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INTERNATIONAL FINANCING REVIEW ASIA

SEPTEMBER 15 2018 ISSUE 1058 www.ifrasia.com

Japan warms to overnight bookbuilds with record Yahoo Japan block trade

Aussie banks take falling house prices and financial scandals in their stride

Japanese forestry group's Green CB, a world first, finds no green takers

FINANCING ENERGY PROJECTS IN ASIA CONFERENCE

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Upfront

Overnight sensation

Just a few years ago, the idea of a US$4.3bn overnight equity offering would have been unthinkable in Japan's capital markets. Last week's mega block trade in Yahoo Japan is a big step forward.

Altaba's Yahoo sell-down is one of Japan's biggest secondary offerings of all time, and by far the largest to be done in one day.

It also came at a tidy 4.6% discount and achieved a rare feat for a secondary follow-on: shares in both the issuer and the vendor rose in the days after the deal.

That contrasts to the traditional Japanese follow-on, which is almost always priced at a 3% discount but only after the stock has had two weeks to adjust to the news.

In the case of Yakult Honsha earlier this year, for example, Danone's US$1.3bn block sale priced 11.3% below the undisturbed stock price. It's not hard to imagine that an overnight bookbuild would have come inside that.

> A record overnight trade sends an important signal that the Japanese market can support deals of this kind.

Japanese bankers will no doubt point to many reasons that make Altaba/Yahoo a one-off, and it is true that a domestic seller may be unable to consider an accelerated bookbuild that relies heavily on overseas institutions. The Japanese government, for instance, is unlikely to shun local retail investors when it sells its third and final piece of Japan Post – even if removing the overhang as quickly as possible would benefit existing shareholders.

But a record overnight trade sends an important signal that the Japanese market can support deals of this kind. It also builds on a trend that has already seen last year set a record for block trades, with local sales of Advantest and Sumco joining private equity exits in Skylark and Seibu Holdings among the biggest deals of the year.

Coupled with corporate governance improvements, stewardship reforms and an undeniable drive to boost returns, the growth of overnight bookbuilds suggests the equity capital markets will only play a bigger role in Japanese dealmaking in the future.

Green converters

If bonds and loans can be considered Green, surely the same should apply to a convertible bond. Getting issuers and investors to buy into that concept, however, will not be easy.

Japanese timber company Sumitomo Forestry can claim to be the world's first issuer of a Green CB, having printed a ¥10bn (US$90m) deal last week.

But while green finance proponents can celebrate the innovation, the lack of a dedicated investor base will hold back copycats.

The equity-linked market is a niche product, so it is understandable that efforts to transition financing towards a low-carbon future have so far focused on the multi-trillion-dollar bond market. Equally, Green funds are chasing the bigger picture. Even those with a mandate that allows them to buy CBs are unlikely to spend time on a complex product that so far offers no investment opportunities.

There is another limiting factor, too: the equity option. In a straight bond issue or syndicated loan, the use of proceeds can be clearly defined and clearly monitored. That allows Green bond funds to finance a property developer's latest energy-efficient building or support an oil company's investment into renewable energy, for example.

In a convertible or exchangeable bond, Green investors will need to be comfortable holding the underlying equity, not just the debt. To justify a Green label, that means the entire company would have to qualify as low-carbon or environmentally responsible. That logic shrinks the potential issuer base to a fraction of the already small CB universe.

Without dedicated investors, CB issuers are also unlikely to see any financial benefit from going green. And the investor base won't develop while the potential issuer community remains so small.

At this point, a Green CB offers little more than the marketing value of the environmental assessment. This neat experiment falls between the cracks.

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Yahoo block breaks Japan record

Equities Altaba's US$4.3bn sell-down is largest overnight trade

BY CANDY CHAN

A record US$4.3bn block trade in YAHOO JAPAN has put overnight bookbuilds on the radar for potential vendors looking to dispose of sizable stakes in Japanese companies.

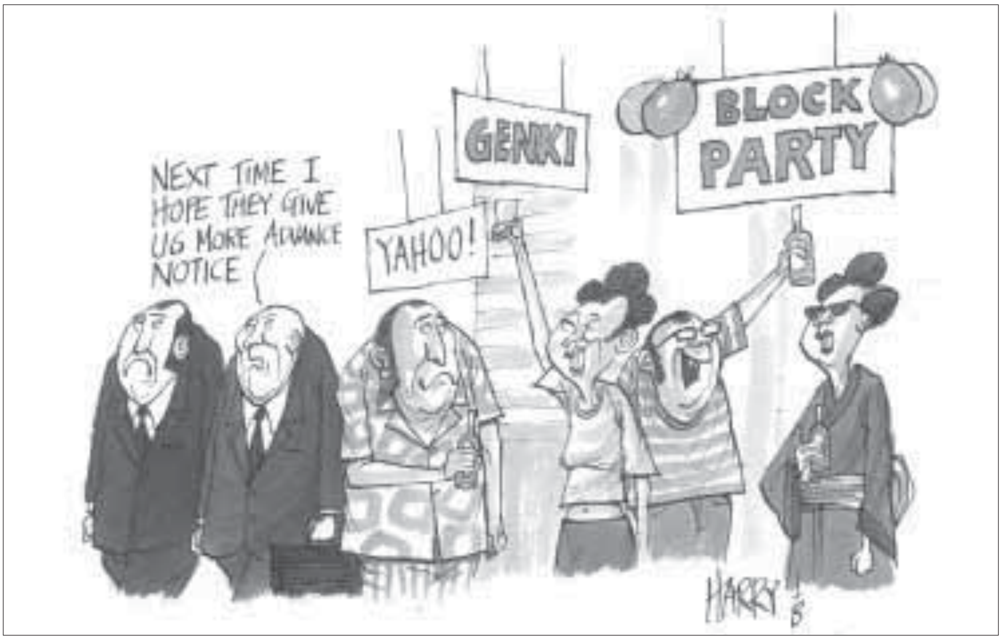
US-based Altaba, formerly known as Yahoo, turned to the equity markets last Monday to sell a US$2.5bn stake in Yahoo Japan. After a strong response, Altaba increased the block and sold its entire 23.9% stake in the Japanese web portal for ¥481bn (US$4.3bn).

The block of 1.36bn Yahoo Japan shares priced at ¥354 each, slightly above the bottom of the indicative price range of ¥353–¥360, a discount of 4.6% Monday's close of ¥371.

The choice of an overnight block trade stands out in Japan, where vendors typically sell major stakes through marketed follow-ons, a process that can take weeks from announcement to pricing.

At US$4.3bn, the Yahoo Japan block smashes the previous record for an overnight block, dating back to 2005 when Germany's DaimlerChrysler offloaded its stake in vehicle manufacturer Mitsubishi Motors Corporation in a ¥141bn sale.

"In the rest of the world, block offerings happen extremely frequently but Japan is just waking up a little bit for this type of offering which would minimise market impact," said a banker away from the Yahoo Japan deal.



Aussie banks weather slowdown

Bonds Credit spreads, ratings hold steady despite scandals and falling house prices

BY JOHN WEAVERS

Analysts and investors are playing down fears for the health of the Australian banking sector despite mounting pressure from falling house prices and damning financial scandals.

A further tightening of lending criteria since the start of the Royal Commission into banking practices earlier this year has accelerated a credit squeeze, which in turn fuelled a 2% annual fall in national house prices in August, headed by Sydney's 5.6% year-on-year tumble.

That has led to predictions that slower lending and a weak housing market will dent economic growth, with serious consequences for the country's major banks - among the world's biggest and most frequent issuers.

Economist Paul Dales at Capital Economics warns that Australia will probably experience the longest and deepest housing downturn in the country's modern history, but stops short of predicting a recession.

"Our base case scenario is for a gradual, 12% decline in house prices from a peak in July 2017 to the end of 2021, with a 20% chance of recession and 10% chance of a financial crisis over the next five years," Dales told IFR.

Despite those challenges, Capital Economics forecasts average annual GDP growth of around 2.5% in the next five years.

"The RBA's scope to cut interest rates and the stimulatory impact of a weaker Australian dollar, especially for services, provides a strong buffer for the economy," Dales said.

Ratings agencies and DCM bankers are taking a relaxed view of the implications for bank ratings and wholesale funding, respectively.

"We maintain a stable outlook for the Australian banking system because banks will continue to benefit from favourable economic conditions over the next 12-18 months," said Moody's in an outlook report published on September 10.

Moody's acknowledged profitability challenges resulting from slowing credit growth, increasing competition and rising funding and operation costs, but it is sufficiently confident to maintain current ratings, which include globally high Aa3 readings and stable outlooks for the country's four major banks.

The agency cites strong GDP growth, expected to be around 3% in 2019, a healthy labour market and steady capital metrics following a period of capital accumulation starting in 2015.

Moody's also pointed to lower wholesale funding needs because of slower mortgage loan growth, In contrast to the more common marketed follow-on format, a block trade avoids a week-long marketing period and hence allows a vendor to minimise market risk. This is especially important in current market conditions, with US-China trade tensions adding to volatility.

As of last Thursday, the benchmark Nikkei 225 Index had falled 0.19% from the start of the month.

NOT FOR EVERYONE

People close to the Yahoo Japan deal believe the transaction will encourage other sellers to consider block trades, where they can gauge demand by wall-crossing investors.

"There is a lot of interest from sellers to gain more visibility (on demand) before they sell their shares. They would like to minimise market exposure and uncertainty of share prices," said one of the people.

However, some Japan ECM bankers reckon giant block sales are not for everyone, noting that the Yahoo Japan trade had some unique technical factors in its favour.

Altaba, which began life as Yahoo! in 1994, transformed into an investment management fund last year with the sale of its core internet business to US mobile carrier Verizon. As well as its Yahoo Japan stake, Altaba's core holding is a 14.7% stake in Chinese e-commerce giant Alibaba.

Before the Yahoo Japan stake sale, Altaba had been trading at a discount of around 30% to its underlying assets due to the huge tax burden it will face when offloading its stakes in Alibaba and Yahoo Japan, as well as the weakness of the Yahoo Japan stock.

To trade on Altaba's valuation discount, some mainly US investors had built long positions on Alibaba while shorting Yahoo Japan. This created a substantial amount of short-selling on Yahoo Japan, which rose further after Altaba announced in February it would start divesting its stake in Yahoo Japan to simplify its ownership structure.

The sell-down started in July when Altaba sold about US$2bn of its Yahoo Japan stake to SoftBank Group, the largest shareholder of Yahoo Japan.

When the block trade was launched after Monday's close, shares of Yahoo Japan had dropped 30% since Altaba's February announcement.

The block trade was therefore an opportunity for investors to close out their short positions for a tidy profit, and made the underlying stock more attractive by removing an overhang.

"The block had support from all types of investors. The investors who wanted to cover their short position, and index funds and long-only investors who wanted to buy Yahoo Japan at such a low price," said a banker away from the deal.

GLOBAL BUYERS

Books were about 2x covered. More than 150 investors participated in the deal with about 60% going to the US and the rest to Asia. Japanese investors were not targeted.

"It's a name people recognise well. The brand itself is a pretty big shot which has a big community in Japan, and so the demand has been quite large with big orders there," said another person close to the deal.

The share sale received support from a good mix of investors, including long-only funds, sovereign funds and private wealth management accounts. The top 10 investors took about 50% of the deal while the top 20 investors took two-thirds.

Shares of Yahoo Japan managed to close above the placement price at ¥363 last Tuesday, falling just 2.16% as the overhang from Altaba's disposal was removed. The stock continued to trade well later in the week and closed at ¥393 on Friday, giving those who participated in the block trade a handy 11% return.

Altaba will use the proceeds to repurchase its own common stock and for other general corporate purposes.

Goldman Sachs and *JP Morgan* were joint bookrunners. ■

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and still strong government support for the majors and moderate support for second-tier banks.

It expects banks' collateral quality will remain very strong despite house price declines with an average loan-to-value ratio currently around 50%.

Problem loans, as defined by impaired mortgages and/or overdue mortgage payments of 90 days or more, are low by international standards. In Australia problem loans stood at only 0.76% of gross lending in 2017, and subsequently edged up to 0.9% (on a rounded basis) as of June 2018.

Of the eight other countries assessed by Moody's, only Canada had a lower problem loan ratio last year at 0.5%.

Even under nightmare default scenarios, Australian banks are protected by the Lenders Mortgage Insurance system, which is mandatory for bank mortgages with loan-to-value ratios in excess of 80%.

CALM WHOLESALE MARKETS

Sydney-based DCM bankers have not observed any adverse impact on domestic senior unsecured bond issuance beyond the approximate 20bp scandal premium paid by troubled AMP Bank for its A$400m three-year floating-rate note on September 4.

Adam Gaydon, syndication manager at ANZ, said: "We have not seen any decline in offshore or domestic bank balance sheet and real money appetite for major bank paper this year, especially in three to five-year tenors, while major bank credit spreads versus regional and international banks have been consistent."

Gaydon also noted that prime RMBS margins between Australian banks and non-banks have, if anything, widened slightly, because of the increase in RMBS supply from non-bank lenders over the past six to 12 months rather than any credit-specific factors at play.

"Even to impact the most junior subordinated RMBS tranches would require a very severe recession, surging unemployment, declining house prices and multiple mortgagee-in-possession sales which crystallised a loss on sales of the underlying properties," said Gaydon.

In the offshore wholesale market, international syndication desks have yet to witness investor pushback related the Royal Commission and other cultural issues.

"We have seen nothing so far but we are not complacent, recalling the scandal-driven fallouts suffered by HSBC and JP Morgan years ago while Danske Bank recently saw a 20bp spike in yields over the lender's money laundering scandal," one head of desk said.

"There is not a credit issue with the Aussie majors, which can easily afford the fines being imposed on them, including the A$35m recently charged against Westpac for questionable loans.

"A bigger problems perhaps is how tight the majors trade. They leave little value for investors, though, having said that, last month's National Australia Bank €2bn (US$2.3bn) dual-tranche Eurobond sale was the best for many years," he said. ■

Japan claims Green CB first

Structured Equity Sumitomo Forestry carves new niche with ¥10bn financing

BY FIONA LAU, CANDY CHAN

Japanese timber company SUMITOMO FORESTRY introduced the green concept to the convertible bond market by sealing the world's first Green CB last week, raising ¥10bn (US$90m) to refinance a New Zealand project.

The deal, albeit small, is significant as it extends the reach of green financing, which is becoming more popular in the bond and loan markets. But the lack of dedicated green investors in the book suggests that fund managers and issuers may need more time to study Green CBs before they become a regular feature of the convertible market.

Sumitomo sold the zero-coupon five-year euroyen CB last Tuesday at an issue price of 101% and offer price of 103.5%. The conversion premium was set at 20.04%, the mid-point of the indicative range of 15%–25%.

The company plans to use the proceeds to refinance the 2016 acquisition of about 30,000 hectares of woodland and related forestry assets in New Zealand for NZ$370m (US$266m then).

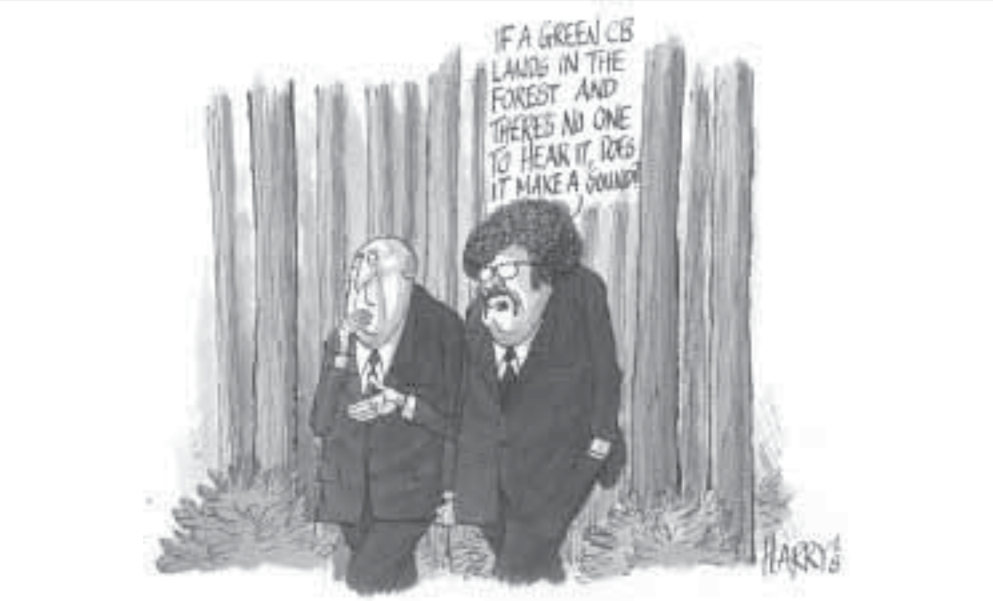
The CB has a second-party opinion from Vigeo Eiris, an independent environmental, social and governance research service, in keeping with the International Capital Market Association's Green Bond Principles.

NO GREEN FUNDS

The prestige of being the world's first Green CB helped arouse interest, and the deal was about 2x covered with about 50 investors participating.

However, it did not attract any demand from funds dedicated to socially responsible investment, which so far are focused only on straight debt instruments.

"Although some CB investors reckon Green CB is a novel idea and they are in the process of establishing such a fund, we did



Thai IPOs bank on local demand

Equities TFF readies jumbo listing, Osotspa cuts size

BY S ANURADHA

Thailand may be one of the best performers in the summer's emerging markets sell-off, but the country's two biggest listings of the year show no signs of banking on overseas support.

The government's long-awaited THAILAND FUTURE FUND and consumer products group OSOTSPA are set to sell most of their stock to local investors as they look to raise up to a combined Bt61bn (US$1.9bn), according to people close to the deals.

TFF plans to start pre-marketing its infrastructure trust IPO of up to Bt45bn this week and is targeting to open books in mid-October. The toll-road portfolio would be Thailand's second-biggest IPO on record, behind only the Bt47.6bn 2013 listing of True Telecommunications Growth Infrastructure Trust, now called Digital Telecommunications Infrastructure Fund.

Osotspa is also due to open books for an IPO of Bt13bn–Bt16bn this week, after trimming its targets during pre-marketing.

The focus on local investors reflects global caution around emerging markets investments as a rising US dollar, worsening US-China trade war and troubles in Turkey and elsewhere sap risk appetite. Even though Thailand's currency and stock market have held steady over the past month, outperforming others in South and South-East Asia, both issuers believe local buyers will support a higher price.

Infrastructure fund TFF, owned by the ministry of finance, plans to offer an annual yield of around 4%–6%. Other listed infrastructure funds trade in a 6%–9% yield range.

"The yield is very tight and with the kind of currency risk going around in the region, this will be a tough sell to foreigners," an ECM banker away from the deal said.

The benchmark Stock Exchange of Thailand Index is down 4.6% year to date. Although the Thai baht has been among the stronger currencies in South-East Asia, holding steady against the US dollar so far this year, analysts said the outlook for emerging market currencies is weak on the likely adverse impact of the US-China trade war.

The government, though, is banking on local liquidity and support. Local media quoted the State Enterprise Policy Office head Prapas Kong-Ied saying at least 60% of the units will be sold to retail investors, who will be allocated units before the institutional investors.

That would be a departure from standard practice in a Thai IPO, where the institutional tranche is typically bigger than the retail tranche and is marketed first. A banker on the deal, however, said the tranches would only be decided after pre-marketing.

Foreign investment in past

not see investors joining the deal specifically for that reason," said a person close to the deal.

Green funds may need more time to study CBs, given that only the bond portion is certified, while the equities upon conversion are not.

The majority of the Sumitomo CB went to CB-oriented investors, including outright and hedge funds, which have more knowledge about the product than SRI funds that are generally more active in the Green bond arena. Equities investors and fixed income currencies and commodities investors took up the rest of the deal.

Geographically, about half the demand was from Europe, one-third from US offshore and the rest from Asia.

NOT YET A TREND

Daiwa, the sole bookrunner for the Sumitomo CB, hopes the first Green CB will set a precedent. But Japan ECM bankers say that it is unlikely to become a trend.

"To issue a Green CB, issuers need to have good use of proceeds for a green purpose and also have the support of green investors. Not many issuers can meet these conditions," said a banker based in Tokyo.

Some equity-linked bankers covering Asia Pacific ex-Japan markets got a lacklustre response from issuers when they pitched the Green CB idea.

"We did pitch but the issuers were not keen. They don't want the hassle of being green if it won't help much on pricing," said one of the bankers. "However, some issuers may still do it for raising profile or publicity."

Japanese issuers have been keen to sell Green bonds to meet increasing demand from investors, and to qualify for a recently introduced subsidy from the environment ministry to alleviate the cost and administrative burden of issuing the bonds. However, it is understood that the ministry has not decided as yet whether the subsidies also apply to CBs.

Sumitomo is understood to have spent about ¥5m–¥6m to obtain the green certification.

Sumitomo Forestry shares fell 5.7% to close at ¥1,722 last Wednesday before rebounding to ¥1,811 by the end of the week. The CB carries a lock-up of 180 days for the issuer.

Nomura and *SMBC Nikko* were the joint lead managers. ■

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infrastructure funds was strong with this class of investors buying a majority of the units of the Bt42bn IPO of BTS Rail Mass Transit Growth Infrastructure Fund in 2013 and half of Jasmine Broadband's IPO. However, Digital Telecommunications Infrastructure Fund sold its Bt47.6bn IPO in 2013 to mainly local institutional investors.

RISING RATE FEAR

A local banker said the IPO may find favour with retail investors as they are looking for safe yield instruments and TFF fits the bill. However another ECM banker said even local investors may not find the yield attractive enough to buy.

Bank of America Merrill Lynch, *Finansa*, *JP Morgan*, *Krung Thai Bank* and *Phatra Securities* are working on the IPO.

TFF will get revenues from the Chalong Rat Expressway and Burapha Withi Expressway.

"You have to give investors some incentive as interest rates are headed northwards. All investors, local or foreign, are in a mood to bargain," the banker said.

And none knows this better than energy drinks maker Osotspa, which has already lowered its expectations. The company opens books for an IPO of Bt13bn–Bt16bn or US$396m–$488m this week after scaling back the original target of US$500m–$600m as investors were unwilling to pay for the high valuations.

Around 506.7m primary shares and 97m secondary shares will be sold in the IPO.

Bank of America Merrill Lynch, *Bualuang Securities*, *JP Morgan* and *Phatra Securities* are the leads on the float. ■

Iron Man firm faces stark time

■ **Bonds** Chinese film producer caught up by financing freeze, poor governance

BY INA ZHOU

DMG ENTERTAINMENT AND MEDIA, the Chinese company that co-produced Iron Man 3, has defaulted on its onshore bonds after a series of dramatic events that strained its finances.

The Shenzhen-listed company said last Monday that it had failed to repay Rmb400m (US$58.2m) of 365-day notes due on September 8 as a result of declining revenue and financing difficulties.

The privately owned company, co-founded by US film maker Dan Mintz, co-produces and distributes Hollywood films in the highly regulated and quota-based Chinese market.

One of DMG's big hits was Iron Man 3, which raked in ticket sales of US$121m in 2013 in China, or more than a quarter of the film's global total, according to film database Box Office Mojo. Extra scenes were added for Chinese audiences, featuring popular performers such as actress Fan Bingbing.

However, after delivering three consecutive years of profit growth since it went public in late 2014 via a backdoor listing, DMG Entertainment has seen its fortunes turn sour this year.

Last month, it reported a 92% year-on-year tumble in net profit to Rmb21.7m in the first half after a failed attempt to tinker with its accounting practices.

In June, DMG proposed to cut provisions for non-performing accounts receivable, but later withdrew the plan after it was challenged by the Shenzhen Stock Exchange.

It said the decline in profit was partly due to delays in the distribution of some unspecified film and TV productions.

DMG and its executives also seem to be facing a high level of liquidity stress. As of the end of June, 83.6% of the company's shares had been pledged for loans by several shareholders including co-founder Peter Xiao, who had a 66.9% stake. In August, it was announced that courts had frozen all of his shares.

Xiao had cashed out part of his stake earlier this year. He sold a combined 10% to Anxin Trust and an individual, Yu Xiao Fei, in February and June, respectively, for Rmb2.4bn.

On top of its financial troubles, DCM also faces governance issues. Following the resignations of a number of executives over the past three years, Wu Bing, a former Chinese gymnast and another co-founder of the company, has ended up performing the roles of chairman, general manager and board secretary, according to company filings.

Mintz first travelled to China in the mid-1980s to train in martial arts and fell in love with Wu, according to an interview he gave to Forbes in 2012. The two later moved to Hong Kong and began collaborating on action movies, the report said. In 1993 Mintz set up DMG with Wu and Xiao, the son of a military officer.

In 2017, DMG announced a plan to buy a 10% stake in Forbes Media but later scrapped it, blaming the complexity of the transaction.

According to its latest financial report, Chinese sovereign investment arm Central Huijin held 0.7% unpledged shares in the company at the end of June, while a subsidiary of Shandong-based coke producer Zhongrong Xinda owned 0.9%. Zhongrong Xinda was downgraded to B/B– (S&P/Fitch) from BB–/BB– in July because of its increased financial leverage.

DMG did not return requests for comment. ■

Korea swamped on bond return

■ **Bonds** Enthusiastic response allows bookrunners to tighten pricing twice

BY FRANCES YOON

Global investors flocked to the REPUBLIC OF KOREA's US$1bn dual-tranche bond deal last Thursday in a sign that asset managers are stocking up on high-quality credits to ride out the emerging-market turmoil.

The SEC-registered notes, split equally between 10 and 30-year tenors, priced at Treasuries plus 60bp and 85bp, respectively.

The order book peaked around US$10bn, more than enough to allow the sovereign to take the rare step of revising guidance twice from the initial starting point of Treasuries plus 90bp and 110bp.

Despite a 30bp tightening on the 10-year and 25bp on the 30-year, with the yield on the latter falling below the coveted 4% target sought by many investors, final orders still reached US$5.7bn.

On a spread basis, the new 3.5% 2028s priced inside the country's 2.75% January 2027s, which were trading at G plus 72bp. It even priced through Temasek's US$1.35bn 2028s, which were spotted at G plus 68bp and are rated higher at Aaa/AAA (Moody's/S&P).

On the 3.875% 2048s, bankers referenced South Korea's 4.125% 2044s, its most recent 30-year issue, which was trading at G plus 84bp.

The notes did well in the aftermarket and were bid 4bp and 10bp tighter for the 10 and 30-year tranches, respectively, before settling at 1bp and 3bp tighter by lunchtime in Hong Kong.

"The safe-haven bid and scarcity value really hit home for global funds," said a debt capital markets banker from a US firm. "The demand was explosive."

The overwhelming response highlights the thirst for defensive, high-rated debt from global fund and asset managers at a time of market volatility and uncertain macro prospects for emerging countries.

The easing of tensions between US President Donald Trump and North Korean leader Kim Jong Un also gave US demand a significant boost.

US investors, whose participation in Korean offshore deals plummeted at the height of the North Korea

Oxley keeps lenders busy

■ **Loans** Developer's fourth financing of 2018 comes ahead of looming sector slowdown

BY CHIEN MI WONG

Singaporean developer OXLEY HOLDINGS is raising S$317m (US$230m) in its fourth loan market outing this year, at a time when measures aimed at curbing skyrocketing property prices in the Lion City are expected to result in fewer real estate financings.

HSBC and *Maybank* are arranging the 4.5-year loan, which will fund the redevelopment of private residential estate Mayfair Gardens, joining a slew of other so-called "en bloc" sales and related financings in Singapore in recent months.

However, en bloc sales – a feature of Singapore's property market in which a group of owners band together to sell entire apartment buildings for redevelopment – are expected to slow following tightening measures announced in early July. That in turn will affect real estate financings in Singapore, loan bankers said.

"We have to be a bit more cautious towards lending to the real estate borrowers given that the measures take into account potential reduction in buyers' appetite because of tightening borrowing limits," said a loan syndication banker in the city.

Under the new rules, individuals face stricter borrowing limits on their first housing loan, while foreigners buying property are slapped with higher stamp duty fees of 20%, an increase from 15%. Singapore citizens buying their second or subsequent homes also have to pay the extra stamp duty charges.

With expectations of a drop in private home sales, the flow of loans related to en bloc sales is also heading for a decline.

"The year was off to a very good start with many en bloc sales, but the en bloc real estate story is going to take a hit for the rest of the year," said a property sector coverage banker in Singapore. "After the government's cooling measures, some sponsors have actually been reassessing their positions and have even pulled en bloc deals."

In late July developer TEE Land decided against exercising its option to purchase Teck Guan Ville, a freehold plot located at Upper East Coast Road, in what could have been a S$60m collective sale.

REFINANCINGS CONTINUE

The anticipated slower deal flow for the next few months means that any current real estate financings are likely to attract more attention from lenders.

Oxley itself is also in the market with two other loans – a *Deutsche Bank*-led US$250m loan for its Royal Wharf project in London, and a loan for the Vista Park redevelopment in Singapore arranged by *OCBC Bank*.

Besides Oxley, Avery Strategic Investments, the third-largest operator of permanent workers' dormitories in Singapore, is also marketing a S$400m refinancing, offering a top-level all-in pricing of 241.67bp.

The real estate sector has kept the till ringing for lenders and helped prop up loan volumes so far this year. Oxley completed a couple of en bloc financings, including a S$744.6m five-year loan in March for the S$499m purchase of Serangoon Ville, a former Housing and Urban Development Co estate.

In January, a consortium comprising Oxley, KSH Development, Lian Beng Group and Apricot Capital raised a S$879m five-year deal that financed the purchase of Rio Casa, a privatised HUDC estate.

In March Oxley also closed a S$483m three-year loan backing its acquisition of a commercial building.

Singapore's more significant deals so far this year include integrated resort Marina Bay Sands' S$5.1bn multi-tranche loan, which was extended by four years, in March.

Malaysian developer IOI Properties closed a S$1.8bn five-year facility to refinance a bridge loan funding its purchase of a plot in Marina Bay area, while OUE Hospitality Real Estate Investment Trust signed a S$980m senior secured refinancing in January.

"Refinancings will always provide a consistent flow of deals depending on the timing of maturing loans, but don't generate much returns," said another Singapore-based loans banker. ■

nuclear stand-off, grabbed a massive 63% of the 2048s and 35% of the 2028s.

The White House said last week that Trump and Kim were planning a second meeting.

"This deal reflects the strong confidence that global investors have in South Korea as a credit," said June Won, head of debt capital markets at Citigroup in Seoul. "Improving relations with the North have also played a big part in the deal's success. Future Korean deals will be able to take advantage from this positive momentum."

DOUBLE A PAPER

Bankers on the deal said they emulated Singapore investment fund Temasek Holdings' US$1.35bn 10-year deal that priced in July to help the sovereign achieve tight pricing.

At the time, Temasek tapped pent-up demand for high-quality credits just as markets were showing signs of improved risk appetite. It drew US$6.5bn in orders at the peak, and used that momentum to revise guidance twice. Bankers on the Korea deal decided to do the same, with the first revision coming in the evening in Asia, and the second at around 9:30am in New York.

"We haven't revised guidance twice on a Korean sovereign in years," said the first banker. "That strategy worked for us. Demand was so strong, and we wanted to maximise that momentum."

The notes have expected ratings of Aa2/AA/AA–, placing them in a small group of US dollar credits from Asia Pacific this year with similar or higher ratings.

Export-Import Bank of Korea and Korea Development Bank are in the early stages of discussing US dollar deals, which if realised will add to this modest list, which includes the Australian bank majors, Korean corporates and banks, and Singapore's United Overseas Bank and Clifford Capital.

The 2028s attracted over US$2.4bn from 100 accounts. Asia accounted for 52% and Europe 13%. Asset and fund managers were given 48% of the 2028s, while SSAs took 30%, insurers and pensions 12% and banks 10%.

The 2048s drew an even larger book at US$3.3bn from 155 accounts. Asia and Europe were given a more modest 25% and 12% respectively versus the 63% share allocated to the US. By investor type, asset and fund managers were allocated 72% of the deal, insurers and pensions 20%, banks 5% and SSAs 3%.

Bank of America Merrill Lynch, *Citigroup* (B&D), *Credit Agricole*, *HSBC* and *Korea Development Bank* were joint bookrunners.

Korea has a Rmb3bn (US$450m) three-year Panda bond due December 16. ■

AT&T revives Kangaroo market

■ **Bonds** Corporate America returns to Australia with first deal under new US tax regime

BY JOHN WEAVERS

AT&T (Baa2/BBB/A–) reopened the Kangaroo market for corporate America with a A$1.325bn (US$955m) four-tranche trade via joint lead managers *CBA*, *Deutsche Bank*, *Mizuho* and *TD Securities*.

Last Friday's transaction by the US telecommunications, media and entertainment group ends a 13-month drought of benchmark Kangaroo issues from US companies and shows the Australian market remains a viable destination in the aftermath of last December's US tax reform.

Rod Everitt, head of Australian syndicate at Deutsche Bank, said AT&T achieved the price/volume outcome it was looking for with a US$1bn-equivalent trade at levels around 5bp back of its US dollar curve.

"This was a strategic deal that attracts new investors with the promise of reasonably regular return issuance in the years ahead," he said.

The slashing of the US tax rate on repatriated profits from 35% to around 15% reduced the incentive to keep profits offshore, issue bonds in foreign currencies and swap the proceeds back to US dollars to pay dividends and buy back shares.

But even under the new US tax regime American companies can derive diversification benefits from Kangaroo issuance as long as pricing and volumes stack up.

Kangaroo deals are currently supported by the flat and elevated cross-currency basis swap curve, which means funds can be raised in Aussie dollars and swapped back into US dollars at levels almost 20bp better than were available in early June.

NOT HUGE SIZE

A A$150m five-year floating-rate note priced at the tight end of three-month BBSW plus 125bp-130bp guidance while a A$475m 3.45% five-year priced 125bp wide of asset swaps.

A A$300m 4.1% long seven-year (January 19 2026) and a A$400m 4.6% 10-year note came in line with guidance at 170bp and 200bp over asset swaps, respectively.

Overall orders were just over A$1.7bn.

Everitt emphasised that AT&T was not targeting a record size, having raised US$10bn in other markets in the previous six weeks.

However, one fund manager cited the company's huge borrowing requirements to explain his non-participation in the deal.

"AT&T has a large capex programme and is shouldering a lot of debt, which is sure to increase as it participates in very costly 5G technology spending," he said.

The structure of the AT&T trade is similar to the A$2.2bn four-part print from US telecom peer Verizon Communications (Baa1/BBB+/A–) in August 2017 which remains the second-biggest corporate trade in the Australian dollar market, just shy of Apple's A$2.25bn three-tranche Kangaroo debut in August 2015.

Intel followed Apple with a A$800m sale three months later, while a A$1bn Coca-Cola debut and a A$1.45bn Apple return were both printed in June 2016.

British mobile network operator Vodafone Group (Baa1/BBB+/BBB+) set a European corporate Kangaroo record last December with a A$1.15bn print.

AT&T's swift execution effort – pricing was two days after an investor call – meant it leapfrogged GENERAL MOTORS (Baa3/BBB/BBB), which mandated *Deutsche Bank* and *Westpac* on September 3 to arrange an Australian and Singaporean roadshow for a potential Kangaroo offering commencing September 17.

Any subsequent GM Kangaroo trade should not suffer from investor indigestion, however.

Year-to-date domestic corporate supply of A$6.4bn is just over half the amount raised in the same period in 2017, while Anheuser-Busch InBev was able to print a A$1.95bn four-trancher on August 23 2017, via its Australian funding arm, just 19 days after Verizon's A$2.2bn sale. ■

IL&FS downgrade sparks panic

Bonds Icra, Care Ratings slash ratings after liquidity crunch

BY KRISHNA MERCHANT

The downgrade of INFRASTRUCTURE LEASING & FINANCIAL SERVICES (IL&FS), part of a group credited with building the longest tunnel in India, sent ripples through the credit market last week after rating agencies raised red flags over its ability to repay debt.

Icra and Care Ratings both downgraded various IL&FS instruments from AA+ to BB over the September 8-9 weekend, citing liquidity constraints at the group level and a delayed capital injection from existing shareholders. The moves came after the IL&FS board failed to reach an agreement on a credit line from State Bank of India and state-owned Life Insurance Corporation on September 7. Both SBI and LIC are investors in unlisted IL&FS, which made the company's liquidity woes come as even more of a surprise for investors.

The yield on IL&FS's commercial paper maturing on October 25 rocketed to 8.71% on September 5, from 7.46% a day earlier, when it announced it was blocked from issuing more CP. Investors had been banking on the company obtaining an agreement over the weekend from SBI and LIC to inject more funds, and rating agencies responded once it emerged no agreement had been reached.

IL&FS's October 25 CP was quoted at a yield of 8.96% on Thursday, while its Rmb1bn (US$146m) Dim Sum bonds due January 2021 were quoted at a yield of almost 34% on Thursday, surging from 8.8% on August 6.

The downgrades caused panic in the Indian markets last week as mutual funds which were holding bonds and commercial paper issued by IL&FS and group companies took a hit. Shares of IL&FS group companies plunged around 13% on September 10 after the ratings were cut. The average net asset value of Indian funds fell by 0.9%–2.5% on Monday, according to a rating analyst.

> "Even if IL&FS is able to raise funds now and tide over the liquidity situation, the question is whether they will be able to remain solvent in the long term."

The rating downgrades added to the negative sentiment prevailing in India's debt market, as yields on short-term commercial paper and bonds have been under pressure from rupee weakness and tight liquidity. The yield on six-month commercial paper rose by 30bp to 8.5% by Wednesday and five-year corporate bonds were hovering at around 8.85%, according to Thomson Reuters data.

"Investors have become cautious following the IL&FS downgrade," said a DCM banker.

DEBT PILE

There are concerns whether the IL&FS Group, which is

Prologis showcases yen appeal

Bonds Japanese debut extends run of Global yen bonds from US issuers

BY TAKAHIRO OKAMOTO

US logistics real estate company PROLOGIS highlighted the growing appeal of Global yen debt last week with a long-term fundraising of ¥55.1bn (US$494m) to hedge currency risk for its Japanese assets.

Funding vehicle Prologis Yen Finance issued a four-tranche Global comprising ¥5bn 0.652% seven-year notes, ¥40bn 0.972% 10-year notes, ¥5.1bn 1.077% 12-year notes and ¥5bn 1.470% 20-year notes. The spreads over yen mid-swaps were 45bp, 65bp, 67bp, and 77bp, respectively.

Although the US company has had a presence in Japan since 1999, it was its debut in the yen bond market.

The offering also extends a recent run of Global yen issuance from US companies, following similar deals from Starbucks and Corning (twice) in the past 18 months.

Traditionally, foreign issuers in need of a large amount of yen have preferred the Samurai market. However, Samurai documentation requirements have been a big hurdle, whereas documentation for SEC-registered Global yen bonds is much easier and quicker. In the past, Japanese investors were reluctant to buy these bonds, but the Starbucks and Corning offerings have broadened the market and nudged Prologis to choose the same format.

The issuer was initially planning to sell several long-term tranches, but only the 10-year piece was confirmed when marketing officially started on Monday. Initial price guidance was 60bp–65bp and the tranche eventually priced at the wider end. The 12-year tranche was added for investors able to go a bit longer and looking for absolute yield levels of 1%.

A banker on the deal said it was noteworthy that Prologis drew such decent demand in ultra long-end tenors in a debut deal.

Participation mainly came from Tokyo-based investors. The seven-year tranche drew demand from lifers and trust banks; the 10-year from lifers, big domestic banks, asset managers, central public funds and foreigners; the 12-year from lifers and shinkin banks; and the 20-year from asset managers.

Prologis guarantees the yen deal, which comes after the company raised US$700m from a dual-tranche offering of 10 and 30-year bonds in June and Prologis Euro Finance raised €700m (US$819m) from long 10-year bonds in July.

According to a filing, the issuer intends to lend or distribute the proceeds from the yen offering to Prologis. This will partially fund the redemption of notes issued by DCT Industrial, which Prologis acquired in August. Any remaining net proceeds will be used for general corporate purposes.

Prologis had US$5.281bn of operating properties and a US$911m development portfolio in Japan as of the second quarter of 2018.

Prologis does not have any concrete plan for future global yen issuance at the moment, but will flexibly consider such an option depending on its funding needs and market conditions.

SMBC Nikko, *Mizuho*, and *Morgan Stanley* were the bookrunners on the deal, which is rated A+ by R&I and has expected ratings of A3/A– (Moody's/S&P). ■

sitting on a debt pile of over Rs900bn, will be able to service its near-term obligations. The group reported a loss of more than Rs20bn in FY18, and its financial position remains stressed, with a high risk that some loans could turn bad, according to Nomura.

Around 26.7% of IL&FS Group's borrowings are from debentures, totalling Rs243bn, 61.3% or Rs559bn is from term loans, 6.3% or Rs57.5bn is from commercial paper, and the rest is from other sources, said Nomura Research.

IL&FS Financial Services could not repay a CP falling due on August 28. Although it settled the short-term debt in full on August 31, the company will not be able to access the CP market until February 28, in compliance with central bank guidelines.

IL&FS is also said to have defaulted on payments on a Rs25bn inter-corporate deposit from Small Industries Development Bank of India (Sidbi). The Reserve Bank of India has initiated a special audit on the group after it defaulted on the loan, according to local media reports. Sidbi, RBI and IL&FS did not respond to emails seeking confirmation.

"If the liquidity pain is not addressed, investors who are invested in IL&FS and group company issuances could be vulnerable," said Lakshmi Iyer, chief investment officer of debt and head of products at Kotak Mutual Fund.

FUNDRAISING CHALLENGE

A good chunk of IL&FS paper is held by long-term investors such as pension funds and insurance companies who invested in the bonds when the company enjoyed an AAA rating. Many investors are typically forced to sell bonds when the credit ratings drop below investment grade, depending on their investment mandate.

Investors are seeking clarity whether the downgrades and cash crunch at IL&FS are just the tip of the iceberg.

"Even if IL&FS is able to raise funds now and tide over the liquidity situation, the question is whether they will be able to remain solvent in the long term," said a fund manager from a domestic mutual fund.

A DCM banker said that the company could be forced to restructure before it can attract new equity.

"Restructuring means there will be haircuts for lenders," said the DCM banker.

However, some investors feel that the IL&FS Group is too big to fail. It has LIC, SBI, Japan's ORIX Corporation, Abu Dhabi Investment Authority and India's Housing Development Finance Corp as large shareholders, and many believe banks and financial institutions will step in.

"LIC is expected to increase its shareholding in the holding company once the equity infusion through the rights issue goes through," said Tata Mutual Fund in a note.

IL&FS last month said its board had approved a Rs45bn rights issue of the unlisted parent company at Rs150 a share, and planned to inject Rs50bn into group companies.

For now, there is some relief for investors. An IL&FS subsidiary managed to repay short-term debt which matured earlier last week. Mirae Asset Cash Management fund, which had invested in commercial paper of IL&FS Securities Services due on September 10, said it had been paid on time.

The board of IL&FS, which includes its promoters, was due to meet on September 15 to consider a short-term funding loan of Rs35bn, according to an investor note from Tata Mutual Fund. IL&FS did not respond to emails seeking confirmation. ■

Meituan prices near top

■ **Equities** World's biggest internet IPO in four years unlikely to cheer HK market

BY FIONA LAU, JULIE ZHU

Chinese online food delivery-to-ticketing services provider MEITUAN DIANPING raised US$4.2bn in the world's biggest internet-focused IPO in four years as it priced the float near the top end of a marketed range, people close to the deal said.

Meituan, backed by Chinese internet giant Tencent Holdings, sold about 480m primary shares at HK$69 each in the Hong Kong IPO, valuing the company at around US$52.8bn, the sources said last Thursday.

The proceeds will help Meituan fortify itself against stiff competition from its main competitor, food-delivery platform Ele.me which is backed by China's biggest e-commerce company Alibaba Group Holding. Both parties are fighting for market share and offering heavy discounts to attract new customers.

Loss-making Meituan last month set a price range of HK$60–$72 per share for the IPO. It could raise as much as US$4.85bn in total if a 15% greenshoe is fully exercised.

The IPO received strong support from institutional investors despite a weak overall market. People close to the deal told IFR earlier the institutional books were about 10x covered, excluding the cornerstone tranche, while the retail tranche was about 1.5x covered.

"Since the stock priced at the upper end of the range, it suggests institutions are holding a more positive view on the company and on this type of new economy IPOs," said Steven Leung, sales director at brokerage UOB Kay Hian. Leung forecast a "stable" debut for Meituan when it starts trading on September 20.

Meituan declined to comment on the pricing.

The HK$69 IPO price represents a multiple of 27x its 2020 profit forecast by its underwriting syndicate, according to sources. The IPO size represents 8% of its enlarged share capital and the US$53bn valuation takes into account shares to be issued under a pre-IPO employee stock ownership plan, the people said.

PACKED CALENDAR

Meituan had lined up US$1.5bn from five cornerstone investors. Tencent committed US$400m; global asset manager Oppenheimer US$500m; UK-based hedge fund Lansdowne Partners US$300m; US fund Darsana US$200m and state-backed China Structural Reform Fund US$100m.

The IPO comes amid a packed Hong Kong listing calendar, including an expected float of at least US$3bn from bitcoin mining equipment maker Bitmain and an IPO of up to US$1bn from Chinese movie ticketing platform Maoyan Weying.

However, Hong Kong's stock market has entered bear territory, falling 20% from its January peak amid Sino-US trade tensions. Several recent listings, including that of smartphone maker Xiaomi, have dropped below their IPO prices.

"Though [Meituan] priced the stock at the upper end of the range, we see it as an one-off event and it won't be able to cheer up the local IPO market," said Linus Yip, chief strategist at First Shanghai Securities.

The IPO is the second-largest tech float in Hong Kong after Xiaomi's US$5.4bn July listing. Meituan is also set to be only the second company to list with weighted voting rights in the city after Xiaomi.

Bank of America Merrill Lynch, *Goldman Sachs* and *Morgan Stanley* are joint sponsors. ■

TOP STORY BANK STRATEGY

CLSA plots Belt and Road expansion

Citic Securities unit builds footprint from Vietnam to Dubai

CLSA, the offshore arm of China's Citic Securities, is looking to open more offices in major outposts along the Belt and Road, its chief executive Jonathan Slone said last week.

Last month, CLSA announced its return to Pakistan after a nearly 20-year absence following its acquisition of a 24.9% stake in Alfalah Securities, the securities affiliate of Bank Alfalah.

The Hong Kong-headquartered brokerage firm is planning to open offices in Dubai, Bangladesh and Vietnam, Slone said, and will expand into other markets in the near future.

"Given that China is getting more active in Pakistan and all of these One Belt, One Road marketplaces, we see Chinese companies setting up there, we see the need for capital so we see the need to be open there," he said.

"If you follow that logic, we will be looking at the next round soon. CLSA is a small company so we don't have the bandwidth to do a lot of things at the same time. Once we bed down those countries, we'll look at other markets."

CHINESE DOMINANCE

Launched in 2013, China's Belt and Road initiative aims to reinvigorate the ancient Silk Road trading route and to develop a maritime equivalent.

Funding for the scheme so far has primarily come from a combination of the country's state-owned banks, complemented by new China-led development institutions such as the US$100bn Asian Infrastructure Investment Bank.

In contrast, international banks have been relegated to providing ancillary services such as cash management, foreign exchange and underwriting related debt issues.

One advantage CLSA has over its competitors is its relationship with parent Citic Securities, according to Slone.

"We are part of one of the largest financial groups in China," he said.

"We're part of the largest securities house. We're no longer an agency broker. We have a big business in CFCM [corporate finance and capital markets], FICC [fixed income, currencies and commodities] and private equity. We focus on both the debt and equity side."

According to Slone, CLSA is indifferent as to whether its expansion will involve acquiring other businesses or setting up new offices.

Its return to Pakistan, which also involved former CLSA employee Aliuddin Ansari and current Alfalah Securities CEO Atif Khan acquiring a combined 12.6% in Alfalah Securities, would not necessarily set a template, he said.

"It depends on who the available partners are," he said. "We don't have an overall Hegelian view on the way we do things. We're a lot more fluid than that and we're ready to be pragmatic."

COPS AND ROBBERS

CLSA has been expanding in Asia in the last several years and has won several investment banking mandates, in part due to the connections of its parent in China.

It was joint sponsor alongside Goldman Sachs and Morgan Stanley earlier this year on the HK$42.6bn (US$5.4bn) IPO of Chinese smartphone maker Xiaomi, the first company with weighted voting rights to list in Hong Kong.

It was also joint global coordinator along with Credit Suisse on the HK$7.08bn dual primary listing of biotech company BeiGene, the first of its kind under new rules to attract more companies from the sector. Goldman Sachs and Morgan Stanley were joint sponsors.

Slone said CLSA would continue to expand across different product lines and singled out equity-linked, in particular, as a growth area.

"Our equity-linked business has been great for us," he said. "Somebody asked John Dillinger why he robbed banks and he said because that's where the money is and while we're not robbing banks, we're certainly trying to go where the market wallet is."

Slone said CLSA also planned to expand in the United States, but was waiting for the outcome of Citic Group's application to set up a financial holding company.

Citic Group, which is CLSA's ultimate parent company, was designated by US regulators as a bank holding company and is applying for financial holding company status to remove restrictions under the Volcker rules.

"In the United States, Citic Group has a financial holding company application with the Fed in San Francisco," he said.

"Once that takes place, we will be able to talk more about our plans in the US. Right now we don't have the status to do a lot."

THOMAS BLOTT

Who's moving where...

JP MORGAN has appointed *Filippo Gori* as Hong Kong CEO, effective October 1. Gori is a direct replacement for Kam Shing Kwang, who was appointed CEO of the private bank in Asia earlier this year. Gori, who has worked at JP Morgan for 19 years in a variety of roles in corporate and investment banking and asset and wealth management, will continue in his current position as head of sales and marketing for markets and investor services in Asia Pacific.

BANK OF AMERICA MERRILL LYNCH has poached Simon Cox from Credit Suisse to run its Australia equity capital markets business after its former head Karla Wynne left last month to join Viva Energy. Cox, who resigned last week, is due to start at BAML early next year. Adam Lennen, who was co-head of ECM for Australia alongside Cox, has taken over sole leadership of the division following Cox's departure.

Taiwan to tighten Formosa limits

Taiwan's financial regulator plans to rein in insurance companies' exposure to foreign credit risks through the booming Formosa bond market.

The Financial Supervisory Commission said it would count holdings of Formosa bonds – foreign-currency bonds from overseas issuers sold in Taiwan – in insurers' overseas securities investment limits, reversing a 2014 move that triggered a surge in cross-border issuance.

Including Formosa bonds, foreign investments accounted for 68% of Taiwanese life insurers' portfolios at the end of June, up from 50% in 2014, according to data from Natixis and the Taiwan Insurance Institute.

The rule change, expected to take effect in November, could have big implications for some global issuers, which count Taiwanese insurance companies among their major supporters.

"Taiwan lifers have become vital global investors, and their retreat from the international market will be a headache for both bond issuers and investors," wrote Natixis in a research note.

Among new proposals announced last month, an insurance company's Formosa bond investment plus its overseas securities investment shall be capped at 145% of the overseas investment limit it was granted.

Currently, each insurance company is assigned its own overseas securities investment limit, which is capped at 45% of funds, and is typically 40%–45% for large insurers.

In other words, if a particular insurer has an approved overseas investment limit of 45% of its funds, the combined ceiling for it to invest in Formosa bonds and other overseas securities would be 65.25% of its funds. If it has already reached the 45% ceiling in its investments in foreign securities, other than Formosa, that will mean it can only invest 20.25% of its funds in Formosa bonds.

"If, at the time the new rules take effect, an insurance company's total investment amount has exceeded the new investment limit, it will not be required to sell the then-current holdings of Formosa bonds but

"Taiwan lifers have become vital global investors, and their retreat from the international market will be a headache for both bond issuers and investors."

no further increase would be allowed," said CT Chang, partner at Lee and Li Attorneys-at-Law in Taipei.

That could curb a rapidly growing market that has seen blue-chip corporate issuers like Apple, Intel and Pfizer issuing bonds to Taiwanese investors, with NT$1.21trn (US$39.2bn) of international bonds sold there in 2017, according to data from the Taipei Exchange.

"Taiwan's Financial Supervisory Commission is going to introduce the limits on overseas investments to protect insurers from currency mismatch risks, especially foreign exchange losses when the Taiwan dollar appreciates," wrote Jeffrey Liew and Mia Yang of Fitch's Asia Pacific insurance ratings team.

FOREIGN CURRENCY POLICIES

However, the limit also depends on life insurers' liability structures and their share of foreign currency policies. Natixis noted that the limit to issue foreign currency policies will be eased to 35% of total reserves, from 25% currently, as part of the planned amendments.

"This means lifers can, in principle, invest more than 65.25% of their capital if they issue more foreign currency policies," wrote Natixis. "Among the seven largest Taiwanese lifers, we estimate that NT$1.705trn (US$56bn) is available for overseas investment based on the maximum issuance of foreign currency policies."

The new rules have also eased restrictions on what foreign assets insurance companies can buy, giving them more freedom to buy sovereign credit outside the OECD countries.

Lifers with an investment quota above 40% will be able to allocate up to 3% of their invested capital to private equity, up from 2% currently.

Foreign investments could already be levelling off, though, as Taiwanese insurers find it difficult to earn high returns while managing their currency risk.

"Insurers have been increasing their investment in overseas assets including Formosa bonds to enhance their investment yield," wrote Liew and Yang of Fitch. "Given the increase in hedging costs due to TWD appreciation, investment yields of overseas investments may not be as attractive as before."

DANIEL STANTON

Please contact us if you have information about job moves: **peoplemarkets@thomsonreuters.com**

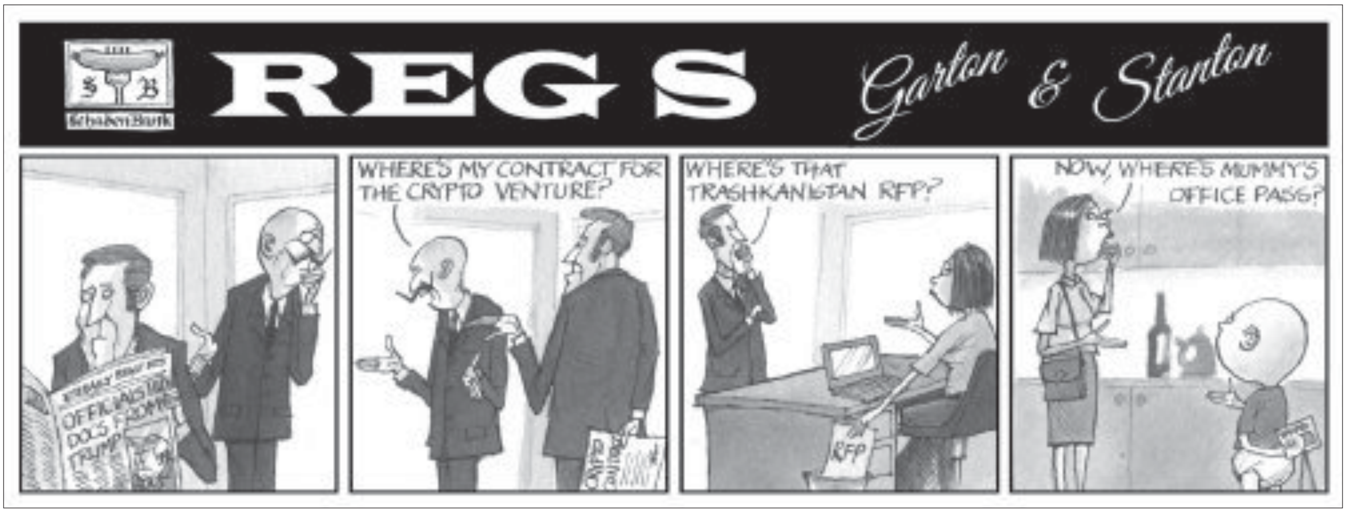
■ DEUTSCHE BANK has appointed *Kaushik Shaparia* head of corporate banking coverage for Asia Pacific.

Shaparia will continue in his current role as head of global subsidiary coverage in global transaction banking. He will stay based in Singapore. He will report to Louise Kitchen, co-head of institutional and treasury coverage, in his new role as well as David Lynne, who leads the GTB business in APAC, and Michael Spiegel, global head of cash management, in his GSC role.

■ Former Citigroup leveraged finance banker *Vivi Basilakis* has joined GOLDMAN SACHS in Sydney.

She started earlier this month as executive director in the leveraged finance team.

Before joining Goldman, Basilakis had been with Citigroup since 2011, after a four-year stint as senior manager in Australia & New Zealand Banking Group's leveraged and acquisition finance team in Sydney.



StanChart parting ways with Asia trio

STANDARD CHARTERED is parting ways with three senior Asia-focused bankers and possibly with some mid and junior-level bankers, as the British lender moves ahead on a plan to cut costs and revamp its industry coverage, two sources said.

The senior bankers include Hong Kong-based *Toby Groser*, who is the co-head of general industries group in Asia focusing on retail and consumer sectors, and *Dominic Richards*, head of Asia media and telecoms coverage, the people said.

Singapore-based *Nikhil Nath*, the other co-head of StanChart Asia general industries group, is also leaving the bank, said the people, who declined to be named as they were not authorised to speak to the media on the subject.

The exits come as Bill Winters, CEO of StanChart, which makes the bulk of its revenue in Asia, steps up a broader strategic overhaul at the bank to rein in costs and deliver better returns in the medium-term.

The bank's costs grew 7% in the first half of this year versus a year ago and the higher expenses from investments aimed at improving performance have been a concern for its shareholders.

The three coverage bankers, with expertise in a specific sector, were responsible for offering the clients corporate and investment banking services. Groser and Nath joined StanChart in 2016, while Richards came on board late last year.

The move is part of StanChart's drive to trim coverage focus in areas that are more heavily dominated by its US and some European rivals and build on its strong client base in sectors including oil and gas as well as metals and mining, they said.

A Singapore-based spokeswoman for StanChart declined to comment on individual moves but said the Asia, Africa and Middle East-focused bank was not shutting down coverage of any industrial sector.

"We have done a strategic review of our GIG (global industrial group) business and we retain dedicated sector banker coverage at a global scale for industries where we have the greatest impact for clients," she said in a statement.

The three bankers did not immediately respond to Reuters' emailed requests for comment.

One of the people said a few mid- and junior-level Hong Kong and Singapore-based bankers from the consumer and telecoms and media coverage teams would also be leaving over the next couple of months.

StanChart announced separately last Thursday the departure of Singapore-based *Ananth Venkat*, global head of the global industries group, who the bank said was leaving to pursue interests in the technology start-up sector.

Steven Cranwell will assume Venkat's role in addition to his responsibilities as global head of commercial real estate.

SUMEET CHATTERJEE

Who's moving where…

■ **STATE STREET** has appointed *Michele Hardeman* head of global markets for Asia Pacific.

Hardeman, who has relocated to Hong Kong from Boston to take up her new role, used to be head of foreign exchange sales for global markets. She now reports to Asia Pacific CEO Wai-Kwong Seck and global head of global markets Lou Maiuri.

Hardeman joined State Street 20 years ago and has served as head of FX sales for Australia and later for the Americas.

■ *Henry So* has joined **BANK OF COMMUNICATIONS**' Hong Kong branch as head and chief product manager in the structured and capital finance department.

He came on board in July and reports to Carmen Chen, general manager of the department.

Prior to joining BoCom, So worked at Rabobank for five years as head of client coverage in Shanghai.

ANZ faces new suit over 'cartel' trade

A case involving alleged cartel behaviour in Australia's capital markets took another twist last Friday after the country's corporate watchdog initiated civil proceedings against AUSTRALIA & NEW ZEALAND BANKING GROUP.

In a filing in the Federal Court, the Australian Securities & Investments Commission alleged that ANZ breached the Corporations Act in failing to disclose to investors that the underwriters had acquired A$791m (US$569.5m) of unsold shares in its A$2.5bn share placement in 2015.

ASIC argued that ANZ's disclosure "materially prejudiced the interests of purchasers or disposers of ANZ shares".

ANZ, which had notified the Australian Stock Exchange about ASIC's investigation on June 1, flatly rejected the charges, and said in a statement it would contest the allegations.

"The shares in question represented less than 1% of the shares on issue at the time and were taken up by the joint lead managers in circumstances where the book indicated the placement was covered at 103%."

"ANZ is not aware of a precedent for a listed entity to disclose the take up of shares by underwriters in an equity placement."

In June, bankers were left in shock after the Australian Competition and Consumer Commission said it had charged ANZ, underwriters Citigroup and Deutsche Bank plus several current and former bankers with criminal cartel allegations over the 2015 share placement.

JP Morgan, the third underwriter on the deal, is alleged to have been granted immunity from prosecution after reporting the case to the regulator.

Cartel charges are without precedent in the capital markets, and many bankers expressed dismay at the action taken by the competition regulator, citing that it is standard practice for joint underwriters to agree not to dump residual shares into the market after an unpopular placement.

Further details are expected when the competition case is heard in Sydney's Downing district court on October 9.

THOMAS BLOTT

China unifies regulation of rating firms

China plans to unify the supervision of domestic rating agencies, in an important step to simplify the fragmented regulation of its bond market.

The country's central bank and securities watchdog said last Tuesday that rating agencies would require a licence from one of the two regulators, and no longer licences from both of them as currently, to offer rating services in the interbank bond market and the exchange-traded bond market.

The interbank market is regulated by the People's Bank of China and the exchange-traded market by the China Securities Regulatory Commission.

The PBoC and CSRC said in a joint statement that they now "encourage different credit rating agencies under the same controller to be integrated through merger, reorganisation and other market-oriented methods … in order to strengthen the quality of rating agencies."

Under the existing regulatory framework, some rating agencies set up two entities in order to win approvals from each of the two regulators. For instance, China Chengxin International Credit Rating, the largest domestic rating firm by market share, is licensed by the PBoC in the interbank bond market, while a wholly owned subsidiary, China Chengxin Securities Rating, is licensed by the CSRC in the exchange-traded market.

"These are the guidelines that we have long anticipated. Actually, integration of our two entities has already started," said an industry source at a Chinese rating agency.

The two regulators also called on rating agencies to unify rating standards for the two markets, improve corporate governance and "guard against conflicts of interest".

Furthermore, the guidelines stress that oversight on rating firms and information-sharing among regulators should be strengthened.

Market participants hope that the changes will be the first step towards further consolidation of the two bond markets, which have different thresholds for bond issues and different investor bases.

"I think this is the way forward, but it will require lots of coordination among regulators," said the industry source.

The CSRC and the National Association of Financial Market Institutional Investors, a self-regulatory body under the PBoC, recently conducted a joint on-the-spot check on Dagong Global Credit Rating and suspended its ratings business in August after the company was found to have provided pricey consulting services to firms for which it issued credit ratings.

INA ZHOU

Please contact us if you have information about job moves: **peoplemarkets@thomsonreuters.com**

■ BNP PARIBAS has hired *Takeshi Kozu* from Mizuho Financial Group as head of securities services for Japan, the French bank said. Kozu replaces *Laurent Guittonneau*, who has relocated to Europe. He reports to Philippe Benoit, head of securities services for Asia Pacific, and to Nicolas Pillet, general manager of the Tokyo branch.
Kozu was previously head of custody client services at Trust & Custody Services Bank, a specialised custody bank within Mizuho.

■ Former Pricewaterhouse-Coopers tax partner *Tim Lui* has been appointed chairman of the SECURITIES AND FUTURES COMMISSION of Hong Kong, effective October 20.
Lui replaces Carlson Tong, who is leaving after completing two three-year terms.
He is the third SFC chairman in a row to be plucked from the Big Four accounting firms. Tong worked at KPMG, while his predecessor, Eddy Fong, worked at PwC.
Lui is a deputy to the National People's Congress, China's main legislative body.

Malaysia welcomes first 1MDB transfer

Malaysia expects to recover only about 30% of the funds allegedly siphoned off from state fund 1MDB, its finance minister said last week, after a Singapore court ordered the transfer of about S$15.3m (US$11.1m) as part of a probe into the scandal.

Lim Guan Eng, installed as finance minister in May following the Pakatan Harapan's shock election victory, welcomed the transfer, but said it would take time to recover more assets.

"Of course we want to get as much as we can," said Lim. The reality is you can't get the actual amount. You'd be very lucky to get half. Realistically you are looking at maybe 30%."

Lim, in Hong Kong to attend the CLSA investor forum, said maintenance costs would eat into the residual value of any assets that could be recovered.

"We subscribe to the rule of law, and the rule of law sometimes moves at a glacial pace, especially when it involves other countries," said Lim.

Singapore is among at least six countries investigating claims that about US$4.5bn was misappropriated from 1MDB, a fund founded by former Malaysian Prime Minister Najib Razak.

In May, Singapore and Malaysia agreed to cooperate on returning the funds to the Malaysian government and the court order cleared the way for the first repatriation of funds from Singapore.

"The S$15.3m recovered is the first phase of the ongoing efforts to recover funds that were unlawfully misappropriated from the 1MDB and/or SRC International group of companies," Tan, Rajah and Cheah, a Singapore-based law firm said in a statement.

"Millions more are expected to be recovered in time," it added.

Lim said the new government was focused on filling a "fiscal hole" created by his predecessor Najib, who served as both prime minister and finance minister until his May election defeat.

He reiterated a pledge to renegotiate or cancel a list of "pricey" projects signed under the previous administration, but dismissed concerns that revisions to existing contracts would alienate potential investors.

"When we can cut back on some of these pricey projects, it instils confidence in the marketplace that we say what we mean and we mean what we say," he said.

"We will not be reckless. We will not implement projects that we cannot afford. I would think this rational approach will limit any financial damage, and will be seen as being prudent and responsible."

Lim pointed to Malaysia's relative stability in the face of a global emerging-market sell-off, with the ringgit among Asia's best performing currencies against the US dollar.

"The reason is our strong trade balance, our strong current account surplus and the fact we have got very high reserves," he said. "I'm still confident that we will be able to ride out a storm – if there is any."

STEVE GARTON, FATHIN UNGKU

IFR Asia Awards 2018

We are are delighted to announce the IFR Asia Awards 2018. IFR Asia is looking for the most impressive deals and the institutions that have best delivered on their chosen strategy across Asia's financing markets over the past 12 months.

To help us in the selection process, we invite advisers and issuers to submit brief written presentations with supporting data by October 15. Please note consideration for an award will not be limited to institutions that pitch in this way. All deals that price in the 12-month period through to November 15 will qualify.

Presentations must be brief, including short summaries of relevant transactions. Presentations for house awards should distinguish between global coordinator and bookrunner roles where appropriate and answer the following: How did your institution adapt to market trends over the year? How did you stand out from the competition?

Submissions should also include a clear statement of the awards for which you would like to be considered. The IFR editors may contact shortlisted institutions for further discussion, but responses are not guaranteed.

Please submit all material by email to:

steve.garton@tr.com

Please note hard copies of any presentations are NOT required.

Presentations should also include recent, clearly identified photographs of senior executives and team members, as well as brief, quotable comments that may be included in articles about winning deals or institutions. Presentations for house awards should also include contact details (including phone number, email address and postal address) of the executive who would most likely collect the award in person at the Review of the Year Awards Dinner.

Presentations for deal awards should also include contact details (including phone number, email address and postal address) for the relevant borrower/issuer.

Final selection will be made by a senior editorial team in late November and the award winners will be announced in the IFR Asia Review of the Year supplement, which will be published on December 15 2018.

Below is a preliminary list of the awards that IFR Asia will consider for 2018. The final list of awards to be presented will be at the editor's discretion.

Unless explicitly stated below, the IFR Asia awards take into account activity across the Asia Pacific region, including Australasia but excluding Japan. The Domestic Bank of the Year must have its headquarters in the same region. Turnaround Deal of the Year includes debt restructuring and liability management exercises.

The awards will be presented at the IFR Asia Awards Dinner in Hong Kong on February 26. For all booking enquiries, please contact the hotline at +800 8727 8326 or email email cmp.awards@thomsonreuters.com.

Further details of the awards process and previous winners can be found at: www.ifrasiaawards.com

Awards categories

REGIONAL AWARDS

- Bank of the Year
- Asian Bank of the Year
- Issuer of the Year
- Bond House
- Investment-grade Bond
- Domestic Bond
- SRI Capital Markets Issue
- High-yield Bond
- High-yield Bond House
- Loan House
- Loan
- Equity House
- Equity Issue
- Structured Equity House
- Structured Equity Issue
- Structured Finance Issue
- Islamic Issue
- Frontier Markets Issue
- Turnaround Deal of the Year

COUNTRY AWARDS

- Australia/NZ Bond House
- Australia/NZ Equity House
- Australia/NZ Loan House
- China Bond House
- China Equity House
- China Loan House
- Renminbi Bond
- Hong Kong Loan House
- Hong Kong Equity Issue
- India Bond House
- India Loan House
- India Equity House
- Indonesia Loan House
- Indonesia Capital Markets Deal
- Malaysia Bond House
- Malaysia Capital Markets Deal
- Philippines Capital Markets Deal
- Singapore Bond
- Singapore Loan House
- Singapore Equity Issue
- South Korea Capital Markets Deal
- Taiwan Loan House
- Taiwan Capital Markets Deal
- Thailand Bond House
- Thailand Capital Markets Deal

AUSTRALIA

DEBT CAPITAL MARKETS

SAFA TAPS BENCHMARKS FOR A$1BN

The SOUTH AUSTRALIA GOVERNMENT FINANCING AUTHORITY, rated Aa1/AA (Moody's/S&P), raised the A$1bn (US$712m) maximum it had targeted for last Wednesday's dual-tranche bond taps arranged by *ANZ*, *Deutsche Bank*, *JP Morgan* and *TD Securities*.

A A$500m increase to the 1.5% September 22 2022s priced at 96.466 for a yield of 2.43%, 41bp wide of EFP (three-year futures) and 37.75bp over the July 2022 ACGB.

A A$500m addition to the 3% July 20 2026s priced at 100.328 to yield 2.9525%, 37bp wide of EFP (10-year futures) and 49.75bp over the April 2026 ACGB.

Orders totalled A$1.05bn and A$1.065bn for the two tranches, which priced in the middle of their respective EFP plus 40bp–42bp and 36bp–38bp guidance ranges.

The reopening increased the outstanding size of the September 2022 and July 2026 lines to A$2.0bn and A$2.25bn, respectively.

The previous day, NEW SOUTH WALES TREASURY CORPORATION, rated Aaa/AAA (Moody's/S&P), opened a new 15.5-year bond with sole lead *JP Morgan*.

The A$120m 3.5% March 20 2034s priced at 103.613 to yield 3.2025%, matching guidance at 46bp over the April 2033 ACGB.

SocGen SNP nets A$550m

Bonds **French bank taps Asian demand for higher-yielding Aussie dollar assets**

SOCIETE GENERALE took advantage of strong Asian demand to raise A$550m from last Thursday's dual-tranche senior non-preferred Eurobond issue via joint bookrunners *Nomura*, *SG CIB*, *TD Securities* and *Westpac*.

A A$450m 3.925% five-year fixed-rate tranche priced at par, in line with mid-swaps plus 165bp area initial guidance, while an additional A$100m 4.7% 10-year offering priced at par. Total orders exceeded A$750m.

Japanese investors bought 49% of the five-year with the rest of Asia taking 27%, Australia 22% and EMEA 2%. Banks were allocated 65%, fund managers 24%, insurance companies 10% and others 1%.

Asian accounts seeking high-yielding long-term Australian dollar assets dominated the 10-year book with non-Japan Asia picking up 86% and Japan 11%. Australia and EMEA received just 1% and 2%, respectively.

Insurance companies were allotted 75%, banks and private banks 21%, central banks and official institutions 3% and fund managers 1%.

Senior non-preferred or so-called Tier 3 notes count towards total loss-absorbing capacity, a buffer of securities that systemically important banks are required to maintain to contain the risk of taxpayer-funded bailouts.

These notes rank above subordinated (Additional Tier 1 and Tier 2) debt in banks' capital structures but, as loss-absorbing (bail-in) notes, they rank below ordinary senior (preferred) bonds.

This ranking is reflected in the notes' ratings with the Societe Generale SNPs expected to be Baa2/BBB+/A issues versus the bank's A1/A/A senior preferred ratings.

BNP Paribas raised A$325m from the first sale of Australian dollar-denominated SNPs in March 2017, a dual-tranche long five-year EMTN offering.

In April 2018 fellow French bank BPCE issued a A$330m SNP 10-year bond in Kangaroo format alongside a A$600m five-year senior preferred Kangaroo.

Pricing outcomes are similar in the EMTN and Kangaroo markets but the latter has a bigger universe of investors because some Australian fund managers are unable or unwilling to invest in bonds that are not settled on Austraclear.

Most European banks already have EMTN programmes and must weigh up the Kangaroo market's greater size versus the cost of establishing an additional Kangaroo programme.

JOHN WEAVERS

TD EXTENDS CANADIAN BANK RUSH

The TORONTO-DOMINION BANK, rated Aa1/AA– (Moody's/S&P), raised A$1bn last Wednesday from a three-year Kangaroo floating-rate note offering via joint lead managers *ANZ*, *CBA*, *NAB*, *TD Securities* and *Westpac*.

The new note printed inside 75bp area guidance at three-month BBSW plus 73bp.

Pricing was 1bp wider than the 72bp margins paid by Oversea-Chinese Banking Corp, Sydney branch, and DBS Bank, Australia branch, both rated Aa1/AA–/AA–, for their A$600m and A$500m domestic three-year floaters on August 14 and 28.

HSBC, Sydney branch, rated Aa3/AA– (Moody's/S&P), and Commonwealth Bank of Australia (Aa3/AA–/AA–) both priced three-year FRNs 73bp wide of BBSW on August 8 and August 10, respectively.

Unlike these four previous local trades, the TD Bank Kangaroo is not repo-eligible, which deprives it of hefty bank balance-sheet demand.

Toronto-Dominion is the third Canadian bank to issue Australian dollar bonds before the implementation of total loss-absorbing capacity requirements in Canada on September 23.

New TLAC-eligible, bail-in-able 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.

On August 30, Bank of Nova Scotia, Australia branch (Aa2/A+/AA–), printed a A$1.75bn three-part, three and five-year MTN issue, followed a day later by identically rated Bank of Montreal's A$1.55bn similar three-tranche Kangaroo sale.

GPT PRINTS A$200M SIX-YEAR

GPT RE, the A2/A rated (Moody's/S&P) issuing entity of General Property Trust, last Wednesday raised A$200m from a six-year MTN issue via joint leads *ANZ* and *Westpac*.

The 3.6725% September 19 2024s priced at par, inside 135bp area guidance at asset swaps plus 133bp.

GPT RE raised A$200m from a 3.591% seven-year note sale in October 2016.

HEATHROW TO LAND AUSSIE EUROBOND

HEATHROW FUNDING, rated A–/A– (S&P/Fitch), the funding vehicle of London's Heathrow airport, has mandated *CBA* and *NAB* to arrange investor meetings in Australia and Asia from September 17 for a potential Australian dollar-denominated senior secured issue off its EMTN programme.

The issuer, which typically targets long-dated funding, will be able to tap Asian investor demand for Australian dollar assets with tenors of 10 years or more.

Last month, Heathrow Funding issued a C$400m (US$296m) 12-year Maple bond. In June 2017, it printed a €500m (US$580m) 15-year Eurobond.

MUFG TAPS THREE-YEAR SWEET SPOT

MUFG BANK SYDNEY BRANCH, rated A1/A (Moody's/S&P), last Tuesday became the latest local bank to tap Australia's three-year sweet spot with a A$750m floating-rate note issue via joint leads *ANZ*, *MUFG*, *Morgan Stanley*, *NAB* and *Westpac*.

The new note priced inside 88bp area guidance at three-month BBSW plus 85bp.

Pricing was 23bp inside the 108bp spread paid by similarly rated but troubled AMP Bank (A2/A) for a A$400m three-year FRN on September 4.

Double A rated banks, including Oversea-Chinese Banking Corp Sydney branch, DBS Bank Australia branch, HSBC Sydney branch and Commonwealth Bank of Australia paid 72bp or 73bp margins for their three-year floaters issued between August 8 and August 28.

THAMES WATER HEADS SOUTH

THAMES WATER UTILITIES, rated Baa1 (Moody's), is to hold a non-deal fixed-income investor update in Australia and Asia from September 17 arranged by *CBA* and *NAB*.

WESTPAC GOES SHORT

WESTPAC (Aa3/AA–/AA–) issued a self-led A$550m one-year floating-rate note last Tuesday, priced at three-month BBSW plus 37bp.

Pricing was 12bp wide of the 25bp margin paid by fellow Aussie major bank ANZ for its A$650m one-year floater sold on November 30 last year.

Myer wraps up A$400m refi

Loans **Department store chain reports first annual loss since listing**

Australia's biggest department store chain **MYER HOLDINGS** has signed a A$400m (US$284m) refinancing with existing lenders, the company announced on Wednesday as it posted its first annual loss since listing.

With the exercise, the ASX-listed company has extended its debt maturity to February 2021, replacing a A$420m revolving credit facility that was due in August 2019 and loosening covenants.

The new financing comprises a A$100m amortising term loan with repayments of A$10m every six months and a A$300m revolving working capital facility that will reduce in size to A$260m in 18 months.

Myer's new financing now has a covenant relating to a fixed charges cover ratio of at least 1.40x, which steps up to 1.45x after six months and 1.50x after 18 months. The net leverage ratio covenant is at a maximum of 2.25x, while shareholders' equity needs to be a minimum of A$400m. Myer can pay dividends when the fixed charges cover ratio is at least 1.65x. The new loan also carries security.

By comparison, the previous A$420m revolver had covenants stipulating a minimum fixed charges cover ratio of 1.50x, maximum net leverage of 2.50x and minimum shareholder funds of A$500m. There was no restriction on dividends and no security.

For the financial year ending July 31, 2018, Myer's fixed charges cover ratio was 1.59x. The company booked a net loss of A$486m, compared with a profit of A$11.9m a year earlier, largely due to an impairment charge on the value of its brands.

Even without the one-off items, Myer's underlying net profit plunged 52.2% to A$32.5m, compared with A$67.9m a year earlier, on the back of a 3.2% slide in sales to A$3.1bn, its worst since listing in 2009.

Myer's last refinancing was in June 2015 when it closed a A$600m three-part revolver. That loan was split into a A$145m four-year tranche A, a A$180m two-year tranche B and a A$275m four-year tranche C. Tranche B matures in August 2017 while tranches A and C mature in August 2019. Existing lenders ANZ, Commonwealth Bank of Australia, Mizuho Bank, National Australia Bank, Sumitomo Mitsui Banking Corp and Westpac Banking Corp had recommitted to the deal.

PRAKASH CHAKRAVARTI

STRUCTURED FINANCE

REDZED RMBS NETS A$375M

RedZed priced **REDZED TRUST SERIES 2018-1** last Wednesday, a A$375m (US$270m) offering of non-conforming RMBS.

CBA was arranger and joint lead manager with *NAB* for the latest securitisation from the non-bank originator which specialises in residential lending to self-employed borrowers.

The A$50m Class A1s notes with a 0.2-year weighted-average life priced 85bp wide of one-month BBSW.

The A$175m Class A1l and A$88.125m Class A2 notes, both with 2.4-year WALs, priced at one-month BBSW plus 145bp and 205bp.

The A$32.25m Class Bs, A$6.375m Class Cs and A$7.125m Class Ds, each with a 3.7-year WAL, priced 240bp, 320bp and 420bp over one-month BBSW.

The A$6m Class Es and A$3.375m Class Fs, with respective 3.6 and 2.3-year WALs, priced at one-month BBSW plus 615bp and 715bp.

The A$3.375m Class G1 and A$3.375m Class G2 notes were retained.

The A1 to F notes have respective initial credit support of 40%, 16.5%, 7.9%, 6.2%, 4.3%, 2.7% and 1.8%.

RedZed issued RedZed Series 2017-2 Trust, a A$250m non-conforming RMBS in November 2017.

The Class A1 and Class A2 notes, both with 2.0-year WALs, priced at one-month BBSW plus 125bp and 170bp, while the Class Bs paid a 205bp margin.

CUA MARKETS HARVEY RMBS

CREDIT UNION AUSTRALIA has mandated *ANZ*, *NAB*, *Macquarie* and *Westpac* to engage with investors for a potential RMBS transaction under the Harvey RMBS programme.

Non-bank lender CEU previously issued an upsized A$900m Series 2017-1 Harvey Trust RMBS in June last year.

LIBERTY READIES AUSSIE/EURO RMBS

LIBERTY FINANCIAL has mandated *Bank of America Merrill Lynch*, *CBA*, *Deutsche Bank*, *NAB* and *Westpac* for a potential Australian dollar and euro RMBS transaction that may come as early as the week starting September 24.

In April, the specialty finance group issued Liberty Series 2018-1 Trust, a dual-currency A$1.5bn-equivalent RMBS that included a Class A euro tranche.

PEPPER OFFERS DUAL-CURRENCY RMBS

PEPPER GROUP has mandated *CBA*, *Citigroup* and *NAB* to arrange investor meetings in the US and Australia from September 18 for a potential prime RMBS transaction, including Australian and US dollar tranches in both 144A and Reg S formats.

The non-bank lender priced a A$1bn-equivalent non-conforming offering of US dollar and Australian dollar RMBS tranches in late July through Pepper PRS 21.

SYNDICATED LOANS

AGRIMIN IN TALKS WITH NAIF FOR PF

Australia-listed fertiliser company AGRIMIN is in discussions with Northern Australia Infrastructure Facility with an eye on roping in the government fund as a financier for its potassium sulphate project in Western Australia, according to a stock exchange filing on Wednesday.

Perth-based Agrimin is developing the Mackay Sulphate of Potash project, which is estimated to cost A$545m (US$392) and produce 426,000 tonnes of potassium sulphate per annum over a 20-year life. Upon commencing operations the project is expected to generate A$6.3bn in revenues over its 20-year life.

Agrimin has conducted a pre-feasibility study for the project and is assessing several options relating to off-take agreements and funding, the filing said.

The company considers NAIF as a potential source of debt funding, particularly relating to the infrastructure it would require for the Mackay SOP project.

Agrimin will consider submitting a formal investment proposal seeking funding from the NAIF board. It expects to put in place funding for the project over the next 12 months.

The project involves development of more than A$120m in infrastructure in northern Australia, including construction of a new transport corridor linking ports in the region to central Australia.

Agrimin owns 100% of the project, which is located on Lake Mackay, the largest undeveloped potassium sulphate-bearing salt lake in the world.

NAIF was established in July 2016 with the aim of providing financial assistance to the states of Queensland, Western Australia and the Northern Territory for the construction of infrastructure to benefit northern Australia. NAIF may approve loans to June 30, 2021 totalling A$5bn.

G8 EDUCATION MAKES A$450M DEBUT

Childcare services provider G8 EDUCATION is making its debut in the syndicated loan markets with a A$450m multi-tranche borrowing.

Commonwealth Bank of Australia, *Royal Bank of Canada* and *Westpac Banking Corp* are the mandated lead arrangers and bookrunners of the transaction, which comprises a A$200m five-year term loan tranche A, a A$200m three-year revolver tranche B and an A$50m revolver tranche C that will not be syndicated.

The interest margins are tied to a net leverage ratio. If the ratio is 2.5x or above, the margins will be 270bp and 240bp respectively on tranches A and B. The margins are 250bp and 220bp for a ratio of 2.0x–2.5x; 230bp and 200bp for 1.5x–2.0x; 220bp and 190bp for 1.0x–1.5x and 210bp and 180bp for a ratio of less than 1.0x.

Banks are being invited to join tranches A and B on a pro-rata basis. Lenders joining as MLAs for commitments of A$75m or more receive a participation fee of 60bp, while lead arrangers with A$50m–$74m tickets earn 50bp. Co-arrangers coming in with A$35m–$49m tickets receive 40bp.

The deadline for responses is September 24.

Funds are to prepay a S$270m (US$197m) three-year bond maturing in May 2019 and for general corporate purposes.

ASX-listed G8 Education owns, operates, franchises, and manages childcare centres in Australia and Singapore.

EQUITY CAPITAL MARKETS

BINGO COMPLETES ENTITLEMENT OFFER

BINGO INDUSTRIES has completed a A$425m (US$302m) entitlement offer with approximately A$73m raised from the retail tranche.

The waste management and recycling company raised A$352m from the institutional offering.

The take-up rate of the retail tranche was 95%. The shortfall will be allotted to sub-underwriters.

The company launched the entitlement offer of 167m new shares at A$2.54 each on a 1-to-2.48 basis.

Most of the proceeds will be used to fund the acquisition of Sydney-based Dial a Dump Industries, and the remainder for the purchase of two properties in Melbourne and Sydney.

Goldman Sachs and *UBS* are the underwriters.

BEGA CHEESE RAISES A$200M

Australian dairy producer BEGA CHEESE has raised A$200m from a non-underwritten institutional share placement.

The company sold 27.8m new shares, or 15% of the issued capital, at a fixed price of A$7.20 per share. The price represented a 5% discount to the closing price of A$7.58 on September 7.

The offer was made to institutional and professional investors in Australia and certain overseas jurisdictions, according to the company.

Bell Potter Securities was the lead manager to the placement together with co-managers *PAC Partners* and *Select Equities*.

The company said proceeds will be used to reduce debt following the acquisition of the Koroit facility and improve Bega Cheese's financial flexibility to take advantage of future growth opportunities in dairy and food.

AUSDRILL SEALS ENTITLEMENT OFFER

Australian diversified mining company AUSDRILL has completed a A$252m entitlement offer with approximately A$77m raised from the retail tranche.

The company had earlier raised A$175m from the institutional offering.

Eligible retail shareholders applied for about A$58m with an additional A$8m through the retail oversubscription facility, representing a total take-up rate of 86%, according to a company statement.

The shortfall after the offering is being fully sub-underwritten, according to Ausdrill.

The company launched the entitlement offer to sell 170m new shares at A$1.47 each on a 1-for-2.13 basis. The price represented a 14% discount to the pre-deal spot price.

Proceeds will be used to repay part of US$300m senior unsecured notes maturing in 2019.

Shares of Ausdrill traded at A$1.6725 around lunchtime last Friday. The stock is down 33.4% so far this year.

Deutsche Bank and *UBS* were the joint underwriters of the deal.

BANGLADESH

DEBT CAPITAL MARKETS

BANGLALINK BONDHOLDERS CONSENT

BANGLALINK DIGITAL COMMUNICATIONS has won consent from bondholders to amend certain terms of its US$300m 8.625% bonds due May 6 2019 to allow it to increase its consolidated leverage ratio to 5.0x from 3.5x, among other things.

The Bangladeshi mobile operator said holders of 87.19% of the bonds agreed to the amendments and waiver.

It offered bondholders a consent payment of US$1.50 per US$1,000 in principal amount if they agreed to the changes.

Citigroup was consent solicitation agent.

CHINA

DEBT CAPITAL MARKETS

ABCI PRINTS DUAL TRANCHE

ABC INTERNATIONAL HOLDINGS, through wholly owned subsidiary Inventive Global Investments, last Wednesday priced US$800m of three-year bonds in fixed and floating-rate tranches.

At the time of final guidance, total orders were over US$2.4bn, including demand from the leads.

A US$300m fixed tranche priced at Treasuries plus 110bp, from initial guidance of 130bp area, and a US$500m floater at three-month Libor plus 85bp, from initial guidance of 110bp area.

Agricultural Bank of China, Hong Kong branch, rated A1/A/A, is guaranteeing the bonds, which are expected to be rated A1 by Moody's.

The benchmark Reg S offering will come off the issuer's MTN programme.

ABC International and *Agricultural Bank of China Hong Kong branch* were joint global coordinators. They were also joint bookrunners with *Agricultural Bank of China Singapore branch*, *Bank of China*, *Bank of Communications*, *China Everbright Bank Hong Kong branch*, *CICC*, *China Minsheng Banking Corp Hong Kong branch*, *CTBC Bank (Hong Kong branch)*, *ICBC International*, *ICBC (Asia)*, *Kaiser Financial Group*, *Standard Chartered*, *Shanghai Pudong Development Bank Hong Kong branch*, *Shenwan Hongyuan Securities (HK)* and *Zhongtai International*.

ADBC PLANS DUAL-CURRENCY ISSUE

AGRICULTURAL DEVELOPMENT BANK OF CHINA, rated A1/A+ (Moody's/S&P), will start to meet investors in Hong Kong and Singapore from Monday on a proposed offering of senior bonds denominated in US dollars and/or offshore renminbi.

Bank of China, *Standard Chartered Bank* and *Bank of Communications* are joint global coordinators as well as joint bookrunners and joint lead managers with *Credit Agricole*, *BoCom International*, *Agricultural Bank of China Hong Kong branch*, *ABC International*, *ICBC (Asia)*, *HSBC*, *Mizuho Securities*, *Commerzbank*, *Citigroup* and *JP Morgan*.

The Reg S US dollar bonds and Dim Sum bonds have an expected A+ rating from S&P.

The offering, if it proceeds, would be the first US dollar bond issue by the Chinese agricultural policy bank, further expanding its reach in the international capital market.

ADBC has received a US$1.5bn-equivalent offshore debt issuance quota from the National Development and Reform Commission, according to a source close to the deal.

The Beijing-based lender last tapped the offshore bond market in May 2014 with Rmb2bn of Dim Sum bonds. It was also in the first batch of Chinese issuers of bonds via the Bond Connect scheme in July last year.

CHINA JIANYIN PRINTS US$500M 3YR

CHINA JIANYIN INVESTMENT (A2/A/A+), an investment arm of sovereign wealth fund China Investment Corp, drew final orders of over US$1bn from 50 accounts for a US$500m senior unsecured bond issue.

The 4.50% three-year Reg S notes were priced at 99.618 to yield 4.638%, or Treasuries plus 180bp, well inside initial 205bp area guidance.

Of the notes, 85% went to Asia and 15% to Europe. By investor type, 47% went to fund managers and asset managers, 40% to bank treasuries, 10% to insurance and sovereign wealth funds, and 3% to private banks and others.

The notes will be issued by Xingsheng (BVI) and guaranteed by JIC Leasing Company, a subsidiary of Jianyin. They will also have the benefit of a keepwell deed provided by Jianyin and are expected to be rated A+ by Fitch.

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

Bank of China, *HSBC* and *Cinda International* were joint global coordinators as well as joint bookrunners and joint lead managers with *ICBC International*, *Bank of Communications*, *China Everbright Bank Hong Kong branch*, *DBS Bank*, *OCBC Bank*, *China Citic Bank International* and *CICC*.

Jianyin is the sole and wholly owned industrial business investment arm of Central Huijin Investment, which is directly managed by CIC. It is also one of the 24 state-owned financial institutions directly supervised by the Ministry of Finance.

Jianyin in November last year printed a debut US$1.49bn-equivalent dual-currency bond offering comprising US dollar and euro-denominated notes in the international bond market.

CMB HK PLANS US DOLLAR SENIOR

CHINA MERCHANTS BANK HONG KONG BRANCH, rated A3/BBB+/BBB, has hired banks for a proposed offering of US dollar senior unsecured notes.

Citigroup, *CMB International* and *JP Morgan* are joint global coordinators as well as joint lead managers and joint bookrunners with *Bank of China*, *Bank of America Merrill Lynch*, *Credit Agricole*, *HSBC* and *Standard Chartered Bank*.

OCBC Bank, *Wing Lung Bank*, *ANZ*, *China Minsheng Banking Corp Hong Kong branch* and *KGI Bank* are joint bookrunners.

China Merchants Bank Hong Kong branch will meet investors in Hong Kong on September 17.

The Reg S notes, to be issued off the bank's MTN programme, have an expected A3 rating from Moody's.

EVERBRIGHT PRINTS GREEN FLOATER

CHINA EVERBRIGHT BANK HONG KONG BRANCH, rated Baa2/BBB (Moody's/Fitch), priced US$300m three-year US dollar Green floating-rate bonds at three-month Libor plus 85bp, well inside initial 110bp area guidance.

No final statistics were available at the time of writing but orders had reached over US$1.1bn, including interest from leads, ahead of the release of final guidance.

The senior unsecured Reg S notes, which will be issued off a US$5bn MTN programme, have an expected rating of BBB from Fitch.

Proceeds will be used to finance or refinance eligible Green assets as described under the Green Bond Framework of the bank.

China Everbright Bank Hong Kong branch, *Citigroup* and *Natixis* were joint global coordinators as well as joint lead managers and joint bookrunners with *ABC International*, *Bank of China*, *Bank of Communications*, *CCB International*, *China Everbright Securities (HK)*, *China Minsheng Banking Corp Hong Kong branch* and *ICBC*.

Citigroup and *Natixis* were Green structuring advisers.

FANG YANG PLANS DOLLAR BONDS

Chinese local government financing vehicle JIANGSU FANG YANG GROUP, rated BB by Fitch, has hired four banks for a proposed offering of US dollar bonds.

Guotai Junan International, *Bank of China*, *BoCom International* and *SPDB International* are joint global coordinators, joint bookrunners and joint lead managers.

Fang Yang Group will meet investors in Hong Kong, starting Tuesday.

Wholly owned subsidiary Haichuan International Investment is the issuer of the proposed Reg S notes and Fang Yang Group is the guarantor. The bonds have an expected BB rating from Fitch, on par with the guarantor.

Fang Yang Group is the sole investment

BOCHK's first AT1 draws hot demand

Bonds **US$3bn issue is largest single-tranche AT1 deal globally year to date**

BANK OF CHINA (HONG KONG), rated Aa3/A+/A, printed debut US$3bn US dollar-denominated Basel III-compliant Additional Tier 1 securities after drawing over US$5.4bn in final orders from 160 accounts.

The 144A/Reg S issue, the first public offering of AT1 securities from a Chinese lender this year, was also the largest single-tranche AT1 deal globally year to date.

Robust demand allowed BOCHK to increase the size of the print from an initial US$1.5bn–$2bn target while securing very tight pricing. The perpetual non-call five AT1s were priced at par to yield 5.90%, 40bp lower than initial 6.30% area guidance.

The book reached over US$9bn, including interest from leads, ahead of the release of final guidance.

The final pricing was tighter than the fair value of 6.01%–6.06% assessed by CreditSights and the 6.0%–6.1% calculated by Nomura's trading desk.

"We have set a generous IPG in order to draw investors' interest. As the book was very strong during the bookbuilding, it has allowed us to have a larger issue size," said a banker on the deal.

The banker said the syndicate saw the fair value of the new AT1s at 5.85%–5.90%.

BOCHK's issue was the first Chinese AT1 available in the 144A format as well as the usual Reg S format, although US support only accounted for a small part of the book.

Asia took 92% of the notes, Europe 4%, and the US 4%. By investor type, 37% went to asset managers and fund managers, 27% went to corporates, 18% to private banks, 11% to insurance firms, and 7% to banks.

Bankers said the offering had reopened the offshore AT1 market for Chinese issuers, but did not expect there would be huge supply before the end of the year.

Guangzhou Rural Commercial Bank, Zhongyuan Bank and Industrial and Commercial Bank of China have announced plans to issue offshore AT1s.

FULL IG STATUS

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

The AT1s, to be issued off the lender's US$15bn medium-term note programme, have expected ratings of Baa2/BBB (Moody's/S&P).

Nomura pointed out in a note that the full IG status of BOCHK's AT1 securities helped to draw more demand as private banks can offer their clients higher leverage and IG-only funds are able to invest.

Investors also like BOCHK's sound asset quality, much larger size and stronger local franchise compared with other Hong Kong subsidiaries of mainland Chinese banks like ICBC Asia. Rare issuers like BOCHK, which last tapped the bond market in 2014, also have scarcity value.

"BOCHK is a household name with a strong capital base. Moreover, it is expanding its businesses in South-East Asia. Its AT1s, in some sense, provide diversification among Chinese AT1 paper," a fund manager said.

BOCHK has maintained a very strong capital since 2016 following the disposal of two subsidiaries. Moody's said BOCHK's capitalisation will likely decline modestly as it expands its operations in ASEAN countries, but it expects the bank to maintain above peer-average capitalisation.

BOCHK's AT1 securities traded weakly in the aftermarket, quoted at 99.70/99.80 on Wednesday morning, according to Tradeweb.

The distribution rate of the notes will be reset from year five and every five years thereafter to the then prevailing five-year Treasuries yield plus the initial spread of 303.6bp.

The AT1s rank junior to the bank's senior obligations and Tier 2 securities, and rank senior only to common equity Tier 1 capital. Coupons may be cancelled in full or in part on a non-cumulative basis at the issuer's discretion or mandatorily in case the distributable reserves are not sufficient.

There will be a permanent write-down should there be a non-viability event, as notified by the Hong Kong Monetary Authority.

The proceeds of the issue will be used to improve AT1 capital and for general corporate purposes, including to fund a tender offer to buy back US$2.5bn 5.55% subordinated notes due 2020.

According to a BOCHK stock exchange filing, it has accepted for purchase US$876.749m of the principal amount of the 2020 subordinated notes, and the purchase price will be US$1,033.62 for each US$1,000 in the principal amount of the notes.

BOC, *Cinda International*, *Citigroup* and *Goldman Sachs* were joint global coordinators as well as joint lead managers and joint bookrunners with *BNP Paribas*, *Guotai Junan International* and *Morgan Stanley* on the AT1 issue.

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

CAROL CHAN

and financing arm of the Lianyungang municipal government to develop Lianyungang Xuwei New District, a state-level economic development zone in Jiangsu province.

H&H ANNOUNCES EXCHANGE OFFER

HEALTH AND HAPPINESS (H&H) INTERNATIONAL HOLDINGS is making an exchange offer for US$600m 7.25% senior notes due 2021 and a concurrent new bond offering in order to extend the company's debt maturity profile and optimise its capital structure.

The Chinese nutrition and baby care products provider is offering holders of the 2021 notes its proposed new notes, on condition that the issue size of the new bonds will be no less than US$400m, according to a stock exchange filing.

Moreover, the Hong Kong-listed company, formerly called Biostime International Holdings, intends to proceed with the exchange offer if at least 20% of the aggregate principal amount of the existing notes are validly tendered.

Eligible holders will receive an exchange consideration comprising the exchange price equal to US$1,042.29 of the new notes per US$1,000 in principal amount of the existing notes, accrued interest in cash, and cash rounding.

The deadline for the exchange offer is September 19 and the minimum interest rate of the new bonds will be announced at least 48 hours prior to the exchange expiration deadline.

Goldman Sachs is dealer manager of the exchange offer and *DF King* is information and exchange agent.

Any new money raised from the concurrent new bond offering will be used to refinance debt and for general corporate purposes.

S&P on September 11 raised H&H's rating to BB+ from BB with stable outlook and assigned a BB+ rating to its proposed US dollar senior unsecured notes. S&P said the rating upgrade reflects its views that H&H will increase its shares of its core markets of infant milk formula and vitamin, herbal, and mineral supplement products.

Moody's assigned a Ba2 rating to the company's proposed bond issue.

MINMETALS LAND PRINTS 3-YEAR

MINMETALS LAND has priced a US$300m three-year bond at par to yield 6.40%, well inside initial 6.75% area guidance.

Wholly owned subsidiary Expand Lead is the issuer of the Reg S unrated notes and the Hong Kong-listed company is the guarantor. The notes also have the benefit of a keepwell deed from ultimate controlling shareholder China Minmetals Corporation (Baa1/BBB+/BBB+).

Proceeds will be used to refinance debt.

BOC International, *DBS Bank*, *Haitong International* and *HSBC* were joint global coordinators. They were also joint lead managers and joint bookrunners with *China Everbright Bank Hong Kong branch*, *CLSA*, *Industrial Bank Hong Kong branch*, *Orient Securities (Hong Kong)*, *Shanghai Pudong Development Bank Hong Kong branch* and *Silk Road International*.

China Industrial Securities International and *CMB International* were co-managers.

POLY REAL ESTATE PRINTS FIVE-YEAR

Chinese property developer POLY REAL ESTATE GROUP (Baa2/BBB/BBB+) drew final orders of over US$1.1bn from 66 accounts for a US$500m senior unsecured bonds offering.

The 4.75% five-year notes were priced at 98.823 to yield 5.019%, or Treasuries plus 220bp, inside initial 235bp area guidance.

The notes will be issued by Poly Real Estate Finance, a wholly owned BVI subsidiary of Hengli (Hong Kong) Real Estate, the guarantor of the notes.

Hengli (Hong Kong) Real Estate is a wholly owned subsidiary of Poly Real Estate Group. The notes will also have the benefit of a keepwell deed and a deed of equity interest purchase undertaking from Poly Real Estate Group.

The Reg S notes have expected ratings of Baa3/BBB–/BBB+.

Asia Pacific took 91% of the notes and EMEA 9%. By investor type, 51% went to fund managers, 43% to banks, 5% to insurance and sovereign wealth funds, and 1% to private banks.

HSBC, *Bank of China* and *UBS* were joint global coordinators. They were also joint bookrunners and joint lead managers with *China Everbright Bank Hong Kong branch*, *ICBC (Asia)*, *Shanghai Pudong Development Bank Hong Kong branch*, *Industrial Bank Hong Kong branch* and *Guotai Junan International*.

SICHUAN LANGUANG PAYS 12% IN DEBUT

Property developer SICHUAN LANGUANG DEVELOPMENT, rated B+ by S&P, printed a debut US$250m bond issue with one of the highest yields seen recently in the Asian US dollar bond markets.

The 11% two-year Reg S notes were priced at 98.267 to yield 12%, flat with price guidance.

"As a first-time issuer, it needs to offer a higher yield to attract investors," said a banker on the deal, which resembled a club deal.

The senior unsecured notes will be issued by Hejun Shunze Investment with Sichuan Languang Development as guarantor.

The issue is expected to be rated B by S&P.

The Shanghai-listed company plans to use proceeds for general corporate purposes.

CICC and *Guotai Junan International* were global coordinators as well as joint bookrunners with *Haitong International* and *Zhongtai International*.

BNP Paribas, *BOC International* and *Cinda International* were listed as bookrunners at the time of bookbuilding but were not on the list when the issue was priced.

SOUTHERN GRID PRINTS DUAL

CHINA SOUTHERN POWER GRID, rated A1/A+/A+, has attracted final orders of US$3.06bn for a US$1bn dual-tranche US dollar senior bond issue.

A US$600m 3.875% five-year tranche was priced at 99.842 to yield 3.91%, or Treasuries plus 105bp, and a US$400m 4.25% 10-year tranche was priced at 99.252 to yield 4.343%, or Treasuries plus 137.5bp.

The final pricings were 20bp and 22.5bp tighter than initial guidance of 125bp area and 160bp area, respectively.

Final orders for the five-year tranche reached US$1.59bn from 71 accounts. Of the notes, 95% went to Asia and 5% to EMEA. In terms of investor type, 20% went to fund managers, 64% to banks and private banks, 10% to corporations, and 6% to insurance.

For the 10-year tranche, final orders were US$1.47bn from 75 accounts. Of the notes, 85% went to Asia and 15% to EMEA. In terms of investor type, 58% went to fund managers, 18% to banks and private banks, 5% to corporations, 18% to insurance, and 1% to others.

Wholly owned offshore subsidiary China Southern Power Grid International Finance (BVI 2018) is the issuer of the Reg S notes, and the state-owned parent company is the guarantor.

The notes have expected ratings of A1/A+ (Moody's/S&P).

The monopoly power-grid operator in China's five southern provinces plans to use proceeds for debt refinancing and general corporate purposes.

Bank of China, *Citigroup* and *JP Morgan* were joint global coordinators as well as joint bookrunners and joint lead managers with *China Construction Bank*, *Mizuho Securities* and *CICC*.

Southern Grid in April last year printed its first international bond. The US$1.5bn 144A/Reg S deal comprised US$600m 2.75% five-year and US$900m 3.50% 10-year notes priced 100bp and 130bp wide of Treasuries.

SHENZHEN INVESTMENT PICKS BANKS

SHENZHEN INVESTMENT HOLDINGS, rated A2/A/A+, has mandated *HSBC*, *Goldman Sachs*, *China International Capital Corporation*, *ICBC* and *Guosen Securities (HK)* as joint global coordinators on a senior unsecured US dollar bond.

The JGCs are also joint bookrunners and joint lead managers with *Morgan Stanley*, *DBS Bank*, *CMB International*, *China Minsheng Banking CorpHong Kong branch*, *OCBC Bank*, *CLSA*, *Guotai Junan International* and *China Securities International*.

Fixed income investor meetings in Hong Kong and Singapore started last week for the Reg S notes, which may follow subject to market conditions.

The proposed notes will be issued by SIHC International Capital, a wholly owned subsidiary of Shenzhen Investment Holdings, and will be unconditionally and irrevocably guaranteed by Shenzhen Investment Holdings.

The notes are expected to be rated on par with Shenzhen Investment, which is a state-owned asset management and investment services company for the Shenzhen government.

The Shenzhen government owns 100% of the company.

CIFI PRINTS DIM SUM NOTES

Chinese property developer CIFI HOLDINGS (GROUP), rated Ba3/BB–/BB, has priced Rmb1bn (US$146m) two-year Dim Sum bonds at par to yield 7.75%, flat to final guidance.

The Reg S senior notes have an expected rating of BB from Fitch.

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

Standard Chartered Bank was sole global coordinator.

CINDA BUYS DEFAULTED BERUN NOTES

China Cinda Asset Management has bought all the defaulted onshore bonds issued by INNER MONGOLIA BERUN GROUP, a privately owned Chinese conglomerate.

Berun said in a filing that the state-owned bad-debt manager had bought Rmb3bn of defaulted notes and was negotiating an overall debt solution with the company.

It did not disclose the price the notes were sold to Cinda.

In late 2016, Berun defaulted on Rmb1.1bn 270-day onshore notes after failing to make due payment and later defaulted on two other notes totalling Rmb1.9bn.

Cinda, which was originally set up to acquire bad debt from China's state-run banks, has broadened its focus to include distressed bonds.

In December 2016, Cinda agreed to acquire defaulted bonds of up to Rmb6.8bn in face value issued by Shandong Shanshui Cement Group, the mainland subsidiary of Hong Kong-listed China Shanshui Cement.

HSBC (CHINA) MAKES ONSHORE RETURN

HSBC BANK (CHINA) has returned to China's interbank bond market for funding after a domestic bond offering four months ago, pricing Rmb4bn of three-year notes at par to yield 4.23%. The offering was 1.68 times covered.

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

Haitong Securities was lead underwriter and bookrunner with *Bank of Communications* and *Guotai Junan Securities* as joint lead underwriters. *HSBC Qianhai Securities* was financial adviser.

It was HSBC China's third offering under its Rmb10bn bond programme approved by the People's Bank of China.

In May, the bank printed Rmb3bn of three-year notes at par to yield 4.74%.

FANTASIA CLEARED FOR ONSHORE

FANTASIA HOLDINGS GROUP has won regulatory approval to issue up to Rmb2.9bn of onshore bonds.

Fantasia Group (China), an onshore subsidiary of the Hong Kong-listed Chinese property developer, has been approved by the Shanghai Stock Exchange to go ahead with the public bond offering, according to a preliminary filing to the SSE.

The issuer, rated AA+ by China Chengxin, intends to use the proceeds to meet a redemption of onshore bonds. It has Rmb3.1bn of onshore bonds that are puttable for the remainder of this year.

Huatai United Securities is sole lead on the offering.

SYNDICATED LOANS

CNBM MULLS CHANGING GUARANTOR

CNBM (HONG KONG) is considering changing the guarantor on a debut US$160m three-year term loan in a move that could lead to a reduction in the pricing.

The borrower is looking to replace current guarantor China National Building Materials & Equipment Import & Export Corp with its parent China National Building Materials Group.

The latter has a stronger financial profile than its subsidiary and is directly owned by the State-owned Assets Supervision and Administration Commission, which acts as the owner of various state-backed enterprises on behalf of the central government.

Several lenders, which were processing approvals for the deal, are now awaiting a final decision from the borrower.

Mandated lead arrangers and bookrunners *BNP Paribas*, *Credit Agricole CIB* and *Taipei Fubon Commercial Bank* launched the deal in late July offering a top level all-in pricing of 240bp based on a margin of 190bp over Libor.

The original deadline for commitments was September 3.

OPTOELECTRONIC PARTS MAKER DEBUTS

Shenzhen-listed O-film Tech is making its loan market debut with a US$100m three-year facility.

CTBC Bank is the mandated lead arranger and bookrunner of the transaction, which offers an interest margin of 160bp over Libor and has an average life of 2.475 years.

MLAs committing US$20m or more will receive a top-level all-in pricing of 188.3bp via a participation fee of 70bp, while lead arrangers joining with US$15m–$19m earn an all-in of 182.2bp via a 55bp fee. Arrangers coming in for US$10m–$14m will receive an all-in of 176.2bp via a 40bp fee.

A site visit to Shenzhen was held on Friday. Commitments are due on October 19.

O-FILM GLOBAL (HK) TRADING, a unit of O-film Tech, is the borrower, while the parent company is the guarantor.

Funds are for refinancing and working capital purposes.

O-film Tech is a manufacturer of optical and optoelectronic components, including touch display, sensor and smart car products.

ZHENGTONG BACK FOR US$150M LOAN

Hong Kong-listed car dealership CHINA ZHENGTONG AUTO SERVICES HOLDINGS is back for a loan of up to US$150m, eight months after obtaining a bigger borrowing.

Cinda International Asset Management is the lead adviser, while *Taiwan Cooperative Bank* is the mandated lead arranger and bookrunner.

The deal has a base size of US$100m with a greenshoe option of US$50m. General syndication is expected to be launched as soon as next week.

In January, ZhengTong raised an increased US$380m three-year loan, which paid an all-in pricing of 369bp over Libor based on an interest margin of 315bp and an upfront fee of 110bp. Morgan Stanley was the global coordinator and administrative agent, while Bank of Taiwan was the original Taiwan MLAB.

ZhengTong mainly retails premium automobile brands such as BMW, Jaguar, Land Rover, Audi, Volkswagen and Volvo. For the six months ended June 30 2018, the company recorded a gross profit of Rmb2.3bn (US$336m), representing a year-on-year increase of 32.9%.

CORRECTION The article "CAS Engineering faces action over default" in our September 8 issue inaccurately listed Morgan Stanley as one of the parties taking legal action against CAS Engineering. We wish to make clear that Morgan Stanley is not part of the banking group suing the borrower.

EQUITY CAPITAL MARKETS

BOOKS COVERED FOR HAIDILAO IPO

The books of HAIDILAO INTERNATIONAL's Hong Kong IPO of up to HK$7.57bn (US$964m) are multiple times covered at the top end of the indicative price range, according to people close to the deal.

The deal has attracted strong demand from investors, despite the company selling shares at a premium valuation to its peers.

Haidilao, one of China's most popular hotpot restaurant chains, is selling about 425m shares, or 8.01% of its enlarged share capital, in an indicative price range of HK$14.80–$17.80 each.

The price range represents a 2019 P/E of 25.1–30.2 and values the company at about US$10bn–$12bn.

Shares of Hong Kong-listed Chinese hotpot restaurant chain Xiabu Xiabu Catering Management changed hands at around a 2019 P/E of 20x.

Nio rides out China-to-US volatility

Equities **Chinese Tesla rival rockets on second trading day while four others trim IPO targets**

The rollercoaster debut of Chinese electric car company **NIO** last week has underlined the extreme volatility surrounding China-to-US listings.

Nio made its trading debut last Wednesday in New York after raising US$1bn from a NYSE IPO, well short of the US$1.8bn target while it first filed for the float.

The Tencent-backed company sold 160m American depositary shares at US$6.26 each, near the bottom of an indicative price range of US$6.25–$8.25.

On its first trading day, Nio shares traded down immediately at open and fell as low as US$5.35, losing as much as 14.5% at one point. Thanks to some support later in the day, the stock closed at US$6.60 for a 5.4% gain.

The stock then rocketed in the second trading day last Thursday, soaring as much as 92% before ending the day at US$11.60, up 76%. About 158m shares changed hands that day, more than double that of the first day.

People close to the Nio IPO reckon the second-day pop could be related to investors covering their short positions.

"There was quite heavy short-selling in the stock in early trading on day one. Some investors might have rushed to cover their position on day two and hence pushed up the price," said one of the people.

Online pharmacy **111** also experienced a volatile debut on its first trading day last Wednesday.

The company priced a downsized US$99.4m IPO at US$14 per share. It planned to sell 9.3m primary ADS but eventually only sold 7.1m.

The stock traded as high as US$16.83 before reversing course and falling to US$11.58. The stock stabilised to finish at US$13.80, down 1.4%.

SELECTIVE BUYERS

US investors remain selective in embracing Chinese IPOs despite Nio's second-day pop.

Last Friday, Chinese news aggregator **QUTOUTIAO** raised US$84m from a smaller Nasdaq IPO after selling fewer shares than planned.

The company, which counts internet giant Tencent Holdings as a shareholder, planned to sell 16m ADS in an indicative price range of US$7–$9 each. JD.com had agreed to invest $40m.

It eventually sold 12m ADSs at US$7 each. The final price represents a 2019 P/S of 1.83 and a 2020 P/E of 14.6.

Also last week, Chinese consumer finance company **X FINANCIAL** and smart home appliances maker **VIOMI TECHNOLOGY** both started bookbuilding for smaller-than-planned US IPOs.

X Financial is selling 11m primary ADS at US$9–$11 each to raise up to US$121m, compared to the US$250m it has targeted. The price range represents a 2019 P/E of 6.7–8.1 before greenshoe exercised.

Existing shareholder Zhu Baoguo has indicated an interest to buy up to US$30m of the deal, while several investors have also agreed to buy up to US$70m of shares.

The deal will price on September 18.

Xiaomi-backed Viomi, meanwhile, is selling 11.4m primary ADS at an indicative price range of US$9–$11 each to raise up to US$125.4m. It filed for a US$150m deal earlier.

The deal will price on September 24.

FIONA LAU

"Some investors did find the deal expensive and skipped it. But a lot more investors think the strong growth and good management of the company justify such a price tag," said one of the people.

Five cornerstone investors have committed to taking up a combined US$375m of the deal. Hillhouse Capital and Greenwoods Asset Management will each take up US$90m, Morgan Stanley Asia and Snow Lake US$80m each and Ward Ferry US$35m.

Pricing is slated for September 17. Trading of the company's shares will start on September 26.

CMB International and *Goldman Sachs* are joint sponsors of the proposed IPO. The two banks are also joint global coordinators and joint bookrunners with *CICC*. *Citigroup* and *UOB* are the other bookrunners.

SHANDONG GOLD MINING LAUNCHES IPO

Shanghai-listed **SHANDONG GOLD MINING** has launched a Hong Kong IPO of up to HK$6.02bn.

The state-owned company is selling 327.7m H-shares, representing 15% of its enlarged capital, in an indicative price range of HK$14.70–$18.38 each.

The price represents a discount of 31%–45% to the company's A-share close last Wednesday. It also translates into a 2019 P/E of 16.25–20.32.

There is a 15% greenshoe.

The deal attracted five cornerstone investors to take up a combined US$412m, or about 60% of the deal based on the mid-point of the price range.

China Structural Reform Fund has committed US$150m, CCT China Merchant Buyout Fund about US$70m, ICBC Asset Management Scheme Nominee about US$97m, China National Gold Group Asset Management US$45m and Zhaojin Mining US$50m.

The pricing of the deal is slated for September 20. The shares will start trading on September 28.

The company will use the proceeds for the repayment of loans used to finance the acquisition of the Veladero mine in Argentina.

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

CHINA RENAISSANCE BOOKBUILDING

Investment bank **CHINA RENAISSANCE** started bookbuilding last Thursday for a Hong Kong IPO of up to HK$2.96bn.

The company is selling 85m primary shares, representing 15.5% of its enlarged capital, at an indicative price range of HK$31.8–$34.8 each.

The price range represents a pre-shoe 2019 P/E of 14.4–15.8 and a 2020 P/E of 10.1–11.

There is a 15% greenshoe.

Three cornerstone investors have agreed to take up a combined US$125m or 34.7% of the deal based on the mid-point of the price range.

Alipay (Hong Kong), a subsidiary of Ant Financial, has pledged US$50m. Asian alternative investment management firm Snow Lake has committed US$50m and private banking and asset management group LGT US$25m.

Pricing is slated for September 19 and trading in the company's shares for September 27.

China Renaissance, which focuses on new economy businesses, was founded by Bao Fan in 2005.

Fan, who previously worked at Morgan Stanley and Credit Suisse, is one of the country's most famed rainmakers in the technology sector.

China Renaissance posted a loss of US$66m for the three months ended March 31 2018, compared with a loss of US$2.5m over the same period in 2017. It lost US$13.5m in 2017.

Goldman Sachs and *ICBC International* are the joint sponsors. They are also joint global coordinators and joint bookrunners with *ABC International* and *China Renaissance*. There are five other bookrunners.

ALPHA SMART FILES US$200M HK IPO

Chinese menswear company **ALPHA SMART** has filed for a Hong Kong IPO of about US$200m, people with knowledge of the deal said.

Citigroup, *CMB International* and *Credit Suisse* are joint sponsors for the float.

Great World Glory, controlled by Singapore-based private equity firm L Catterton Asia, holds a 73% stake in Alpha Smart. Singaporean private equity firm Crescent Glory owns the other 27%.

Proceeds from the IPO will be used to acquire brands or strike strategic alliances, upgrade retail stores and establish a logistics centre.

Alpha Smart owns brands such as GXG, Yatlas and 2XU. It runs 708 self-owned stores, 538 partnership stores and 967 distributor stores in China.

The company posted a profit of Rmb107m (US$15.6m) for the first half of this year, down from Rmb144m a year earlier. It made an annual profit of Rmb422m in 2017 and Rmb400m in 2016.

CHINA HUARONG CANCELS A-SHARE IPO

Hong Kong-listed **CHINA HUARONG ASSET MANAGEMENT** has decided to withdraw its application for an A-share listing, according to a company announcement.

The company first proposed an A-share offering in June 2016 and has been waiting for regulatory approval since.

In the announcement, the company said the marked decrease in the interim results of 2018 compared to a year ago and the investigation of a former chairman by the authorities may affect the review of the A-share offering and hence it had decided to withdraw the application.

Huarong reported a net profit of Rmb684m for the first half of 2018, down 95% year on year.

In April, Huarong's former chairman Lai Xiaomin, who is under investigation for alleged corruption, stepped down.

The bad-debt asset manager planned to sell up to 6.89bn A-shares, or about 15% of its enlarged capital.

CICC and *Huarong Securities* were joint sponsors on the listing.

Proceeds were to be used for working capital and to develop the company's major businesses.

JP MORGAN REOPENS PING AN EB

JP Morgan has raised US$100m from a tap of a 2.5-year cash-settled exchangeable bond, with the H-shares of Ping An Insurance (Group) Company of China as the reference shares.

The funds raised were double the size of the US$50m target when JP Morgan reopened the deal last Monday. The reference issue price was set at 103.25%.

Investors will receive cash upon conversion of the EBs, rather than shares in Ping An.

The share price of Ping An has been strong since JP Morgan sold the EB on July 17 and the EB has also been trading well in the secondary market.

Last week's tap was mainly sold to investors that wanted more exposure to the EB.

JP Morgan was the issuer and also the sole bookrunner.

The net proceeds will be used for general corporate purposes, including hedging arrangements.

On July 17, JP Morgan raised US$350m from the Ping An-linked EB. The EB carried a zero coupon and zero yield-to-maturity. The exchange premium was set at 16%, versus the marketed range of 15%–20%.

HONG KONG

DEBT CAPITAL MARKETS

AIA GROUP PRINTS FLOATER

Insurer **AIA GROUP** (A2/A/AA–) last Wednesday priced a US$500m three-year floating-rate senior unsecured note offering at par to yield three-month Libor plus 52bp, from a guidance range of 52bp–55bp and initial thoughts of 60bp area.

Goldman Sachs and *JP Morgan* were joint global coordinators for the 144A/Reg S trade. They were also joint bookrunners with *Citigroup* and *Morgan Stanley*.

SHUI ON LAND SEEKS AMENDMENTS

SHUI ON LAND is seeking approval from bondholders to amend certain terms of three of its outstanding bonds to gain greater flexibility to pay dividends, to redeem, repurchase or acquire its shares, and to make other investments.

The Hong Kong-listed Chinese property company aims to modify the provisions of the indentures relating to the covenant entitled "Limitation on Restricted Payments" and the definition of "Permitted Investment".

The three bonds involved are US$250m 4.375% notes due 2019, US$500m 5.70% notes due 2021 and Rmb2.2bn 6.875% notes due 2021.

Holders of the 4.375% 2019s and 5.70% 2021s will receive US$5.00 per US$1,000 in principal amount, while those of the 6.875% 2021s will receive Rmb50 per Rmb10,000 in principal amount, if they agree to the changes.

The deadline for the consent solicitation is September 21.

Standard Chartered Bank is the sole solicitation agent and *DF King* is the tabulation and information agent.

SYNDICATED LOANS

FAR EAST HORIZON IN FAST RETURN

Financial services company **FAR EAST HORIZON** is talking to relationship banks for a return to the loan market, six months after it closed two borrowings totalling US$1.3bn.

The borrower held meetings with banks to gauge appetite for the new loan, details of which are yet to be finalised.

Hong Kong-listed Far East Horizon, a unit of state-owned Sinochem Group, is a frequent visitor to the loan market. In March, it signed a US$1.12bn-equivalent three-year offshore bullet facility with 17 banks and a Rmb1.23bn (US$194m then) three-year onshore amortising term loan with six lenders.

The former paid a top-level all-in pricing of 155bp via an interest margin of 130bp over Libor/Hibor, while the latter offered a top-level all-in of 112.8% of the PBoC rate based on a margin of 105% of the PBoC rate.

FIRST PACIFIC CLOSES US$200M LOAN

Hong Kong-listed First Pacific has closed a US$200m six-year term loan following commitments from six lenders in general syndication.

Mizuho Bank was the sole mandated lead arranger, bookrunner and underwriter, and partially pre-funded the deal in May.

The loan offered a top level all-in pricing of 130.35bp via an interest margin of 120bp over Libor and an average life of 4.83 years.

The borrower is **FP TREASURY (2018)**, a British

Virgin Islands-registered special purpose vehicle wholly owned by First Pacific, which is also providing a guarantee.

Signing with all lenders is taking place today and the transfer is scheduled for September 28.

Repayments begin after a 36-month grace period via two unequal instalments: 35% (36 month) and 65% (72 month).

The availability period is until June 28 next year. The facility pays a 30bp commitment fee on any undrawn amount after the first four months.

Financial covenants include a minimum interest coverage ratio of 1.5x and maximum total indebtedness of 35% of the current value of assets, or US$2.5bn, for the parent. Substantial asset disposals or new share issuance would trigger mandatory prepayment of the loan.

First Pacific, an investment management and holding company, has business interests in South-East Asia in telecoms, infrastructure, food products and natural resources.

For full allocations, see www.ifrasia.com.

MINSHENG UNIT LAUNCHES FACILITY

CMBC CAPITAL HOLDINGS, a unit of China Minsheng Banking Corp, has launched a two-year loan of up to HK$1.4bn (US$178m), adding to two loans in the market for other affiliates.

E.Sun Commercial Bank is the mandated lead arranger and bookrunner of the transaction, which has a base size of HK$700m with a greenshoe option of the same amount.

The loan can be denominated in either Hong Kong or US dollars and offers a margin of 155bp over Hibor and 150bp over Libor.

Banks are being invited to join as MLAs with commitments of HK$160m or more for an upfront fee of 45bp and a top-level all-in of 177.5bp or 172.5bp. Lead arrangers with tickets of HK$115m–$159m earn a 35bp fee for all-ins of 172.5bp or 167.5bp, while arrangers with commitments of HK$75m–$114m receive a 25bp fee for all-ins of 167.5bp or 162.5bp.

Funds are for general corporate purposes.

Separately, Minsheng Financial Leasing, another CMBC unit, is seeking a US$95m five-year ship financing for three special-purpose vehicles. Bank SinoPac is the mandated lead arranger and bookrunner of the facility, which offers an interest margin of 160bp over Libor. Lenders are being offered a 50bp upfront fee.

Also, Minsheng Hong Kong International Leasing, a wholly owned unit of Minsheng Financial Leasing, is in the market for a US$300m three-year loan. Credit Suisse Singapore and E. Sun Commercial Bank are the MLABs of that bullet deal, which offers a top-level all-in pricing of 170bp over Libor via a margin of 150bp.

XINYI GLASS BACK AFTER SEVEN YEARS

Chinese automobile glass maker Xinyi Glass Holdings is returning to the loan market for a HK$750m three-year borrowing after more than seven years.

Sole mandated lead arranger and bookrunner *Sumitomo Mitsui Banking Corp* has launched the bullet deal into limited syndication with an unspecified greenshoe option.

The facility offers a top level all-in pricing of 118bp via an interest margin of 90bp and an upfront fee of 84bp for lead arrangers committing HK$200m and above. Arrangers coming in with HK$100m–$199m receive an all-in of 116bp via a 78bp fee.

The borrower is XINYI GROUP (GLASS), while its Hong Kong-listed parent is the guarantor.

Commitments are due by the end of September. Proceeds will be used for refinancing and general corporate purpose.

Xinyi last borrowed a HK$1bn four-year term loan from five banks in July 2011. A few months later existing lenders on a HK$1.1bn loan completed in 2010 successfully invoked the market-disruption clause on the grounds of spiking funding costs, marking Hong Kong's first such case since the 1997 Asian financial crisis.

Xinyi has factories in seven Chinese cities as well as Malaysia.

BELLE TIES UP DIVIDEND RECAP AND A&E

Shoe retailer Belle International Holdings has allocated a five-year dividend recapitalisation and amendment and extension exercise at HK$29bn following a voluntary pre-payment last month.

The loan, launched into general syndication at a HK$30bn size, offered a top-level all-in of 287.85bp based on an opening margin at 275bp over Libor and a remaining average life of 4.28 years. With the voluntary pre-payment on August 28, the size was reduced to HK$29bn.

Bank of America Merrill Lynch and *HSBC* were the original mandated lead arrangers, bookrunners and equal underwriters of the loan, which attracted 15 other banks, including eight in senior syndication.

The borrowing will finance a HK$13.5bn dividend recapitalisation and is also an amendment and extension of HK$16.5bn outstanding of a HK$28bn leveraged buyout financing closed in June last year.

Existing lenders were offered a consent fee of 35bp for the A&E exercise.

MUSE HOLDINGS-B, a Cayman Islands-incorporated special purpose vehicle and acquirer in last year's leveraged buyout, is the borrower of the senior secured loan.

For full allocations, see www.ifrasia.com.

INDIA

DEBT CAPITAL MARKETS

REC SCRAPS BOND ISSUE

RURAL ELECTRIFICATION CORP has withdrawn a three-year 13-day bond offering on September 12 after it received bids at a higher than expected level, according to market sources.

Most bids were concentrated around the 9% level, while the issuer was expecting 8.45%.

The Indian public sector company was targeting Rs5bn (US$69m) from the bond, plus a greenshoe option of Rs25bn.

India's corporate bond yields have moved up sharply because of the emerging market sell-off, a weakening rupee and tightening liquidity.

The three-year AAA rated corporate bond yield has surged to 8.80% as of Thursday last week, up 30bp in the past five trading sessions, according to Thomson Reuters data.

REC is yet to make an official announcement on the issue's withdrawal.

ABF PRINTS ZERO-COUPON BONDS

ADITYA BIRLA FASHION & RETAIL has raised Rs3bn from zero-coupon bonds maturing on August 14 2021, according to a filing on National Securities Depository Limited.

The effective yield will step up by 25bp if the rating is downgraded to A+ from AA–.

Crisil and India Ratings have assigned AA ratings to the notes.

ICICI Bank is the sole arranger for the deal.

BHOPAL EYES 10-YEAR MUNIS

BHOPAL MUNICIPAL CORPORATION is eyeing 10-year bonds with a seven-year put/call option, according to a source close to the plans. The corporation met arrangers on September 12.

If the deal proceeds, this will be the fifth municipal bond offering since the city of Pune opened the market last year.

Bhopal is planning to raise Rs1bn, plus a greenshoe option of Rs750m. The actual structure of the deal is not yet known.

Last month, Greater Hyderabad Municipal Corporation raised Rs1.95bn from a second tranche of 10-year bonds at 9.38%, payable semi-annually. In June, Indore raised Rs1.399bm from 10-year bonds at 9.24%.

In June last year, Pune raised Rs2bn from 10-year bonds at 7.59%.

Bhopal is yet to make an official announcement.

JUBILANT PRINTS RS3.5BN BONDS

JUBILANT LIFE SCIENCES has raised Rs3.5bn from a triple-tranche bond offering, according to a BSE filing.

The Indian pharmaceutical company raised Rs1bn each from two and three-year tranches in a separately transferable redeemable principal part (STRPP) format at 8.95% and 9.1% respectively. It also raised Rs1.5bn from four-year bonds in the same format at 9.26%.

Interest will be paid semi-annually.

Yes Bank is the sole arranger for the deal.

Crisil and India Ratings have assigned a AA (stable) rating to the secured notes.

SYNDICATED LOANS

TATA POWER MANDATES FIVE FOR REFI

Tata Power has mandated five banks on a US$245m three-year refinancing.

The five mandated lead arrangers and bookrunners are *ANZ*, *Bank of America Merrill*

Indian retail bonds sail through

Bonds **ICCL retail issue twice subscribed on first day of offering**

Retail bond issues are sailing through India's onshore market despite rate volatility as investors are drawn to the higher yields on public issues from non-banking financial companies, even as state-owned issuers are being forced to scrap institutional placements.

INDIABULLS COMMERCIAL CREDIT LIMITED has already received subscriptions of Rs26.7bn (US$357m) for its debut issue of retail bonds that opened on September 11 and aims to raise a minimum of Rs10bn. The NBFC, which focuses on long-term mortgage-backed loans, saw subscriptions of two times, or Rs20bn, from qualified institutional buyers within the first five minutes of the issue opening on Monday.

TATA CAPITAL FINANCIAL SERVICES has received subscriptions totalling Rs15.6bn and is targeting a base size of Rs20bn, the first public issue by a Tata Group company in a decade. The issue opened on September 10 and aims to raise up to Rs75bn.

The offerings from ICCL and Tata Capital close on September 28 and 21, respectively.

In the institutional private placement format, however, **RURAL ELECTRIFICATION CORP** had to withdraw its planned sale of Rs30bn three-year 13-day bonds on Wednesday last week after it received bids at a higher than expected yield.

And on September 4, Power Finance Corp scrapped a sale of 10-year bonds to raise up to Rs20bn after it failed to achieve the desired price.

Retail investors are subscribing to public issues from good credits for a yield pick-up as they are getting more than 9% yield for the 10-year maturity, said Ajay Manglunia, head of fixed income at Edelweiss Financial Services.

The NBFCs' lending books are seeing double-digit growth as state-owned banks have slowed lending due to asset quality issues and capital constraints. Public issues have gathered steam in India after the country's market regulator fast-tracked the issuance process, cutting the listing process from 12 to six working days in a rule change announced in August.

NBFCs are tapping the retail route at fixed yields to diversify and provide capital for their growing balance sheets.

"Over the last two to three years, we have grown at a compounded annual growth rate of 15%," said Sandip Joshi, assistant vice president of Tata Capital. "On an asset size of Rs369bn, we are raising Rs75bn from the public route, which is justifiable."

Tata Capital has the ability to pass on higher fundraising costs to its borrowers. It has a balance of fixed and floating rate assets, which helps with managing net interest margins.

"Although there has been volatility in interest rates, we are looking at the raising of retail bonds as a further diversification of our resource-raising profile," said Joshi. "When the rates move up or down, the transmission mechanism to the customers is critical."

Tata Capital continues to focus on growing its balance sheet. It has borrowed 20%-21% from commercial paper, 50%-60% from bonds and balance from bank loans in FY18.

"The negative carry on the portfolio for investors reduces. The instrument gets listed and the exchange of paper happens in the secondary markets in a short span of time which is positive for investors," said Joshi.

So far, there have been public issues of Rs200bn to Rs220bn, and the last four to five public issues were oversubscribed, according to Tata Capital.

ICCL, which has Rs82.63bn assets under management and a gross bad loan ratio of 0.4% as of March 2018, is targeting up to Rs20bn from retail bonds.

KRISHNA MERCHANT

Lynch, *DBS Bank*, *Industrial and Commercial Bank of China (Asia)* and *Sumitomo Mitsui Banking Corp*.

Tata Power's subsidiary, KHOPOLI INVESTMENTS, is the borrower.

Funds are to refinance the remaining outstanding from a US$305m three-year loan completed in December 2015. ANZ, BAML, DBS, JP Morgan, Standard Chartered and SMBC were the MLABs on that facility, which paid a top-level all-in pricing of 143.92bp based on a margin of 126bp over Libor and a 50bp fee.

Tata Power last tapped the loan market via its subsidiary Bhira Investments with a US$460m five-year loan. ANZ, Axis Bank, BAML, DBS, Export Development Canada, ICBC (Asia), National Bank of Abu Dhabi and Sumitomo Mitsui Banking Corp were MLABs on that loan, which offered a top level all-in pricing of 208bp based on an interest margin of 195bp over Libor and a 62.8bp fee.

HDFC ATTRACTS MORE LENDERS

Eight banks have submitted commitments exceeding US$190m so far to mortgage lender HOUSING DEVELOPMENT FINANCE CORP's US$750m five-year loan.

Three more banks are still in the process of getting approvals to join the deal, which will close at the end of next week. Signing is slated for end-September or early October.

ANZ, *Barclays*, *Citigroup*, *DBS Bank*, *First Abu Dhabi Bank*, *HSBC*, *Mizuho Bank*, *MUFG* and *Sumitomo Mitsui Banking Corp* are the mandated lead arrangers and bookrunners of the bullet loan, which was pre-funded by the nine leads. *United Overseas Bank* joined in senior syndication as MLAB.

The transaction pays a top-level all-in pricing of 115bp based on an interest margin of 100bp over Libor and an average life of 4.88 years.

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

YES BANK ATTRACTS FOUR

YES BANK has closed syndication of its US$400m three-year loan after attracting four banks in general syndication, according to a press release from the Mumbai-listed lender.

Landesbank Baden-Wurttemberg joined as mandated lead arranger, while *Export-Import Bank of the Republic of China*, *First Commercial Bank* and *Sunny Bank* came in as arrangers.

Allocations are being finalised.

BayernLB, *Commerzbank*, *CTBC Bank*, *First Abu Dhabi Bank*, *Korea Development Bank*, *State Bank of India*, *United Overseas Bank* and *Westpac Banking Corp* are the mandated lead arrangers and bookrunners of the financing, which paid a top-level all-in pricing of 114.48bp based on an interest margin of 95bp over Libor and an average life of 2.67 years.

The pricing was richer than what Yes Bank paid on a US$300m three-year loan, which closed in July after a six-month syndication. MLABs HSBC, Standard Chartered and Westpac had launched the deal offering a top-level all-in pricing of 105bp based on an interest margin of 80bp. Five banks joined in general syndication, which was launched in January.

Yes Bank, rated Baa3 by Moody's, is India's fourth-largest private sector bank in terms of assets.

EQUITY CAPITAL MARKETS

PAYTM DOWNPLAYS IPO PLANS

Indian payments company PAYTM is unlikely to go public in the next three to four years, founder Vijay Shekhar Sharma has said.

"We are well capitalised for the next few years," Sharma said at the Asia PE-VC Summit 2018 organised by DealStreetAsia.

Paytm, founded by Sharma in 2010, counts SoftBank, Alibaba Group and its financial services arm Ant Financial Services Group among its investors.

Last month, Warren Buffett's Berkshire Hathaway invested US$356m in One97 Communications, the parent of Paytm. One97 had planned a Rs1.2bn (US$16m) IPO in 2010 but shelved it on weak market conditions.

The payment company has also entered the e-commerce business and is now selling mutual funds and gold through an app.

Sharma said the company plans to launch its payment services in the US. Currently it runs payment services in Canada and Japan. Sharma said Canada was the template to expand further into North America and Japan to expand in non-English-speaking markets.

He said India's demonetisation in 2016 had been an "inflection moment" for the company. "It gave us the business that would have otherwise taken two years to achieve."

The shortage of cash as a result of demonetisation forced many vendors to accept payment through Paytm and other electronic wallets.

LODHA DEVELOPERS PUTS IPO ON HOLD

LODHA DEVELOPERS has put its IPO on hold because of weak market conditions, people with knowledge of the transaction said.

The company was planning to launch a smaller than originally planned IPO in the third week of September, subject to investor interest.

"There is no official timetable but the issue will not happen in the next few months," a banker on the transaction said.

In the draft prospectus, the company said it planned to raise Rs37.5bn from primary shares, while the Mangal Prabhat Lodha family would sell 18 million secondary shares. Bankers were expecting the secondary share tranche to be cut.

Although the benchmark S&P BSE Sensex index is up 10% so far this year, the broad market is weak, with the Nifty Midcap 100 down 11%. The Sensex comprises the top 30 stocks by market capitalisation. The fall of the rupee against the US dollar has also kept foreign investors away. "Foreign investors want the rupee to stabilise before making any major investments," a second banker on the deal said.

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 had 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.

GARDEN REACH SETS IPO PRICE RANGE

State-owned GARDEN REACH SHIPBUILDERS & ENGINEERS plans to raise up to Rs3.4bn through an IPO having fixed a price range of Rs115–Rs118 a share.

In a public notice, the company said the Indian government will sell 29.2m shares, or a 25.5% stake. The IPO will be open for subscription between September 24 and September 26.

The top of the price range implies a 2018 P/E multiple of 16.53.

Garden Reach earned a net profit of Rs122m in 2017 versus Rs1.62bn in 2016. In its annual report, the company said its net profit fell because of a delay in the delivery of ships.

IDBI Capital and *Yes Securities* are the bookrunners.

INDONESIA

DEBT CAPITAL MARKETS

› XL AXIATA RELEASES GUIDANCE

XL AXIATA is planning to raise Rp2trn (US$135m) from a five-part bond offering, including a Rp1trn sukuk portion, according to an offer document.

The Indonesian mobile telecommunications services operator has put out indicative price ranges of 8.0%–8.5% for 370 days, 8.75%–9.50% for three years, 9.25%–10.25% for five years, 9.85%–10.50% for seven years and 10.00%–10.65% for 10 years.

It has fixed the ranges at the same levels for the sukuk tranches. The interest on the bonds will be paid quarterly.

CIMB, *DBS Vickers*, *Indo Premier*, *Mandiri* and *Maybank Kim Eng Sekuritas* are lead arrangers for the bond offering.

The books opened on September 13 and will close on September 27.

The funds raised will be used for network-related capital expenditure.

Fitch Ratings Indonesia has assigned a AAA rating to the notes.

› JLB FIXES YIELD FOR DUAL-TRANCHER

JAKARTA LINGKAR BARATSATU has fixed the yield for a two-part bond offering of Rp1.3trn, according to BCA Sekuritas.

The operator of toll roads in west Jakarta has fixed the yields at 9.75% for a three-year tranche of Rp875bn and 10.65% for a five-year portion of Rp425bn.

Around 80% of the funds will be used for refinancing a bank loan and the rest will be used to meet working capital requirements.

The notes are rated A+ by Pefindo. The interest on the bonds will be paid quarterly.

BCA Sekuritas and *Mandiri Sekuritas* are the lead arrangers for the issue.

› MEDCO SETS COUPONS

MEDCO ENERGI INTERNASIONAL has set the coupons for a domestic dual-tranche bond offering of Rp1.25trn, according to the offer document.

The Indonesian oil and gas explorer and producer has fixed the coupons at 10% for a three-year tranche of Rp1.15trn and 10.75% for a five-year Rp41.25bn portion. The remaining Rp57.85bn piece of the offering will be sold on a best-effort basis.

The interest on the bonds will be paid quarterly. Pefindo rates the bonds A+.

The notes will be alloted on September 24 and 25 and the listing will take place on September 28.

Danareksa, *Mandiri*, *Samuel* and *Trimegah Sekuritas* are the lead arrangers.

Proceeds will be used to repay debt. Medco Energi has debt of about US$348m maturing this year, according to Nomura Credit Research.

In March, it raised Rp500bn from dual-tranche bonds. In January, it printed US$500m of seven-year non-call four bonds with a 6.75% coupon, priced to yield 6.9%.

› WASKITA KARYA EYES RP2TRN BONDS

WASKITA KARYA is planning to raise Rp2trn from a dual-tranche bond offering, according to the offer document.

It has put out indicative yield ranges of 8.5%–9.25% for a three-year tranche and 9%–10% for a five-year piece.

The books opened on August 20 and were due to close on September 10.

In February, Waskita Karya raised Rp3.44trn from a dual-tranche bond offering.

Fitch Ratings has assigned a A– rating to the notes.

Mandiri Securities is the lead arranger for the issue.

SYNDICATED LOANS

› WASKITA KARYA BACK WITH LOAN

Indonesian state-owned developer WASKITA KARYA has returned to the market with a Rp3trn (US$200m) five-year facility, slightly over a year since it closed its debut Rp5trn facility.

Barito eyes US$2bn Suralaya power PF

■ **Loans** **Indonesian conglomerate expands into energy**

Jakarta-listed conglomerate BARITO PACIFIC and Indonesia Power, a subsidiary of state-owned Perusahaan Listrik Negara, are in discussions with banks for a US$2bn loan to fund the construction of two 1,000 megawatt coal-fired plants in Indonesia.

The financing will comprise commercial and export credit agency-backed tranches. The commercial tranche is expected to carry a 15-year tenor.

DBS Bank is the financial adviser for the project, which is estimated to cost around US$3bn and will involve the construction of two ultra supercritical plants at Suralaya in Banten province.

The plants, known as Jawa 9 & 10, will be located close to the existing Suralaya coal-fired power plants numbered 1–8. The new plants are expected to become operational by 2022.

PLN will be the offtaker for the electricity produced and has signed a 25-year power purchase agreement with Indo Raya Tenaga, the project company.

IRT is a 49:51 joint venture between Barito Pacific and Indonesia Power.

Although Barito Pacific has not borrowed in its own name in the syndicated loan markets, lenders are familiar with Chandra Asri Petrochemical, the largest petrochemical plant in Indonesia. Barito Pacific owns a 46.3% stake in Chandra Asri, which has not tapped the loan markets since 2012.

Barito Pacific will also be able to tap into the banking relationships it has access to following its acquisition of a 66.67% stake in Star Energy Group Holdings in early June for US$755m. Barito Pacific raised Rp8.9trn (US$599m) from a rights issue to fund the acquisition.

Star Energy is a well-known name in international capital markets, having completed a US$660m dual-tranche loan in May last year to fund its purchase of the Salak and Darajat geothermal fields in West Java from US energy giant Chevron.

Ten banks joined original mandated lead arrangers and bookrunners Credit Suisse, DBS Bank and Maybank Kim Eng Securities on the deal, which paid a top-level all-in pricing of 410.76bp based on an interest margin of 360bp over Libor and a remaining average life of 3.94 years.

Star Energy was part of an acquiring consortium that included Philippine conglomerate Ayala and Electricity Generating Co of Thailand.

Business tycoon Prajogo Pangestu is the controlling shareholder and founder of Barito Pacific, which started life in 1979 as Bumi Raya Pura Mas Kalimantan, a forestry and timber company. It then listed on the stock exchange in 1993 as Barito Pacific Timber.

PRAKASH CHAKRAVARTI

Sumitomo Mitsui Banking Corp is the sole mandated lead arranger and bookrunner of the amortising financing, which pays an interest margin of 250bp over Jibor and has an average life of 3.375 years.

Banks receive a top-level all-in pricing of 258.88bp and the lead arranger title for commitments of Rp500bn and above via a participation fee of 30bp, or an all-in of 255.92bp and the arranger title for tickets of Rp300bn–Rp499bn via a 20bp fee.

A bank presentation will be held in Jakarta on September 17, and the deadline for commitments is October 10.

Funds are for general corporate purposes. The transaction is secured by accounts receivable of certain projects.

The borrower raised the Rp5trn five-year loan with eight lenders joining in general syndication last September. SMBC was also the sole MLAB on the deal, which paid a top-level all-in pricing of 287.95bp based on a margin of 277bp over Jibor and a 3.65-year average life.

JAPAN

DEBT CAPITAL MARKETS

MUFJ LEASE PRINTS DOLLARS

MITSUBISHI UFJ LEASE AND FINANCE on Thursday priced a US$500m five-year senior bond offering at par to yield 3.96%, equivalent to Treasuries plus 110bp.

This was at the tight end of final guidance of Treasuries plus 112.5bp, plus or minus 2.5bp, and inside initial thoughts of 130bp area.

The notes are expected to be rated A3/A– (Moody's/S&P).

Citigroup, *Goldman Sachs*, *JP Morgan* and *Morgan Stanley* were active bookrunners.

NIDEC SETS SIGHTS ON EUROS

Motor manufacturer **NIDEC**, rated A3 by Moody's, has mandated *Morgan Stanley*, *Citigroup*, *HSBC* and *JP Morgan* as joint bookrunners to arrange investor meetings and calls in Europe commencing on September 17.

A minimum €300m (US$349m) three-year

Barclays follows callable TLAC lead

Bonds **Regional investors welcome second Samurai after HSBC sets template**

BARCLAYS on Friday made a successful return to the Samurai market with a ¥147.6bn (US$1.3bn) offering of dual-tranche callable Samurai bonds, mimicking the same structure that its peer HSBC used a week earlier.

The offering, which will count towards total loss absorbing capacity, consisted of a ¥130.5bn 1.232% six-year non-call five tranche and a ¥17.1bn 1.635% 10-year non-call nine tranche. The spread over yen offer-side swaps was 105bp for the 6NC5, the wider end of initial price guidance of 100bp–105bp, while the spread for the 10NC9 was 130bp, the tighter end of the initial range of 130bp–135bp.

If the notes are not called, the coupon for the 6NC5 will be the six-month yen Libor plus 105bp, and the 10NC9 will have a coupon of six-month yen Libor plus 130bp.

The pricing was considered fair by market participants. According to a calculation by a market source, the 105bp spread on the 6NC5 was equivalent to mid-swaps over 140bp in euros, which is 10bp higher than where Barclays priced a five-year bullet bond in late August. That 10bp difference was explained by the call option for the Samurai bond.

The deal clearly illustrates Japanese investors' strong appetite even for Triple B rated bonds and their familiarity with the callable structure, which make it easier for big global banks to issue TLAC bonds in Japan.

Although the size of the deal was smaller than the capped¥160bn three-tranche callable trade HSBC had priced a week earlier, Barclays received demand from a good number of Japanese investors. The number of investors participating in the deal was over 150, slightly smaller than around 160 in the HSBC deal.

REGIONAL RESPONSE

As has been the case in recent TLAC-style yen deals, regional participation was strong. According to a banker on the deal, regional investors took about 23% of the 6NC5 and 35% of the 10NC9.

Regional investors were encouraged by the clearer guidance released by Japan's Financial Services Agency in April on regional banks' holdings of TLAC bonds, which said that risk weightings on such products will be the same as those on traditional senior bonds until March 2019.

Nonetheless, demand for the longer tranche was smaller compared with the HSBC trade. While HSBC attracted ¥67.6bn of demand for its 10NC9, Barclays only drew a quarter of that, partly because of the latter's lower credit ratings. Still, the over-1% coupon and triple-digit spread for the 6NC5 gave long-term investors a good excuse not to go outside of the curve.

The 6NC5 tranche saw demand from a wide range of investors, including commercial banks, trust banks, asset managers, specialised banks, lifers, non-lifers and regional banks. The 10NC9 saw lifers and regional investors participate.

As this trade was Barclays' first Samurai transaction since 2015, and as Moody's credit rating on the bonds is only one notch above junk, there were mixed views on the prospects for the deal.

"I didn't have any preset idea about how the deal would go," said one banker. "But, given the strong results especially for the 6NC5, I think it's a successful comeback." He said he thinks Japanese investors are okay with both Barclays' credit and a callable structure.

"We thought the deal would go extremely well or extremely badly," said a second banker, stressing the strong demand from regional investors.

"The size of the deal is within my expectation," a third banker said. "We thought there would be about ¥30bn to ¥40bn of demand from regional investors."

However, the third banker said he was surprised that there were orders from regional investors that he had not seen before: "Potential demand from regional investors may be stronger than we think."

The Samurai market saw back-to-back TLAC callable issuance from British banks, but there was another trade through a private placement.

ROYAL BANK OF SCOTLAND sold ¥10bn through its first callable TLAC bond offering in yen earlier this month.

Several bankers told IFR that Standard Chartered seems to be looking for an opportunity to sell yen bonds in the near future. Standard Chartered did file a shelf registration for Samurai bonds on August 31, the same day as Barclays.

Barclays, *Mitsubishi UFJ Morgan Stanley*, *Mizuho*, *Nomura* and *SMBC Nikko* were the lead managers on the Barclays deal, which is rated Baa3/BBB/A/A– by Moody's/S&P/Fitch/R&I.

TAKAHIRO OKAMOTO

fixed or floating-rate Reg S registered senior unsecured bond is expected to price in the near future, subject to market conditions.

The notes are expected to be rated A3 by Moody's and be listed on the Luxembourg Stock Exchange's Euro MTF Market.

SYNDICATED LOANS

TOKUYAMA SIGNS ¥60BN HYBRID LOAN

TOKUYAMA signed a ¥60bn (US$540m) 60-year subordinated loan last Thursday to repay its hybrid financing ahead of the maturity date, the Yamaguchi-based chemical manufacturer said in a statement.

MUFG and *Mizuho Bank* were the mandated lead arrangers, while *Hiroshima Bank*, *Saikyo Bank*, *Sumitomo Mitsui Trust Bank* and *Yamaguchi Bank* joined in syndication, according to a source.

The loan can be repaid after five years.

The interest margin on the loan will step up by 100bp after five years. The initial margin is undisclosed.

Funds, to be drawn on September 20, will refinance a ¥60bn 60-year subordinated loan Tokuyama completed in March 2014. MUFG was the arranger of the previous deal.

Rating & Investment Information and Japan Credit Rating Agency have assigned 70% and 75% equity treatment respectively and BBB– ratings to the loan.

ITOCHU ADVANCE LOGISTICS SIGNS DEBUT

ITOCHU ADVANCE LOGISTICS INVESTMENT signed a ¥19.3bn debut syndicated loan for real estate acquisitions last Friday, the same day it completed its listing on the Tokyo Stock Exchange.

Sumitomo Mitsui Banking Corp arranged the bullet loan, which is split into a ¥1.88bn one-year portion, a ¥5.3bn three-year term loan, a ¥5.12bn six-year facility, a ¥5.5bn eight-year piece and a ¥1.5bn 10-year bullet term loan.

The interest margins on the five tranches are 15bp, 10bp, 30bp, 40bp and 50bp over one-month Tibor, respectively.

Itochu Advance Logistics will pay fixed interest rates on the three, six, eight and 10-year tranches after entering into interest rate swap agreements.

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

Separately, the real estate investment trust is also raising a ¥2.69bn one-year bullet term loan with a margin of 15bp over one-month Tibor from SMBC as a bilateral.

Drawdown of the syndicated facilities took place on September 7.

Itochu Advance Logistics invests primarily in logistics facilities in Kanto and Kansai areas.

JOGMEC SIGNS ZERO-INTEREST FACILITY

JAPAN OIL GAS & METALS NATIONAL CORP last Thursday priced a ¥20.971bn one-year bullet term loan at a zero-interest rate after heavy oversubscription of up to ¥212.3bn, the state-backed company said in a statement.

Various lenders including regional banks joined in syndication.

The interest rate on the government-guaranteed loan was determined through conventional auctions. *Mizuho Bank* is the agent.

The 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.

MACAU

EQUITY CAPITAL MARKETS

STUDIO CITY FILES FOR IPO

STUDIO CITY INTERNATIONAL, the Macau gaming resort of Lawrence Ho's Melco Resorts & Entertainment, has filed a US$115m NYSE IPO with the US Securities and Exchange Commission.

Credit Suisse, *Deutsche Bank* and *Morgan Stanley* are leading the transaction.

Nasdaq-listed Melco Resorts announced in August 2017 that Studio City had filed confidentially for a US IPO.

Studio City posted a net loss of US$14.8m for the first half of 2018, compared to a US$47.0m net loss for the first half of 2017. The company lost US$76.4m in 2017.

Studio City, which operates an entertainment, retail and gaming resort at Cotai in Macau, is a 60%-owned subsidiary of Melco Resorts, which, in turn, is a 51.2%-owned unit of Hong Kong-listed Melco International Development.

New Cotai, a US joint venture of Silver Point and Oaktree Capital, controls the remaining 40% of Studio City.

Separately, Melco International announced that its subsidiary MELCO RESORTS AND ENTERTAINMENT (PHILIPPINES) will delist from the Philippine Stock Exchange. The majority shareholder of Melco Resorts and Entertainment (Philippines) will buy back the shares from public investors in a tender offer.

MALAYSIA

DEBT CAPITAL MARKETS

BANK ISLAM SETS UP PROGRAMME

BANK ISLAM MALAYSIA has established a M$10bn (US$2.44bn) senior and subordinated Islamic bond programme under the murabahah concept.

The programme was filed with the Securities Commission Malaysia via arranger *Bank Islam*.

Senior bonds will be rated AA3 and subordinated notes, which will qualify as Basel III-compliant Tier 2 capital, are rated A1 by RAM.

The bank is owned by government-linked pilgrims fund agency Lembaga Tabung Haji. It has a common equity Tier 1 ratio of 12.6% and a total capital ratio of 16.5%.

SYNDICATED LOANS

RAPID SEEKS SPEEDY COMMITMENTS

Malaysia's REFINERY AND PETROCHEMICAL INTEGRATED DEVELOPMENT project is seeking commitments from banks for a US$9.7bn 15-year loan.

Banks were required to respond by the end of last week with revised proposals mainly around pricing after having responded to an initial request for proposals.

The new borrowing comprises three tranches: an export credit agency facility, an ECA-covered portion and an uncovered commercial piece of around US$3.08bn.

ECAs from Japan, South Korean and Europe are expected to be involved.

The uncovered commercial tranche will carry different interest margins tied to the completion of the project. The pre-completion period is expected to be two years during which the sponsors – Malaysian oil and gas giant Petroliam Nasional Bhd and Saudi Arabian Oil Co (Aramco) – will provide guarantees and the all-in pricing is likely to be around 80bp over Libor.

After the project attains completion, the guarantees fall away and the pricing will increase to around 150bp.

By comparison, a US$8bn 364-day bridge RAPID completed in March paid a similar all-in based on an initial razor-thin interest margin of 40bp over Libor and fees. The margin had a step-up to 55bp over Libor after the initial 364-day period as the loan had a six-month extension option. Despite the tight pricing, the bridge attracted 19 banks.

PRPC Refinery & Cracker and PRPC Polymers are the borrowers on the bridge, which carries separate – not joint – guarantees from Petronas and Aramco.

Refinery operations are set to begin in 2019, with petrochemical operations to follow six to 12 months afterwards.

Petronas and Aramco have equal stakes in the half-built US$27bn complex located between the Malacca Strait and the South China Sea. Aramco has agreed to supply at least 50% of the crude oil for the project.

NEW ZEALAND

DEBT CAPITAL MARKETS

PFI ANNOUNCES RETAIL NOTE OFFER

Industrial property landlord PROPERTY FOR INDUSTRY has appointed *Westpac* as arranger and joint lead manager with *Deutsche Craigs* and *Forsyth Barr* for a seven-year senior secured fixed-rate note offer expected to open on September 17.

KFW TAPS 2020 KAURIS AGAIN

German government-guaranteed agency KFW tapped its 3.75% May 29 2020 bond for NZ$200m last Thursday to bring the total outstanding to NZ$1.65bn.

The reopening via sole lead *TD Securities* priced at 102.578726% to yield 2.174%.

The latest tap followed a NZ$300m addition to the same line on August 31, which priced at 102.665021 for a reoffer yield of 2.157%.

Year-to-date Kauri supply has reached NZ$5.1bn, within sight of the annual record of NZ$6.3bn set in 2014 and repeated in 2015.

SINGAPORE

DEBT CAPITAL MARKETS

CCB GOES SHORT-DATED

CHINA CONSTRUCTION BANK CORPORATION SINGAPORE BRANCH, rated A1/A/A, last Thursday priced a S$300m (US$219m) two-year bond at par to yield 2.643% with a spread of 60bp over Singapore dollar SOR.

The Reg S notes, expected to be rated A by S&P, were marketed at initial guidance of 70bp area.

Final orders were more than S$550m from more than 30 accounts, after a slight attrition from over S$600m when guidance was tightened. Banks took 63% of the deal, with fund managers, insurance companies and sovereign wealth funds taking 35%. Private banks took 2%. Singapore accounted for 98%.

Settlement is on September 21 and the notes will be issued off CCB Singapore's US$6bn euro MTN programme.

CCB Singapore, *Bank of China*, *DBS Bank* and *HSBC* were joint global coordinators, and joint lead managers and joint bookrunners with *Agricultural Bank of China Singapore branch*, *OCBC Bank*, *UOB*, *Standard Chartered* and *ING*.

First Abu Dhabi Bank and *Shanghai Pudong Development Bank Singapore branch* were co-managers.

HDB RETURNS FOR SEVENS

HOUSING AND DEVELOPMENT BOARD, rated Aaa by Moody's, last Tuesday increased the issue size of a Singapore dollar seven-year bond to S$700m from a minimum S$600m.

The notes were priced at par to yield 2.625% with the spread fixed around 26bp over Singapore dollar SOR.

Bankers said the Singapore statutory agency decided to pay more in terms of spread to entice investors to ensure the large deal crossed the line. HDB had paid spreads in the teens for its deals earlier in the year but had to pay around 26bp in its previous five-year deal of S$500m in July.

This is its fifth visit to the market to date this year, bringing the total issuance volume to slightly over S$3bn.

Settlement is on September 17.

DBS, *HSBC*, *Maybank Kim Eng*, *OCBC* and *UOB* were joint lead managers and bookrunners for the new deal, which will be drawn from a S$32bn multi-currency MTN programme. Proceeds will be used for working capital needs and to refinance debt.

SURBANA JURONG HIRES DBS

Temasek-owned SURBANA JURONG has mandated *DBS* to arrange investor meetings in Singapore from September 18.

A Singapore dollar Reg S bond offering may follow, subject to market conditions.

Surbana Jurong is a consultancy company focusing on infrastructure and urban development, and is 100% owned by Singaporean state investment holding company Temasek Holdings. It was formed in 2015 when Surbana International Consultants and Jurong International Holdings merged.

SYNDICATED LOANS

MERCURIA PREPS US$1BN REVOLVER

MERCURIA ENERGY TRADING is preparing to launch a US$1bn multi-tranche revolving credit facility, with bank meetings slated for this week.

The borrower is planning to meet with lenders in Shanghai on September 20 and Singapore the day after with a launch into general syndication expected anytime in the coming days.

Mercuria last tapped the Asian loan markets in November for a US$1bn multi-tranche financing that attracted 18 lenders in general syndication.

Mercuria Energy Trading Pte and Mercuria Asia Group Holdings were the borrowers on that financing, which comprises a US$548.5m one-year multi-currency revolving credit facility A, a US$191.5m one-year revolving credit and swingline facility B and an amended and extended US$260m three-year revolving credit facility C.

The US$548.5m facility A has a renminbi portion of US$210.8m-equivalent. Facilities A and B (revolver option) offered a top-level all-in pricing of 110bp, while the swingline option paid 150bp based on interest margins of 70bp and 110bp over Libor respectively.

OXLEY PREPS REDEVELOPMENT LOAN

Singapore-listed developer OXLEY HOLDINGS' S$317m (US$230m) 4.5-year loan for the redevelopment of Mayfair Gardens is expected to launch into limited syndication soon. (*See News.*)

In November last year, Citrine Property, a subsidiary of Oxley Holdings, successfully bid for the collective purchase of Mayfair Gardens, which comprises six residential walk-up blocks of 124 apartments units ranging from 100 square metres to 200 square metres, and has a site area of 19,368 square metres.

Owners of 105 out of 124 units, making up 84.33% of the total area, agreed to the collective sale for S$311m, according to local media.

The Mayfair Gardens redevelopment loan follows other borrowings Oxley has raised this year for acquisitions of real estate.

In April, Maybank arranged a S$483m three-year loan backing the S$660m

Commerzbank revives Singapore T2

■ **Bonds** **First T2 bond since November achieves significant cost savings**

COMMERZBANK last Monday lit a spark in Singapore's bond market with a S$400m (US$290m) 10-year non-call five bond that has revived interest in Tier 2 offerings.

The bond, priced at par to yield 4.2%, was the German bank's second Tier 2 issue in Singapore and again achieved significant savings that made its diversification into other currencies a smart move. More European banks are expected to explore raising bank capital in the Singapore dollar market following the deal.

Investors welcomed the deal – the first Tier 2 bond in the currency since Barclays sold S$200m of 12.5-year non-call 5.5 notes in November at 3.75%. Orders had built to over S$1.2bn, before attrition set in after guidance was tightened. Final orders of over S$950m were recorded from more than 90 accounts.

Fund managers and insurance companies bought 59% of the deal, with private banks taking 36%, leaving banks with 5%. The deal attracted a fair amount of foreign investors, with those from Hong Kong taking 16%, Taiwan taking 3% and Europe 5%. The remaining 76% was taken by Singapore.

Commerzbank's Tier 2 notes are expected to be rated Baa3/BBB–/BBB, below the issuer ratings of A1/A–/BBB+.

The Singapore dollar offering came after the German bank completed a A$250m (US$165m) 5.5% 10-year bullet last month, diversifying into the Australian market for the first time for Tier 2 funds.

SINGAPORE SCARCITY

No Tier 2 notes have been sold in Singapore this year. UK-based Lloyds Bank was on the verge of launching a deal in May but cancelled it because of internal issues, sources said.

The Singapore market is generally under-supplied in high-yielding bonds. Only a few high-yielding deals have been sold this year, including the recent Additional Tier 1 bonds from local banks and a handful of Chinese high-yield deals.

As a result, said one banker on the deal, there was a lot of pent-up demand for highly structured deals that yielded extra returns from high-grade and familiar credits.

"The volume of Singapore dollar deals is slightly skewed by the large issues sold by the statutory agencies, including those of Housing and Development Board and Land Transport Authority of Singapore. In terms of numbers, there were only 71 deals done this year compared with 124 done last year," said the banker, explaining why demand was robust for the notes.

Other bankers said Singapore investors would still be interested in buying more such risky assets but they remain selective about the issuers.

The Commerzbank bond was trading flat last Tuesday morning, though private banks were starting to come into the secondary market to pick up some of the notes.

The lead banks used the German bank's 4% Tier 2 euro-denominated bullet Tier 2 due in 2026 as one reference. The notes were quoted at 4.86% in Singapore dollars on a post-swap basis, but after accounting for the shorter tenor, the new notes still achieved double-digit basis point savings, said the banker.

Investors did not leave the table empty-handed as the new notes provided a bit of a pick-up over Commerzbank's outstanding Singapore dollar Tier 2 notes. Those notes, callable in 2022, were trading at an equivalent of 4.0%-4.1% after adjusting for the tenor.

Pricing on the new bonds will reset at year five to the prevailing Singapore dollar SOR plus the initial re-offer spread of 197.2bp. There would be a regulatory bail-in prior to any insolvency or liquidation of the German bank in the form of either a partial or full writedown of conversion into shares or other instruments of ownership.

Settlement of the T2 notes is on September 18. *Commerzbank*, *DBS*, *HSBC* and *OCBC* were joint lead managers and bookrunners.

KIT YIN BOEY

acquisition of 32-storey Grade A office building Chevron House. HSBC and Hong Leong Finance joined in limited syndication. The facility pays an interest margin of 75bp over the cost of funds for participating banks, according to LPC data.

Maybank also coordinated a S$744.6m five-year loan backing the US$499m purchase of a former Housing and Urban Development Corporation estate Serangoon Ville in March. Three other lenders joined.

The margin on the Serangoon Ville loan is slightly higher than the Chevron House financing, and is also benchmarked over the cost of funds of the participating lenders.

Oxley's most recent loan was a S$150m 20-month facility for working capital purposes in July, according to LPC data. Credit Suisse was the mandated lead arranger and bookrunner of the deal, which attracted Shanghai Pudong Development Bank and Bank of East Asia.

Oxley, a developer of high-end residential, commercial and industrial projects, has operations in Singapore, the United Kingdom, Ireland, China, Cambodia, Malaysia, Myanmar, Indonesia and Japan.

› OUB CENTRE SIGNS S$370M REFI

OUB CENTRE has signed a S$370m three-year refinancing with four banks.

Maybank and *Standard Chartered* took S$110m each, while *Bank of East Asia* and *Great Eastern Life* came in with S$100m and S$50m, respectively.

The loan, which closed as a club, will be drawn soon.

The facility refinances a three-year loan of the same size signed in September 2015. ANZ, Maybank and StanChart were the lenders on the previous club transaction.

The borrower is the developer and manager of One Raffles Place, formerly OUB Centre, in Singapore's central business district.

RESTRUCTURING

› ASL MARINE PLANS UPDATES

ASL MARINE HOLDINGS will hold informal meetings with bondholders on September 18 to give an update on its financial health.

The offshore marine services company also plans to brief the investors on its discussions with bankers on obtaining additional working capital facilities. The company needs the facilities for ship repair projects, which will raise its business volume.

In a note to bondholders, ASL Marine said it has yet to recover fully from the severe downturn in the oil and gas industry. In its latest annual financial results ending June 30, the group's revenue fell 18% year on year, with prospects for a quick recovery over the next 12 months remaining dim.

The company obtained bondholder approval in January last year to extend an original total of S$150m (US$108.7m)

Aspial makes bondholder offer

■ **Bonds** **Singapore issuer launches tender, exchange offer for bonds**

ASPIAL has launched an offer for holders of its 2018 and 2019 Singapore dollar bonds to buy them for cash or exchange them for new notes, just two months before one of the bonds is due to mature.

It is offering to buy back any and all of the S$74m (US$54m) 5.5% bonds due on November 27 this year, and up to S$10m of the S$123.5m 5.05% notes due June 12 2019.

The tender price is par for the 2018s and 99.9% of face value for the 2019s, with an extra 10bp bonus payment for each series if bondholders accept by September 20. The offer ends on September 28.

The 2018s were quoted in the secondary market at 5.4%, while the 2019s were below par and yielding 5.7%.

Under the other option, bondholders can exchange any and all of their 2018s and 2019s for new three-year notes with a coupon of 6.25%. The notes will exchange at 100.5% of face value.

Aspial Treasury will issue the new notes, which will be guaranteed by Aspial, a Singapore-based property developer which owns a chain of jewellery stores.

Aspial and its subsidiaries hold S$11.5m of the 2018 notes and S$3.5m of the 2019s.

The company said that it intended to use revenues from its real estate business to redeem the notes in order to improve its debt position and reduce negative carry.

"My concern is that the company is telling us they want to reduce debt and negative carry, but at the same time they are incentivising bondholders to extend by three years at a higher coupon," said an investor. "What is their intent?"

The investor estimated that Aspial would need to pay 8.5% or higher to sell new three-year bonds in the current market conditions.

In April, Aspial exchanged S$26m of its 2018 bonds for new three-year bonds priced at 5.9%, concurrent with a S$24m new-money issue.

"The exchange offer does not appear compelling, noting that several higher-yield developer credits are trading well in excess of 6% for similarly tenured three-year paper and the previous tender to exchange to ASPSP 5.9% 2021s was not well-taken up," wrote Wong Hong Wei of OCBC's credit research team.

"For investors comfortable with Aspial, ASPSP 5.25% 2020s look more attractive with higher yield and shorter tenor. Following this exercise, assuming S$74m of ASPSP '18s and S$10m of ASPSP '19s are redeemed, debt levels may fall to S$1.56bn."

DBS is sole dealer manager for the offer and the new issue.

Aspial had cash and cash equivalents of S$194m at the end of June.

The company had not responded to questions as of press time.

DANIEL STANTON

of bonds by three years. This affected the 4.75% bonds that were originally due March 2017 (series 006) and the 5.35% bonds due October 2018 (series 007). The outstanding amount of series 006 is S$95m and that of series 007 is S$47.5m after partial redemptions were made in the past year.

› LIQUIDATORS GET LITIGATION FUNDING

Liquidators of two Singaporean subsidiaries of Indonesian mobile phone retailer TRIKOMSEL OKE scored a first in the city-state's legal history last Tuesday after the Singapore High Court allowed them to use funds provided by an independent third party litigation funder.

Justice Chua Lee Ming ruled to allow a funding agreement to be signed by the liquidators and litigation funder IMF Bentham to finance investigations and potential claims related to Trikomsel, which defaulted on S$215m of bonds in 2015.

The case will be the first time an independent third party is allowed to provide funding for legal action in an insolvency case in Singapore, and will bolster the country's ambition to become a regional dispute resolution hub.

"Justice Chua's decision is an important step forward in the interests of the Trikomsel bondholders," said Tom Glasgow, IMF Bentham's chief investment officer for Asia.

"It paves the way for Singapore's liquidators, judicial managers and bankruptcy trustees to gain access to justice using litigation funding in future cases for the benefit of their creditors."

The funding agreement will support investigations and potential claims led by KordaMentha's Luke Furler and Cameron Duncan, who were appointed by the court to liquidate Trikomsel and Trikomsel Singapore.

Trikomsel, which defaulted on S$115m of 5.25% 2016s and S$100m of 7.875% 2017s, and Trikomsel Singapore were units of Indonesia's Trikomsel Oke. They ultimately loaned proceeds of the Singapore dollar bonds to the parent.

Although the debt has been converted into shares, the liquidation of the two Singapore units is not yet complete, for reasons that have not been made public.

EQUITY CAPITAL MARKETS

› OUE COMMERCIAL REIT PLANS RIGHTS

OUE COMMERCIAL REAL ESTATE INVESTMENT TRUST is planning a S$588m (US$427m) rights issue to finance a planned acquisition.

The company intends to sell 1.29bn new units at S$0.456 apiece in a 83-for-100 ratio.

The rights price is at a 31% discount to the pre-deal close of S$0.665.

Credit Suisse and *OCBC* are the joint lead managers.

Sponsor OUE, which owns 56% of the REIT, will subscribe to its full entitlement.

OUE Commercial REIT is buying OUE Downtown from Alkas Realty, wholly owned by OUE, for S$908m.

› LUYE MEDICAL TO PRE-MARKET IPO

Healthcare services provider LUYE MEDICAL GROUP plans to start pre-marketing a Singapore Exchange IPO of up to US$500m towards the end of September, according to a person with knowledge of the transaction.

Luye Medical, part of Chinese entrepreneur Liu Dianbo's Luye Life Sciences group, plans to open books in October.

Bank of America Merrill Lynch, *Credit Suisse* and *UBS* are the banks on the transaction.

Singapore-based Luye Medical runs 52 healthcare facilities in Australia, China, Singapore, South Korea and New Zealand.

Luye Pharma, another Luye Life Sciences subsidiary, was previously quoted in Singapore before it delisted in 2012. Luye Pharma listed in Hong Kong in 2014.

Fullerton Medical was the last healthcare company to attempt a SGX listing in 2016, but had to pull its S$213m IPO after anonymous complaints about the fee structure of its business.

TAIWAN

SYNDICATED LOANS

› TING HSIN UNIT RAISES NT$6.25BN

TAIWAN STAR TELECOM, a unit of conglomerate Ting Hsin International Group, has raised a

NT$6.25bn (US$203m) three-year loan.

Bank SinoPac and *Taishin International Bank* were the mandated lead arrangers and bookrunners of the deal, which comprises a NT$2.125bn revolver tranche A, a NT$2.125bn term loan tranche B and a NT$2bn guarantee tranche C.

The deal pays an interest margin ranging from 200bp to 210bp over Taibor based on the borrower's pre-tax net profit.

Funds are for working capital purposes. Signing was on September 5.

The borrower last sounded the market for a NT$3bn four-year financing in August 2016. That deal did not materialise.

Taiwan Star Telecom, which was founded in 2013 and formerly known as Taiwan Star Cellular, provides mobile telecommunication services in Taiwan.

For full allocations, see www.ifrasia.com.

EQUITY CAPITAL MARKETS

› ASIA CEMENT SELLS CB

ASIA CEMENT has raised US$215m from a five-year put-three convertible bond.

The zero-coupon CB, which is US dollar-denominated and NT dollar-linked, was marketed at a yield-to-put/maturity of 0.6% and a conversion premium of 10%–15%. The conversion premium was priced at 10%, with an initial conversion price of NT$42.24 over the company's closing price of NT$38.40 last Monday.

The CB was launched with a base deal of US$200m and a same-day upsize option of US$50m.

The deal was launched with support from anchor orders, according to a person close to the deal.

Although the books were more than 3x covered, the deal was not fully upsized as a tight allocation would help support the trading of the CB in the secondary market, according to another person close to the deal.

There were around 60 investors with the top 10 taking more than half of the transaction, said the second person. About 40% of the demand came from Asia, 40% from Europe and the rest from the US.

The company will use the proceeds to repay debts.

UBS was the sole global coordinator. It was also active joint bookrunner with *Citigroup*. Other bookrunners were *BNP Paribas*, *HSBC* and *Mizuho*.

THAILAND

DEBT CAPITAL MARKETS

› THAI BEV QUENCHES JUMBO THIRST

THAI BEVERAGE has priced seven bond tranches at the wide ends of guidance after attracting healthy demand.

The Thai brewer, rated AA by Tris, is hoping to raise a minimum Bt70bn (US$2.14bn), which will make the issue the largest corporate bond in Thailand.

Subscription will be held later this month but bankers said demand from both institutional and high-net-worth investors indicated the target size was likely to be met.

A two-year four-month tranche was priced at par to yield 2.64%, a five-year at 3.35%, a seven-year at 3.62% and a 10-year non-call seven at 4.16%.

Initial guidance was shown in the ranges of 2.44%–2.64%, 3.19%–3.35%, 3.46%–3.62% and 4.00%–4.16%, respectively. A 3.5-year tranche was already fixed at par to yield 3.2% before bookbuilding. These five tranches of undisclosed sizes are offered to institutional and high-net-worth investors.

Two other tranches of two and 10-years, offered only to institutional investors, were priced at 2.6% and 4.16%, respectively, at the wide ends of guidance ranges of 2.40%–2.60% and 4.00%–4.16%. These two tranches will be for Bt8bn each.

Thai Beverage is raising funds to partly refinance bridge loans used to fund its US$4.84bn acquisition of a 53.59% stake in Vietnam's Saigon Beer-Alcohol-Beverage Joint Stock Corporation (Sabeco), which produces Saigon Beer and 333.

Bangkok Bank, *Bank of Ayudhya*, *Kasikornbank*, *Krungthai Bank*, *Phatra Securities*, *Siam Commercial Bank* and *Standard Chartered Bank* were joint lead managers and underwriters.

VIETNAM

DEBT CAPITAL MARKETS

› PAN GROUP PRINTS DEBUT BOND

Vietnam's PAN GROUP has priced a D1.135trn (US$49m) debut bond issue, helped by a guarantee from the Credit Guarantee and Investment Facility.

The five-year fixed-rate bond has a coupon of 6.8%.

Bangkok Bank immune to EM turmoil

Bonds Thai lender draws on macro strengths to achieve aggressive pricing

BANGKOK BANK, rated Baa1/BBB+/BBB+, priced a US$1.2bn dual-trancher at tight levels despite poor investor sentiment towards emerging market bonds and currencies.

The 144A/Reg S offering comprised 5.5-year and 10-year notes priced at Treasuries plus 122.5bp and 152.5bp, respectively, split equally between the two tranches.

Thailand's largest lender leveraged its scarcity value to draw robust demand for its first offshore deal since September 2013, even as trade tensions and macro concerns surrounding Argentina, Turkey and South Africa have weighed on Asian currencies.

The Indonesian rupiah and Indian rupee are among the worst performing Asian currencies this year, according to Thomson Reuters data. By contrast, the Thai baht, which is up this week, has been the best-performing currency in South-East Asia, losing only 0.2% against the dollar so far this year, according to Thomson Reuters data.

The 5.5-year drew US$1.6bn in orders, with the US taking an impressive 49%. Asia accounted for 45% and Europe for 6%. Despite concerns voiced over long tenors during the roadshow, the 10-year drew US$1.4bn. Asia took the majority at 71%, followed by the US at 24% and Europe at 5%.

"Thailand is a big safe haven within the context of EM, and one of the markets that investors are the most comfortable with," said a banker on the deal. "Part of our recommendation to do a deal in this market was to target this thinking."

The 5.5 and 10-year bonds were bid at 119bp and around reoffer in the aftermarket.

FINDING THE RIGHT LEVEL

The two tranches garnered strong demand globally even as fair-value calculations showed that the issuer left minimal new issue concessions. Other emerging market issuers have had to pay higher premiums to attract investors that have been cautious amid the EM sell-off.

Fair value on the 5.5-year was spotted at Treasuries plus 120bp–122bp, said another banker on the deal, who calculated it by looking at the average spread of outstanding Thai bank paper such as Siam Commercial and Kasikornbank and adding curve extensions.

CreditSights placed fair value on the 5.5-year at Treasuries plus 116bp, or 12bp wide of the existing 2022s, using a similar method. Even at that level, the new issue concession was in single digits.

Finding the right level for the 10-year was less straightforward in the absence of corresponding maturities in the Thai space, said bankers.

The abovementioned banker said he used the five-to-10 curve levels for Asian banks, which were in a 25bp–40bp range. After adding an estimate of 30bp–35bp to the 5.5-year, the final pricing was seen as paying a low single-digit concession.

CreditSights saw fair value on the 10-year at Treasuries plus 161bp, based on Indian and Chinese banks, which are roughly rated two notches lower and two notches higher, respectively.

The notes began marketing yesterday at Treasuries plus 145bp area and plus 175bp area, respectively.

"Despite the tight pricing, there is still a bid for the right pockets in EM. A lot of fund managers want to find a deal that they can forget for the duration of the bond, and this is one name that checks those boxes," said the latter banker.

"This is as predictable as it gets."

Bangkok Bank's profit in the second quarter rose 14.3%, while non-interest income soared 19.1% thanks to a rise in fee income from bancassurance and mutual funds.

At the end of last year, the lender's total capital adequacy ratio and common equity Tier 1 ratio were 18.2% and 15.6%, respectively.

INVESTOR SUPPORT

By investor type, fund managers received the largest portion of the 5.5-year notes, taking 60%. Banks and insurers followed, receiving 15% each, state investors took 6% and the rest went to others.

On the 10-year notes, fund managers and insurers both received 39% of the deal, followed by banks with 14%, state buyers with 7% and the rest going to others.

Bangkok Bank has outstanding US$500m five-year bonds due on October 3.

The issue has expected ratings of Baa1/BBB+/BBB+, on par with the issuer.

Morgan Stanley and *Citigroup* were joint global coordinators and joint bookrunners.

FRANCES YOON

CGIF, a multilateral facility established by the Asian Development Bank and the Association of Southeast Asian Nations members with China, Japan and Korea, is rated AA by S&P.

Standard Chartered Vietnam placed the bonds. Proceeds will be used for general corporate purposes in PAN's packaged food business.

PAN is an agriculture and food group with shareholders that include the International Finance Corp, the private sector arm of the World Bank, and Singapore sovereign wealth fund GIC.

ASIA DATA

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	384.984	−0.254	−0.289	0.697	147
ADHY	Asian-dollar high-yield index	594.157	−0.154	−0.518	0.012	557
AGIG	Asian-dollar government high-grade index	356.576	−0.158	−0.420	0.919	131
AGHY	Asian-dollar government high-yield index	706.220	0.221	−1.150	1.139	411
ACIG	Asian-dollar corporate high-grade index	410.843	−0.288	−0.247	0.619	154
ACHY	Asian-dollar corporate high-yield index	487.561	−0.226	−0.394	−0.210	585

Source: Merrill Lynch

LAST WEEK'S ECM DEALS

Stock	Country	Date	Amount	Price	Deal type	Bookrunner(s)
Yahoo Japan	Japan	11/09/18	¥481m	¥354	Follow-on (Secondary)	Goldman Sachs, JP Morgan
Nio	China	12/09/18	US$1bn	US$6.26	IPO (primary)	Goldman Sachs, JP Morgan, Morgan Stanley, Bank of America Merrill Lynch, Credit Suisse, Citigroup, Deutsche Bank and UBS
Meituan Dianping	China	13/09/18	HK$33.1bn	HK$69	IPO (primary)	Bank of America Merrill Lynch, Goldman Sachs, Morgan Stanley
111	China	13/09/18	US$99.4m	US$14	IPO (primary)	CICC, Citigroup and JP Morgan

Source: IFR Asia

LAST WEEK'S EQUITY-LINKED ISSUANCE

Issuer	Country	Date	Amount	Greenshoe	Maturity	Coupon (%)	Premium (%)	Bookrunner
Asia Cement	Taiwan	10/9/2018	US$215m		2023	0	10%	UBS, Citigroup, BNP Paribas, HSBC, Mizuho
Sumitomo Forestry	Japan	12/9/2018	¥10bn		2023	0	20.04%	Daiwa, Normura, SMBC Nikko

Source: IFR Asia

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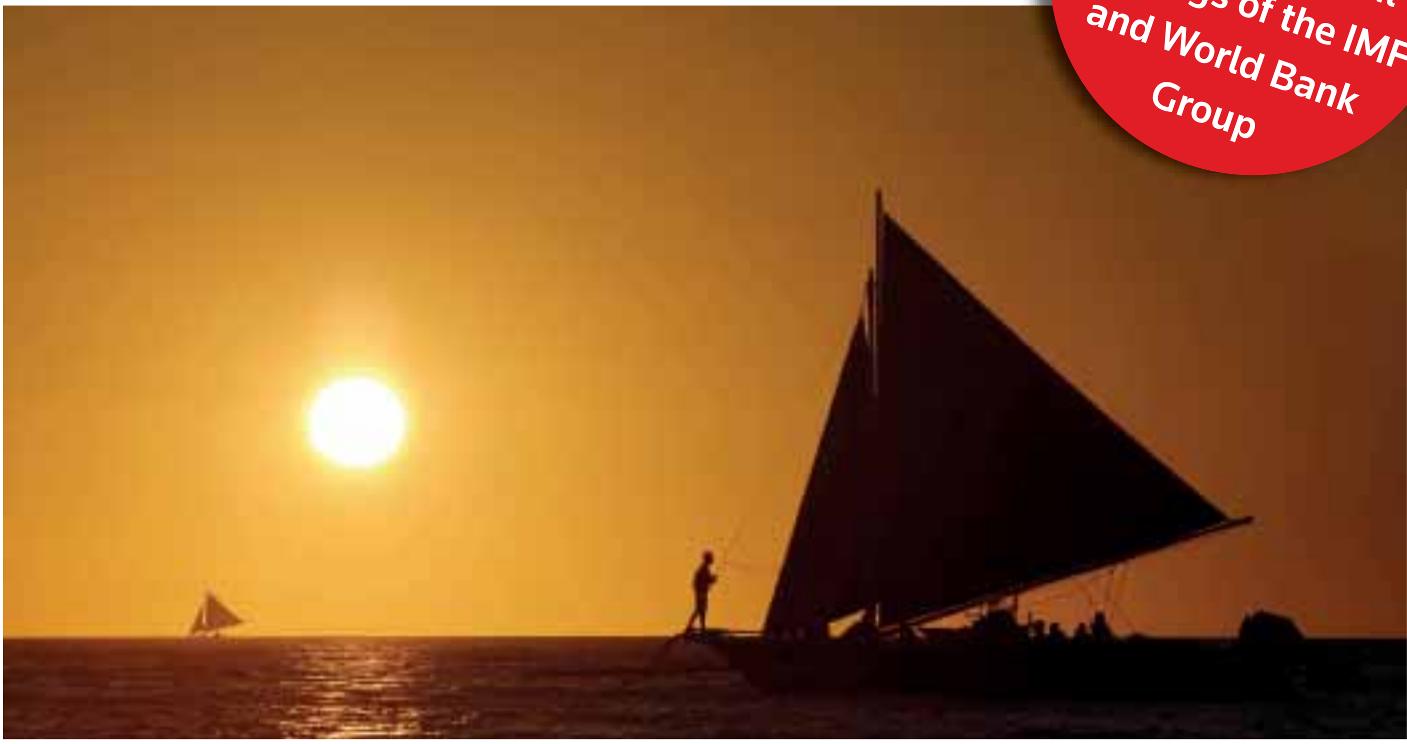
Free to attendees at the 2018 Annual Meetings of the IMF and World Bank Group



Harnessing the capital markets for sustainable development in South and South-East Asia

11am – 1pm | Saturday October 13 2018 | Nusantara 3, Bali International Conference Center

Sponsored by: Moody's Investors Service MUFG

Taking place on **Saturday October 13 2018** at the **2018 Annual Meetings of the International Monetary Fund and World Bank Group**, this IFR seminar will bring together public and private sector participants to discuss ways to deepen the capital markets in South and South-East Asia.

With a special focus on financing sustainable development, this panel discussion will highlight recent progress in mobilising institutional investors to support economic growth in India and the ASEAN economies. Moderated by IFR Asia's Editor, Steve Garton, the panelists will debate ways to promote local and international debt capital markets as an alternative to bank financing, and provide insight on the growth of demand for sustainable and responsible investments.

Topics to be discussed will include:

- How can countries in the region make their capital markets more attractive to long-term investors, both local and international?
- What is holding back Asian institutional investors from the region's capital markets?
- How can multilateral development banks help mobilize institutional investors?
- What opportunities does Asia offer for green and sustainable investors?
- How can Asian issuers improve their access to long-term capital?
- What are the benefits and risks of opening up to international capital flows?

The event is free to attend for attendees at the 2018 Annual Meetings of the International Monetary Fund and World Bank Group – all you need to do is register using the short form at: http://financial-risk-solutions.thomsonreuters.info/IMF_Seminar