply from Chinese companies, Japanese issuers were also active, such as AOZORA BANK, ASAHI MUTUAL LIFE INSURANCE and CENTRAL JAPAN RAILWAY. Other regional issuers included Hong Kong property developer NAN FUNG INTERNATIONAL HOLDINGS and Philippine lender BANK OF THE PHILIPPINE ISLANDS, which joined the frenzy last week.

Demand for last week's new issues looked healthy with some deals closing heavily oversubscribed.

Baa1/BBB+/A– rated Shanghai Lingang's debut US$300m bond drew final orders over US$2.2bn despite pricing tightening 42bp from initial guidance, in a rare new issue from an LGFV in recent months. Aoyuan's US$225m US dollar tranche was eight times subscribed, Asahi Mutual Life's US$420m perpetual notes offering was 6.3 times covered, and Central Japan Railway's US$350m deal was 6.6 times covered.

The Asian dollar bond market has seen a recovery

Noble workout crosses finish line

Restructuring Commodities trader wins shareholder backing after drawn-out talks

BY DANIEL STANTON

NOBLE GROUP won shareholder approval for its restructuring plan last week, drawing to an end months of horse-trading as it battled to win the backing of different stakeholder groups.

A simple majority was needed, but in the end Noble won 99.96% approval from shareholders. Creditors holding 86% of its senior debt had already agreed to the restructuring proposal.

"Noble will now enter the final procedural stages of its restructuring and the establishment of New Noble," said Paul Brough, chairman of Noble. "It is critical that we move to complete the restructuring as soon as possible, to enable the group to once again operate with a sustainable capital structure and to capitalise on the growing opportunities in the Asian commodities markets, to the benefit of all our stakeholders."

The plan, to be implemented through parallel schemes of arrangement in England and Bermuda, will give creditors a mix of debt and equity, while existing shareholders will have a 20% stake in the restructured entity.

Though the vote passed without incident, there were some surprise late developments in the days beforehand.

A few days before the vote, Deutsche Bank launched a tender offer, in which it offered to buy Noble's senior bonds for 45 cents in the dollar. It was not clear whether this was on behalf of a client or for Deutsche's own account, and the results had yet to be announced at the time of writing.

Senior creditors will earn an additional fee if they participate in the trade finance facility, so bondholders who did not plan to participate might have found it worthwhile to sell them in the tender offer to a party that did.

Noble Holdings, which holds a 17.9% stake and is controlled by a trust whose beneficiaries include the children of Noble Group founder Richard Elman, was among those to tender bonds. It sold US$10.5m in principal amount of 6.75% senior notes due January 29 2020, and shortly afterwards it was announced that Elman would not after all be joining the restructured Noble entity as an executive director.

The offer of a directorship was one of the concessions Noble had to make in April to win the support of Noble Holdings. It had to make a similar offer to win the backing of Abu Dhabi-based Goldilocks Investment.

There is still a chance that Noble could face legal challenges from investors, even though those who voted for the scheme of arrangement limited their rights to sue the company in the future.

Iceberg Research, a longtime critic of Noble's accounting policies, has held talks with securities holders and law firms over potential legal action. It is offering to provide investors technical help with the firm's financial statements. It said the positive vote would not prevent current and past securities holders from suing the individuals and organisations responsible for their losses.

"A few law firms are working on these actions at the moment and we will make announcements soon," said Iceberg, without naming the firms. "We also expect the scheme of arrangement to be challenged at the court."

Noble has consistently denied Iceberg's claims. In July 2015, it appointed PwC to undertake a full review of the company's mark-to-market accounting policies, following discussions with the Singapore Exchange. In August that year, PwC reported its conclusion that Noble's accounting practices were in line with international standards and industry norms.

The commodities trader now faces a battle to rebuild its finances, having this month reported a loss of US$128m for the second quarter ended June 30, and US$200m for the first half.

The restructuring scheme will halve Noble's debt load, but will lower its interest burden by only 17%, after the first 18 months in which interest payments are lower. Some debt is payment in kind, so coupons will be accrued and added to the principal.

PJT Partners, *Comprador* and *Moelis* were financial advisers to Noble. *Houlihan Lokey* advised the ad hoc group of senior creditors. ■

since mid-July, especially after China shifted towards a more accommodative policy stance.

The mid-spread of the iTraxx Asia ex-Japan investment-grade CDS index, a snapshot of investor sentiment, has tightened about 13bp in the past two months. The average Z-spread on JP Morgan's Asia Credit Index has also declined to 203bp from 221bp on July 9.

A syndicate banker from a European bank said the market anticipated a huge amount of supply in September. He expects Chinese issuers to dominate, with new issuances from financial institutions, SOEs, developers and LGFVs."China accounts for 60%-70% of Asian US dollar bond supply. I think such a trend will continue," he said.

Indeed, a few mandates have been announced and are expected to launch soon. The most eye-catching one is the planned debut Additional Tier 1 securities offering by BANK OF CHINA (HONG KONG), which is likely to reopen the offshore AT1 market for Chinese issuers.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA last week also said its board has approved plans to issue up to Rmb100bn (US$14.6bn) of AT1 securities and up to Rmb110bn of Tier 2 capital instruments in the onshore and offshore markets to replenish capital.

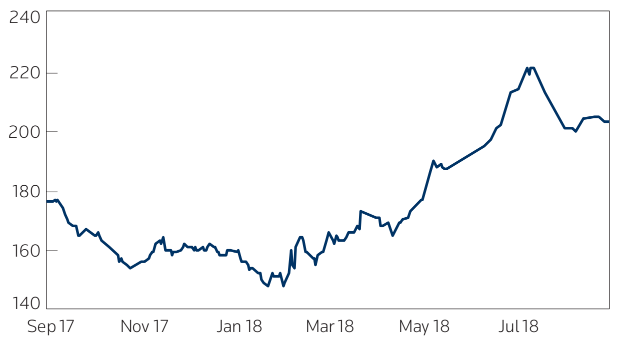
Mandates announced last week also include BEIJING CAPITAL GROUP, CITIC ENVIROTECH, SICHUAN PROVINCIAL INVESTMENT GROUP, BANGKOK BANK, TOYOTA TSUSHO CORPORATION and Indonesia's DSSP POWER SUMSEL and Philippines' SECURITY BANK CORPORATION.

However, some investors are worried about the expected supply glut and any worseining US-China trade tensions.

"I see supply risk as many Chinese issuers have big refinancing needs. Meanwhile, more onshore credit events are likely to emerge. If any negative headlines come out, it is likely we will have a reversal," a Hong Kong-based portfolio manager from a Chinese asset management firm said. ■

STEADIER SPREADS

JPM ASIA CREDIT INDEX HAS STABILISED IN RECENT WEEKS (Z SPREAD, BP)



Source: Thomson Reuters Eikon

KBN reaps Green rewards

■ **Bonds** Extra Green bid delivers Norwegian agency's biggest Kangaroo trade

BY JOHN WEAVERS

KOMMUNALBANKEN took advantage of growing appetite for socially responsible investments Down Under with its debut Green bond, raising A$450m (US$330m) of five-year funding in its largest Kangaroo print to date.

The Green tag certainly lifted overall demand as fund managers looked to increase their exposures to SRI-format offerings.

"We saw a couple of new investors in the order book and what also helped to boost the size of the transaction was the socially responsible investment feature which resonated with the domestic asset manager base," said Daniel Chandler, syndication manager at RBC Capital Markets.

The KBN 2.7% September 5 2023s priced at 99.768 for a yield of 2.75%, 45bp wide of asset swaps and 55.25bp over the April 2023 ACGB. *RBC Capital Markets* and *TD Securities* were joint lead managers.

As with previous senior unsecured Green bond Kangaroos, the KBN 2023s priced in line with the issuer's standard curve, though Chandler said Green bonds can trade inside conventional bonds in the secondary market from time to time, in the context of low single figure basis points.

Australian investors took 63%, Asia (including Japan) 29% and Europe 8%. Asset managers bought 63%, insurance companies 10%, bank balance sheets 24% and central banks/official institutions the remaining 3%.

Norweigan agency KBN is the sixth supranational or agency to issue SRI Kangaroos, including International Finance Corp, which sold a A$300m five-year social bond in March 2018.

The World Bank was the first SSA to issue Green Kangaroo bonds with a A$300m five-year print in April 2014. KfW followed 12 months later with a A$600m 5.25-year that has since been upsized to A$1bn.

African Development Bank sold a A$55m 15-year note in December 2016, subsequently increased to A$115m, while the world's biggest issuer of Green bonds, European Investment Bank, has A$1.25bn of February 3 2028s and A$750m of January 2023s outstanding.

Australian issuers have picked up the pace of Green supply with 11 credits having now sold Green notes, some with multiple trades, at home and overseas.

Cumulative Green bond issuance from the country's four major banks, corporates, state governments and universities has reached A$8.3bn-equivalent, with A$2.6bn of this total raised in H1 2018.

This represents a 5.3% increase from H1 2017 levels and places Australia as the second largest source of issuance in the Asia Pacific region in H1 2018, behind only China, and the 12th largest globally, according to the Climate Bonds Initiative.

Annual Green supply from Australian issuers was A$1.1bn in 2016, rising to A$3.3bn last year.

"Australia has emerged as a best practice model of market development and commitment from the major banks, a diversity of issuers and high levels of certification. Such features are key to investor confidence and demonstrate leadership to new markets," the CBI said in its August Green finance country briefing.

The CBI sees plenty of areas of potential growth in Australia's Green market including the rail sector where Reliance Rail and Aurizon Network could re-label refinancing debt as Green.

In the securitisation space the CBI suggests the increasing use of building codes provides scope for Green loans to be aggregated into more RMBS deals like the inaugural NAB-originated A$2bn National RMBS 2018-1 that included A$300m Class A1G notes, certified as climate bonds under the CBI standards.

Other CBI suggestions include federal or state governments issuing Green bonds to introduce water savings measures and for much-needed investments in the overwhelmed recycling industry.

On the buyside, the CBI sees Australia's A$2.6trn superannuation market, about 25% of which is invested in fixed-income assets, underpinning the market as funds seek more Green investment opportuities. ■

■ TOP STORY RESTRUCTURING

Indian bad loans pass key deadline

Banks due to push US$50bn of assets to bankruptcy courts

Stressed loans totalling Rs3.5trn (US$49bn) may soon be heading to India's bankruptcy courts after a central bank deadline to resolve major defaults passed last week.

In February, the Reserve Bank of India tore up its rule book on debt restructuring in favour of a standardised approach where banks will be forced to start insolvency proceedings against borrowers owing Rs20bn or more if a resolution plan is not implemented in 180 days. Liquidation proceedings follow after 270 days.

The new rules took effect from March 1, meaning that the 180-day deadline expired on August 28. The Allahabad Court has already refused requests to extend the deadline for stressed power assets.

"Borrowers will make efforts to find a resolution because once the asset goes into liquidation after 270 days, there will be hardly anything for lenders and borrowers will lose their assets."

Analysts estimate 70 troubled accounts owing a total of Rs3.5trn, more than half from the power sector, are due to be referred to the National Company Law Tribunal (NCLT) if a solution is not found quickly.

"If RBI does not give a special dispensation, most of the 70 accounts will enter the bankruptcy courts," said Papia Sengupta, executive director, Bank of Baroda. The lenders have 15 days after the six-month deadline to start bankruptcy proceedings against unresolved accounts.

Earlier, "the entire bad loan problem was seen as the lenders' problem", said Sengupta. With the new bankruptcy code implemented in 2016 and the RBI's stringent guidelines, the focus has shifted to borrowers.

"Borrowers will make efforts to find a resolution because once the asset goes into liquidation after 270 days, there will be hardly anything for lenders and borrowers will lose their assets," she said.

NO LONGER EVERGREEN

This will mark a dramatic change from the approach previously used by many Indian banks, which were happy to roll over troubled loans in a process known as evergreening, rather than recognise them as impaired assets.

"RBI's strengthening norms and more stringent timelines mean that banks will increasingly find it more difficult to window-dress accounts to hide the true level of weak assets," said Geeta Chugh, an analyst at S&P.

Banks are working hard to minimise haircuts.

"We do not want to lose hope until the last day," said Bank of Baroda's Sengupta. "Even in the NCLT, if there is expression of interest from 90% of creditors, we can still find a workable solution."

Sengupta said Bank of Baroda expected to resolve nine major accounts over the next two weeks owing the bank Rs26bn, out of a total of 30 accounts totalling Rs110bn that are facing bankruptcy proceedings.

The approach marks a dramatic change from that previously used by many Indian banks, which were happy to roll over troubled loans in a process known as evergreening, rather than recognise them as impaired assets.

Another state-owned lender, UCO Bank, estimates it can reach a resolution on four accounts totalling Rs18bn, from a total of 14 accounts valued at Rs60bn expected to be referred to the NCLT, said RK Takkar, its chief executive officer.

While the bankruptcy code has tilted the balance of power in favour of lenders, analysts warn that banks may be overestimating their recovery prospects.

"We also expect that at least in the initial period, the resolution of non-performing loans will likely take longer than 270 days," said Chugh from S&P. "The reported provisioning levels at 48% are inadequate in our opinion."

Banks will need to set aside more money as, "haircuts would be steep for banks,

Who's moving where...

■ *Aaron Chow* has left **INDUSTRIAL & COMMERCIAL BANK OF CHINA (ASIA)**, where he was one of the Hong Kong lender's top corporate bankers. Based in Hong Kong, he spent over two years at ICBC (Asia), where he was most recently head of the Asia-Pacific business department, responsible for expanding the bank's regional corporate banking business. Before ICBC (Asia), Chow was at HSBC until October 2014 for slightly over six years, where he was head of event-driven syndicate for Asia Pacific.

■ *Kenneth Yeoh* has resigned as chief executive officer of **RHB SECURITIES SINGAPORE**. Yeoh took up the CEO position in June 2016, in addition to his responsibilities as head of Asia debt capital markets. He had joined the Malaysian bank in 2013 from Australia & New Zealand Banking Group, where he was DCM head for Southeast Asia. He is succeeded by *Chan Kong Ming*, who moved from his previous role as head of the Indonesian brokerage operations to the new position in early August.

especially for stressed power sector assets because of the lack of availability of fuel and power purchase agreements," said Anbarasu from Moody's. The rating agency is working with an assumption that banks need to take a haircut of 60%-65%.

The limited capacity of the country's legal system could also mean it will take until next year before all the unresolved accounts get admitted to the courts.

"It will take around four to six months for the cases to be admitted to bankruptcy courts, because there are only 11 NCLTs," said Eshwar Karra, chief executive officer from asset reconstruction company Phoenix ARC, which is sponsored by Kotak Mahindra Group. "We need at least double the number of NCLTs to prevent clogging up the courts."

INVESTMENT OPPORTUNITIES

The long wait for admission to the bankruptcy courts and strict timeline set by RBI has opened up opportunities for all kinds of investors, including asset reconstruction companies which are partnering with foreign investors that do not have a permanent establishment in India.

"We are working on non-exclusive partnerships with foreign investors on a case-to-case basis," said Karra from Phoenix ARC. Karra estimated that it was possible to find bilateral solutions for 20-25% of the estimated Rs3.5trn of stressed assets through the ARC route. "Foreign investors can buy the troubled accounts along with ARCs and get security receipts when they invest," he said.

Phoenix ARC has stressed assets worth Rs70bn and is evaluating options to invest Rs100bn in this space with several onshore and offshore investors, Karra said.

KRISHNA MERCHANT

ICMA flags failings in Asia credit trading

Secondary market trading of Asia-Pacific corporate bonds has not kept pace with the levels of new issuance, according to a new report by the International Capital Market Association.

In the seven years from 2011, the total amount of issuance in US dollars, euros and sterling by such issuers trebled to over US$930bn a year. Chinese names accounted for a fifth of total issuance in 2011 but last year made up 40% of all bonds bought in the primary market.

ICMA said the overall market stood at US$2.5trn outstanding at the end of May this year, made up of around 8,500 individual issues.

However, the association said that, based on data and interviews with market participants, the levels of secondary trading was lagging behind the glut of primary deals and was predominantly happening within investment-grade names.

Some of those interviewed were not surprised, saying investors still mainly bought to hold bonds in the market.

For example, they said that "while bid-side liquidity is generally good, offer-side liquidity is much thinner … it is usually difficult to find offers in decent size clips".

Some attributed this to the fact that more Chinese banks were running deals and appeared to be allocating new issues to Chinese investors.

"While Chinese issuance has increased over the past few years … much of this seems to be placed with a high concentration of Chinese investors, which are predominantly buy-to-hold, and many of these bonds do not find their way into the secondary market," said the report.

Others felt the levels of liquidity had dropped off in comparison with the rapid increase in primary market deals. The report said data showed that a turnover ratio of 0.28 in 2014 had declined to 0.21 in 2017.

The report said one reason for this might be the slower development of the repo and single-name credit default swap markets. Both of these generally assist dealers to make credit markets.

Despite the growth of the corporate bond market, the gross notional outstanding of Asian corporate single-name CDS more than halved from US$115bn to US$53.9bn in the four years to the end of March 2018.

Another factor cited was regulatory shifts by European banks and a greater focus by investors on the Chinese onshore bond market.

ICMA has previously published similar studies of the equivalent European market.

Back in December 2014, it warned that secondary markets in that region were increasingly illiquid as investment banks reduced the inventory they could hold on their balance sheets.

A follow-up study two years later said things had not improved.

But an official study by US regulator the Securities & Exchange Commission last year dismissed concerns that increased regulation had led to a lack of liquidity in credit markets, noting transaction costs had in fact declined.

CHRISTOPHER SPINK

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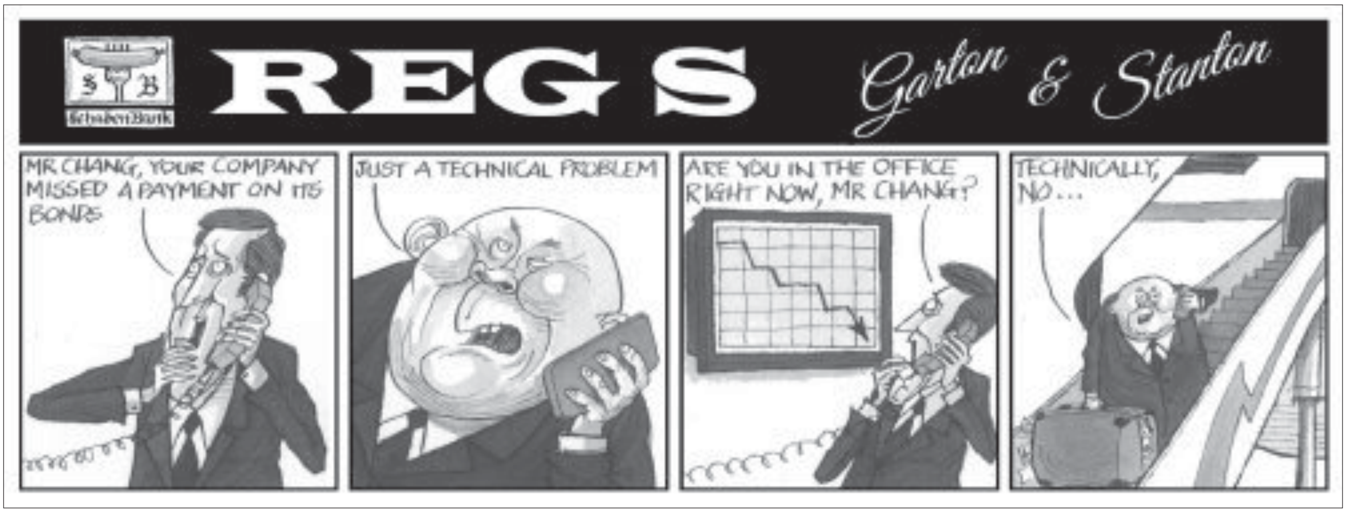
■ *Anant Sinha*, head of investment banking (equities) at **SBI CAPITAL MARKETS**, has resigned after only five months, people with knowledge of the development said.
Sinha, who joined the firm in March, had previously worked with Standard Chartered, JM Financial and Kotak Investment Banking.
State Bank of India said on July 31 its investment banking unit would no longer provide debt syndication and debt resolution services to private sector companies, to avoid any overlaps between the bank and its capital markets arm.

■ *Sanjay Bajaj* has joined **PNB INVESTMENT SERVICES** as managing director and CEO, people with knowledge of the development said.
PNB Investment is the investment banking arm of state-owned Punjab National Bank.
Mumbai-based Bajaj was HSBC's India equity capital markets head from 2010 to 2017.
PNB Investment Services could not immediately be reached to comment on the move.



Firms join forces to invest in Indian stressed assets

ADITYA BIRLA CAPITAL and **VARDE PARTNERS** have announced a partnership to invest in stressed and distressed assets in India, joining a growing line of investors targeting the sector.

The two firms will evaluate investments across various industries, with a focus on acquisition, restructuring and resolution of the significant supply of non-performing assets in India and special-situation financings.

Given the current landscape and prospects in asset reconstruction in India, Aditya Birla Capital and Varde believe there is an attractive pipeline for strong capital deployment opportunities over the next several years.

They join a growing list of investors eyeing distressed opportunites as India tackles bad debts in its banking system. US-based fund manager Oaktree Capital told IFR in a recent interview that it was watching India's distressed market closely. Nomura and Deutsche Bank are also ramping up their financing and advisory work around stressed assets.

Aditya Birla Capital and Varde Partners join a growing list of investors eyeing distressed opportunites as India tackles bad debts in its banking system.

"We see a large opportunity in the distressed space, especially in the mid-corporate segment," said Ajay Srinivasan, Aditya Birla Capital's chief executive. "One of the things that we bring to the table as a group, is that we understand how to run many businesses. We are looking at leveraging this skill set as we enter this new business."

Aditya Birla Capital is the holding company of all the financial services businesses of the Aditya Birla Group, a US$44.3bn Indian conglomerate with more than 16,000 employees.

"We see India as a core market for Varde and a critical part of our long-term strategy in Asia," said Ilfryn Carstairs, Varde's Co-CIO. "We are particularly excited to partner with an organisation with the quality reputation and established relationships of ABCL to address what we believe will be a very large, multi-year opportunity."

Varde manages about US$14bn globally, and has invested nearly US$500m in India in the past five years across corporate stressed, distressed, special situations and lending assets. With regional headquarters established in Singapore in 2008, Varde expects to open its fifth Asia office in Mumbai later this year, subject to regulatory approvals.

CHIEN MI WONG

Who's moving where…

■ **UBS** has parted company with one of its top Asian equity capital markets bankers following an internal investigation. *Michel Lee*, who was previously head of equity capital markets solutions for Asia Pacific, has left the bank. He first joined UBS in 1993 and spent most of his career in Tokyo and Hong Kong, holding a variety of senior positions in equity derivatives and ECM solutions since 2010. His departure follows that of *Heung Li*, an executive director in the Hong Kong ECM team, who resigned in March after being placed on leave, IFR reported at the time. Li has since joined CLSA.
The two departures were related to the same internal investigation.
A UBS spokesman declined to comment.
UBS in March reshuffled its Asian capital markets leadership, naming former DCM chief Gaetano Bassolino head of a newly merged capital markets group in Asia Pacific.

■ *Premal Doshi* has joined India's **INDUSIND BANK** as head of equity capital markets, people with knowledge of the development said.
Mumbai-based Doshi was earlier with investment bank Ambit, where he held a similar position.
Doshi reports to Roopa Satish, IndusInd's head of corporate and investment banking.
The bank confirmed the move.

Chinese bonds move nearer to global indexes

China has removed three operational hurdles for its onshore bonds to be included into global indexes, demonstrating its determination in opening up of the domestic bond market.

Chinese authorities, over the past three weeks, have taken steps to fulfill three prerequisites for Bloomberg-Barclays Global Aggregate Index inclusion: changes to settlement, block trade and tax collection policies.

The three initiatives came five months after Bloomberg said it would phase in renminbi-denominated government and policy bank securities to the index from April 2019, becoming the first of the three major index providers to include Chinese bonds in its flagship index.

TAX BREAKS

The State Council, China's cabinet, said late last Thursday that offshore investors would be exempt from corporate income tax and value added taxes on interest income in the domestic bond market for three years.

The initiative is one part of Beijing's broader efforts to cut costs for companies and investors to support growth, and gives offshore investors some long-awaited clarity on their tax exposure in the domestic bond market.

"It is the first time that Chinese authorities have clarified the rules on coupon interest for offshore investors," said a Hong-Kong based fund manager. "Yet we still need guidance from the tax authority as to when the new policy becomes effective."

He noted that China's tax rules already meant offshore investors were free from capital gains taxes on onshore bond investments.

The fund manager said the initiative was likely to spur demand for onshore China treasury bonds, policy bank bonds as well as some high-grade corporate bonds.

Pan Gongsheng, deputy governor of the PBoC, said in July that offshore investors held 1.9% of all onshore Chinese bonds, up from 1.1% when the Bond Connect cross-border trading link was launched a year earlier.

SMOOTH CONNECTION

On the same day, China Foreign Exchange Trade System announced that block trading was now available to offshore investors via the Bond Connect link.

Block trade allocation will be supported via Tradeweb, an electronic trading platform majority-owned by Thomson Reuters.

Earlier this month, China Central Depository and Clearing Company, China's main clearing house, said on August 24 that it had enabled Delivery-versus-Payment settlement for Bond Connect investors.

Under DvP, settlement and delivery occur simultaneously, whereas under the CCDC's previous model the buyer has to stump up the cash to the seller a day before settlement takes place, exposing investors to greater risks.

"This significant step reduces counterparty risks for investors and aligns the Bond Connect scheme with the China Interbank Bond Market (CIBM) scheme, where DvP settlement has always been allowed," said HSBC in a note.

INA ZHOU

Singapore eyes China REIT rules

Singapore-listed REITs with Chinese assets could consider a dual listing in China once regulations in the country are in place, *Eng-Kwok Seat Moey*, head of capital markets groups at **DBS**, said last week.

She said discussions around the legal framework were progressing and predicted that the first Chinese REITs could launch in the next two years.

Eng-Kwok estimated the potential size of the Chinese REIT market at around US$119bn. The US has the world's largest REIT market, with 186 REITs listed at a market capitalisation of US$979bn. In Asia, Japan is the leader with 62 listed REITs at a market capitalization of US$112bn. In Singapore, 44 REITs are listed with a market capitalisation of US$68bn.

She said the timing was good to set up REITs in China as developers are looking for alternative sources of funds given the tight credit market. A REIT is also a good vehicle for foreign investors seeking exposure to China's real estate market, she added.

Currently, Capitaland and Mapletree have dedicated China REITs listed on the SGX, the CapitaRetail China Trust and the Mapletree North Asia Commercial Trust. SGX REITs with Chinese sponsors include BHG Retail REIT, EC World REIT, Dasin Retail Trust and Sasseur REIT.

Eng-Kwok said the key to a successful REIT market is to give incentives to both sponsors and investors by providing tax concessions. Commercial assets with stable cash flows are likely to be favoured by investors and the asset size of a REIT should be at least US$1bn to ensure liquidity.

S ANURADHA

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■ Law firm **DEACONS** has hired Hong Kong IPO lawyer *Peter Cheng* as a partner in its corporate finance practice.

Cheng moves from Davis Polk & Wardwell, where he had advised on a wide range of ECM transactions, compliance with Hong Kong listing rules, mergers and acquisitions and private equity investments.

Cheng had been seconded to the SEHK's Listing and Regulatory Affairs Division to review listing applications and develop policies in 2016. He was earlier seconded to Morgan Stanley to work on ECM transactions.

■ **CHONG HING BANK** has hired two senior bankers to boost its loan syndications business, sources said.

Frankie Poon joined the Hong Kong-headquartered bank last month as head of debt restructuring and origination, after leaving Bank of Communications Hong Kong branch.

Swee Ngee Teo came on board in May as Chong Hing's head of loan distribution. She was senior vice president in the syndications team at China Everbright Bank Hong Kong branch before departing earlier in the year.

Poon and Teo report to Alex Chan, who heads Chong Hing's structured finance business.

Credit Suisse swoops again on Deutsche

CREDIT SUISSE has hired Deutsche Bank's country head for Japan to run its Japanese business, in the Swiss bank's latest senior hire from its German rival in Asia.

Makoto Kuwahara will take over as Japan CEO in mid-November, replacing Martin Keeble, who is leaving the bank. He will report to Helman Sitohang, CEO Asia-Pacific.

Kuwahara spent 21 years at Deutsche and had been chief country officer for Japan since 2013. His career included various senior roles in global markets in Japan, including rates, credit, risk syndicate and distressed products. He was appointed head of global markets in 2010.

His move comes shortly after Credit Suisse hired Nick Silver to the newly created position of head of equities for Japan. Silver, who will oversee the Swiss bank's entire equities franchise in Japan across sales, execution and research, was co-head of client financing and co-head of equity execution for APAC at Deutsche.

Neil Hosie, head of equities for Asia Pacific, joined Credit Suisse last year from Deutsche, where he was head of equities trading for the region. Patrick Kelly also joined from the German rival last year to become head of equity client trading and execution for APAC.

Deutsche, meanwhile, has appointed *Tamio Honma*, the head of global markets for Japan and co-head of the institutional client group for Asia Pacific, to replace Kuwahara.

Honma, who joined Deutsche in 1996, will also take over Kuwahara's responsibilities as representative director and president of Deutsche Securities in Japan, subject to regulatory approvals. He has also previously run rates sales, structured credit sales, equity distribution and equities in Japan.

STEVE GARTON

COUNTRY REPORT

AUSTRALIA

DEBT CAPITAL MARKETS

SINGTEL CHEERS CORPORATE INVESTORS

SINGTEL OPTUS, rated A2/A (Moody's/S&P), took advantage of pent-up demand for corporate paper with last Thursday's A$500m (US$365m) sale of five-year MTNs via joint lead managers *ANZ* and *Westpac*.

The 3.25% September 6 2023s priced at 99.783 for a yield of 3.2975%, inside 105bp–110bp area guidance at asset swaps plus 102bp.

The new bond takes this year's cumulative domestic corporate issuance up to A$5.3bn, which is still less than half the A$11.1bn raised year-to-date in 2017.

Singtel Optus is Australia's second-largest telecom company and a wholly owned subsidiary of Singapore Telecommunications.

It was previously in the market with a A$400m 3.25% five-year medium-term note in August 2017.

Singtel Optus has one other outstanding Australian dollar note – the A$300m 4.75% December 12 2018s printed in December 2013.

SUNCORP TIER 2 RAISES A$600M

SUNCORP GROUP raised A$600m of regulatory capital last Wednesday from a now-rare Tier 2 offering in Australia's wholesale market.

The 10.25-year non-call 5.25-year subordinated floating-rate note priced inside 220bp–225bp guidance at three-month BBSW plus 215bp.

Australian accounts bought 90% of the note, Asia accounted for 5% and New Zealand 5%.

Goldman Sachs was arranger and joint lead manager with *ANZ*, *Citigroup*, *NAB* and *Westpac*.

Pricing compares with the 171bp–173bp secondary market margin seen for major bank Westpac's A$725m 10-year non-call five wholesale Tier 2 note that priced in June at three-month BBSW plus 180bp.

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

Suncorp Group's Tier 2 note is expected to be rated BBB+/A– (S&P/Fitch) versus its A2/A/A+ senior unsecured ratings.

Westpac's was the first Tier 2 from a major bank in the domestic wholesale market since a run of eight issues between March 2014 and September 2016.

The country's four biggest lenders have recently looked elsewhere for their Basel III-compliant T2 capital needs, including the 144A, euro and Aussie dollar EMTN markets that typically offer longer tenors and often larger size.

However, many domestic investors do not like to stray too far beyond the traditional five-year sweet spot.

They feel more comfortable with local

MQU taps soaring SRI demand

Bonds **Growing ESG bid underpins Australia's third Sustainability bond**

MACQUARIE UNIVERSITY, rated Aa2 (Moody's), became the third domestic issuer to sell Australian dollar Sustainability bonds last Wednesday with a A$250m dual-tranche print.

The A$200m 3.5% 10-year note attracted an order book in excess of A$400m, which enabled joint lead managers *HSBC* and *NAB* to move on from initial 95bp-100bp area and revised 95bp area guidance to price at asset swaps plus 92bp.

Acting on feedback during the marketing process, MQU also sold a A$50m 4.5% 25-year tranche to a single life insurance company.

James Waddell, director, product and channel development at NAB, said bonds with a Green, Social or Sustainability theme attract broader investor support from fund managers looking to satisfy their clients' growing demand for socially responsible investments.

"Faced with a limited exposure to the sector, many investors will choose themed over standard university bonds as the former helps meet the expanding appetite for instruments with an environmental, social and governance focused use of proceeds," he said.

"SRI investors also tend to be stickier which reduces withdrawals in the primary market as guidance tightened and, more importantly, supports prices in the secondary market."

Australian investors bought 83% of the MQU 10-year, Asia 16% and Europe 1%. Asset managers dominated by asset type with a 85% allocation. Financial institutions took 10% and others 5%.

Pricing of the 10-year note matches the 92bp spread paid by the previous university issuance, the A$175m standard 10-year MTN from University of Wollongong, rated AA (S&P), in December 2017.

The Australian Catholic University, rated Aa2 (Moody's), printed Australia's inaugural Sustainability bond on July 25 2017, a A$200m 10-year at asset swaps plus 97bp, two weeks after higher rated University of Technology Sydney, Aa1 (Moody's), paid the same spread for a A$300m standard 10-year note.

MQU will use the funds to finance various green and social policies, including green buildings, alternative energy, pollution prevention, wastewater management and environmentally sustainable management of living natural resources and socioeconomic advancement and empowerment.

Underlining investors' deepening preference for these products, the Sydney-based Local Government Super recently awarded its first ever fixed-income ESG mandate, managing A$440m of funds, to Pacific Investment Management Co.

The only non-university Australian dollar Sustainability bond issued so far was the well-received A$125m three-year floating-rate note sale by Bank Australia, rated Baa1/BBB (Moody's/S&P) on August 20.

Looking ahead, Triple A rated New South Wales Treasury Corp plans to issue its first Sustainability bond, in the second half of 2018, while other state governments, banks, universities and corporates are also working towards inaugural offerings.

JOHN WEAVERS

Tier 2 wholesale trades all 10 of which have been either 10.5-year non-call 5.5, 10.25-year non-call 5.25 or 10-year non-call five instruments.

OCBC SYDNEY TARGETS SWEET SPOT

OVERSEA-CHINESE BANKING CORP (Aa1/AA–/AA–), acting through its Sydney Branch, targeted the current three-year floating-rate sweet spot for Double A rated banks with last Tuesday's A$500m issue.

The sale, via joint lead managers *ANZ*, *CBA*, *OCBC* and *Westpac*, priced inside 74bp area guidance at three-month BBSW plus 72bp.

Pricing matched the 72bp margin for the A$600m three-year FRN from DBS Bank, Australia branch, rated Aa1/AA–/AA–, on August 14.

Both OCBC and DBS came 1bp inside the 73bp spreads paid by HSBC, Sydney branch, rated Aa3/AA– (Moody's/S&P), and Commonwealth Bank of Australia (Aa3/AA–/AA–) and HSBC, Sydney branch, rated Aa3/AA– (Moody's/S&P), on August 8 and August 10, respectively.

IFC TAPS 2023S FOR A$300M

INTERNATIONAL FINANCE CORP, rated Aaa/AAA (Moody's/S&P), tapped its 4.25% August 21 2023 Kangaroo bond for A$300m last Thursday, raising the size of the issue to A$775m.

The reopening, via joint leads *CBA*, *Deutsche Bank* and *TD Securities*, priced at 107.646 for a yield of 2.5925%, 37bp over asset swaps and 43.25bp wide of the April 2023 ACGB.

CUA FLOATER RAISES A$225M

CREDIT UNION AUSTRALIA, rated Baa1/BBB (Moody's/S&P), raised A$225m from a three-year floating-rate note offering arranged by joint lead managers *ANZ*, *CBA* and *Westpac*.

The note priced last Thursday, inside 130bp area guidance at three-month BBSW plus 125bp.

CUA previously sold local three-year floaters in March 2017 with a A$300m deal priced 130bp wide of three-month BBSW.

STRUCTURED FINANCE

BLUESTONE RMBS NETS A$300M

Specialist residential mortgage lender **BLUESTONE GROUP** raised A$300m from iits second non-conforming RMBS offering of the year, **SAPPHIRE XIX 2018-2**, which priced in line with or inside guidance.

Macquarie was arranger of last Thursday's trade and joint lead manager with *CBA*.

The A$135m Class A1, A$75m Class A2a and A$38.1m Class A2b notes with respective WALs of 2.2, 1.3 and 4.0-years priced 135bp, 175bp and 205bp wide of one-month BBSW, respectively.

This compares with 135bp area, 175bp area and 205bp–215bp price talk.

The A$4.8m Class Es and A$2.1m Class Fs with 3.5 and 2.4-year WALs priced at the tight ends of 615bp–625bp and 715bp–725bp guidance.

The A$29.7m Class B, A$6.9m Class C and A$6.0m Class D notes were pre-placed at spreads of 245bp, 325bp and 425bp over one-month BBSW.

The A$2.4m Class G notes were retained.

The A1s, A2as and A2bs have respective credit support of 55%, 17.3% and 17.34%. The Bs to Fs have support of 7.4%, 5.1%, 4.1%, 1.5% and 0.8%

In February, Bluestone Group priced a A$250m non-conforming RMBS through Sapphire XVIII 2018-1 when the A$125m Class A1s priced at one-month BBSW plus 120bp.

Canadians load up Down Under

Bonds **BNS and BMO go big in Australia ahead of TLAC implementation**

Two Canadian major banks returned to the Australian dollar market last week to raise a combined A$3.3bn (US$2.4bn) from multi-tranche three and five-year offerings.

The timing of the deals reflect both the recent publication of the banks' quarterly earnings and the upcoming implementation of total loss-absorbing capacity requirements in Canada on September 23.

New TLAC-eligible, bail-inable bonds will in theory pay higher returns since they are designed to absorb losses in a crisis, but leave investors exposed to a higher risk of writedowns.

"After quarterly earnings Canadian banks inevitably look at global funding markets and this year there is an incentive to load up on old style, non-bail-in-able senior bonds before the upcoming TLAC deadline," said a Sydney-based DCM manager.

"The fact that this will become an orphaned asset class for Canadian banks will have underpinned demand," he added.

On Thursday **BANK OF NOVA SCOTIA**, Australia branch (Aa2/A+/AA-) printed a A$1.75bn three-part MTN issue via joint lead managers *Scotiabank*, *ANZ*, *Nomura*, and *Westpac*.

An A$500m three-year floating rate note priced inside 78bp area guidance at three-month BBSW plus 76bp. An A$1bn five-year FRN priced below 100bp area guidance at three-month BBSW plus 98bp while the A$250m 3.2% fixed-rate five-year priced at 99.782 for 3.2475%, 98bp wide of asset swaps.

The following day identically-rated **BANK OF MONTREAL** raised A$1.55bn from the same three-tranche structure in the Kangaroo market via *BMO*, *CBA*, *NAB* and *UBS*.

BMO's three-year floater was smaller at A$300m and priced 1bp wide of BNS Australia at three-month BBSW.

Similarly, BMO's A$750m five-year FRN priced 1bp back of its Canadian peer at 99bp over three-month BBSW while the A$500m 3.2% five-year priced at 99.954 to yield 3.21%, equivalent to asset swaps plus 99bp.

"The 1bp differential and larger BNS Australia issuance likely reflects its bonds' repo-eligibility which is a requirement for a lot of bank balance sheets," said a DCM banker on one of the trades.

"Kangaroos are non repo-eligible with the Reserve Bank of Australia but still attract Asian commercial banks and Aussie fund managers and semi-governments which are happy and able to buy repo and non repo-eligible paper," he said.

The choice of three and five-year tenors attracted the broadest set of investors, with the higher yielding, longer-dated maturity hitting asset managers' sweet spot while the three-year appealed to those with a defensive view on credit.

The two banks were also in close proximity for their single-tenor Australian dollar debut offerings just under a year earlier.

On September 1 2017, BNS Australia issued a A$1bn two-piece five-year MTN at 92bp over three-month BBSW and asset swaps, a margin matched by BMO for its A$800m five-year Kangaroo sale three weeks later.

JOHN WEAVERS

REDZED HITS THE ROAD

REDZED has mandated *CBA* and *NAB* to arrange investor meetings for a potential non-conforming RMBS issue.

RedZed issued a A$250m non-conforming RMBS in November 2017 via RedZed Series 2017-2 Trust, which used the same two lead managers. RedZed Lending Solutions specialises in lending to self-employed people and those who self-certify their incomes.

SYNDICATED LOANS

TWO SUPPORTING SANTOS

ANZ and *Commonwealth Bank of Australia* are equally underwriting the US$1.2bn loan that will fund oil and gas producer SANTOS' planned acquisition of privately held Quadrant Energy.

The loan is split equally into a 5.5-year portion and a two-year bridge facility that will be taken out upon completion of the acquisition, which is likely in the first quarter of 2019.

Santos said last week the purchase of Quadrant for at least US$2.15bn would also be funded by cash along with the US$1.2bn loan. Santos had US$1.5bn of cash on hand as of June 30.

The company also said it intended to maintain an investment-grade rating. Net gearing is expected to be around 34% at year-end 2018 and expected to decline to less than 30% by the end of 2019. Santos also intends to maintain available liquidity in excess of US$2bn.

Brookfield Asset Management owns a 50% stake in Quadrant, while Macquarie Group, retail conglomerate Wesfarmers and mining heiress Angela Bennett are also shareholders, according to Reuters.

Wesfarmers said in a separate statement last Wednesday that it would be selling its 13.2% stake in Quadrant for US$170m.

In late May, Santos rebuffed a US$10.4bn takeover bid from US private equity firm Harbour Energy. It was the sixth offer in nine months. JP Morgan and Morgan Stanley had underwritten a US$7.75bn buyout financing, in what would have been a record LBO and related debt financing in Asia Pacific.

Santos, Australia's largest independent oil and gas company, has stakes in several LNG projects, including ExxonMobil Corp's Papua New Guinea LNG project.

SPEEDCAST ADDS US$175M TLB

Australian satellite communications provider SPEEDCAST INTERNATIONAL is raising US$175m through a seven-year add-on to an existing term loan B to fund its proposed acquisition of Globecomm Systems Inc, according to a stock exchange filing on Tuesday.

Credit Suisse is the sole underwriter of the add-on, which will match the terms of a US$425m seven-year TLB SpeedCast priced in May at 250bp over Libor with a 0% floor and a discounted issue price of 99.5. The Swiss bank was also the lead on the original US$425m senior secured TLB.

SpeedCast is buying Globecomm for a net consideration of US$135m, including expected purchase price adjustments. US-based Globecomm provides remote communications and multi-network infrastructure to government, maritime and enterprise sectors in over 100 countries.

The acquisition is subject to regulatory approvals and expected to close in the fourth quarter of 2018.

Funds from the add-on will also repay a portion of an existing revolving credit facility for SpeedCast.

The Australian company announced a 24% rise in group revenues to US$304.9m for the first six months of 2018, with Ebitda increasing 14% to US$60.4m, compared with revenues of US$246.3m and US$53.2m in Ebitda in the same period a year earlier.

TWO FUNDING FIRST STATE

National Australia Bank and *Royal Bank of Canada* are providing A$1.6bn (US$1.17bn) through a loan to pension fund First State Super, which won the bid for Victoria state's land and property registries.

The two banks have equally underwritten the loan and are finalising the details with a launch likely sometime in September.

First State Super, one of Australia's largest pension funds, on Monday won the four-decade concession to run the land titles and registry functions of LAND USE VICTORIA for A$2.86bn.

Market participants consider the price tag for the target quite aggressive – estimated at around 25x–30x Ebitda – given First State Super had paid a lower multiple to buy a similar 35-year land title lease in neighbouring New South Wales last year. First State Super had teamed up with Australian superannuation fund Hastings Funds Management to buy Land and Property Information for A$2.6bn. A 12-bank club financed a A$1.62bn loan for that acquisition. The loan carried leverage of 12x.

In August last year, another large syndicate of banks clubbed a loan of slightly over A$800m to back a consortium's winning A$1.605bn bid for South Australia's Lands Titles Office. Macquarie Infrastructure & Real Assets and Canada's Public Sector Pension Investment Board won a 40-year concession to manage the state's land titling and registry services provider.

With the Victorian acquisition, First State Super will levy fees for 40 years for property ownership registrations in Australia's fastest-growing state, while the state government will keep control of essential services, such as land subdivisions applications and estate registrar services. Victoria state plans to spend the proceeds on schools, hospitals and transport projects.

UNITRANCHE ATTRACTS THREE

Three institutional lenders have committed to the A$150m unitranche loan supporting Quadrant Private Equity's purchase of a majority stake in JUNIOR ADVENTURES GROUP.

Barings, *Challenger* and *Highbridge Capital* have committed A$120m combined, while mandated lead arrangers and underwriters *Credit Suisse* and *Nomura* are equally taking the remainder.

The six-year secured financing, split into a A$140m term loan and a A$10m super-senior revolving credit facility, was signed last week. The leverage multiple on the borrowing is more than 5x, while the interest margin is 550bp over BBSY. The original issue discount is 98.

The unitranche financing is the first such loan for a leveraged buyout to be syndicated and the fourth since the advent of the structure in Australia last August. Previous unitranche loans have been largely closed as bilateral or club deals.

For JAG, the unitranche first emerged as a stapled financing that Credit Suisse had provided in its role as sell-side adviser to Advent Partners, which continues to remain invested in JAG after selling down part of its controlling stake to Quadrant. The deal is said to have been valued at more than A$100m.

JAG is the second-largest before-and-after-school care provider in Australia with annual revenues of A$120m, while Camp Australia is the market leader.

In October, a proposed merger between the two was scrapped due to antitrust issues, following which a A$415m term loan B that had been well advanced was cancelled. PE giant Bain Capital aborted the merger due to concerns from the Australian Competition and Consumer Commission that it would hurt competition in the sector. Bain had acquired Camp Australia through a leveraged buyout last year.

EQUITY CAPITAL MARKETS

TRANSURBAN LAUNCHES RIGHTS ISSUE

TRANSURBAN GROUP, an Australian road network operator, has launched a A$4.2bn (US$3.05bn) underwritten entitlement offer to partly fund an acquisition of a controlling stake in a Sydney toll road.

Transurban is leading a consortium to buy 51% of unfinished toll road WestConnex for A$9.3bn from the New South Wales state government, which will retain a 49% stake.

The company is selling rights shares at A$10.80 each on a 10-for-57 basis.

The price represents a 10.4% discount to the closing price of A$12.06 last Thursday.

Shares of Transurban were suspended from trading Friday.

Separately, the company is selling shares at A$10.85 each to two consortium members, AustralianSuper and Tawreed Investments, to raise A$600m.

In total, the company is selling up to 446m stapled shares for the rights issue and placement, with the breakdown of the shares in each offering yet to be confirmed, according to a regulatory document.

The company will use A$4.2bn from the funds raised for the acquisition and A$600m for general corporate purposes.

Books opened Friday and will close September 5. The retail portion of the entitlement offer will run from September 7 to September 18.

Macquarie, *Morgan Stanley* and *UBS* are the underwriters of the transaction.

› CORONADO COAL PRE-MARKETS IPO

Metallurgical coal producer **CORONADO COAL** is tentatively planning to pre-market an ASX IPO of around A$1bn as soon as this week, according to a person close to the deal.

The pre-deal investor education process will run for two to three weeks, the person said.

Coronado is owned by Texas-based private investment group, The Energy & Minerals Group, and runs mines in the US and Australia.

It bought the Curragh coal mine in Queensland from Wesfarmers earlier this year, after agreeing the A$700m purchase in December 2017. Curragh is Coronado's biggest asset with a baseline production of 8.5 million tonnes per annum of export metallurgical coal and 3.5 million tonnes per annum of steaming coal.

Coronado also owns three other mining complexes in West Virginia and Virginia which produce 8.2 million tonnes of coal per annum.

Goldman Sachs and *UBS* are leading the float.

› RCR SEALS A$70M INSTITUTIONAL CASH

RCR TOMLINSON, an Australian engineering and infrastructure company, has raised A$70m from the institutional tranche of an underwritten entitlement offer.

RCR said 95% of eligible institutional shareholders participated, and the shortfall bookbuild was oversubscribed with interest from both new and existing investors. Around 88% of the new shares went to existing shareholders.

The company launched the deal of about 100m shares at A$1.00 each on a 1-for-1.65 basis. The price represents a 64% discount to the closing price of A$2.08 on July 27, before RCR called a trading halt and warned of "material" cost overruns on one of its solar power projects.

Shares of RCR Tomlinson plunged 64.3% to A$1.00 on August 30, the lowest since May 2016, before regaining some ground to A$1.21 in the afternoon.

The retail portion of the offering will run from September 3 to September 19.

Proceeds will be used to replace cash related to cumulative project write-downs and for working capital.

Macquarie Capital is the underwriter for the deal.

› CATALYST SELLS ADAIRS BLOCK

Private equity firm Catalyst Investment Managers has raised A$47m through an underwritten block sale of shares in Australian Stock Exchange-listed home furnishing retailer **ADAIRS**.

The block of 20m shares, representing half of Catalyst's stake in Adairs, was priced at A$2.355 each, or a 1.9% discount to the closing price of A$2.40 last Monday.

The deal was launched after last Monday's market close.

Books were well covered with interest coming predominantly from domestic investors, according to a person close to the deal.

Shares of Adairs closed at A$2.44 last Tuesday, up 1.67%.

There is a 60-day lock up period on the vendor.

Catalyst is the largest shareholder in Adairs with a 24.12% stake before the sale.

JP Morgan was the underwriter.

CHINA

DEBT CAPITAL MARKETS

› TWO DEVELOPERS PRINT ONSHORES

Chinese property developers Beijing Capital Land and Oceanwide Holdings have printed onshore bonds in China's interbank bond market, raising a combined Rmb2.7bn (US$395m).

Beijing Capital Land, rated AAA by China Chengxin, priced last Wednesday Rmb2bn perpetual non-call three notes at par to yield 6.15%. If not called, there will be a step-up of 500bp.

A banker familiar with the deal said there was strong expectation among investors that the issuer would redeem the notes at the first call date given the big step-up.

"Demand turned out to be better than we had expected and enabled us to raise the size to Rmb2bn from a base issue size of Rmb1bn," he said.

Oceanwide, rated AA+ by Golden Credit Rating, printed five-year non-put three notes at par to yield 8.5%. The company was initially eyeing an issue size of up to Rmb1.4bn but printed just Rmb700m.

It has accelerated its onshore bond issues as it is facing growing pressure to redeem onshore bonds puttable this year.

Earlier this month, it privately placed Rmb300m three-year non-put two notes to institutional investors at par to yield 8.20% on the Shanghai Stock Exchange.

The developer has proposed to raise the coupon on its Rmb3bn six-year non-put three notes issued in 2015 to 8.60% from an initial coupon of 5.10%. The notes are puttable on September 13.

Beijing Capital Land intends to use the proceeds for three commercial property projects as well as to repay debt and replenish working capital.

Oceanwide will use the proceeds to fund commercial projects and to repay debt.

China Merchants Securities was lead underwriter on Beijing Capital Land's offering with *Industrial Bank* as joint lead underwriter.

Bank of Beijing was lead underwriter on Oceanwide's trade with *China Securities* as joint lead underwriter.

› CHALCO PRICES THREE-YEAR

ALUMINUM CORPORATION OF CHINA, rated BBB–/BBB+ (S&P/Fitch), drew an order book of over US$1.9bn for a US$400m three-year bond that priced at Treasuries plus 235bp.

Asia accounted for 97% of the Reg S bonds, and Europe took the rest. Asset and fund managers took 80%, banks 11%, insurers and sovereign wealth funds 7% and the rest went to private banks and others.

Pricing was a whopping 40bp inside initial price guidance of Treasuries plus 275bp area.

The senior bonds will be issued by Chalco Hong Kong Investment Company and guaranteed by Chalco HongKong, both wholly owned subsidiaries. There is a keepwell deed and an equity interest purchase undertaking from the mainland parent, and the bonds are expected to be rated BBB+ by Fitch.

Bank of China and *Barclays* were joint global coordinators, and joint lead managers and joint bookrunners with *China CITIC Bank International*, *Haitong International* and *Orient Securities (Hong Kong)*.

› ICBC PLANS MASSIVE T2 NOTES AND AT1

INDUSTRIAL AND COMMERCIAL BANK OF CHINA, the world's largest commercial bank, has unveiled a massive fundraising plan of up to Rmb210bn to replenish capital.

According to a company filing, the bank proposed to raise up to Rmb110bn equivalent from offerings of Tier 2 capital instruments. It did not say whether the the T2 notes would be issued onshore or offshore.

The lender also plans to issue preference shares, or AT1s, in both onshore and offshore markets to raise up to Rmb100bn. The total issue size of the preference shares in the offshore market will be no more than the equivalent of Rmb44bn.

Both plans have been approved by the company's board and are subject to approvals from shareholders and regulators.

Last Thursday, ICBC reported a profit of Rmb160.4bn for the first half of this year, compared with Rmb153bn in the same period a year earlier.

› MAOYE PLANS US DOLLAR BOND

MAOYE INTERNATIONAL HOLDINGS is working with *Deutsche Bank*, *DBS*, *Guotai JunanInternational*, *Haitong International* and *UBS* for a US dollar bond to refinance debt due in October.

The Hong Kong-listed Chinese department store operator plans to refinance US$300m of senior unsecured notes through various funding sources, including a plan to raise up to US$500m senior unsecured notes, according to S&P.

The five banks took Maoye on a non-deal roadshow last week. Two bankers said the company had already received regulatory approval to issue offshore bonds from China's National Development and Reform Commission.

Maoye issued an unrated 364-day senior unsecured note last October at par to yield 7%.

S&P revised the outlook on the company's B– rating to stable from negative last Friday, citing Maoye's new financing sources and stronger cash flows from property sales. Moody's has a stable outlook on its B3 corporate family rating.

In addition to proceeds from the notes, Maoye also has new bank lines of about Rmb1.4bn (US$204m) and an approved secured bank line of around Rmb2.1bn, said S&P.

The group has also received approval

Shanghai Lingang scores with dollar debut

■ **Bonds** **Huge book, guidance revisions stand out among recent LGFV issues**

Shanghai Lingang Economic Development (Group), rated Baa1/BBB+/A–, received an enthusiastic response to its debut US$300m bond with final orders over US$2.2bn, in a rare new issue from a Chinese local government financing vehicle in recent months.

The three-year 4.625% senior unsecured notes priced last Tuesday at 99.296 to yield 4.88%, the tight end of final guidance of 4.90% (+/-2bp) and 42bp tighter than initial guidance of 5.30% area.

Books reached as much as over US$3.1bn before final guidance was released, more than 10 times the issue size.

The new bonds traded up in the secondary market and were bid at around 99.65 early Wednesday morning, the first day of trading, about 0.35 points above reoffer.

"The huge orders and significant price tightening were seldom seen in new offerings from LGFVs for a long time," a syndicate banker on the deal said.

Improved market sentiment helped the deal, while the strong credit and moderate issue size was also important, the banker said.

"Many investors didn't view it as a LGFV, but more a SOE (state-owned enterprises) as it didn't undertake government debt, with its borrowings all directed to its own businesses," he said.

Shanghai Lingang is an industrial park development and management platform directly under the Shanghai municipal government.

DECENT CREDIT METRICS

Nomura's trading desk had advised investors to participate in the deal if final guidance was no less than Z+220bp or T3+237bp, or around 5.1%.

Nomura pointed out that although Shanghai Lingang's business involves some LGFV functions, such as infrastructure construction and primary land development, it saw the group more like a local SOE given its property-focused business and decent credit metrics comparing to most other LGFVs.

LGFV bonds were hit by heavy sell-offs earlier this year as a number of LGFVs and state-owned-enterprises have defaulted on asset-management products and trust loans. But sentiment towards LGFVs has started to improve since late July after the Chinese government shifted towards a more accommodative policy stance.

Unlike other LGFV new issues, which were almost entirely bought by China investors, Shanghai Lingang's deal attracted wide participation from non-China investors.

Of the notes, greater China took 72%, Singapore 21%, and EMEA 7%. By investor type, fund managers and asset managers took a combined 57%, banks and insurers bought a combined 39%, and private banks 4%.

The banker said Shanghai Lingang had a total of US$500m offshore debt issuance quota from the National Development and Reform Commission. But it does not have a big funding need and had set a US$300m target issue size at the beginning.

"It does not have a big need but it's concerned more about the pricing," the banker said.

S&P said Shanghai Lingang has better control over its leverage than most LGFVs and expects its leverage to improve over the coming two years.

Shanghai Lingang's debt-to-Ebitda ratio will be better than peers' at higher than 5 times, while Ebitda interest coverage will be a healthy about 2 times, according to the rating agency.

Wholly owned subsidiary Lingang Wings is the issuer of the Reg S notes and Shanghai Lingang is the guarantor.

The bonds have expected ratings of Baa1/BBB+/A–, in line with the guarantor.

Guotai Junan International, Goldman Sachs and BOSC International were joint global coordinators as well as joint bookrunners and joint lead managers with ICBC Asia, Haitong International, Cathay United Bank and Shanghai Pudong Development Bank Hong Kong branch.

CAROL CHAN

from the Shanghai Exchange to issue up to Rmb1.1bn of bonds exchangeable into A-shares of Maoye Commercial. The China-listed unit also said earlier this year it would issue up to Rmb2.42bn of long-term asset-backed securities to refinance existing debt.

"Maoye's heavy reliance on short-term debt has underpinned its refinancing risk. Yet, we believe the company is expanding its debt maturities to moderately improve its capital structure," said the report.

S&P said the company's short-term debt ratio has declined to about 45% as of June 2018 from 60% at the end of December 2015.

NAN FUNG VENTURES INTO 10 YEARS

Hong Kong property developer NAN FUNG INTERNATIONAL HOLDINGS, rated Baa3/BBB–/BBB, priced a US$500m 10-year bond at Treasuries plus 227.5bp, inside initial guidance of T+250bp area.

The Reg S issue attracted over US$900m in orders from more than 90 accounts.

Asia accounted for 97% of the deal, followed by Europe at 3%.

The majority of the bonds were distributed to fund managers, who took 41%. Banks accounted for 29%, insurers 18%, private banks 10% and others 2%.

Nan Fung Treasury is the issuer and Nan Fung International is the guarantor. The notes have expected ratings of Baa3/BBB–/BBB, in line with the guarantor.

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

HSBC, *JP Morgan* and *UBS* were joint bookrunners.

AOYUAN PRINTS DUAL-CURRENCY

CHINA AOYUAN PROPERTY GROUP, rated B1/B+/BB–, has priced US$298m dual-currency three-year non-call non-put two Reg S senior notes denominated in US dollars and Singapore dollars.

A US$225m US dollar tranche priced at par to yield 7.95%, the tight end of final guidance of 8.00% area (+/–5bp), and 30bp tighter than initial 8.25% area guidance.

A S$100m (US$73m) Singapore dollar tranche priced at par to yield 7.15%, 15bp tighter than initial 7.30% area guidance.

The deal is the first-ever dual currency senior notes issuance from China's property sector, which helped to further diversify Aoyuan's financing channels, the Hong Kong-listed Chinese real estate company said in a press release.

The US dollar bonds have expected ratings of B2/B/BB–, while the Singapore dollar bonds have an expected BB– rating from Fitch.

Final orders for the US dollar tranche reached US$1.8bn from over 100 accounts. Asia took 90% of the notes and Europe 10%. By investor type, 75% went to funds, 13% to banks, and 12% to private banks.

For the Singapore dollar tranche, final orders totalled nearly S$300m from 25 accounts. By geography, Singapore took 78% and others 22%. By investor type, 61% went to private banks, and 39% went to funds and banks.

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

Bocom International, *CEB International*, *Deutsche Bank*, *Guotai Junan International*, *Haitong International*, *Morgan Stanley*, *OCBC Bank*, *Silk Road International* and *UBS* were joint lead managers and joint bookrunners of the US dollar notes issue.

OCBC Bank was the sole lead manager and sole bookrunner of the Singapore dollar notes issue.

BEIJING CAPITAL PLANS GREEN BONDS

BEIJING CAPITAL GROUP, rated Baa3/BBB–/BBB, has hired banks for a proposed offering of US dollar-denominated Green senior notes bearing interest at a fixed or floating rate, subject to market conditions.

Morgan Stanley and *China Citic Bank International* are joint global coordinators as well as joint lead managers and joint bookrunners with *ICBC International*, *Agricultural Bank of China Hong Kong branch*, *Natixis*, *CICC* and *Guotai Junan International*.

Beijing Capital Group started to meet investors in Hong Kong, Singapore and London from August 30.

The group, which is 100% owned by the Beijing municipal government, engages in the businesses of water and environmental protection, infrastructure, real estate and financial services within the PRC.

The proposed Reg S Green bonds will be issued by Hong Kong-listed unit Capital Environment Holdings. The notes will have the benefit of a keepwell and liquidity support deed and a deed of equity interest purchase undertaking provided by Beijing Capital Group.

The notes have an expected BBB rating from Fitch.

Capital Environment is the overseas-incorporated investment platform of Beijing Capital Group across the whole industry chain of solid waste treatment.

BOCHK TENDER OFFER, AT1 ISSUE

BANK OF CHINA (HONG KONG), rated Aa3/A+/A, announced a tender offer to buy back its US$2.5bn 5.55% subordinated notes due 2020 and said it plans to issue US dollar-denominated Basel III-compliant Additional Tier 1 securities.

The tender offer began on August 30 and will expire on September 11 with settlement expected on September 14, according to a stock exchange filing.

The filing did not disclose the purchase price, but said it would be determined on September 11 in accordance with the tender offer memorandum.

The tender offer is based on certain conditions, including BOCHK having priced, at or prior to the expiration time, a concurrent offering and issue of US dollar-denominated undated non-cumulative subordinated AT1 capital securities under its US$15bn medium term note programme.

Citigroup and *Goldman Sachs* are dealer managers of the tender offer and DF King is the information and tender agent.

BOCHK has hired *BOC*, *Cinda International*, *Citigroup* and *Goldman Sachs* as joint global coordinators, joint lead managers and joint bookrunners for the proposed 144A/Reg S AT1 securities offering.

The Chinese lender will meet investors in Hong Kong, Singapore, London and the US, starting Monday.

The perpetual non-call five AT1 securities, if issued, are expected to be rated Baa2 by Moody's and BBB by S&P.

BOCHK is a Hong Kong-incorporated unit of Bank of China. BOCHK is one of the three note-issuing banks and the sole clearing bank for renminbi business in Hong Kong.

GEMDALE PRICES US$150M 3NC2

Chinese property developer GEMDALE CORPORATION, rated Ba2/BB (Moody's/S&P), priced US$150m of three-year non-call two US dollar notes at 6%, unchanged from guidance.

Gemdale Ever Prosperity Investment is the issuer of the Reg S notes and Famous Commercial is the guarantor. Gemdale Corporation is the keepwell and equity interest purchase undertaking provider.

The senior unsecured notes have expected ratings of Ba3/BB– (Moody's/S&P).

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

BOSC International, *Ping An of China Securities (Hong Kong)*, *Shanghai Pudong Development Bank Hong Kong branch*, *Silk Road International* and *CICC* were joint global coordinators, joint lead managers and joint bookrunners.

PING AN PRINTS US$500M FIVE-YEAR

CHINA PING AN INSURANCE OVERSEAS (HOLDINGS), rated Baa2 by Moody's, has priced US$500m

US dollar senior unsecured bonds after drawing over US$1.7bn final orders from 110 accounts.

The 4.375% five-year bonds were priced at 99.689 to yield 4.445%, or Treasuries plus 167.5bp, the tight end of final guidance of T+170bp area (+/–2.5bp), and 22.5bp tighter than initial 190bp area guidance.

Asia took 96% of the notes and EMEA 4%. By investor type, 57% went to fund managers, 32% to banks, 8% to private banks, and 3% to insurers and sovereign wealth funds.

Wholly owned British Virgin Islands subsidiary Vigorous Champion International is the issuer and China Ping An Insurance Overseas is the guarantor.

The Reg S notes have expected Baa2 rating from Moody's.

Proceeds will be used for general working capital purposes.

HSBC was sole global coordinator as well as joint bookrunner with *Bank of China (Hong Kong)*, *Mizuho Securities*, *MUFG* and *Standard Chartered Bank*.

Ping An Insurance Overseas is Ping An Insurance (Group) Company of China's wholly owned offshore investment and financing platform. It engages in property and casualty insurance in Hong Kong, asset and investment management and overseas project investments.

› RONSHINE RIDES ON RATING MOVES

RONSHINE CHINA HOLDINGS, rated B2/B/B+, is riding on recent positive rating moves by raising an extra US$150m from the reopening of its 8.25% US dollar senior notes due February 1 2021, bringing the total outstanding size to US$800m.

The Hong Kong-listed Chinese property developer sold the additional notes at a cash price of 93.311, or a yield of 11.5%, unchanged from guidance.

"The deal is more a club deal with strong anchor orders," a banker on the transaction said.

Proceeds from the tap will be used to refinance debt.

Haitong International, *CEB International*, *Bocom International* and *Morgan Fuel Go Securities* were joint lead managers and joint bookrunners on the reopening.

Moody's on August 28 revised to stable from negative the ratings outlook on Ronshine's B2 corporate family rating and the B3 senior unsecured rating on its existing notes to reflect its deleveraging efforts and improved liquidity profile.

S&P on August 30 revised its rating outlook on Ronshine's B long-term issuer credit rating and B– long-term issue rating on its senior unsecured notes to stable from negative, as the rating agency expects the company's leveraging to significantly improve over the next 12 months.

The original notes, with an initial issue size of US$325m, priced on January 25 at 98.066 to yield 9.0%. The company sold an additional US$100m bonds at 98.688 on February 12 and a further US$225m at 92.971 on July 10.

The Reg S notes have a B+ rating from Fitch. Investors have a put option to sell back the notes to the issuer at 100 on or after February 1 2020.

› SCIG PLANS DEBUT US$ BONDS

SICHUAN PROVINCIAL INVESTMENT GROUP, rated Baa1/A– (Moody's/Fitch), has hired banks for its debut offering of US dollar senior unsecured notes.

Citigroup and *ICBC International* are joint global coordinators as well as joint bookrunners and joint lead managers with *Bank of China*, *CCB International*, *CMB International* and *China Citic Bank International*.

The provincial state-owned investment group will meet investors in Hong Kong and Singapore, starting on Monday.

Wholly owned Cayman Islands subsidiary SCIG International Financial is the issuer and Sichuan Provincial Investment Group is the guarantor.

The proposed Reg S notes have expected ratings of Baa1/A– (Moody's/Fitch), in line with the guarantor.

Sichuan Provincial Investment has assets in power generation, water and gas utilities, iron alloy production and financial investments.

› TIANJIN LINGANG PRINTS 360-DAY BONDS

TIANJIN LINGANG INVESTMENT HOLDING priced US$110m 360-day US dollar senior unsecured bonds at par to yield 6.75%, unchanged from price guidance.

Proceeds from the Reg S unrated issue will be used to refinance debt.

DBS Bank, *Wing Lung Bank*, *Dongxing Securities (Hong Kong)*, *Central Wealth Securities Investment* were joint global coordinators, as well as joint bookrunners and joint lead managers with *Haitong Bank*.

The Tianjin Harbour Economic Area construction company in September last year issued US$260m of 360-day senior unsecured bonds at par to yield 4.5%. The bonds will be due on September 19 this year.

› YUZHOU EYES OFFSHORE QUOTA

YUZHOU PROPERTIES, which in July used up all of the offshore debt issuance quota it received earlier this year, is targeting another quota from the National Development and Reform Commission, according to a company executive.

"We're preparing documents and want to apply for a new (NDRC) quota. But whether we'll issue US dollar bonds in the rest of the year will depend on the market situation and the company's funding needs," chief financial officer and company secretary Jacky Wong Chin-hung said at a press conference on August 27.

The Hong Kong-listed Chinese real estate company, rated Ba3/BB–/BB–, has issued a total of US$1bn US dollar bonds so far this year. But with a tighter credit environment and weak market sentiment, the company has had to pay higher yields for its bonds.

The company's weighted average finance cost rose to 6.52% in the first half of this year, up from 6.02% for full-year 2017.

Wong expects the average finance cost to edge higher in the second half of this year as liquidity remain tight.

"The market in general expects the funding cost will increase by around 100bp this year. So if our weighted average finance cost rose to around 7% for the full year, it's still a controllable and acceptable level," he said.

Yuzhou on July 23 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%. The original three-year non-call two notes were priced on May 3 at par to yield 7.90%.

On February 27, the company priced US$375m of three-year non-call two US dollar senior bonds at par to yield 6.375%.

Yuzhou reported a 69.3% increase in first-half earnings to Rmb1.33bn.

› ZHUHAI HUAFA SELLS US$500M BOND

Chinese conglomerate **ZHUHAI HUAFA GROUP**, rated BBB by Fitch, has sold US$500m US dollar bonds to refinance offshore debt and to support offshore business operations.

The three-year Reg S senior unsecured notes were priced at par to yield 5.40%, unchanged from price guidance.

Wholly owned BVI subsidiary Huafa Group 2018 I Company Limited is the issuer and Zhuhai Huafa Group is the guarantor.

The notes have an expected BBB rating from Fitch, in line with the guarantor.

HSBC, *ICBC*, *CNCB HK Capital*, *Haitong International*, *Shanghai Pudong Development Bank*, *Ping An of China Securities (Hong Kong)* and *CEB International* were joint global coordinators. They are also joint lead managers and joint bookrunners with *China Minsheng Banking Corp Hong Kong branch*, *Industrial Bank Hong Kong branch*, *Orient Securities (Hong Kong)*, *Silk Road International* and *Zhongtai International*.

Zhuhai Huafa Group, which is owned by the Zhuhai municipal government, has businesses including financial services, property development, industrial investment, sales and trading.

ZIJIN EYES US$500M BOND OFFERING

Chinese metals producer **ZIJIN MINING GROUP** aims to sell US dollar bonds this year to fund an overseas acquisition, the company's vice chairman and president Lan Fusheng told IFR.

The Hong Kong and Shanghai-listed miner has a US$500m offshore debt issuance quota from the National Development and Reform Commission, Lan said on August 27 in Hong Kong at a press briefing on the company's interim results.

Standard Chartered Bank and *BOC International* are bookrunners of the proposed issue, according to Lan.

Zijin, which reported a 67.8% increase in first-half profit, in July secured first-time ratings from the three global rating agencies.

Moody's rates Zijin as a Baa3 credit while S&P and Fitch both view it as a BBB– credit. All three ratings outlooks are stable.

Zijin in 2011 issued US$480m 4.25% five-year US dollar bonds with an irrevocable standby letter of credit issued by Bank of China, Paris branch. The bonds matured in June 2016.

The proposed US dollar bond offering would be the company's first on a standalone basis.

Zijin was 25.88% owned and controlled by Minxi Xinghang State-owned Asset Investment, a local SOE in Shanghang county, Fujian province, as at end-2017.

The company is ranked among the top three metal mining companies in China in terms of production volumes. Its annual production of gold accounted for 10% of China's gold output in 2017, and for 13% and 8% of total copper and zinc production, respectively, according to Moody's.

HUARONG UNIT SELLS ONSHORE BONDS

CHINA HUARONG FINANCIAL LEASING has raised Rmb2.4bn from an offering of three-year notes in China's interbank bond market.

The notes were priced last Tuesday at par to yield 4.50%, or about 70bp over the yield of China Development Bank's three-year notes.

ICBC was lead underwriter on the offering with *ABC*, *Exim Bank of China* and *Huarong Securities* as joint lead underwriters.

Both the issuer, a subsidiary of China Huarong, and the notes were rated AAA by China Chengxin.

The proceeds will be used to support its regular business operations.

It was China Huarong Financial Leasing's second onshore offering this year following a Rmb600m offering of three-year notes in March, which were printed at par to yield 5.42%.

Huachen hires advisers

Restructuring **Wintime unit in discussions with noteholders**

HUACHEN ENERGY has engaged advisers to review the potential impact from the financial difficulties of its parent company Wintime Energy, according to a filing to the Singapore Stock Exchange on August 27.

The Chinese power-plant operator, which has outstanding US$500m 6.625% bonds due 2020, also said it was holding preliminary discussions with a number of noteholders who have established an ad hoc committee to communicate their concerns to the company.

"It is the company's intention to respect its obligations under the notes, whilst it will continue to explore options to address any impact of the Wintime situation on the company's business and financial conditions," Huachen said in the filing.

Huachen's 2020 bonds have slumped after Wintime Energy failed to repay Rmb1.5bn (US$220m) 7.00% 365-day commercial paper due on July 5. The default triggered cross-default provisions on 13 other bonds issued by Wintime Energy with a total issued amount of Rmb9.9bn, according to Moody's.

Moody's on July 7 cut Huachen's B1 rating to Caa1 and its US dollar bonds to Caa2 from B2 as a result of its parent's default.

Huachen's bonds fell to as low as 48.5 in early July but have rebounded sharply since Wintime Energy said on August 23 that Beijing Energy Holding was likely to become a white knight by becoming a major shareholder in ultimate parent Wintime Holding Group. The bonds were quoted at 75.00/75.50 on August 29, according to Thomson Reuters.

Huachen is a wholly owned subsidiary of Shanghai-listed coal company Wintime Energy, which in turn is 32% owned by Wintime Holding. Beijing Energy is wholly owned by the Beijing government.

Huachen said it believes that the indicative strategic restructuring co-operation agreement between Wintime Holding and Beijing Energy will likely help address any adverse impact its parent's difficulties may have on the company and its obligations under the notes.

Moody's said on August 24 that the indicative agreement did not have an immediate impact on Huachen and its bond ratings as the agreement is "at a very early stage and is subject to several uncertainties". The ratings outlook remains negative.

CAROL CHAN

BOC READIES JUMBO ONSHORE T2 NOTES

BANK OF CHINA is set to raise up to Rmb40bn from an offering of onshore Tier two notes to replenish capital.

Books will open for the 10-year non-call five notes on September 3 in China's interbank bond market. The offering will also be available to offshore investors via the Bond Connect link.

Both the issuer and the notes are rated AAA by Golden Credit Rating International.

BOC International(China) is lead underwriter and bookrunner on the offering with *Citic Securities*, *China Securities* and *China Merchants Securities* as joint lead underwriters.

ABC INTERNATIONAL DEBUTS PANDA

ABC INTERNATIONAL, an investment arm of Agricultural Bank of China, raised Rmb3bn from its debut offering of Panda bonds in China's interbank bond market.

The issuer privately placed the three-year notes at par to yield 4.70%, according to market sources.

Agricultural Bank of China and *China Securities* were arrangers on the offering.

SUNAC RAISES FUNDS ONSHORE

Chinese developer **SUNAC REAL ESTATE GROUP** has raised Rmb1bn from an offering of three-year non-put one notes on the Shenzhen Stock Exchange.

The issuer, an onshore subsidiary of Hong Kong-listed Sunac China Holdings, privately placed the notes at par to yield 7.50%.

China Securities was the arranger on the offering.

This is the first issue under the developer's Rmb8bn bond programme approved by the Shenzhen Stock Exchange.

Earlier this month, Sunac Real Estate Group also submitted a Rmb8bn bond plan

Delay hints at HNA's financial woes

Restructuring **Onshore incident comes after regulators show support for the group**

Sprawling Chinese conglomerate HNA Group last week saw one of its units delay redemption of Rmb1bn (US$147m) of onshore bonds, in an episode seen as a fresh sign of the financial pressures facing the business.

HAIKOU MEILAN INTERNATIONAL AIRPORT last Monday repaid its 7.3% 270-day onshore notes in full, three days after the notes were due on August 24.

The company blamed the incident on a technical issue, saying in a filing that the payment system of the Shanghai Clearing House closed before it was able to transfer Rmb1bn of principal on the due day. It successfully transferred Rmb54m of interest earlier that day.

Yet, market participants were unconvinced, and worried that the slip-up revealed deeper financial woes at HNA Group.

"Haikou Meilan is seen as one of HNA's core assets and the market did not expect HNA's trouble in the bond market to kick off at Haikou Meilan," said a Shanghai-based credit trader. "It (the incident) shows the group as a whole is having serious liquidity problems."

Haikou Meilan, rated AA+ by Golden Credit Rating International, is the only airport in Haikou, the capital of China's southern Hainan province, where HNA Group is also headquartered. The issuer posted net profit of Rmb184m in the first quarter this year with its debt to assets ratio at 45.28%, according to its latest financial report.

The delay also cast doubt over HNA's relationships with Chinese banks after Chinese regulators called on financial institutions at a meeting about two months ago to support HNA's bond issues.

At the meeting chaired by Pan Gongsheng, deputy governor of the People's Bank of China, HNA was asked to focus its operations on aviation and tourism while refraining from mergers and acquisitions.

The show of support from top regulators helped HNA Group to roll out its first offering in five months of domestic bonds via Bohai Capital Holding in late June. However, continuing support cannot be taken for granted.

"After all, it was a verbal order and there were very few banks that have to support HNA's financing activities," said one syndicate banker with a Chinese securities firm. "Investors are very cautious and they need to see whether HNA is on the right track in focusing its business on airlines and tourism."

In the short term, the late redemption is likely to further strain HNA's refinancing capacity in the domestic bond market. According to CICC's calculations, HNA Group had Rmb150bn of outstanding onshore bonds issued by its various entities at the end of last year and Rmb99.3bn of the notes mature in 2018.

In the offshore market, Haikou Meilan's unrated 5.25% US dollar bonds due 2019 were bid at a cash price of 95.12 last Thursday afternoon, 1.3 points off the closing price on August 24, according to Thomson Reuters data.

INA ZHOU

to the Shanghai Stock Exchange, which is still subject to approval.

CERCG-LINKED FIRM DEFAULTS

JINHONG HOLDING GROUP, a Shenzhen-listed pipeline operator with links to China Energy Reserve and Chemicals Group, said in a stock exchange filing on August 24 that it was unable to redeem its Rmb800m 5% five-year notes puttable on August 27.

Jinhong said it planned to raise funds as early as possible by selling stakes in its subsidiaries and disposing assets.

According to earlier filings by Jinhong, investors holding Rmb414m of the notes exercised a put option after the company proposed to raise the coupon on the notes to 9.5%.

Last week, United Rating cut Jinhong Holding's rating to BB+ from A.

Jinhong is a privately owned operator of natural gas pipelines. Its chairman, Chen Yihe, is also chairman of CERCG, which defaulted on its overseas US dollar bonds in May.

CERCG, which claims to be a state-controlled company, failed to repay the principal on its US$350m 5.250% notes due May 11, forcing investors to reassess their expectations of state support.

In the wake of CERCG's default, Jinhong said that CERCG did not hold a stake in the company but it did have some business with CERCG. Its Shenzhen-listed shares have been suspended since May 18.

SYNDICATED LOANS

XIAOMI DIALS IN FOR LOAN REPRICING

Smartphone maker Xiaomi is seeking consent from lenders to slash the interest margin on a US$1bn three-year loan it signed in July last year.

Xiaomi is looking to cut the margin to 155bp over Libor, a 60bp reduction from the current 215bp level.

Lenders will receive a 20bp fee for agreeing to the cut.

Xiaomi is self-arranging the exercise, which requires consent from all lenders.

Facility agent *Wing Lung Bank* sent out an email to lenders on the borrowing for the repricing request. The maturity date and other terms of the loan remain unchanged.

The repricing comes less than two months after Xiaomi's HK$42.6bn (US$5.4bn) IPO in Hong Kong in mid-July.

Deutsche Bank and Wing Lung were the mandated lead arrangers and bookrunners of the US$1bn loan, while *Bank of China* joined as an equal-status arranger. A total of 14 other lenders joined the deal, some via various branches. Chinese banks combined took up more than half of the whole facility.

The deal is split equally into a bullet term loan and a revolving credit facility. It paid a top-level all-in pricing of 260bp via a participation fee of 120bp and an early bird fee of 15bp.

XIAOMI HK is the borrower, while parent Xiaomi is the guarantor.

Earlier this month, Xiaomi reported a surge in net profit to Rmb14.63bn (US$2.14bn) for the second quarter ending June 30, compared with a net loss of Rmb11.97bn during the same period last year.

LUXVISIONS TO SNAP UP CAMERA UNIT

Hong Kong-based LUXVISIONS INNOVATION has raised a US$240m bilateral loan to back its purchase of the camera parts business of Taiwanese electronic components supplier Lite-On Technology.

China Merchants Bank is the lender on the borrowing.

On February 28, Lite-On Technology announced the transfer of its camera module business to LuxVisions Innovation for US$360m.

As part of the agreement, Lite-On will acquire a 10% stake in LuxVisions. The transaction was completed earlier this month.

LuxVisions Innovation is a unit of Shenzhen-listed Luxshare Precision Industry, a supplier of wireless earphones to US tech giant Apple.

Lite-On Technology's camera module unit has been in operation for over 15 years. Its products are mainly used in mobile phones, tablets and notebook personal computers with customers in Asia, America and Europe.

GRAND BAOXIN AUTO BACK WITH LOAN

Chinese auto dealership GRAND BAOXIN AUTO GROUP is returning to the loan market for a US$200m three-year term loan after raising a bigger borrowing last year.

Standard Chartered is the mandated lead arranger and bookrunner of the dual-tranche facility, which is expected to be launched soon.

Special-purpose vehicle BAOXIN AUTO FINANCE I is the borrower on tranche A, while Grand Baoxin Auto Group is the borrower on tranche B. China Grand Automotive Services is the guarantor on both portions.

Bank meetings will be held in Shanghai on September 5, Hong Kong on September 7 and Taipei on September 21.

In August 2017, Grand Baoxin Auto Group increased a facility to US$837.4m from US$763.4m after it exercised a greenshoe option. StanChart also led that deal, which offered a top-level all-in pricing of 365bp based on an interest margin of 320bp over Libor and an average life of 2.925 years.

CPI RONGHE BACK FOR US$300M LOAN

CPI RONGHE FINANCIAL LEASING, a unit of China's state-owned State Power Investment, is returning to the loan market for a US$300m two-year loan, nine months after it raised a larger borrowing.

BNP Paribas, *Sumitomo Mitsui Banking Corp* and *Westpac Banking Corp* are the the mandated lead arrangers and bookrunners on the bullet financing, which has a one-year extension option.

The interest margin is 120bp over Libor, and it will step up to 150bp if the one-year extension is exercised.

MLAs committing US$30m or more will receive an all-in pricing of 145bp via a 50bp management fee, while lead arrangers that commit US$20m–$29m will obtain an all-in pricing of 140bp via a 40bp fee. Arrangers with US$10m–$19m tickets will get an all-in pricing of 135bp via a 30bp fee.

A bank meeting will be held in Hong Kong on September 3. The deadline for responses is September 28.

Funds are for refinancing and general corporate purposes.

The borrower last raised a US$305.6m-equivalent debut loan in November. Deutsche Bank was the MLAB of that financing, which offered a top-level all-in pricing of 150bp based on a margin of 120bp and a 60bp fee.

CPI Ronghe is a subsidiary of SPIC Capital Holdings, which in turn is a fully owned subsidiary of China's state-owned State Power Investment.

CPI Ronghe is mainly engaged in leasing power and clean-energy equipment.

SINOPHARM UNIT EYES THREE-YEAR

SINOPHARM HOLDING (CHINA) FINANCE LEASING is returning to the loan market for a US$200m three-year loan, three months after obtaining a Rmb1bn facility.

ANZ is the mandated lead arranger and bookrunner on the transaction, which pays an interest margin of 175bp over Libor and has an average life of 2.675 years.

MLAs with commitments of US$30m or more receive top-level all-in pricing of 208.6bp via an upfront fee of 90bp, while lead arrangers joining with US$20m-$29m earn 205bp all-in via an 80bp fee. Arrangers joining with US$10m-$19m receive an all-in of 200bp via a 67bp fee.

A bank meeting was slated for Friday in Hong Kong. The deadline for responses is September 28.

The Rmb1bn three-year term loan was completed in May. Nanyang Commercial Bank was the MLAB and facility agent of the deal, which offered a top-level all-in pricing of 120% of the PBoC rate via a margin of 115% of the benchmark.

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

Sinopharm Group, a major pharmaceutical firm, is in turn a unit of state-owned China National Pharmaceutical Group.

LOAN FOR LONG CHEN RECYCLING

HUBEI LONG CHEN RECYCLING TECHNOLOGY has raised a Rmb730m four-year loan.

CTBC Bank, *Land Bank of Taiwan* and *First Commercial Bank* were the mandated lead arrangers and bookrunners of the facility, which has a Rmb730m term loan tranche A and a US$24m term loan tranche B. The borrower cannot draw more than Rmb730m.

The interest margin on tranche A is 115% of the PBoC rate, while the US dollar portion offers a margin of 150bp over Libor.

The borrower's land, building and machinery form the security package, while Taiwan-listed parent Long Chen Paper is the guarantor.

The signing was on August 24.

The borrower raised a Rmb1.99bn loan in October 2016. Bank of Taiwan, FCB and LBoT were the MLABs on that deal, which comprised a Rmb1.7bn seven-year term loan tranche A and a Rmb290m five-year revolving credit tranche B. Funds were for capital expenditure at a paper mill in Hubei province's Songzi city.

The margins on tranches A and B were 102.5% of the PBoC rate before the project was pledged, and 100% of the PBoC rate after it was pledged. The margin on tranche A will step down to 97.5% of the PBoC rate if the borrower's earnings before taxes reach Rmb50m annually. The top-level upfront fee was 23bp.

For full allocations, see www.ifrasia.com.

EQUITY CAPITAL MARKETS

NIO LAUNCHES SMALLER IPO

Tencent-backed Chinese electric vehicle startup NIO is planning to raise up to US$1.32bn from an NYSE IPO.

The company is selling 160m American depositary shares at an indicative price range of US$6.25–$8.25.

The range gives a pre-money pre-shoe market capitalisation of US$7bn–$9.2bn to the company. It also represents a 2019 price-to-sales ratio of 2.61–3.44.

Pricing is slated for September 11.

The sum of US$1bn–$1.32bn that Nio is seeking is less than the US$1.8bn figure flagged when it first filed to go public on August 13.

Its US-listed peer Tesla, which some analysts argue needs to raise equity after founder Elon Musk abandoned a widely derided plan to go private, had a US$52bn market capitalisation last Thursday.

Goldman Sachs, *JP Morgan* and *Morgan Stanley* are leading Nio's float with *Bank of America Merrill Lynch*, *Credit Suisse*, *Citigroup*, *Deutsche Bank* and *UBS*.

CDH-BACKED YUNJI PLANS US IPO IN 2019

CDH-backed Chinese social e-commerce platform YUNJI is planning to raise at least US$500m from a US IPO in 2019, according to people close to the deal.

The company is working with advisers on the proposed float, said the people.

Yunji follows in the footsteps of Pinduoduo, a Chinese discount e-commerce site which raised US$1.63bn from a Nasdaq IPO in July.

Pinduoduo shares have risen as much as 45% since listing. The stock closed at US$19.54 last Tuesday, 2.8% above the IPO price of US$19, with a market capitalisation of US$21.7bn.

Yunji raised US$120m from a private financing round led by CDH Investment in April this year, according to the company's website.

Founded in 2015, Yunji has 3 million registered users and its 2017 turnover exceeded Rmb10bn (US$1.47bn).

Yunji allows registered users to open stores on its platform. The users promote their stores via WeChat and do not have to hold inventory as Yunji handles the supply chain.

The platform covers a variety of products from groceries and cosmetics to electronics and fashion, with logistical support from Yunji's 30 self-operated warehouses.

Yunji did not reply to emails from IFR seeking comment on the IPO.

HAIDILAO SEEKS LISTING APPROVAL

HAIDILAO INTERNATIONAL, one of China's most popular hotpot restaurant chains, sought a listing hearing last Thursday for a Hong Kong IPO of up to US$1bn, according to people close to the deal.

The company, mainly known for its spicy Sichuan-style hotpot, will start pre-marketing this week if the approval is granted, one of the people said.

CMB International and *Goldman Sachs* are joint sponsors of the proposed IPO.

The Chinese restaurant operator is looking to expand further at home and overseas and an SEHK listing would help to take the brand global, IFR reported earlier.

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

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

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

SHANDONG GOLD PRE-MARKETS IPO

SHANDONG GOLD MINING, a Shanghai-listed state-owned miner, has kicked off pre-marketing for a Hong Kong IPO of up to US$1bn.

According to an earlier announcement from the company, it will sell up to 15% of its enlarged capital. There is a greenshoe option of 15% of the base size.

Proceeds will be used for potential acquisitions of overseas mining assets, working capital and loan repayment.

The company's net profit for the three months to March 31 2018 rose 7.6% year on year to Rmb354m. It posted a net profit of Rmb1.17bn in 2017.

CCB International, *China Securities International* and *ICBC International* are the joint sponsors.

MOLBASE PLANS US IPO IN 2019

Fosun-backed **MOLBASE**, a Shanghai-based chemicals e-commerce platform, plans to seek a US IPO in 2019 at a valuation of US$2bn–$3bn, according to people familiar with the situation.

Molbase is in discussions with advisers on the proposed float, said the people.

Founded in 2013, Molbase allows buyers and suppliers to trade chemicals on its platform.

Its investors include Fosun RZ Capital, a venture capital firm under Fosun Group and Sequoia Capital.

According to Molbase's website, over 100,000 buyers and suppliers from around the world conduct monthly transactions of more than Rmb1bn on its platform.

Molbase could not immediately be reached to comment.

111 LAUNCHES US$149M NASDAQ IPO

Chinese online pharmacy and health service platform **111** has started bookbuilding for a Nasdaq IPO of up to US$149m.

The company is selling 9.3m primary American depositary shares at an indicative price range of US$14.00–$16.00 each, with a greenshoe option of 15% of the base deal.

The range represents price-to-sales multiples of 2.2–2.5 in 2019 or 1.2–1.4 in 2020, post-shoe. There is also an indication of interest for up to $20m of the public float from existing shareholders.

The deal will price on September 11.

As well as its online retail business for pharmaceutical products, 111 operates an internet service where doctors provide medical consultations and prescriptions to patients. Founded in 2010, the company was known as New Peak Group before changing its name to 111 this April.

Founders Gang Yu and Junling Liu will retain 92% voting control of 111 after it is public offering through super-voting shares.

Proceeds will be spent on R&D, particularly in technology such as artificial intelligence, big data and cloud-based solutions. It also plans to expand its sales and marketing capacity to broaden its customer base.

As of June this year, there were approximately 15 million registered users on the company's flagship website 111.com.cn and mobile applications.

The company posted a net loss of Rmb129.4m and revenues of Rmb730.9m for the first six months of this year. It reported annual losses of Rmb249.3m last year on revenues of Rmb959.5m and lost Rmb363m in 2016 on revenues of Rmb873.8m.

CICC, *Citigroup* and *JP Morgan* are the leads on the float.

VIOMI, X FINANCIAL JOIN IPO RUSH

The flow of China-to-US IPOs continued last week, with **VIOMI TECHNOLOGY** and **X FINANCIAL** filing for respective IPOs of US$150m and US$250m.

At least nine China-to-US deals have been filed in the past month or so and are capable of launching and/or pricing in September. Barring a Chinese stock market meltdown, this looks set to be one of the most persistent IPO themes in the post-Labor Day window.

Founded in 2014, Xiaomi-backed smart home appliance maker Viomi reported revenue of US$157.2m and net income of US$10.6m for the first half of 2018.

Viomi's strategic partnership with Xiaomi gives it access to the latter's users, market and data resources.

A big chunk of Viomi's revenue is sales to Xiaomi, consisting mainly of Xiaomi branded IoT-enabled smart water purification systems and related products, constituting 62.6% of total sales for the first half of 2018.

Currently, Xiaomi owns 19.5% of Viomi. Shunwei Capital, a venture capital firm that Xiaomi CEO Lei Jun co-founded, owns 20.5% of the company.

CICC and *Morgan Stanley* are bookrunners on the Nasdaq float.

Backed by a strategic partnership with online insurance provider Zhong An, Chinese consumer finance company X Financial offers loan products including credit card transfers, preferred loans and housing loans under the Xiaoying brand.

It introduced the Xiaoying Wallet earlier this month, a prepaid account for online purchases up to about US$10,000.

The company reported US$279.3m of

revenues and US$79.5m of net income in the first half of 2018, already surpassing the US$270m of revenue and US$62.5m of net income in all of last year.

Deutsche Bank and *Morgan Stanley* are the bookrunners.

MIDEA SEEKS LISTING APPROVAL

MIDEA REAL ESTATE sought listing approval from the Stock Exchange of Hong Kong last week for its proposed float of about US$500m, according to people close to the deal.

Pre-marketing will start this week if the approval is granted, said the people.

The company is the property arm of Shenzhen-listed Midea Group, China's leading appliance maker.

BNP Paribas and *CLSA* are joint sponsors.

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

CHUNLAI EDUCATION LAUNCHES IPO

CHINA CHUNLAI EDUCATION GROUP, a private higher education provider, started bookbuilding last Friday for a Hong Kong IPO of up to HK$894m (US$114m).

The company is selling 300m primary shares, or 25% of the enlarged share capital, at an indicative price range of HK$2.08–$2.98 each. There is a 15% greenshoe.

The deal will price on September 6, and the shares are due to begin trading on September 13.

Chunlai operates three universities in Henan province and a college in Hubei province with combined student enrolment of nearly 53,000 in the 2017/18 school year.

It posted a profit of Rmb152m for the year ended August 2017, up from Rmb120m in 2016.

CLSA is the sole sponsor.

HUATAI PLANS LISTING FOR ASSETMARK

Chinese brokerage Huatai Securities is seeking to list its ASSETMARK FINANCIAL subsidiary in the US, according to an exchange filing.

Huatai, which bought the US asset management software maker for US$780m in 2016, will keep a controlling stake in AssetMark after the IPO.

The company has not decided whether its American depository shares will go public on the NYSE or Nasdaq.

Based in Concord, California, AssetMark provides software to investment managers, broker dealers and investors, which collectively manage more than US$46bn of assets on its platform.

Private equity firms Genstar Capital and Aquiline Capital Partners acquired Genworth Financial's wealth management business in 2013, which later became AssetMark.

CHINA TOWER DIPS INTO GREENSHOE

Mobile phone infrastructure company CHINA TOWER has partially exercised the overallotment option in its Hong Kong IPO, bringing the deal size to HK$58.8bn.

An additional 3.55bn shares, or 8.23% of the base deal, were sold at the IPO price of HK$1.26 per share. The base deal comprises 43.1bn shares.

During the stablisation period, underwriters purchased 2.92bn shares in the market at HK$1.26 each.

The shares, listed on August 8, hit a peak of HK$1.3 on August 13, up 3.17% from the IPO price. They were quoted at HK$1.23 last Friday morning.

CICC and *Goldman Sachs* are the joint sponsors of the 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.

CHINA CONCH SELLS CB

CHINA CONCH VENTURE raised HK$3.925bn last Wednesday from a five-year put-two convertible bond, priced at the investor-friendly terms.

The zero-coupon deal came with a base deal size of HK$3.15bn and an upsize option of HK$775m, which was fully exercised.

The yield-to-put/maturity came at the wide end of the 1.75%–2.75% marketed range, while the conversion premium was set at the bottom of the 40%–50% range.

Based on the company's closing price of HK$28.70 last Wednesday, the initial conversion price is HK$40.18.

The conversion premium is one of the highest among equity-linked deals in Asia ex-Japan this year. Convincing investors to accept such a premium after a strong run-up in the stock was not easy, according to a person close to the deal.

Before the deal launched, shares of China Conch had risen 59% year-to-date on expectation that the Chinese government's move to increase infrastructure spending will benefit the company.

The deal was well covered with about 50 investors participating. The top 20 investors took the majority of the notes. Demand came evenly from hedge funds and outright investors and there was a good geographical mix between Asia and Europe.

Credit spread was assumed at 175bp, bond floor at around 97 and implied volatility at around 22%. Stock slippage was assumed at around 3%.

The CB traded around par in the secondary market on Thursday's morning.

The company will use the proceeds to fund future project development and other general corporate purposes. China Conch has interests ranging from waste management to building materials.

Credit Suisse and *JP Morgan* were the joint bookrunners.

HONG KONG

SYNDICATED LOANS

LUYE BRIDGES DRUG PURCHASE

Pricing has emerged for LUYE PHARMA HONG KONG's US$300m bridge loan to back the acquisition of the sales and licensing rights of a drug.

UBS, which pre-funded and signed in June the 364-day bridge, is selectively reaching out to lenders to join the facility in limited syndication. The deal pays an interest margin of 140bp over Libor and has an average remaining life of 0.72 years.

Banks receive a top-level all-in pricing of 181bp and the mandated lead arranger title for commitments of US$40m or more via an upfront fee of 30bp, or an all-in of 175bp and the lead arranger title for tickets of US$30m–$39m via a fee of 25bp.

Commitments are due at the end of September, with bank transfers slated for October 5. A bank presentation will be held in Hong Kong on September 12.

The deal backs the US$538m purchase of the rights to Seroquel and Seroquel XR in the UK, China and other markets from pharma giant AstraZeneca. The drug is mainly used to treat bipolar disorder.

HK HOTEL JV LAUNCHES A&E EXERCISE

HOTELIER FINANCE, the joint venture owner of three Hong Kong hotels, has launched an amendment-and-extension exercise for its HK$9.25bn (US$1.18bn) five-year term loan signed in June 2015.

The 50:50 partnership between New World Development and Abu Dhabi Investment Authority is looking to slash pricing and extend the maturity of the bullet facility to June 2023 from June 2020.

New lenders joining the deal are offered all-in pricing of about 110bp over Hibor as a result of the price reduction, while that on the original deal was over 200bp.

The original deal was signed in June 2015 with 13 lenders. Facility and security agent *HSBC* committed HK$1.33bn, while *ANZ*, *Bank of China (Hong Kong)*, *Credit Agricole*, *DBS Bank*, *First Abu Dhabi Bank*, *Hang Seng Bank*, *JP Morgan Chase*, *Mizuho Bank*, *OCBC Bank*, *Standard Chartered*, *Sumitomo Mitsui Banking Corp* and *United Overseas Bank* each took HK$660m.

Funds from the existing loan were used to back the JV's acquisition of three hotels in 2015 from New World Development for a combined value of HK$18.5bn. ADIA is a sovereign wealth fund of the Emirate of Abu Dhabi.

The three hotels are the Grand Hyatt Hong Kong, Renaissance Harbour View and Hyatt Regency Tsim Sha Tsui, which have been and will still be used as security for the loan.

RESTRUCTURING

HSIN CHONG SIGNS MOU FOR ASSET SALE

Debt-laden **HSIN CHONG GROUP HOLDINGS** has signed a non-legally binding memorandum of understanding to sell one of its subsidiaries to an independent third party to resolve its financial difficulties.

The Hong Kong-based construction company said in a stock exchange filing last Thursday that it planned to sell 100% of its wholly owned subsidiary Hsin Chong Construction to an unnamed Chinese construction company.

Under the MOU, the potential purchaser may provide HK$600m (US$76m) of financial support and has the right to appoint personnel or teams to jointly manage all the group's projects. The two parties have agreed to 90 days of exclusive talks.

Hsin Chong failed to repay its US$300m 8.75% bonds due May 18 2018 and triggered an event of default on its US$150m 8.50% bonds due January 22 2019 and on certain loan agreements.

The company earlier hired Moelis as financial adviser and Kirkland & Ellis as legal adviser to assist in restructuring the 2018 and 2019 notes.

Its shares have been suspended since April 3 2017.

Hsin Chong Group said the potential asset disposal would provide a good opportunity for it to realise its investment to alleviate its financial situation.

IFR

2018 US ECM ROUNDTABLE

3pm | Thursday September 13 | 3 Times Square, New York

Sponsored by: MAYER • BROWN STIFEL

The **IFR US ECM Roundtable** will take place on the afternoon of Thursday September 13 2018 at the Thomson Reuters Building, New York.

Now in its seventh year, the event will bring together a panel of the most senior ECM practitioners to assess the current state of the market, discuss the latest trends and developments and provide an outlook for the remainder of the year and beyond.

Joining IFR's US Editor, **Stephen Lacey** will be:

- **Craig Dedomenico** – Stifel, MD ECM origination
- **Anna Pinedo** – Mayer Brown, Partner
- **James Dunning** – J. Goldman & Co, Director of Capital Markets
- **Carolyn Saacke** – NYSE, COO Capital Markets
- **Matthew Sperling** – Rothschild, Head of North American Equity Strategy
- **Steven Tuch** – BMO Capital Markets, MD ECM origination
- **Akram Zaman** – Bank of America Merrill Lynch, MD Head of Americas Equity Syndicate

The event is **free to attend**, but you must be registered. To secure your place, please complete the short form at http://financial-risk-solutions.thomsonreuters.info/US_ECM_Roundtable

INDIA

DEBT CAPITAL MARKETS

TATA HOUSING FILES FOR RETAIL BONDS

TATA CAPITAL HOUSING FINANCE has filed a draft shelf prospectus with India's market regulator to raise up to Rs50bn (US$713m) from a public issue of bonds in one or more tranches, according to a BSE filing.

The unsecured non-convertible debentures will be issued as subordinated debt and will be eligible for inclusion in Tier 2 capital.

"The issue is expected to open in the last week of September," said a source close to the plans.

Crisil has assigned a AAA/stable rating to the notes.

AK Capital Services, *Axis Bank* and *Edelweiss Financial Services* are the lead arrangers.

The funds will be used for lending, financing, repayment of existing borrowings of the company and general corporate purposes.

More non-banking financial companies are tapping the public route to raise funds since the Securities and Exchange Board of India fast-tracked the issuance of retail bonds, cutting the listing process from 12 to six working days.

Recently, Tata Capital Financial Services and Indiabulls Commercial Credit filed draft shelf prospectuses to raise up to Rs75bn and Rs20bn, respectively, from retail bonds.

DHFL PLANS THREE-YEAR BONDS

DEWAN HOUSING FINANCE LIMITED is planning to raise up to Rs20bn from three-year bonds at 9.27%, according to a BSE filing.

The housing finance company is targeting Rs10bn, plus a greenshoe option of the same amount. The issue opens and closes on September 5.

DHFL is on a fundraising spree, having raised Rs20bn from four-year 364-day treasury-linked bonds on August 31 and a further Rs5bn from four-year bonds at 9.24% on August 28.

Care has assigned AAA ratings to the notes, with a stable outlook.

IDEA DIALS UP FIVE-YEAR BONDS

Idea Cellular is planning to raise up to Rs20bn from five-year bonds at 10.9%, according to market sources.

The telecom operator is targeting Rs15bn, plus a greenshoe option of Rs5bn which will be reset after three years.

AXIS BANK is rumoured to be the arranger of the deal.

Care Ratings has assigned a AA rating, credit watch with developing implications on the back of a proposed merger with Vodafone (India).

The rating agency said it is closely monitoring the developments and would take a view on the ratings after the conclusion of the merger, once it analyses the impact on the business and financial profile, according to an August 24 note.

The rating factors in an infusion of Rs67.5bn through equity (Rs32.5bn by the promoters, through preferential issue, and Rs35bn from QIP) in February and the monetization of standalone tower assets for an enterprise value of around Rs40bn in May, which will augment the long-term capital resources of the company.

Care revised the rating to AA from AA+ in June because of a decline in the operational and financial risk profile of the company following severe competition in its sector.

In February 2017, Idea raised Rs5bn from five-year bonds at 8.03%.

Idea Cellular is yet to make an official announcement on the size, tenor and price of the deal.

INDIABULLS PRINTS FIVE-TRANCHER

INDIABULLS HOUSING FINANCE has raised Rs21.7bn from five-tranche bonds, according to a filing on the BSE.

The housing finance company has raised Rs10bn each from bonds maturing in February 2020 and 2028 at 8.75% and

Reliance launches refi

Loans Indian conglomerate making bank presentations this week

Conglomerate RELIANCE INDUSTRIES has launched its US$2.653bn refinancing into general syndication.

The 17 senior mandated lead arrangers and bookrunners are: *ANZ*, *Bank of America Merrill Lynch*, *Barclays*, *BNP Paribas*, *Citigroup*, *Credit Agricole CIB*, *DBS Bank*, *First Abu Dhabi Bank*, *HSBC*, *Mizuho Bank*, *MUFG*, *Scotiabank*, *Societe Generale*, *Standard Chartered*, *Sumitomo Mitsui Banking Corp*, *United Overseas Bank* and *Westpac Banking Corp*. *Bank of China Singapore*, *Export Development Canada*, *JP Morgan Singapore*, *KDB Asia* and *KfW IPEX-Bank* joined as MLABs before the launch.

The deal comprises an unsyndicated US$187m two-year and 11-month bullet loan tranche A, a US$966m three-year amortising tranche B and a US$1.5bn four-year and 11-month amortising tranche C.

The interest margin for tranche A and B is 69bp over Libor, while tranche C's margin is 90bp over Libor.

Tranches B and C have remaining average lives of 2.792 and 4.392 years, respectively, assuming participating lenders are transferred in November.

Lead arrangers committing US$35m–$49m receive top-level all-in pricing of 91.5bp or 111bp via participation fees of 62.8bp or 92.2bp, respectively, for tranches B and C. Co-arrangers coming in for US$20m–$34m receive all-in pricing of 90bp or 109bp via fees of 58.6bp or 83.4bp, respectively. Lead managers committing US$10m–$19m receive all-in pricing of 88.5bp or 107bp via fees of 54.4bp or 74.6bp, respectively.

Bank presentations will be held in Singapore on September 3 and Taipei on September 5, while individual bank meetings will be held in Tokyo on September 7. The deadline for commitments is October 5.

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

RIL last signed a US$2.5bn financing in December with the same senior MLABs. 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 RIL's telecom unit Reliance Jio Infocomm. RIL's US dollar and euro tranches paid top-level all-in pricing of 76bp and 46bp based on 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.

In July, Jio also raised a ¥53.5bn (US$498m) seven-year Samurai bullet term loan. Mizuho Bank, MUFG and Sumitomo Mitsui Banking Corp were the MLABs and underwriters of that loan, which offered a top-level all-in pricing of 65bp based on an interest margin of 51bp over Tibor.

Mumbai-headquartered RIL has businesses across India in the energy, petrochemicals, textiles, natural resources, retail and telecom sectors.

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8.957%, respectively. It raised Rs250m from notes maturing in June 2022 at 8.8407%, Rs440m from bonds maturing in June 2021 at 8.3873% and Rs1bn from bonds maturing in July 2023 at 8.8%.

The notes will be listed on the National Stock Exchange and the BSE.

NABARD PRICES 15-YEAR BONDS

NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT has priced Rs9.73bn 15-year government of India-serviced bonds at 8.47%, according to a market source.

The Indian policy lender had asked investors to place bids on the BSE's electronic bidding platform last Thursday morning.

Nabard is yet to make an official announcement on the price and size of the bond offering.

Recently, Nabard raised Rs5.83bn from 15-year GOI-serviced bonds at 8.39%.

PFC SEEKS BIDS FOR 10-YEAR BONDS

India's POWER FINANCE CORP is seeking bids to raise up to Rs25bn from 10-year rupee bonds, according to a market source.

The state-owned company is eyeing Rs5bn, plus a greenshoe option of Rs20bn. It has asked investors to place bids on NSE's electronic bidding platform on September 4 from 10am to 11am local time.

The interest on the bonds will be paid semi-annually.

Earlier this month, PFC sent out a request for proposals for a US dollar offering of 10-year bonds in 144A/Reg S format.

PFC is yet to make an official announcement on the size and tenor of the planned rupee bond.

RELIANCE INFRA SELLS POWER BIZ

RELIANCE INFRASTRUCTURE has completed the sale of its power distribution business to Adani Transmission after it missed a redemption payment of Rs1.3bn to bondholders on August 20.

Chairman Anil Ambani said the company expects to be debt-free next year and achieve top-end ratings after it completed the sale of the business for Rs188bn, according to a BSE release.

The company's debt will come down to Rs75bn after the asset sale. The company had net debt of Rs118.7bn as of FY18, according to India Ratings.

Reliance Infra plans to transform into a high-growth, capital-light business and does not need to pursue any other asset monetisation to reduce debt, Anil Ambani said.

The company missed the final redemption payment for non-convertible debentures of Rs1.3bn last week.

Recently, India Ratings downgraded Reliance Infra's long-term issuer rating to D and bank facilities to C, reflecting a weak liquidity profile. However, "timely debt servicing on a sustained basis and successful deal completion resulting in the deleveraging of the company could lead to a positive rating action," India Ratings said in a note dated August 24.

Separately, Anil Ambani's telecom arm, Reliance Communications, completed asset sales of Rs20bn to Reliance Jio ahead of a cleanup of its offshore bonds as a part of restructuring plan.

Indian companies have been scrambling to adhere to the Reserve Bank of India's 180-day deadline that expired August 27 for the resolution of stressed assets.

Banks have 15 days after the deadline expiry to start bankruptcy proceedings against unresolved accounts. As a result, borrowers are working hard to find a resolution or risk losing their assets, said bankers.

RCom takes out offshore bonds

Restructuring Indian telco completes exchange and tender for dollar bonds

RELIANCE COMMUNICATIONS has cleaned up its offshore bonds as part of a restructuring plan, but only after a late change to the terms made the exchange less favourable to bondholders.

The Indian telco said that holders of US$154m in principal amount of its US$300m 6.5% senior secured notes due 2020 tendered their notes under a revised tender and exchange offer.

Holders of US$141.973m of the 2020s on August 24 agreed to exchange them for US$55m of new 0.1% senior unsecured notes due 2022 to be issued by RCom's wholly owned undersea cable subsidiary Global Cloud Xchange.

RCom had previously indicated it would swap the bonds for up to US$45m of GCX zero-coupon notes due 2023, but amended the proposal on August 17.

Holders of US$12.155m of the 2020s tendered them for cash. The Indian telco did not previously specify the amount of cash available for tendered bonds, but said it would be at least 3.5% of face value.

A measure to amend certain terms of the old notes was passed by 83% of those voting, following an adjournment of the first vote, planned for August 10. This allowed it to redeem the remaining bonds in full at 3.5% of face value. In a previous announcement, RCom said bondholders consenting to the changes would receive a share of a US$13m cash pot.

The amended proposal, however, allows RCom to make the consent payment, as well as a US$6m payment to members of an ad hoc committee of bondholders, from later cash payouts due to be made to creditors under the scheme, raising the chances that the consent amount might never be paid.

Bondholders will receive up to three cash payouts under the restructuring: the first when bondholders and regulators approve the restructuring, the second dependant on the outcome of a legal case involving RCom unit Sistema Shyam Teleservices, and the third within 12 months of the completion of RCom's asset sale to Reliance Jio.

The consent payment will be taken from the first payout if there is any surplus from a favourable exchange rate from the rupee to the US dollar. If not, then it will be taken from the second or third payouts, again if there is a surplus.

Given the greater chance of reduced payouts, Nomura's sales and trading desk said in a note the recovery rates had dropped to 31-44 cents from 35-50 cents for bondholders who tendered; 36-49 cents from 37-53 cents for those who exchanged; and 31-40 cents from 31-46 cents for bondholders who did neither and had their notes redeemed after the vote.

RCom said that under the exchange and tender offer, bondholders would receive cash of up to US$118m, but did not break down the amount.

The company said the Reserve Bank of India needed to grant regulatory approval before the GCX bonds could be issued.

One other change to the terms of the offer was to remove a clause requiring the resolution and restructuring of RCom's other remaining debt by August 27. The company has yet to announce the result of talks with lenders.

PJT Partners and *Kirkland & Ellis* represented the ad hoc group.

DANIEL STANTON

EQUITY CAPITAL MARKETS

GR INFRA PLANS SMALLER IPO

GR INFRAPROJECTS is planning to keep open for subscription a smaller Rs12bn–Rs15bn (US$171m–$214m) IPO between September 17 and September 19, people with knowledge of the transaction said.

The road developer had earlier planned an IPO of up to Rs20bn. Fewer secondary shares are likely to be sold in the IPO.

In the draft prospectus, the company said primary shares of Rs5bn and 11.2m secondary shares would be sold. Shareholders Vinod Kumar Agarwal, Lokesh Builders and India Business Excellence are among the vendors of the secondary shares.

The company earned a net profit of Rs5.4bn in the financial year that ended on March 31 2017 versus Rs1.4bn in 2016.

HDFC Bank, *IDFC Bank*, *Motilal Oswal* and *Yes Securities* are the bookrunners.

STUDDS FILES PROSPECTUS FOR IPO

STUDDS ACCESSORIES has filed a draft prospectus for an IPO of up to Rs5bn.

Primary shares of Rs980m and 3.9m secondary shares will be sold in the IPO. Controlling shareholders Madhu Bhushan Khurana and Sidharatha Bhushan Khurana are the vendors of the secondary shares.

The helmet and automobile accessories maker had a net profit of Rs328.8m in the financial year that ended on March 31 2018 versus Rs236m in 2017.

Edelweiss and *IIFL Holdings* are the bookrunners.

AAVAS TARGETS SEPTEMBER IPO

Housing finance company AAVAS FINANCIERS is targeting a Rs15bn–Rs20bn IPO in September, people with knowledge of the transaction said.

Aavas is looking to sell primary shares for Rs4bn and existing shareholders including Lake District Holdings and Partners Group will sell 16m secondary shares.

Aavas, formerly called AU Housing Finance, provides housing loans mainly in the states of Rajasthan, Maharashtra, Gujarat, Madhya Pradesh and Haryana.

The company earned a net profit of Rs929m in the financial year that ended on March 31 2018, up from Rs571m in the previous 12 months.

Citigroup, *Edelweiss*, *ICICI Securities* and *Spark Capital* are the joint global coordinators and bookrunners with *HDFC Bank*.

LODHA TO TRIM IPO TARGET

LODHA DEVELOPERS is likely to scale back its IPO target from earlier estimates of US$700m–$1bn after a lukewarm response from investors, people with knowledge of the transaction said.

The company had been working toward an August launch after filing a draft prospectus in April, but the timetable at this stage is no longer clear.

"The company is determined to launch the IPO but is facing many challenges," a banker on the deal said.

Although the revised size is not known, another banker on the deal said the secondary tranche could be cut. In the draft prospectus the company said it planned to raise Rs37.5bn from primary shares and the Mangal Prabhat Lodha family would sell 18 million secondary shares.

CLSA, *JM Financial*, *Kotak* and *Morgan Stanley* are the joint global coordinators and bookrunners with *BOB Capital*, *Edelweiss*, *HDFC*, *ICICI Securities*, *IIFL*, *UBS* and *Yes Securities*.

The Indian property company planned an IPO of Rs28bn in 2010, but did not launch because of weak market conditions.

Citigroup, Enam, CLSA, Credit Suisse, JP Morgan, Kotak, Nomura, SBI Capital and Global TrustCapital were the bookrunners then.

Founded in 1980, the company has 37 ongoing projects in London, Mumbai and Pune. It has a land bank of over 4,450 acres. Lodha reported sales of Rs55bn in the nine months that ended on December 30 2017.

INDONESIA

DEBT CAPITAL MARKETS

DSSP POWER SUMSEL PICKS BANKS

DSSP POWER SUMSEL has mandated *Barclays*, *Credit Suisse* and *MUFG* as joint global coordinators and joint bookrunners to arrange a series of fixed-income investor meetings that started last week for a US dollar-denominated five-year non-call two bond.

Roadshows will be held in Hong Kong, Singapore, London, Boston, New York and Los Angeles.

The guaranteed senior secured bonds are expected to be rated B1/B+ (Moody's/Fitch).

The Indonesian company owns and operates a coal-fired power plant in the Sumatra region.

PLN EYES PUBLIC BONDS

Indonesian electricity distributor PERUSAHAAN LISTRIK NEGARA II has released indicative price ranges for Rp2.5trn (US$169m) of public bonds, including Rp1trn of Islamic notes, according to the offer document.

The retail bonds and sukuk are available across five tranches. Guidance ranges are 7.8%–8.65% for the five-year tranche, 8.00%–9.00% for the seven-year, 8.30%–9.10% for 10-year, 8.50%–9.30% for 15-year and 8.50%–9.65% for the 20-year, according to the offer document.

Bookbuilding commenced on August 30 and will continue until September 13.

PLN has mandated *Bahana, BNI, CGS-CIMB, Danareksa, Indo Premier* and *Mandiri Sekuritas* for the issue.

The bonds and sukuk are rated AAA by Pefindo.

On August 11, PLN relaunched its debut foreign currency loan of up to US$2bn following changes to the terms after an earlier launch last month. In July, the state-owned company also raised Rp2.03trn from a public bond issue.

Separately, the company recorded a net loss of Rp5.3trn in the first half of this year due to the rupiah's slump. However, S&P upgraded PLN's rating by two notches to BBB– from BB on August 22 reflecting timely support from the Indonesian government.

"The tighter supervision of PLN and better coordination between ministries are essential because of the company's heavy capital expenditure and high leverage," said S&P in a note. The company has around US$8bn in total debt.

SYNDICATED LOANS

PLN EXTENDS DEADLINE FOR DEBUT

State-owned electricity firm PERUSAHAAN LISTRIK NEGARA has extended the deadline for responses to its up to US$2bn syndicated loan.

The new deadline of September 10 allows participants more time to process credit approvals. Banks were originally required to respond with commitments by August 31.

A few big-ticket commitments have already been submitted.

ANZ, *Bank of China Hong Kong*, *Citigroup*, *Mizuho Bank*, *OCBC*, *Sumitomo Mitsui Banking Corp* and *United Overseas Bank* are the mandated lead arrangers and bookrunners of the borrowing, which comprises a US$1.2bn five-year amortising term loan tranche A and a US$300m three-year revolving credit facility tranche B. The facility carries a greenshoe option of up to US$500m.

The deal offers top-level all-in pricing of 107.87bp (offshore) or 117.87bp (onshore) for lenders participating in tranche A only and a blended top-level all-in of 105.8bp (offshore) or 115.8bp (onshore) for participation in both tranches.

Tranche A pays an interest margin of 92.32bp (offshore) or 102.32bp (onshore) over Libor and has an average life of 4.18 years, while tranche B pays 75bp (offshore) or 85bp (onshore) and has an average life of 2.83 years.

The deal was re-launched into the market earlier this month as the borrower had to change some of the terms, including a change-of-control covenant.

Funds will be used for capital expenditure and general corporate purposes.

The company provides most of the public electricity and electricity infrastructure in Indonesia.

KDB prices tighter Samurai

Bonds Spread compression reflects size, easing of political tensions

KOREA DEVELOPMENT BANK sold ¥50bn (US$449m) of three-year Samurai bonds last week at a tighter spread than its peer Export-Import Bank of Korea (Kexim), thanks to the issue's smaller size and a relaxation of geopolitical tensions.

State-run KDB had been absent from the Samurai market since October 2014 due in part to unfavourable moves in currency basis swaps. But it returned as basis swaps improved and after Kexim paved the way in June with a massive ¥120bn double-trancher following the historic summit between US President Donald Trump and North Korean leader Kim Jong-Un.

After sounding out investors on August 22, KDB began marketing on the following day with price guidance of either 10bp or 11bp over yen offer-side swaps, well inside the 15bp spread at which Kexim's three-year portion priced.

"Investors were not really asking for the same 15bp spread," said a banker on the deal. As the book for the Kexim trade had swelled to around ¥250bn, leads were confident that there would be good demand. "As the Kexim deal was well oversubscribed and as we knew the KDB would be capped, we were able to have a constructive dialogue with investors about how tight we can go," the banker said.

The book built steadily to ¥88.1bn, and the bond landed at 10bp over swaps with the coupon of 0.23%. It was too challenging to try a single-digit spread.

The spread is equivalent to about 3bp–4bp over the issuer's US dollar curve, according to one market source's calculation, but the banker said that premium was a lot smaller than it used to be. Japanese investors used to ask for a larger Korea premium, while foreign investors did not worry so much about political tensions so far away.

During the marketing period, Trump decided to call off a trip to North Korea by US Secretary of State Mike Pompeo, but bankers on the deal said that the news had no impact.

Demand came from Japanese banks, asset managers, and regional investors. There was some participation from foreign investors as well.

Merrill Lynch, *Mitsubishi UFJ Morgan Stanley* and *Mizuho* were the leads on the deal that is rated A+ by R&I and has expected ratings of Aa2/AA by Moody's/S&P.

TAKAHIRO OKAMOTO

JAPAN

DEBT CAPITAL MARKETS

AOZORA BANK PRINTS OFFSHORE

AOZORA BANK last Wednesday priced US$300m three-year bonds at Treasuries plus 108bp.

This was the tight end of final guidance of Treasuries plus 110bp, plus or minus 2bp, and inside the initial guidance of plus 130bp area.

Morgan Stanley, *Goldman Sachs* and *Citigroup* were joint bookrunners for the Reg S offering.

The bonds have an expected A– rating from S&P.

CJRAIL PRINTS US$350M FIVE-YEAR

CENTRAL JAPAN RAILWAY, rated Aa3/AA– (Moody's/S&P), drew US$2.3bn final orders from 140 investors for its US$350m US dollar bond offering.

The 3.40% five-year bonds were priced at 99.854 to yield 3.432%, or Treasuries plus 65bp, well inside initial price thoughts of 90bp area.

The Reg S notes have expected ratings of Aa3/AA– (Moody's/S&P), in line with the issuer.

Asia took 77% of the notes and Europe 23%. By investor type, 53% went to fund managers, 25% to banks, 11% to corporates, 7% to insurers and sovereign wealth funds, and 4% to others.

Proceeds will be primarily used for financing capital investments and repaying borrowings, including the repayment of certain long-term accounts payable relating to railway facilities and the redemption of corporate bonds.

Morgan Stanley, *Mizuho Securities*, *Bank of America Merrill Lynch* and *Nomura* were joint bookrunners.

LIVELY DEMAND FOR ASAHI MUTUAL

ASAHI MUTUAL LIFE INSURANCE, rated BBB– by Fitch, last Wednesday priced US$430m of perpetual non-call five subordinated bonds at par to yield 6.5%, tightening dramatically from initial guidance of 6.875% area.

If not called on the fifth anniversary, the notes will step up to the initial spread of 358bp over mid-swaps, plus 100bp. There is a reset every five years.

The Reg S bonds are expected to be rated BB by Fitch.

The offering drew orders of over US$2.7bn from 175 accounts. Asia bought 86%, Europe 11% and US offshore accounts 3%.

By investor type, asset managers and fund managers booked a combined 84%, and private banks took 16%.

Citigroup, *Mizuho* and *Morgan Stanley* were joint bookrunners.

Fitch upgraded Asahi Mutual Life's insurer financial strength rating to BBB– from BB+ in June, based on an improvement in the issuer's capitalisation and leverage, as well as its resilient financial performance and earnings from strong growth.

However, Fitch warned that the insurer's capital position remained weaker than that of other Japanese major insurers. Its statutory solvency margin ratio stood at 809% at the end of March 2018, up from 743% a year earlier.

TOYOTA TSUSHO TESTS 5-YEAR APPETITE

TOYOTA TSUSHO CORPORATION has mandated *Morgan Stanley*, *Nomura*, *JP Morgan*, and *Bank of America Merrill Lynch* for a five-year US dollar senior bond.

Fixed-income investor meetings in Asia will start on Tuesday for the proposed Reg S senior unsecured bonds, which have expected ratings of A3/A+ (Moody's/S&P).

RICOH SELLS FIRST SUBSIDIZED GREEN

RICOH LEASING last Friday priced the first Green bond under the Japanese government's new subsidy programme.

Ricoh sold a ¥10bn (US$90m) 0.19% five-year Green tranche alongside a ¥10bn 0.05% three-year non-Green note.

The deal benefits from a subsidy from Japan's Ministry of Environment, which set up the scheme this year to reduce costs and administrative burdens for potential issuers, thereby spurring Green bond sales in Japan. The subsidy covers the full cost of an external review, up to ¥50m per issue.

The original pricing date was postponed due to elevated market volatility after the Bank of Japan made tweaks to its policy late last month.

The Green format helped Ricoh diversify its investor base, albeit slightly. Among regional investors taking about 30% of the five-year offering, a few of them participated for the first time.

Mitsubishi UFJ Morgan Stanley (MUMSS), *Mizuho*, *Daiwa* and *Nomura* are the joint leads on the transaction, which is rated AA– by JCR. The Japanese rating agency also provided Green bond evaluation. MUMSS acted as structuring agent.

SYNDICATED LOANS

TOKUYAMA TO REFI ¥60BN HYBRID LOAN

TOKUYAMA CORP is raising ¥60bn (US$540m) via a 60-year subordinated loan to repay its hybrid financing ahead of the maturity date, the Yamaguchi-based chemical manufacturer said in a statement last Wednesday.

The loan, which will be signed on September 13, can be repaid after five years.

The funds, to be drawn on September 20, will refinance a ¥60bn 60-year subordinated loan completed in March 2014. MUFG was the arranger of the previous deal.

The new deal is expected to receive the same or better equity credit treatment than the existing loan from Rating & Investment Information and Japan Credit Rating Agency, the company said.

JAPAN AIRPORT TERMINAL SIGNS HYBRID

JAPAN AIRPORT TERMINAL CO signed last Wednesday a ¥30bn 60-year subordinated loan, the Tokyo-listed airport operator said in a statement.

The facility can be repaid after five years.

The interest margin will step up by 100bp after seven years. The initial margin was not disclosed.

The funds are for capital expenditure.

The loan, which has been rated A– by Rating & Investment Information, will be treated as 50% equity.

JOGMEC RETURNS FOR ¥21BN LOAN

JAPAN OIL GAS & METALS NATIONAL CORP is seeking a one-year bullet term loan of ¥20.971bn, a month after signing a similar borrowing, the state-backed company said in a statement on August 24.

The interest rate on the government-guaranteed loan will be determined through conventional auctions with pricing bids due on September 13. *Mizuho Bank* is the agent.

Drawdown is slated for September 28. Proceeds are for operating funds.

JOGMEC is a frequent visitor to the syndicated loan market. It last raised a ¥30.992bn one-year term loan in July at a zero interest rate. That facility met with heavy oversubscription of up to ¥265.7bn from lenders such as regional banks.

EQUITY CAPITAL MARKETS

BUNKA SHUTTER RAISES ¥10BN CB

BUNKA SHUTTER, a Japanese supplier of rolling shutters and construction materials, has priced a ¥10bn (US$90m) zero-coupon euroyen convertible bond at the bottom of the indicative conversion premium.

The company sold the five-year bond at a conversion premium of 16% versus the indicative range of 16%–26%. The issue price is at 100% and the offer price is at 102.5%.

Bunka Shutter fell 8.04% on August 29 to close at ¥824.

The company will use more than 90% of the proceeds to repay debt used for the acquisition of Australian manufacturer ArcPac Garage Doors in March, and the remainder will refinance the acquisition of Roote's Co in Japan in April.

There is a lock-up of 180 days for the issuer.

Nomura is the sole bookrunner.

Nomura makes TLAC debut

Bonds **Holding company issue finds broad appeal for new-style senior paper**

NOMURA HOLDINGS last week printed ¥100bn (US$900m) of senior bonds that count towards loss-absorbing capacity requirements, its first such issue, and found a welcoming response from investors.

All investor types except megabanks participated in the deal, suggesting there was little resistance to the TLAC-eligible bonds, which can be written down during a crisis. Pension accounts bought in big sizes, judging that the spread on the paper was thick. The deal was self-led.

The five-year bond carries a coupon of 0.30% and, according to a calculation by Thomson Reuters DealWatch, gives a 37bp spread over JGBs.

With large participation from pension accounts, Tokyo-based investors took about 75% of the offering. Final demand reached about ¥220bn.

The bond, rated A/AA– by R&I/JCR, is Japan's first domestic TLAC issue since Mizuho Financial Group in July 2016, and the first TLAC offering from a securities house holding company.

In April, Japan's Financial Services Agency announced that Nomura Holdings, effective from March 31 2021, would be subject to the TLAC regulation that is imposed on systematically important global banks. In response to this, Nomura indicated that it would replace some maturing debt with TLAC bonds.

When sounding out investors on August 23, Nomura gave guidance from the 0.30% area to mid-0.30%. The guidance level was given based on the view that the new bond would pay 'a little extra' over its traditional senior paper. The latest five-year senior bond, priced in August 2017 with a 0.22% coupon, was believed to be trading a bit weaker in the secondary market.

Guidance on the first day of marketing was in a 0.29% to 0.35% range. However, not many investors placed orders below 0.30%. When the lower-end of the guidance range was raised to 0.30% on the second day, the book built up quickly. As it was becoming popular, Tokyo-based investors who initially placed orders at the upper end of the range pulled them lower, resulting in the deal landing at 0.30%.

"Judging from the structure of TLAC bonds, the spread is not enough," a pension fund investor said. "But, given the current market conditions, it is relatively attractive." Other investors said they saw roughly 7bp–8bp of added value compared to its senior bonds.

Deposit-taking investors, who will be subject to regulatory restrictions on their holdings of TLAC bonds, apparently had no difficulty in buying the TLAC bonds as the current 20% risk-weighting will be applied for the time being.

TAKAHIRO OKAMOTO

CSI COMPLETES ¥4.77BN FOLLOW-ON

Tokyo-listed CANADIAN SOLAR INFRASTRUCTURE FUND has raised ¥4.77bn from a global offering of new units.

The closed-end fund, which listed in Japan last October, has priced 46,667 units at ¥102,180 a share. The price represents a discount of 2.5% to August 29's closing price of ¥104,800, at the tight end of the 2.5%–5.0% discount range, according to a term sheet seen by IFR.

International investors took up about 42% of the offering whereas domestic buyers bought 58%, including a designated allotment of 7,000 units. There is an overallotment option of 2,333 units.

Proceeds will be used to acquire solar projects for the company's portfolio and repay bank loans. The remainder will go towards future acquisitions of solar assets.

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

The settlement date is September 6.

Macquarie and *Mizuho* are the joint bookrunners on the international tranche. *Mizuho* is also working with *SMBC Nikko* and *SBI* on the domestic front.

Canadian Solar also hired *Macquarie* and *Mizuho* to arrange its ¥17.8bn Tokyo Stock Exchange IPO, priced at ¥100,000 a unit in October 2017.

DIGITAL GARAGE FETCHES ¥25BN CB

DIGITAL GARAGE, a Japanese IT services and consulting company, has priced a ¥25bn zero-coupon convertible bond at the top of the indicative conversion premium.

The company sold the five-year bond at a conversion premium of 40% versus the indicative range of 30%–40%. The issue price is at 101% and the offer price at 103.5%.

Digital Garage fell 3.53% last Thursday to close at ¥3,830.

The TSE-listed company plans to use the proceeds to repay debt of approximately ¥10bn by the end of March 2019 and fund growth investments in marketing, financial and incubation technology. The remainder will be used for the development of a settlement system involving blockchain and cryptocurrencies.

There is a lock-up of 180 days for the company.

Nomura is the sole bookrunner and sole lead manager.

MALAYSIA

DEBT CAPITAL MARKETS

CIMB GROUP PRICES M$1.2BN BONDS

CIMB GROUP HOLDINGS last Thursday priced M$1.2bn (US$296.4m) of 11-year non-call six bonds at 4.88%.

The subordinated notes, rated AA by Marc, will qualify as Tier 2 capital and will be issued off a M$10bn T2 subordinated debt programme.

The Malaysian financial institution had marketed the notes at initial price guidance of 4.88%-4.93% before tightening to 4.85%-4.9%.

CIMB Investment Bank was sole lead arranger and manager for the trade, which will settle on September 13.

IOI PROPERTIES LIFTS SUKUK

IOI PROPERTIES GROUP last Wednesday priced M$1.2bn of five and seven-year Islamic bonds at the low end to middle of guidance ranges.

The M$300m five-year tranche was priced at par to yield 4.85% and the M$900m seven-year tranche priced at 5.05%. Guidance for the respective tranches was in the ranges of 4.85%-4.95% and 5.00%-5.10%.

Solid demand prompted the Malaysian real estate developer, rated AA by Marc, to upsize the total issue size from a targeted M$500m. No distribution details were released.

Settlement is on September 7. The sukuk will be drawn from a M$3bn programme under the sukuk murabahah format.

AmInvestment Bank, *CIMB*, *Maybank* and *RHB* were joint lead managers for the bond, which will be issued via special purpose vehicle Fortune Premiere with IOI Properties Group acting as guarantor.

TENAGA SELLS JUMBO SUKUK

TENAGA NASIONAL has raised M$3bn in 15 and 20-year Islamic bonds.

The state-owned utility priced the M$1bn 15-year tranche at par to yield 4.78%, while the M$2bn 20-year tranche was priced at 4.98%.

Settlement of the sukuk, rated AAA by RAM, was made last Wedneseday. *AmInvestment Bank*, *CIMB* and *Maybank* were joint lead managers for the deal.

SYNDICATED LOANS

SIME DARBY JV UNIT RAISES US$550M CLUB

RAMSAY SIME DARBY HEALTHCARE, a unit of Malaysian conglomerate Sime Darby, has raised a US$550m five-year dual-tranche financing.

The transaction, which closed as a club in June, comprises a US$300m tranche and US$250m portion.

On the US$300m portion, *OCBC Bank*, *Sumitomo Mitsui Banking Corp*, *Affin Bank* and *CIMB Bank* provided US$100m, US$80m, US$60m and US$60m, respectively.

For the US$250m tranche, *OCBC*, *HSBC Labuan branch*, *CIMB Bank* and *SMBC* provided US$125m, US$80m, US$25m and US$20m, respectively.

Funds are for general corporate purposes.

Sime Darby owns a 50% stake in the borrower, a joint venture with Ramsay Health Care, a major global healthcare provider. The entity owns six hospitals, three each in Malaysia and Indonesia.

The last time Sime Darby raised a financing was in May 2017 via its agriculture arm Sime Darby Plantations Sdn Bhd. The US$430m six-month bridge loan closed as a club and was equally split between OCBC and Standard Chartered, according to LPC data.

Listed on Bursa Malaysia, Sime Darby's core businesses are in the industrial, motors, logistics, healthcare, insurance and retail sectors.

NEW ZEALAND

DEBT CAPITAL MARKETS

ASB MARKETS EURO COVERED

ASB Finance, acting through its London branch, has mandated *Barclays*, *DZ Bank*, *UBS* and the bank's Australian parent *CBA* to arrange investor meetings in Europe from September 14 for a potential euro-denominated covered bond offering, rated Aaa/AAA (Moody's/Fitch).

The major lender's previous offshore issuance was on June 7 when it debuted in the 144A market with a well-received US$1bn, dual-tranche five-year print.

SSA TRIO RAISE NZ$950M

The recently dormant Kauri market sprang back into life last week when three Triple A rated SSAs raised a combined NZ$950m (US$635m).

Kauri supply reached NZ$3.8bn by March 13 this year, eclipsing 2017's NZ$2.9bn whole year total, but the market subsequently closed until August 8 when Norwegian agency KOMMUNALBANKEN tapped its May 26 2021 floating-rate note for NZ$150m.

KBN added a further NZ$50m to the 2021s last Thursday to increase the issue size to NZ$300m.

ANZ was sole lead manager for the latest reopening, which priced at 10.973 for a discount margin of 33bp, 70bp wide of three-month BKBM.

The biggest Kauri trade of the week was Tuesday's NZ$600m five-year issue from INTERNATIONAL FINANCE CORP, a member of the World Bank Group, via joint leads *ANZ* and *BNZ*.

The 2.625% September 7 2023s priced at 99.4059 for a yield of 2.753%, in line with mid-swaps plus 37bp guidance and 77.8bp wide of April 2023 NZGB.

On Friday, German agency KFW tapped its 3.75% May 29 2020 bond for NZ$300m to increase the size of the line to NZ$1.45bn.

BNZ and *TD Securities* were joint leads for the reopening which priced at 102.665021 for a re-offer yield of 2.157%, 20bp and 52bp wide of mid-swaps and the April 2020 NZGB.

Last week's issuance takes year-to-date Kauri supply up to NZ$4.9bn, potentially putting the annual record of NZ$6.3bn set in 2014 and repeated in 2015 back within reach.

SPARK NETS NZ$125M

SPARK FINANCE, the borrowing arm of Spark New Zealand (formerly Telecom New Zealand), rated A– (S&P), raised NZ$125m from a 5.5-year retail note, above the maximum NZ$100m indicated when the offer opened.

The 3.37% March 7 2024s priced at par last Friday, at the tight end of initial mid-swaps plus 100bp-110bp guidance range, which was later revised to 100bp-105bp.

Westpac was arranger and joint lead manager with *ANZ*.

Spark previously visited the local market in September 2016 with a NZ$125m 3.94% 10-year retail note, having raised NZ$100m from the sale of 4.51% March 10 2023s in December 2015.

In October 2017, Spark crossed the Tasman Sea for a debut A$150m 4.0% 10-year Kangaroo bond issue.

PHILIPPINES

DEBT CAPITAL MARKETS

BPI MAKES OFFSHORE SPLASH

BANK OF THE PHILIPPINE ISLANDS, rated Baa2/BBB– (Moody's/Fitch), priced a US$600m five-year senior unsecured bond offering that closed three times subscribed, giving offshore investors exposure to a new Asian credit.

The issue priced at Treasuries plus 160bp, from initial guidance of plus 185bp area.

The benchmark Reg S bonds are expected to be rated Baa2 by Moody's.

The March 2023 bonds of like-rated BDO, the Philippines' largest bank by assets, were quoted at a G spread of 152bp when bookbuilding began, implying a slim new issue concession.

BPI has no dollar bonds outstanding, and said this was its first such issue in its 167-year history.

Orders totalled US$1.8bn from 159 accounts. Asia bought 90% of the Reg S bonds and European accounts took 10%.

By investor type, asset managers and fund managers booked a combined 55%, banks 33%, insurers and pension funds 10% in total, and private banks and others a combined 2%.

BPI Capital was sole global coordinator. It was also joint bookrunner with *Deutsche Bank*, *HSBC* and *JP Morgan*.

The bonds will be issued off a US$2bn MTN programme.

BPI is the Philippines' third-largest bank by assets. Conglomerate Ayala owns a 48.6% stake, the Roman Catholic Archbishop of Manila holds 7.3%, and Singapore sovereign wealth fund GIC owns 4.4%.

BPI had a capital adequacy ratio of 13.6% and Tier 1 ratio of 12.7% at the end of March.

SECURITY BANK MANDATES FOR NOTES

SECURITY BANK CORPORATION, rated Baa2/BBB– (Moody's/S&P), has mandated *Citigroup*, *CLSA*, *MUFG* and *UBS* as joint lead managers and joint bookrunners for a US dollar-denominated senior unsecured offering.

A series of fixed-income investor meetings and calls in London, Singapore and Hong Kong will start on Tuesday for the Reg S offering.

The proposed notes are expected to be rated Baa2 by Moody's and drawn down from the issuer's US$1bn Medium Term Note Programme.

ABOITIZ EYES RETAIL BONDS IN Q4

ABOITIZ POWER CORP is eyeing up to Ps15bn (US$281m) from a public issue of bonds in the fourth quarter, according to a filing on the Philippine Stock Exchange.

The Philippines power developer is targeting Ps10bn, with an oversubscription option of up to Ps5bn.

It has filed an application with the Securities and Exchange Commission to issue the second tranche of its Ps30bn debt securities programme registered with the market regulator.

The proceeds of the issue will be used to refinance a medium-term loan at wholly owned subsidiary Therma Power, repay short-term loan obligations and for general corporate purposes.

It has mandated *BDO Capital*, *BPI Capital* and *United Coconut Planters Bank* as joint lead underwriters.

PhilRatings has assigned a Aaa rating to the notes.

EQUITY CAPITAL MARKETS

UBP SETS PS10BN RIGHTS PRICE

UNION BANK OF THE PHILIPPINES plans to raise Ps10bn (US$187m) through a rights offer having set an offer price of Ps62.97 per share.

The bank plans to sell 158.8m shares in a 1-for-6.66 ratio. Shareholders on the bank's books as of September 3 will be eligible for the offer.

The rights offer price is a 22% discount to the last Tuesday close of Ps80.82.

Citigroup is the sole global coordinator.

SINGAPORE

DEBT CAPITAL MARKETS

CITIC ENVIROTECH PICKS BANKS

CITIC ENVIROTECH has mandated *CLSA* and *DBS* as joint global coordinators for a senior perpetual bond that will be denominated either in US dollars or Singapore dollars.

Barclays, *BOC International* and *China Securities International* are joint bookrunners and joint lead managers.

Fixed-income investor meetings in Singapore and Hong Kong started last Thursday. The Reg S notes will be issued off the company's US$1.5bn Multicurrency Perpetual Securities Issuance Programme, subject to market conditions.

The Singapore-listed investment holding company, through its subsidiaries, provides water and wastewater treatment and recycling solutions.

RCS TRUST RETURNS FOR SIXES

RCS TRUST last Tuesday priced S$150m (US$110m) of six-year bonds at 3.05% with a spread of 82.7bp over Singapore dollar SOR.

Over S$290m of orders were put in from 19 accounts. Insurance companies and funds bought 69% of the issue, with banks, corporate investors and private banks taking up the remaining 31%.

The notes will be issued via HSBC Institutional Trust Services Singapore in its capacity as RCS Trust's trustee-manager. S&P is expected to rate the bonds A–, identical to the issuer's corporate rating.

HSBC and *OCBC* were joint lead managers and bookrunners for the deal, which will settle on September 4. The unsecured bonds will be drawn from a US$2bn EMTN programme. Proceeds will be used to refinance debt, finance or refinance asset enhancement work or meet capital expenditure or general corporate needs.

The Singapore special-purpose trust last visited the debt market for a S$275m seven-year bond priced in March at 3.2%, or a spread of 85bp over Singapore dollar SOR. RCS Trust, a unit of CapitaLand Commercial Trust, owns integrated hotel-cum-retail development Raffles City Singapore.

ASCENDAS FINDS DEMAND

ASCENDAS last Thursday priced S$200m of seven-year bonds at 3.265% with a spread of 95bp over Singapore dollar SOR.

The property developer and fund manager had marketed the notes at initial guidance of 3.35% area.

Orders of over S$300m were compiled from 38 accounts. Funds and insurance companies took 63% of the issue, while agencies and banks bought 21%. Private banks and other investors bought 16%. Singapore accounted for 96% and Europe made up the remaining 4%.

The unrated notes will settle on September 6 and will be issued off a S$3bn euro MTN programme.

DBS, *HSBC* and *OCBC* were joint bookrunners for the trade, the proceeds of which will be used to refinance debt and/or fund potential acquisitions as well as for general corporate and working capital needs.

Singapore state investment holding company Temasek Holdings and state-owned real estate company and statutory board JTC Corp hold stakes of 51% and 49%, respectively, in Ascendas through Ascendas-Singbridge.

LUM CHANG PLANS EXCHANGE OFFER

LUM CHANG HOLDINGS last week launched an offer to exchange outstanding 5.5% bonds due 2019 to new 5.8% notes due 2021.

The liability management exercise, done well in advance of the bond maturity on March 28 2019, will reduce the issuer's short-term refinancing needs and extend its debt maturity profile.

Under the offer, investors holding the outstanding S$50m 2019s will receive a one-time early exchange premium of 0.6% of the principal amount if they tender by September 19. Those who tender after the early deadline and by the close of the tender will get 0.3%. The tender ends on September 21.

With the new coupon and the early exchange premium, investors could get an all-in yield of 6% with the switch on an amortised basis, bankers said.

The Singapore construction and engineering company said it was tendering for part or all of the outstanding notes. The new notes will be issued off its S$300m multi-currency MTN programme.

CIMB Bank is sole dealer manager for the tender and dealer for the new bond.

SYNDICATED LOANS

ECS OBTAINS US$120M REFI

IT services provider ECS HOLDINGS has obtained a US$120m three-year refinancing from three banks.

OCBC, *Sumitomo Mitsui Banking Corp* and *United Overseas Bank* are the lenders of the club deal, which was signed at the end of July. OCBC is the facility agent.

Funds refinance a same-sized three-year facility raised in September 2015. The same lenders provided that financing.

The Singapore-based borrower, which is fully owned by VSTECS Holdings, provides information and communications technology products and services globally. VSTECS is listed on the Hong Kong stock exchange and has access to a network of more than 25,000 channel partners across China, Thailand, Malaysia, Singapore, Indonesia, the Philippines, Cambodia and Myanmar.

RESTRUCTURING

HYFLUX INVESTORS FORM COMMITTEE

Investors holding HYFLUX senior unsecured bonds have formed an informal steering committee with the assistance of Securities Investors Association Singapore.

Another steering committee comprising holders of Hyflux's preference shares and perpetual bonds is in the process of being established. Both committees will facilitate talks with the Singapore water treatment company to restructure its debt.

The formation of the committees comes after Hyflux met bondholders in mid-July to give an update on its reorganisation efforts. It has S$265m (US$194.2m) in senior bonds and S$900m in preference shares and perpetual notes outstanding, on top of a S$1.8bn bank debt.

The existing bonds are S$100m of 4.25% 2018s (series 8), S$65m of 4.6% 2019s (series 009), S$100m of 4.2% 2019s (series 10), S$500m of 6% perpetual securities and S$400m of 6% cumulative non-convertible preference shares.

Hyflux said in a Singapore Exchange statement that it will not pay coupons due this month on series 8 and 9 notes, coupons due August 29 on the series 10 notes and all coupon payments due on the perpetual bonds and preference shares.

Hyflux was granted in late June a six-month moratorium on any legal proceedings against it by the Singapore High Court. The reprieve also applies to subsidiaries Hydrochem, Hyflux Engineering, Hyflux Membrane Manufacturing and Hyflux Innovation Centre.

The company is trying to sell its Tuaspring complex to raise much-needed funds. Sembcorp Industries, Keppel Corporation and YTL Power International have been reported to be studying bids for the Singapore integrated power and water plant. The book value for Tuaspring was S$1.47bn as of March 31, with a net book value of S$907.5m after liabilities are deducted.

PAC RADIANCE INVESTORS SAY AYE

PACIFIC RADIANCE has won bondholder approval for the restructuring of its S$100m 4.3% bonds that were due to mature on August 28.

The Singapore offshore vessel owner won the approval at a bondholder meeting on August 24, with more than 75% of the votes cast in favour.

The consent process allows the company to extend the maturity from August 28 to September 30 2019 and repay bondholders through either a combination of equity and cash or a new convertible bond.

Bondholders agreed to waive any potential event of default and redemption rights, as well as release the funds in a reserve account to partially pay a final interest payment on August 29.

Pacific Radiance has proposed repaying

bondholders under one of two ways.

Under option one, investors will get an upfront payment of S$5m and another S$5m in year four if bank loans are fully repaid. A deferred cash payment of another S$5m will also be made in year seven if bank loans are fully repaid. The balance will be converted to shares, with each S$250,000 of notes swapped into 2,104,000 shares at a conversion price of S$0.101, a slight discount to the last quote of S$0.104 before the shares were suspended on February 28.

Under option two, all bonds will be replaced with S$100m convertible bonds at 0.25% with a step-up of 0.25% after every three years. The CBs can be converted to shares from year two with each S$250,000 of notes convertible into 2,229,500 shares at S$0.112.

If the share price is lower than S$0.075 and no CB has been redeemed and/or converted by year nine, the CB holders will receive S$50,000 cash and 1,785,800 shares at a conversion price of S$0.112.

TAIWAN

SYNDICATED LOANS

TDB BACK FOR US$400M LOAN

THE EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB), formerly PTA Bank, is returning to the loan market for a US$400m loan.

Citibank, *Commerzbank*, *Emirates NBD*, *First Abu Dhabi Bank*, *Industrial & Commercial Bank of China*, *Mashreqbank*, *Mizuho Bank*, *MUFG*, *Standard Chartered* and *Sumitomo Mitsui Banking Corp* are the mandated lead arrangers and bookrunners of the facility. It comprises a two-year portion with an interest margin of 120bp over Libor and a three-year tranche with a margin of 140bp over Libor.

Banks are being invited to join at three ticket levels: upfront fees of 105bp and 145bp and the MLA title for commitments of US$30m or more for the two-year and three-year tranches, respectively; upfront fees of 95bp and 135bp and the lead arranger title for US$20m–$29m; or upfront fees of 85bp and 125bp and the arranger title for US$10m–$19m. Responses are due on September 7.

Funds are to refinance a US$400m facility the borrower raised in October 2016 and for trade finance and general corporate purposes.

Citibank, ICBC, Mashreqbank, Mizuho, StanChart, SMBC and MUFG were the MLABs on the previous US$400m deal, which had a two-year tranche paying a margin of 230bp over Libor and a three-year portion paying a margin of 250bp over Libor. Lenders were offered a top-level upfront fee of 135bp.

TDB was last in the market with a US$56.8m three-year senior club deal in December. SMBC and Finnvera Oyj were the lenders to that deal.

TDB, rated Baa3/BB (Moody's/Fitch), is the financial arm of the Common Market for Eastern and Southern Africa. The bank has an asset base of over US$5.2bn and a membership of 20 shareholders, with shareholders' equity in excess of US$1bn as of December 2017.

BANCO GENERAL BACK FOR US$ DEAL

Panama's **BANCO GENERAL** is returning to the market for a US dollar-denominated four-year bullet loan after it raised a US$800m three-year facility in December.

The borrower will decide on the deal size after syndication closes.

Wells Fargo is the mandated lead arranger and bookrunner of the transaction, which pays an interest margin of 140bp over Libor.

MLAs with commitments of US$25m or more receive a top-level all-in pricing of 155bp via an upfront fee of 60bp, while lead arrangers joining with US$15m-$24m tickets earn an all-in pricing of 152.5bp via a 50bp fee. Arrangers joining with US$5m-$14m tickets receive an all-in of 151.25bp via a 45bp fee. The deadline for commitments is September 24.

Funds are for working capital purposes.

Bank of America Merrill Lynch, JP Morgan, Mizuho Bank, StanChart and Wells Fargo were the MLABs of the US$800m three-year bullet loan, which attracted 29 banks in general syndication. That deal offered a margin of 125bp over Libor and a top-level upfront fee of 55bp.

The borrower is rated BBB/BBB+ (S&P/Fitch).

FORTUNA DEVT RAISES US$400M

FORTUNA DEVELOPMENT has raised a US$400m five-year loan from a dozen lenders.

Taipei Fubon Commercial Bank and *Mega International Commercial Bank* were the mandated lead arrangers and bookrunners of the transaction, which has a US$200m tranche A for Fortuna Development's British Virgin Islands-incorporated unit **PHU HUNG KHANG DEVELOPMENT** and a US$200m tranche B for Fortuna Development.

Tranches A and B offered interest margins of 200bp and 140bp over Libor, respectively.

Funds were for refinancing, purchases of shares and working capital purposes. Signing was on August 22.

In early August, Phu Hung Khang Development raised a US$140m 180-day guarantee facility. Mega and Taipei Fubon were also the MLABs on that deal, which pays a 90bp guarantee fee.

For full allocations, see www.ifrasia.com.

TAIPEI TWIN TOWERS SOUNDS FOR PF

TAIPEI TWIN TOWERS is sounding the market for an up to NT$50bn (US$1.6bn) project financing.

Funds will be used to back construction of a real estate project that will be jointly developed by Taiwan's government and private-sector investors.

Several consortia are bidding for the project, which has a total development cost estimated to range from NT$60bn to NT$70bn. The deadline for bids is October 1.

Potential investors include the Hongwell Group, Kuoyang Construction, Fubon Financial Holding, Cathay Life Insurance, Regent Hotels & Resorts and US-based private equity firm Bainbridge Investments, among others, local media reported.

The Taipei City Government, the largest land owner of the project site, announced the bidding terms in March. The winning consortium will be picked in early 2019.

The two skyscrapers – one with 56 stories above ground and four basement levels and the other with 76 stories above ground and four basement levels – will house shopping malls, offices and hotels.

YFY SEEKS LOANS TOTALLING NT$9BN

Taiwanese paper maker **YFY** and its unit **YFY PACKAGING** are in the market for two five-year facilities totalling NT$9bn.

The facilities are a NT$6bn loan for YFY and a NT$3bn loan for YFY Packaging. *Bank of Taiwan* is the mandated lead arranger and bookrunner on both deals.

The NT$6bn loan comprises a revolving credit tranche A for up to NT$6bn and a tranche B for up to NT$4.2bn. The two tranches cannot exceed NT$6bn combined. Tranche A pays an interest margin of 55bp over Taibor, with a pre-tax interest rate floor set at 1.7%, while tranche B offers an annual guarantee fee of 55bp.

The NT$3bn loan has a NT$3bn revolver tranche A and a NT$2.1bn tranche B, again capped at a combined NT$3bn. Tranche A pays a margin of 60bp over Taibor, with a pre-tax interest rate floor set at 1.7%, while tranche B offers an annual guarantee fee of 60bp.

Banks are invited to join as MLAs with

Formosa II sends RFP for wind farm PF

Loans Phase 2 of jumbo offshore wind project preps financing

FORMOSA II OWF has sent out a request for proposals for a NT$60bn (US$1.9bn) project financing to back its offshore wind project in Taiwan's Miaoli area.

Societe Generale is the coordinator of the deal, which is expected to comprise a commercial loan tranche and an export credit agency-backed tranche. The tenor is likely to range from 16 to 18 years.

The deadline for responses is September 5, with the loan expected to be launched by the end of this year.

Formosa II acquired 378MW of grid allocation from Taiwan's Ministry of Economic Affairs in April 2018, and is expected to deliver the project by 2020.

The borrower is jointly owned by Taiwan's Swancor Renewable Energy and Australia's Macquarie Capital.

In June, an NT$18.7bn PF 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 of the 16-year financing, which has a NT$16.6bn commercial term loan tranche and a portion with insurance cover from EKF.

The other banks lending to the commercial tranche were 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.

Last month, German wind project developer Wpd sent out a request for proposals for a NT$64.7bn 18-year PF backing the first phase of an offshore wind project in the country's Yunlin area. Sumitomo Mitsui Banking Corp is the financial adviser to that 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. Wpd is expected to raise another PF of about NT$55bn to back the second phase of another offshore wind project in Taiwan's Guanyin area next year.

Separately, Danish wind energy developer Orsted is sounding the market for a PF of up to NT$100bn to back offshore wind projects in Changhua county. That deal is expected to be launched next year.

The projects are part of Taiwan's ambitious target to install 5.5GW of offshore wind power capacity by 2025.

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commitments of NT$900m or more or NT$450m for an upfront fee of 17bp, respectively, for the NT$6bn and NT$3bn loans, as co-arrangers with NT$600m–$899m or NT$300m–$449m for a 11bp fee, or as participants with NT$300m–$599m or NT$150m–$299m for a 5bp fee.

Responses are due on October 12.

Funds are to refinance two five-year financings totalling NT$9bn completed in November 2014. Those facilities included a NT$6bn loan for YFY and a NT$3bn loan for YFY Packaging.

THAILAND

DEBT CAPITAL MARKETS

BANGKOK BANK EYES DOLLARS

BANGKOK BANK, rated Baa1/BBB+/BBB+, has mandated *Morgan Stanley* and *Citigroup* to arrange investor meetings in Asia, Europe and the US from September 3.

An offering of US dollar senior unsecured 144A/Reg S notes of intermediate maturities may follow, subject to market conditions.

BTS MARKETS TRIPLE-TRANCHER

BTS GROUP HOLDINGS was marketing last Friday three tranches of bonds in tenors of two, five and 10 years to raise up to Bt10bn (US$306m).

Price guidance for the two-year tranche was 2.48%-2.58%, while the five-year tranche was marketed at 3.15%-3.25% and the 10-year tranche at 3.93%-4.03%.

The Thai mass rapid transit rail operator is targeting a minimum size of Bt6bn with a Bt4bn greenshoe.

Proceeds will be used to repay debt and meet working capital and investment needs.

Bangkok Bank and *HSBC* are joint lead managers for the deal, rated A by Tris.

LH PLOTS TIGHT RETURN

LAND AND HOUSES has sent out requests for proposals to banks to lead an offering of bonds for up to Bt5bn.

In May, the Thai property developer raised Bt6bn in a sale of two-year 11-month bonds at 1.98%.

Bankers say the potential new deal will be a major challenge to sell as LH is seeking tight spreads at a time when issuers are flooding the market with new supply. For instance, Thai Beverage, rated AA by Tris, is due to offer a minimum Bt70bn of bonds at the end of this week and is expected to offer generous pricing in order to get the targeted size.

LH, rated A+ by Tris, is a well-established credit and issuer with a leading position in Thailand's residential market.

NAVA NAKORN GOES LONG-DATED

NAVA NAKORN ELECTRICITY GENERATING last Tuesday priced four tranches of bonds at the wide ends of guidance to raise Bt6.4bn.

Much of the demand went to the long-dated tranches of 10 and 16 years, mainly because of the higher absolute yields. As a result, the three-year tranche was only Bt460m in size and priced at par to yield 2.68%, while the five-year tranche was Bt860m with a 3% yield.

The 10-year piece was priced at 3.85% with a size of Bt1.4bn while the 16-year tranche priced at 4.22% with a size of Bt3.68bn.

The respective tranches were marketed in the ranges of 2.52%-2.68%, 2.84%-3.00%, 3.69%-3.85% and 4.06%-4.22%. All the tranches will start amortising from year one.

Bank of Ayudhya, *Kasikornbank* and *TMB Bank* were joint lead managers.

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 issuer is currently expanding the power plant's capacity by another 60MW in phase II, which is estimated to cost Bt3bn.

The company is ultimately owned by Ratchaburi Electricity Generating Co, Nava Nakorn and PTT Group subsidiary Global Power Synergy.

ASIA DATA

ASIAN SYNDICATED LOAN PIPELINE UPDATES WEEK OF 27 AUGUST

Company	Currency	Size (m)	Margin (All-in)	Tenor (mths)	Facility	Arrangers
Australia						
Alinta Energy	A$	200		60	Revolver/Term Loan	BTMU
Collgar Wind Farm	A$	475			Term Loan	ANZ, CBA, CA-CIB, Eksport Kredit Fonden, Westpac
Quadrant Energy Acquisition	US$	600		66	Term Loan	ANZ, CBA
	US$	600		24	Bridge Loan	ANZ, CBA
China						
Chailease International Finance Corp	US$	150	140	36	Term Loan	Taishin Financial Holding
Dalian Wanda Group	US$	800		36	Term Loan	
Shanghai Ciro's Real Estate	Rmb	513	574.75	36	Term Loan	SCB
Hong Kong						
China Everbright Group	HK$	4,000		60	Term Loan	Communications, BoC, ICBC, ABC
Lei Shing Hong Credit	US$	300	160 (180)	36	Term Loan	Chang Hwa Commercial Bank, TCB, Far Eastern International Bank, Bank SinoPac, KGI Bank
Shanghai Ciro's Real Estate	US$	250	205 (240)	36	Term Loan	SCB
India						
JSW Steel USA Ohio	US$	125		60	Term Loan	Axis Bank
	US$	15			Revolver/Line >= 1 Yr.	Axis Bank
Togashi Giken Corp	¥	600		60	Term Loan	Development Bank of Japan, Kirayaka Bank
Pakistan						
Islamic Republic of Pakistan	US$	200	200 (260)	12	Term Loan	CS
Taiwan						
CHC Healthcare Group	NT$	1,200		60	Term Loan	First Financial Holding
	NT$	652		60	Term Loan	First Financial Holding
	€	10		60	Guarantee	First Financial Holding
King Yuan Electronics	NT$	3,429		60	Term Loan	Mega
	NT$	5,143		60	Term Loan	Mega
	NT$	3,429	60	60	Guarantee	Mega

Source: Thomson Reuters LPC

LAST WEEK'S EQUITY-LINKED ISSUANCE

Issuer	Country	Date	Amount	Greenshoe	Maturity	Coupon (%)	Premium (%)	Bookrunner
China Conch Venture	China	29/8/18	HK$3.925bn		2023	0	40	Credit Suisse, JP Morgan

Source: IFR Asia

LAST WEEK'S ECM DEALS

Stock	Country	Date	Amount	Price	Deal type	Bookrunner(s)
Adairs	Australia	30/08/18	A$47m	A$2.355	Follow-on (secondary)	JP Morgan
Canadian Solar Infrastructure Fund	Japan	29/08/2018	¥4.77bn	¥102,180	Follow-on (primary)	Macquarie, Mizho

Source: IFR Asia

MERRILL LYNCH ASIAN DOLLAR INDEX

Index	Description	Index level	1 week total return	1 month total return	3 months total return	OAS
ADIG	Asian-dollar high-grade index	387.257	–0.044	0.731	0.815	145
ADHY	Asian-dollar high-yield index	597.861	0.252	0.167	–0.086	543
AGIG	Asian-dollar government high-grade index	360.257	0.166	0.811	1.347	126
AGHY	Asian-dollar government high-yield index	715.290	0.155	–0.466	0.988	385
ACIG	Asian-dollar corporate high-grade index	412.649	–0.118	0.704	0.631	152
ACHY	Asian-dollar corporate high-yield index	489.975	0.271	0.292	–0.298	575

Source: Merrill Lynch

BELT & ROAD ROUNDTABLE

8:30 – 11am | Wednesday September 12 2018 | Hong Kong

Sponsored by: citi HSBC

China's Belt & Road Initiative has the potential to transform growth across a long line of emerging economies along the expanded trading route. President Xi Jinping's signature scheme has already triggered massive infrastructure developments to improve connectivity between China, South-East Asia and Europe, as governments and contractors step up cross-border investments.

Financing, however, is another story. Many projects are based in frontier countries with underdeveloped capital markets, and investors need to be comfortable taking long-term exposure to often unpredictable political regimes – not to mention the potential fallout from a worsening Sino-US trade dispute. The dominance of Chinese investors has also raised questions, especially as China has made it clear that it is not prepared to shoulder all the risks itself.

IFR will bring together a panel of experts to debate these challenges, as well as potential opportunities for capital markets participants as the BRI gathers pace. Titled "Connecting issuers and investors with regional investment opportunities", the Roundtable will discuss:

- Is the Belt & Road Initiative commercially viable? What is the investment case?
- What funding options are open to businesses and sponsors looking at BRI investments?
- How can investors gain exposure to "Belt & Road" assets?
- Do the international capital markets have a role to play?
- How can issuers navigate China's financial markets? What kinds of approvals are needed?
- Are there any risks that are unique to BRI investments?
- How can institutional investors mitigate these risks?
- What is the impact of the US-China trade war?

The event is free to attend, but you must be registered. To secure your place, please complete the short form at http://financial-risk-solutions.thomsonreuters.info/IFRAsiaBeltAndRoad

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