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INTERNATIONAL FINANCING REVIEW ASIA

JANUARY 20 2018 ISSUE 1025 www.ifrasia.com

› China dollar bond quoted inside USTs as tax reform dims US fiscal outlook

› High-yield issuers seize the moment to revive last year's pulled deals

› China Merchants leads pet food LBO in first for a PRC bank Down Under

BONDS
Bailout of Yunnan vehicle reassures investors as more LGFVs head offshore
06

BONDS
BPCE secures tight pricing for six-part Samurai marketed under pot system
08

EQUITIES
SoftBank mulls potential US$18bn listing of mobile phone business
08

PEOPLE & MARKETS
CBRC tightens scrutiny of shadow banking after 'black swan' warning
12

THE FIRST STEP IN CLO ANALYSIS:
DETAILED, ACCURATE, AND TRANSPARENT

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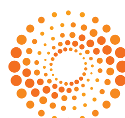

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Upfront

Shifting sovereigns

There is something ironic about the impact of rising US Treasury yields on Asian bonds. Instead of triggering a sell-off by reminding investors that rates are heading higher, the move has instead helped Asian issuers price at record-low spreads over US government bonds.

The Republic of the Philippines sold a US$2bn 10-year bond on Thursday at 37.8bp over Treasuries, its tightest spread on any new US dollar issue. That is no mean feat for a Triple B rated sovereign, especially when compared with the 135bp spread for higher-rated Mexico just two weeks earlier.

Similarly, sticky demand for China's recently issued US dollar sovereign bonds pushed the five-year notes inside Treasuries on one measure, with the November 2022s offered at 2bp below US Treasuries at one point last week.

The unusual pricing underlines the depth of demand for high-quality Asian paper. It also confirms that Asian investors are less sensitive to rates than their global peers, instead happy to buy and hold based on absolute yield.

> The unusual pricing confirms that Asian investors are less sensitive to rates than their global peers

This is good news for Asian issuers, who will be hoping that their access to low-cost, long-term funding remains unimpaired as the shift in US inflation expectations pushes Treasuries higher.

Granted, China and the Philippines have strong technical factors on their side. China has only sold sovereign bonds in US dollars twice in the last 14 years, and has a large pool of renminbi-based investors who are looking to diversify into dollar assets. The Philippines, too, has a strong local bid and has been scaling back its use of US dollar debt in recent years. It also used most of the proceeds to buy back existing bonds.

More fundamentally, the pricing data support the idea that the centre of global economic power is shifting east. If China's vision becomes a reality, the US dollar's days as the global reserve currency are already numbered.

One day, the US will be issuing bonds in renminbi. And if recent events are any guide, it will be paying a hefty spread over Chinese government bonds for the privilege.

Solving for SoftBank

A US$18bn listing of SoftBank Group's Japanese mobile phone unit is set to be this year's hottest ticket among equity underwriters, but a deal of that size may be far less exciting for investors.

SoftBank Group said last week an IPO was one of the options on the table, responding to a Nikkei report that the group planned to float the phone business in Japan and overseas.

It looks a logical solution for an ambitious, cash-hungry group that has become far more than a Japanese communications business, and investors responded well, pushing its stock up 2.8% over the course of last week.

SoftBank Group is arguably undervalued, with a high debt burden and holding company structure detracting from the sum of its parts: its stake in Alibaba alone is worth an extraordinary US$46bn more than its current US$92bn market cap. Doubtless the former Deutsche Bank executives who now work there – including former trading head Colin Fan – will be looking at some creative ways to unlock value.

But a spin-off of SoftBank Corp, the local phone unit, looks far less exciting than the headlines usually associated with Masayoshi Son's technology empire. While the group is pushing into bold new frontiers – most recently becoming the biggest shareholder in ride-sharing firm Uber – SoftBank Corp operates in the mature Japanese mobile phone market.

That makes the IPO a low-growth, income play rather than a new-economy blockbuster - closer in style to a Japan Post than another Alibaba. Stable, cash-generating businesses have real appeal in Japan, but SoftBank already has two bigger telecom rivals and may be facing more competition.

The deal will need to entice overseas investors to hit its targets. The Nikkei reported plans to float a 30% stake later this year, below the 35% minimum for a purely domestic IPO, making a dual listing the most likely scenario.

A separate listing would allow investors to choose between a pure-play telco and a far riskier investment holding company. Winning a high valuation for both, however, will be a delicate marketing exercise.

INTERNATIONAL FINANCING REVIEW ASIA **CONTACTS**

EDITOR
Steve Garton
+852 2912 6670
steve.garton@tr.com

HEAD OF ASIAN CREDIT
Daniel Stanton
+65 6417 4548

ASIA EQUITIES EDITOR
Fiona Lau
+852 2912 6673

DEPUTY HEAD OF ASIAN CREDIT
Frances Yoon
+852 2841 5783

DEPUTY EQUITIES EDITOR, ASIA
S. Anuradha
+65 6417 4547

SENIOR CREDIT CORRESPONDENT, ASIA
Kit Yin Boey
+65 6417 4549

ASIA PACIFIC BUREAU CHIEF, LOANS
Prakash Chakravarti
+852 2912 6671

SENIOR REPORTERS: HONG KONG
Thomas Blott
+852 2841 5878

Carol Chan
+852 2912 6604

EQUITY RESEARCHER: BEIJING
Ken Wang
+86 10 6627 1259

SENIOR REPORTER: SYDNEY
John Weavers
+61 2 9373 1655

SENIOR ANALYST: TOKYO
Takahiro Okamoto
+813 6441 1773

ASIAN CREDIT CORRESPONDENT
Krishna Merchant
+65 6417 4544

REPORTER: HONG KONG
Ina Zhou
+852 2912 6674

EDITOR, IFR
Matthew Davies
+44 (0)20 7542 7504

DESK EDITOR
Vincent Baby

SUB-EDITOR
Dharsan Singh

HEAD OF PRODUCTION
Victor Ng

PRODUCTION ASSISTANT
Mike Tsui

HEAD OF GLOBAL ADVERTISING AND SPONSORSHIP
Shahid Hamid
+65 9755 5031

IFR ASIA AWARDS MANAGER
Paul Holliday
+44 (0)20 7542 8018

GLOBAL ADVERTISING PRODUCTION MANAGER
Gloria Balbastro
+44 (0)20 7542 4348

SUBSCRIPTION SALES ENQUIRIES
China, Hong Kong, Taiwan, Korea, Japan
Alan Wong
+852 2912 6606

India, Singapore, Malaysia, Thailand, Indonesia and Australia
Samantha Harris
+612 9373 1749

SUBSCRIPTION ACCOUNT MANAGER
Pia Batuan
+65 6403 5542

CLIENT SERVICES
IFR.Clientsupport@tr.com

WEBSITE
www.ifrasia.com

EMAIL ADDRESSES
firstname.lastname@tr.com

THOMSON REUTERS

HONG KONG (HEAD OFFICE)
16/F Cityplaza 3,
14 Taikoo Wan Road,
Taikoo Shing,
Hong Kong
+852 2843 6363

TOKYO
30F Akasaka Biz Tower,
5-3-1 Akasaka,
Minato-ku, Tokyo,
Japan 107-6330
+813 6441 1119

SINGAPORE
18 Science Park Drive,
Singapore 118229, Singapore
+65 6775 5088

LONDON
30 South Colonnade, Canary Wharf,
London E14 5EP
+44 (0)20 7250 1122

NEW YORK
3 Times Square, 18th Floor
New York, NY10036
+1 646 223 4000

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COMPANY INDEX

Abu Dhabi National Oil 33
Advanced Semiconductor Engineering 38
Agile Group Holdings 25
A-Living Services 25
Amber Enterprises 31
ANZ Bank New Zealand 34
ASB Bank 34
ASE Industrial Holding 39
AUO Crystal 39
Australian Office of Financial Management 11
Bank Nederlandse Gemeenten 18
Bank of Baroda 10
Bank of Chengdu 27
Bank of Communications Financial Leasing 20
Bank of the Philippine Islands 34
Bank Sohar 38
Banque pour le Commerce Exterieur Lao 33
BeiGene 26
Beijing Capital 27
Beijing Capital (Hong Kong) 28
Bendigo & Adelaide Bank 18
Bis Industries 19
Bohai Capital Holding 23
BPCE 8
Central China Securities 28
Chandra Sakti Utama Leasing 32
China Cinda Asset Management 23
China Express Airlines 26
China Hongqiao Group 26
China Jinmao 26
China New Town Holding 24
China Oriental Group 26
China South City Holdings 20
China Water Affairs Group 24
China ZhengTong Auto Services Holdings 24
Cifi Holdings (Group) 21
Citic Securities 27
Commonwealth Bank of Australia 18
Concord New Energy 4, 20
Country Garden Holdings 9, 23
Credit Suisse Group 18
Deutsche Bank 18
Export-Import Bank of India 29
Ezra Holdings 37
First Real Estate Investment Trust 37
Future Land Development Holdings 9, 26
FWD 28
Galaxy Surfactants 31
GCL New Energy Holdings 5, 22
Geely Automobile Holdings 19
Global A&T Electronics 37
Global Bank 38
Golden Agri-Resources 35
Golden Energy and Resources 31
Goldwind International Holdings (HK) 24
Greenko Group 29
Guangxi Communications Investment Group 21
Guangxi Financial Investment Group 21
GuocoLand 35
Haitong Unitrust International Leasing 25
Hangzhou Silan Microelectronics 27
Heeton Holdings 36
Hindustan Petroleum Corp 30
HNA Group 28
Hong Yang Group 22
Housing and Development Board 35
Housing Development Finance Corp 30
Huami 25
Huaxi Securities 26
Hubei Xingfa Chemicals Group 27
India Newgen Software 31
Indorama Ventures 39
IndusInd Bank 29
Inner Mongolia High-Grade Highway Construction and Development 22
International Bank for Reconstruction and Development 34
iQiyi 25
Jammu & Kashmir Bank 29
Jiangsu Changshu Rural Commercial Bank 27
Jiangsu Financial Leasing 25
Jiangsu Zhongli Group 27
JIC Leasing 25
Jinjiang Internation Holding 21
JM Financial 30
Juxin International Leasing 25
Kakao 38
KfW 19
Khazanah Nasional 34
Kommunalbanken 19
Kookmin Bank 19
Kunming Communications Industry 7
Mandiri Tunas Finance 32
Medco Energi Internasional 5, 32
Metropolitan Bank and Trust Company 34
Microport Scientific 26
Mishra Dhatu Nigam 31
Mitsui Fudosan 33
Motech Industries 39
National Bank for Agriculture and Rural Development 29
Nederlandse Waterschapsbank 19
Noble Group 36
NTPC 29
Ooedo-Onsen Holdings 33
Orocobre 19
OUE Hospitality Real Estate Investment Trust 36
Oxley Holdings 36
Pan Brothers 32
Peking University Founder Group 21
Perusahaan Listrik Negara 32
Ping An International Financial Leasing 24
Power Finance Corporation 30
Prasac Microfinance Institution 19
Province of Alberta 19
Rabobank 18
Real Pet Food 6
Rentenbank 19
Republic of the Philippines 35
Rites 31
Royal Bank of Canada 18
Rural Electrification Corp 29
Samty Residential Investment Corp 33
Sanghi Industries 31
Sasseur REIT 37
Sawit Sumbermas Sarana 4, 31
Shandong Sanxing Group 22
Shanghai Electric Group 28
Shanghai Fosun High-Technology (Group) 23
Shanghai Mechanical and Electrical Industry 28
Shanghai Pharmaceuticals 26
Shengjing Bank 23
Shenzhen International Holdings 23
Si Chuan Province JuYang Group 23
Sino-Ocean Group Holding 23
Sinopec Oilfield Service 27
SM Prime Holdings 34
SoftBank Corp 8
SoftBank Group 8
State Bank of India 29
Sunny Optical Technology (Group) 20
Tata Steel 4, 29, 30
Telekomunikasi Indonesia 32
Telekomunikasi Indonesia International 32
Telekomunikasi Selular 32
Tianjin Real Estate Group 21
Top Glove 34
Trafigura Beheer 36
Treasury Corporation of Victoria 19
Tsinghua Unigroup 22
Tunas Baru Lampung 4, 31
Union Medical Healthcare 28
Westpac Banking Corporation 18
Wijaya Karya 32
Wistron 38
Woori Bank 38
Wuhu Shunrong Sanqi Interactive Entertainment Network Technology 28
Xiamen Xiangyu Group 22
Xiaomi 24
Yunnan Construction & Investment Holding Group 7
Yunnan State-owned Capital Operation 6
Yunnan Water Investment 24
Zhong Yi Holdings 5

Contents

INTERNATIONAL FINANCING REVIEW ASIA
JANUARY 20 2018 ISSUE 1025

COVER STORIES

BONDS
04 US tax reform lifts Chinese bonds
One of China's dollar-denominated sovereign bonds traded inside US Treasuries last week, thanks to a rise in US rates after tax reform legislation.

BONDS
04 Issuers strike while HY is hot
Higher yields and hot market conditions allowed low-rated Asian issuers to revive US dollar bond offerings this past week.

LOANS
06 CMB tackles first Aussie LBO
CMB is the first Chinese bank to lead the financing of a leveraged buyout in Australia, marking another step in the aggressive overseas expansion of mainland lenders.

NEWS

06 China LGFVs pass latest test
A default scare in onshore debt markets has put the spotlight on China's local government finances while financing vehicles turn to offshore markets for funds.

08 Tight Samurai reward for BPCE BPCE left nothing to chance in its quest for tight pricing on Japan's first Samurai issue of 2018.

08 SoftBank mulls mega telco float Bankers are circling a record Japanese listing after SoftBank said it might float its local telecoms business.

09 Country Garden taps record HK market Country Garden raised HK$23.5bn from equity offerings last week after record stock market highs.

PEOPLE & MARKETS

12 China targets shadow banking
The chairman of China's banking regulator sent a strong signal to banks last week that it would step up oversight of shadow banking.

12 Mizuho's new CEO faces growth challenge Mizuho's newly appointed chief executive faces a tough task to turn around the bank's fortunes.

15 In brief StanChart has sold its 15% stake in Asia Commercial Bank, bringing to an end its 12-year partnership with the Vietnamese bank.

16 Who's moving where Credit Agricole has promoted Christophe Cretot to head of debt origination and advisory for Asia.

17 Comment Jonathan Rogers Keeping the crypto craze alive

ASIA DATA

40 This week's figures

COUNTRY REPORT

18 AUSTRALIA
Westpac Banking Corporation raised US$2.5bn from last Wednesday's three-part offering of SEC-registered senior unsecured notes.

19 CAMBODIA
Prasac Microfinance Institution is sounding the market for a US dollar loan, five months after having closed a US$37m five-year term financing.

19 CHINA
Geely Automobile Holdings on Thursday priced US$300m of five-year senior unsecured bonds at 99.602, with a coupon of 3.625% to yield 3.713%.

28 HONG KONG
FWD has mandated HSBC, Citigroup and StanChart as joint lead managers and joint bookrunners for an offering of US dollar perpetual securities.

29 INDIA
India's state-owned powergen company NTPC has sent banks a request for proposal to raise up to US$400m from 10-year and 30-year dollar bonds.

31 INDONESIA
Sawit Sumbermas Sarana got orders of over US$1.1bn for US$300m of 7.75% five-year non-call three notes: a similar offering last year was pulled.

33 JAPAN
Japanese real-estate developer Mitsui Fudosan on Tuesday priced US$300m of five-year 2.95% senior unsecured notes at 99.848 to yield 2.983%.

33 LAOS
State-owned Banque pour le Commerce Exterieur Lao has launched a US$100m four-year term financing on its debut in the offshore loan markets.

34 MALAYSIA
Malaysian state-owned investment agency Khazanah Nasional priced a M$1.5bn 15-year sukuk musyarakah at par to yield 4.94%.

34 NEW ZEALAND
ANZ Bank New Zealand took advantage of market conditions to raise US$1bn from last Tuesday's dual-tranche 144A/Reg S senior unsecured notes.

34 PHILIPPINES
Property developer SM Prime Holdings plans to sell five-year and seven-year fixed-rate bonds, according to a filing to the Philippine Stock Exchange.

35 SINGAPORE
Housing and Development Board on Wednesday made its first visit of the year to the bond market to sell S$515m of 10-year senior unsecured notes.

38 SOUTH KOREA
Woori Bank on Tuesday priced US$300m of five-year Formosa floating-rate notes at three-month Libor plus 87bp, the tight end of final guidance.

38 TAIWAN
Electronics maker Wistron mandated Mega International Commercial Bank for a loan of up to US$600m, after closing a US$700m facility last June.

39 THAILAND
Sole bookrunner Morgan Stanley has sold US$200m of exchangeable bonds, with a letter of credit from Bangkok Bank, in Indorama Ventures.

US tax reform lifts Chinese bonds

Bonds PRC sovereign notes offered inside Treasuries on US deficit fears

BY DANIEL STANTON

China achieved a rare feat last week as one of its dollar-denominated sovereign bonds was quoted inside US Treasuries, thanks mainly to a rise in US rates after December's tax reform legislation.

The sovereign's 2.125% November 2022 bond, priced in October, was briefly offered on Wednesday at 2bp below the US five-year benchmark, before returning to positive territory. The China five-year was also quoted at a negative Z spread throughout the week.

On the bid side, the China 2022 note was last quoted 4bp wide of US Treasuries, having tightened from a spread at issue of 15bp.

China's 2027 has also tightened against Treasuries since the start of the year, to Z plus 18bp from 34bp at the end of 2017, and a Treasury spread of 14bp from 32bp. The PRC sold US$2bn of overseas bonds in October, split equally between 2022s and 2027s, in its first US dollar offering since 2004.

"China wanted to issue sovereign bonds to make a point, and they have done it successfully," said Leo Hu, senior portfolio manager of emerging markets debt at NN Investment Partners.

The three major credit rating agencies see China as a A1/A+/A+ credit, though it pointedly did not seek a rating for last year's issue after downgrades

Issuers strike while HY is hot

Bonds Concord, SSMS succeed at second attempt as yield chase continues

BY FRANCES YOON

Higher yields and hot market conditions allowed low-rated Asian issuers to revive US dollar bond offerings this past week, underlining the strength of demand for new credits at attractive valuations.

China's CONCORD NEW ENERGY and Indonesia's SAWIT SUMBERMAS SARANA (SSMS) both completed new issues they had shelved two months ago, but their higher yields reflected investors' new pricing expectations.

Wind and solar power producer Concord completed a US$200m three-year Green bond on its second attempt, pricing at 7.9%. It had marketed the note in November at 7.125% area.

Indonesian palm oil producer SSMS on Tuesday managed to price a US$300m five-year non-call three at a yield of 8%, in from guidance of 8.125% area. Last year, it had started at initial guidance of 7.25% area for the same tenor and narrowed to 7.00% before pulling the issue.

The strong response helped Indonesian palm oil and sugar producer TUNAS BARU LAMPUNG price its own US dollar maiden a whopping 100bp inside SSMS the following day, raising US$200m from a five-year non-call three note at 7%. Bankers away from the issue said the differential seemed wide, despite ratings of Ba3/BB– (Moody's/Fitch) for Tunas and B1/B+ (Moody's/Fitch) for SSMS.

Tunas, too, had tried to issue last year, hiring banks in July for a proposed bond in Singapore dollars, but it did not come to fruition.

All three notes rose in secondary trade, with investors keen to take advantage of higher yields following a sell-off in the sector late last year.

SSMS's new note jumped two points to yield 7.1%, close to the 7.0% it was targeting on its first attempt. The bond from Tunas jumped more than a point, even after pricing 50bp inside initial guidance.

TATA STEEL added to the momentum on Thursday with India's first high-yield bond of the year, raising US$1.3bn with a lighter covenant package than in previous offerings. (*See India Debt capital markets*.)

"Investors continue to seek ways to enhance the yields of their broader portfolios given the relatively supportive fundamentals of the asset class, where defaults continue to descend from their more recent peaks witnessed in late 2016, while recoveries remain elevated, consequently pointing to minimal default losses," said Andrew Jessop, managing director and high-yield portfolio manager at Pimco.

"This was accentuated by

from Moody's and S&P. In theory, its sovereign bonds should trade much wider than those of the US, which is a Aaa/AA+/AAA credit, but investors seem to view China's prospects more positively.

"People think Chinese credit fundamentals will improve, while the US will deteriorate. The debt burden of the US is certainly going to be an issue, while China is trying to reduce or at least control leverage. The US tax plan was a trigger for markets," said Hu.

US CUT TO BBB+

US Treasury yields have steepened since the passage of tax reform, which has cut corporate tax rates, but is estimated to add US$1trn to the national deficit in the next 10 years, according to the Joint Committee on Taxation, a non-partisan grouping of the US Congress. The five-year US Treasury yield has risen 25bp since December 18, the day before the House of Representatives approved the tax bill, and the 10-year yield rose 23bp.

On Tuesday, Chinese credit rating agency Dagong Global cut the US sovereign rating to BBB+, with a negative outlook, from A–, saying the nation's debt-driven economic development will weaken its solvency.

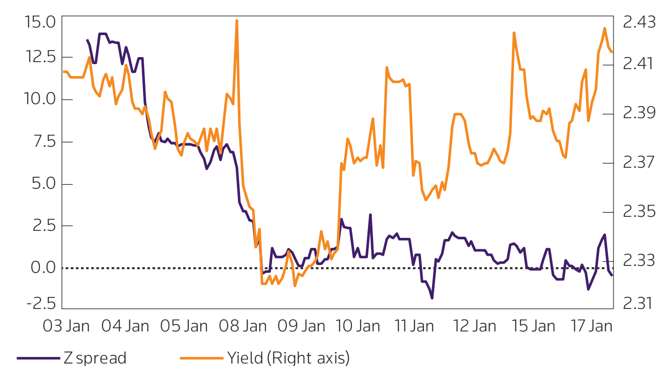
"The US tax plan was a Christmas gift, but someone needs to pay the bill," said Hu. "Eventually, the US needs to borrow more, so this will increase the debt pile, add to the fiscal deficit and borrowing costs will increase."

In contrast, President Xi Jinping made it clear at last year's National Party Congress that China would try to deleverage the financial system and reduce systemic risk, while increasing productivity to move the country up the value chain.

"I do not think there is any fundamental Chinese story here," said Jan Dehn, head of research at Ashmore. "The main driver is the US Treasury market."

TIGHTER CHINA

CHINA'S 2.125% NOV-22 SOVEREIGN BOND IS AT A NEGATIVE Z-SPREAD (BP)



Source: Tradeweb via Thomson Reuters Eikon

PLAYING CATCH-UP

A credit trader said some Asian sovereign bonds had benefited from investor caution towards corporate paper at the start of the year, with many expecting some market correction. Investors were also keen to hold China's sovereign paper because it is not expected to be a regular issuer in the dollar market.

"It's not as though China is going to come out with a new issue tomorrow," said the trader.

In contrast, Chinese quasi-sovereigns and investment-grade state-owned enterprises did not see as much tightening in their dollar bonds, and some analysts are tipping this gap to narrow.

ICBC International Research noted that outstanding 2022 bonds from State Development Bank of China and Export-Import Bank of China narrowed only 4bp and 2bp, respectively, in Z spread terms from the end of 2017, while five-year notes from State Grid Corporation of China and Sinopec actually widened slightly. ■

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the recent sell-off of high yield from late October through mid-November, where sector-based selling that stemmed from idiosyncratic risks within select sectors led to broad-based selling, resulting in higher yields and improved valuations, providing a better entry point for investors."

The average yield on a five-year US dollar high-yield bond from Asia ex-Japan has risen to 5.805%, according to Thomson Reuters credit curves, up from 5.19% in early November.

LOOKING FOR VARIETY

The momentum is expected to continue. A banker on an upcoming seven-year non-call four MEDCO ENERGI deal said he had received significant interest. Other high-yield issuers to have held investor meetings ahead of proposed transactions include GCL NEW ENERGY and ZHONG YI HOLDINGS.

"I think the general view is to strike while the iron is hot," said the Tunas banker.

The reception to last week's issues also suggests that investors are keen to diversify away from the continuous supply of Chinese property bonds that boosted Asian high-yield offerings to a record US$41bn in 2017.

Yields on offshore Chinese property bonds have widened about 40bp–50bp since October as a flurry of regulatory approvals and thin new-issue premiums deterred investors. This paved the way for high-yield issues from other industries, which, on an absolute basis, have generally offered higher returns than real estate offerings.

"Investors are receptive to different industries and new names, and there is hunger for diversification in their portfolios," said a banker on the SSMS deal. "Especially in jurisdictions like Indonesia, high-yield deals were mostly concentrated in the coal and energy sectors. SSMS is a palm oil producer, and we haven't seen supply from that industry in years."

Chinese fund managers have also accounted for growing portions of Indonesian high-yield issues as they too search for diversification from property. A banker on the Tunas issue said a third of the notes was allocated to Chinese investors.

However, concerns about rising rates and heavy supply remain.

Wan Howe Chung, head of Asian fixed income at Amundi Asset Management, said investors would pick and choose the issues they liked.

"The two deals weren't able to come to market in November because they were priced too tight thinking the market would accept it. This speaks to the market being very disciplined," he said.

A banker working on a recent high-yield Chinese property bond said valuations were especially important.

"Gone are the days when investors fall over each other to buy high yield. There's so much supply to choose from and we saw a repricing in the sector across Double B and Single B," he said.

"Investors want to deploy cash, but are being smart about it." ■

CMB tackles first Aussie LBO

■ **Loans** Chinese bank dishes up pet food LBO financing

BY EVELYNN LIN, PRAKASH CHAKRAVARTI

China Merchants Bank has become the first Chinese bank to lead the financing of a leveraged buyout in Australia, marking another step in the aggressive overseas expansion of mainland lenders.

CMB won a sole mandate on a A$400m (US$315m) loan for the acquisition of REAL PET FOOD (RPFC), supporting a consortium of predominantly Chinese investors on the A$1bn acquisition. It launched the loan into syndication last week.

While the loan is not large, several bankers say the structure will test CMB's syndication skills because of its long tenor, relatively high leverage and tight pricing.

The senior facility, split into a A$375m term loan tranche A and a A$25m revolving credit tranche B, carries a seven-year door-to-door tenor, with a blended average life of 5.17 years and a leverage multiple of 5.02x, based on RPFC's estimated Ebitda of slightly

China LGFVs pass latest test

■ **Bonds** Yunnan bailout comforts investors as offshore issuance surges

BY CAROL CHAN, INA ZHOU

A default scare in China's onshore debt markets has put the spotlight on the country's local government finances at a time when more financing vehicles are turning to the offshore markets to raise funds.

Last week, news that YUNNAN STATE-OWNED CAPITAL OPERATION (Yunnan Capital) failed to meet repayment obligations on time on two trust loans sparked a sell-off of some US dollar bonds of local government financing vehicles, especially those from Yunnan province.

The incident also forced Yunnan Capital to postpone a non-deal roadshow that had been scheduled for January 16 in Hong Kong, according to two market sources. Yunnan Capital registered with the National Development and Reform Commission to sell offshore bonds last year, but no issue has materialised so far.

The sector rebounded soon after the provincial government helped Yunnan Capital repay in full the overdue trust loans – reinforcing expectations of state bailouts for issuers that run into trouble.

Still, the episode has raised fears that LGFVs may start to default in the bond market this year after a surge of issuance from the sector and amid ongoing reforms to curb excess capacity. So far, no Chinese LGFV has defaulted on its publicly traded debt in either the onshore or offshore markets.

"Any default may trigger a chain reaction that may affect the accessibility or funding costs of other local SOEs in the same province or city. But the problem is, do all these local governments have the resources to rescue SOEs from their difficulties, in particular the small counties or cities in China's poorest provinces?" said Ivan Chung, associate managing director at Moody's.

On December 15, Yunnan Capital missed payments on more than Rmb900m (US$140m) borrowed through two trust products issued in the name of Zhongrong International Trust. The missed payments were the first known default of off-balance sheet, or shadow, loans of local governments, Reuters reported on January 14.

In the offshore market, yields on LGFV bonds edged higher.

The bid yield of Yunnan Metropolitan Construction Investment Group's 3.125% 2019s jumped around 25bp last week, according to Thomson Reuters data. Both Yunnan Provincial Investment Holdings Group's 3.375% 2019s and Yunnan Provincial Energy Investment Group's 3.75% 2020s rose around 6bp.

Yunnan Capital managed to repay in full the overdue trust loans to Zhongrong on January 16 as it secured financing from some institutions. It is now set to get Rmb2bn in additional equity capital from the provincial government, according to Reuters.

In a statement dated January 16, Yunnan Capital said the delay in repayment of the trust loans was due to some difficulties in the transfer of funds among related parties. It also claimed that the incident was not a default as Zhongrong, after mutual discussion, had agreed to postpone the repayment date to January 19 or earlier.

"The news, of course, has some negative impact on market sentiment towards LGFV bonds, but it is only temporary and won't last long," said Steve Wang, head of fixed-income research at BOC International.

under A$80m for 2018.

The interest margin is 250bp over six-month BBSY and top-level upfront fees on offer are a mere 25bp.

"The margin and fees are not comparable with other loans, especially after taking into account the gearing," said one senior leveraged finance banker in Singapore. "In the US, term loan B financings pay 250bp in margins for leverage multiples of 3.0x–3.5x. So, this should be paying around 400bp in pricing."

In Australia, the most recent LBO financing was a A$135m (US$104m) six-year unitranche loan in November to support private equity firm TPG Capital's acquisition of a majority stake in clinical trials company Novotech. The loan carried leverage of 5.5x and paid a margin in the low 500s over BBSY.

Despite the aggressive structure and tight pricing, sources expect the presence of big-name investors in the consortium will help CMB attract banks to the loan.

CMB has a close relationship with New Hope Group, China's largest agriculture and animal husbandry company, which is driving the acquisition and is said to have a stake of 20%–30% in the consortium. Sovereign wealth funds China Investment Corp and Temasek Holdings, together with Chinese PE firm Hosen Capital, control another 50%–60% combined. Genbridge Capital, Sichuan Haidilao Catering, Pavilion Capital and Hong Kong's Keywise Capital own the remainder.

Quadrant Private Equity bought RPFC, formerly known as VIP Petfoods (Australia), in June 2015, investing A$410m alongside the founding Quinn family and the company's management.

Quadrant funded that buyout with a A$240m five-year amortising loan, carrying leverage of 4.8x. ANZ and Deutsche Bank were the mandated leads and underwriters on the loan, which attracted Commonwealth Bank of Australia, HSBC and Westpac.

It is not clear if any or all of these banks are still lenders to RPFC. However, bankers say some will be keen to renew their exposure to what is considered a stable, cashflow-generating asset. RPFC's existing management will continue to run the company, which is another comfort factor for lenders.

The acquisition will provide RPFC a platform to expand internationally, particularly into China, where the pet and related food industry has tremendous potential for growth.

TEST OF CREDENTIALS

CMB has been sole lead on bigger loans, but it has mainly focused on syndicating Chinese borrowings to other PRC lenders.

A high-profile example was a US$3.4bn-equivalent loan in July 2016, which backed the US$9.3bn buyout of US-listed Chinese security software maker Qihoo 360 Technology. CMB was sole underwriter on the loan, which carried a leverage multiple of up to 6x and attracted five other Chinese banks in syndication.

That loan underscored the strong liquidity and appetite among mainland banks for debt backing the delisting of Chinese companies overseas, shutting out international banks that had hitherto dominated this segment of financing.

CMB's sole mandate on RPFC's LBO loan builds on that trend, though the dominance of domestic and Western banks in Australian leveraged finance is far from being under threat. ■

A fund manager at a Chinese house who holds some LGFV dollar bonds in his portfolio said the incident shows that local governments still have strong willingness to bail out LGFVs, which should provide some comfort to investors.

OFFSHORE PUSH

Market participants said the incident is not likely to slow the supply of LGFV offshore bonds, as onshore yields are rising significantly.

In the onshore market, **KUNMING COMMUNICATIONS INDUSTRY**, a state-owned enterprise in Yunnan, postponed an offering of Rmb900m five-year bonds, initially due to launch on January 16.

YUNNAN CONSTRUCTION & INVESTMENT HOLDING GROUP, another issuer from the Yunnan province, dropped an offering of Rmb1.5bn perpetual notes initially planned to launch on January 17. Meanwhile, yields on other onshore LGFV bonds with tenors of less than 365 days shot up to over 5% last week.

BOCI's Wang expects more LGFVs to explore opportunities to issue bonds offshore so as to expand their funding channels.

"Chinese corporations, including LGFVs, have learnt that they cannot rely on the onshore market only as the market is heavily affected by government policy. Having a funding channel in the offshore market will give them more flexibility," Wang said.

Moody's believes the direct debt quotas of regional and local governments are insufficient to fund their massive infrastructure spending needs and the gap will need to be filled with higher borrowings for local SOEs, especially LGFVs.

Currently, more than 1,000 LGFVs have issued bonds in the onshore market, making up around 15% of the outstanding there. However, only a few of them have issued bonds in the offshore market, meaning they could add substantially to supply if they opted to do so, said bankers and analysts.

A Hong Kong-based syndicate banker at a Chinese brokerage said his house had eight LGFVs offshore bonds in the pipeline and expected LGFV dollar bond supply to increase this year after a slow 2017, since NDRC had relaxed and speeded up approvals after last October's Communist Party Congress.

Although Chinese authorities have tried to detach LGFVs from public-sector balance sheets to contain risks associated with growing contingent liabilities, many remain of high strategic importance to their local governments and still carry public-sector mandates, he pointed out.

"Investors, especially those onshore investors, believe that government's implicit guarantee for LGFVs is still there, although it is weakening," he said.

Since the first issue from Beijing Infrastructure Investment in June 2014, LGFVs have become a new segment in the Asian dollar bond market with a market size of US$26bn as of end-2017, according to a report from UBS Wealth Management.

DEFAULT FEARS

Moody's Chung said local governments were no longer able to use fiscal resources to directly bail out LGFVs since the launch of several regulatory guidelines since 2014. The central government aims to separate the direct debt and contingent liabilities of local governments, and establish more restrictions for local government to support the local SOEs, especially LGFVs.

However, in practice, Chung said local governments are using other legitimate ways, such as capital or asset injections, or M&As, to provide funds to LGFVs to prevent defaults, in particular on publicly traded debt and to settle incidents reported by the media.

"It is hard to predict whether or not there will be any LGFV bond defaults this year. Overall, I don't see risk of widespread default as the authorities are expected to step in to prevent any systemic default risk." ■

Tight Samurai reward for BPCE

■ **Bonds** French bank shows growing support for pot system in bookbuilding

BY TAKAHIRO OKAMOTO

BPCE left nothing to chance in its quest for tight pricing on Japan's first Samurai issue of 2018, a dual-tranche offering of senior preferred and senior non-preferred bonds.

The French bank raised a total of ¥116.1bn (US$1.04bn), comprising ¥52.9bn of preferred notes and ¥63.2bn of non-preferred paper – the latter counting towards its total loss-absorbing capacity.

A clever tranching strategy and unusually narrow price guidance, coupled with the transparency of the pot system during bookbuilding, helped BPCE achieve far tighter spreads than on recent Samurais from the financial sector.

It also showed growing support among Japanese investors for the pot system, widely used in the global markets.

"We have no doubt the pot will spread as a trend," said Ryusuke Kurihara, debt syndication head at Daiwa. "Surely, we are going to promote it [in international yen deals] and quite a few issuers will follow."

BPCE sold a total of six tranches at tenors ranging from five to 15 years, but official marketing was initially limited to two – a five-year preferred and 10-year non-preferred.

"The five-year senior preferred and the 10-year senior non-preferred were official tranches from the beginning, but, for the other tranches, we decided to make them official when we found ¥1bn of demand."

After two days of sounding on January 11-12, BPCE began marketing on Monday, with the other tranches being offered on a reverse-inquiry basis.

Guidance was very narrow from the start. The preferred tranches were offered at 4bp/5bp for five years, 10bp area for seven and 15bp area for 10 years – in contrast to the traditionally wide ranges preferred in the Samurai market.

For the non-preferred tranches, BPCE started the five-year SNP at 22bp area, the 10-year at 40bp/42bp and the 15-year at 36bp area.

These levels were roughly the maximum the issuer could pay, given that its funding costs in yen are more expensive after swaps than in euros and dollars.

"The five-year senior preferred and the 10-year senior non-preferred were official tranches from the beginning, but, for the other tranches, we decided to make them official when we found ¥1bn of demand," said a banker on the deal.

As the guidance for the five-year senior tranche already looked quite expensive for the borrower, that piece had a cap of ¥60bn.

At final pricing, the SP portion was split into ¥49.4bn 0.217% five-year, ¥1.2bn 0.329% seven-year, and ¥2.3bn 0.484% 10-year notes. The SNP tranches comprised ¥38.4bn 0.385% five-year, ¥23.7bn 0.734% 10-year, and ¥1.1bn 0.917% 15-year notes.

TIGHTER SPREADS

Compared with prior transactions from French banks, spreads have tightened remarkably – especially in the SNP format.

When BPCE introduced the first yen-denominated five-year SNP bonds a year ago, they were priced at 50bp over. Societe Generale in May and Credit Agricole in June issued at 30bp over. From the UK, Lloyds'

SoftBank mulls mega telco float

■ **Equities** IPO could be biggest in Japan in nearly two decades

BY FIONA LAU

Global equity capital markets bankers are circling one of the biggest Japanese listings on record after conglomerate SOFTBANK GROUP said it was considering listing its local telecoms business.

According to Japanese business daily Nikkei, SOFTBANK CORP, the group's mobile phone unit, plans to list in Tokyo and overseas, possibly London, in the second half of the year in a deal that could raise as much as ¥2trn (US$18bn).

SoftBank Group said in a statement that a listing of its mobile phone subsidiary was one option for its capital strategy, but made clear that no such decision had been made.

A listing will allow SoftBank Group to accelerate its transformation into one of the world's biggest tech investors without further raising its already high debt levels.

"Spinning off the telecoms business will help SoftBank realise the value of its investment business."

The possibility of spinning off SoftBank Corp had been discussed within the company in the past few years, people familiar with the situation told IFR.

"There have been on and off discussions for some years, but these are getting more serious lately. As far as we know, they haven't formally appointed banks on the deal yet," said one of the people.

"For a deal of such size, we believe they will have to hire a combination of domestic and international banks," said another person.

A ¥2trn IPO would be one of Japan's biggest, rivalling NTT DoCoMo's ¥2.1trn listing in 1998. It could also be the biggest IPO in Asia-Pacific this year, challenging the potential float of Chinese smartphone maker Xiaomi, expected to be valued at up to US$100bn.

LOGICAL MOVE

Market participants, generally, reckon it is a logical move for the company to spin off the mobile unit.

"Investors always ask for a valuation discount in conglomerates as they don't have direct control over any of its businesses. Spinning off the telecoms business will help SoftBank realise the value of its investment business, which is a core development for the group in the past few years," said a fund manager.

six-year MREL yen bonds priced at 30bp a month ago.

Despite the tighter spreads, BPCE continued to receive a good response from Japanese investors. Sub 30bp had been thought to be insufficient to draw demand, but the five-year SNP attracted good interest from trust banks and asset managers at 22bp, while lifers participated as well.

These investors were also major buyers of the 10-year SNP. The tranche also saw foreign participation. Lifers bought the 15-year SNP.

The preferred tranches also priced tight. The spread of 10bp on the seven-year SP compared with 17bp on BPCE's most recent issue last June and on Banque Fédérative du Crédit Mutuel's October offering.

The five-year notes drew good demand from a city bank and specialised lenders drawn to the 0.20% plus coupon. Regional investors bought the other two senior tranches.

In order to draw as much demand as possible and offset the tighter spreads, the 10-year SP and SNP were both offered as social bonds. However, leads said only a few investors bought them for the social bond feature in particular.

POT SYSTEM

One key feature of the issue was use of the pot system during marketing, where orders are compiled centrally and shared with the syndicate, rather than retained by individual arrangers. The retention system is traditionally used in the Japanese domestic market, and BPCE was only the second to use the pot method for a Samurai after a Shinhan Bank trade in October.

Japanese investors have traditionally resisted sharing the details of their orders with the entire bookrunning syndicate, but most buyers accepted it – to the surprise of some leads.

"I thought there would be many Account Xs, but there were only a few," said another lead on the issue. "Less than 10%, so Japanese investors are more familiar than we thought."

Daiwa, *Mitsubishi UFJ Morgan Stanley*, *Mizuno*, *Natixis*, and *Nomura* were the leads on the issue, rated A2/A/A/A (Moody's/S&P/Fitch/R&I) for the SP pieces and BBB+/A/A– (S&P/Fitch/R&I) for the SNP portion. ■

The long line of new investments has made valuing SoftBank difficult.

For instance, SoftBank owns a 29.35% stake in Chinese e-commerce giant Alibaba, according to Thomson Reuters data. As of January 17, the stake was worth US$138bn, far more than the US$91bn market cap of SoftBank.

The US$100bn Vision Fund that SoftBank set up with others to invest in tech companies makes valuing the conglomerate even harder as there is little public information on the fund's investments. A research report from Goldman Sachs, for example, gave a 12-month target price of ¥11,700 to SoftBank after assigning zero value to the Vision Fund.

Shares of SoftBank closed at ¥9,184 on Friday.

The other advantage of a potential spin-off is that the funds raised can be used to fund SoftBank's future investments in tech companies without adding to its financial leverage.

The Nikkei report said SoftBank planned to sell about 30% of its mobile unit to investors and the funds were likely to be used for investment in overseas information technology companies rather than paying down debt.

According to the Goldman report, SoftBank's net debt-to-Ebidta ratio was at 10.1 for the financial quarter ended September 2017.

Its telecoms unit posted a 4.5% increase in operating profit to ¥720bn on sales of ¥3.2trn in the year ended March 2017. ■

Country Garden taps record HK market

■ **Equities** First blue-chip issuer to raise funds after HSI hits record high

BY FIONA LAU

COUNTRY GARDEN HOLDINGS raised a combined HK$23.5bn (US$3bn) from equity offerings last week after the Hong Kong stock market hit record highs.

The Chinese property developer last Tuesday launched a HK$7.88bn top-up share placement and a HK$15.6bn convertible bond through sole bookrunner *Goldman Sachs*. On the same day, Hong Kong's benchmark Hang Seng index hit a record close of 31,904.75, above the previous record close set on October 30 2007.

The mammoth equity raising came just a week after Country Garden raised US$850m from an issue of dual-tranche US dollar senior notes in the offshore bond market on January 9. Last Friday, the developer also opened books for a Rmb1.8bn (US$280m) Panda bond offering in the domestic market.

"We are going to see more and more such opportunistic trades in the market," said an ECM banker away from Country Garden's equity raising. "The Hang Seng Index has now reached a level where many issuers and shareholders have started seriously considering whether they should raise some money."

Chinese developers, which have issued a huge amount of debt in the past few years, are particularly keen to sell some equity now.

"Being the first to launch such a big deal allows Country Garden to have the first-mover advantage," said another ECM banker.

A day after the Country Garden deal, fellow Chinese developer **FUTURE LAND DEVELOPMENT** raised HK$1.56bn (US$200m) from a top-up placement last Wednesday.

FULLY UNDERWRITTEN

In its fully underwritten top-up placement, Country Garden sold 460m shares, or 2.1% of the enlarged share capital, at a fixed price of HK$17.13 each or a tight discount of 3.7% to the pre-deal spot.

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

Its HK$15.6bn convertible bond, issued by Smart Insight and guaranteed by Country Garden, has a maturity of 363 days.

Bonds with maturities under one year do not need to be registered with China's National Development and Reform Commission, allowing the developer more flexibility on timing the issuance.

The zero-coupon CB was sold at a yield-to-maturity of 0.75%, versus a marketed range of 0.00%–0.75%, and a conversion premium of 20% over the price of the top-up placement, from a 20%–30% guidance range. The conversion price is HK$20.556.

The bonds can be converted into 759m shares, representing about 3.4% of the company's enlarged share capital after the conversion and share placement.

Proceeds from the placement and CB will be used for debt repayment and for general working capital.

Country Garden shares traded below the placement price the whole day last Wednesday, ending the day 5.5% lower at HK$16.80. The stock fell another 1.7% last Thursday. ■

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Baroda to reopen Indian AT1

■ **Bonds** Offshore issue could be first of many in recapitalisation push

BY KRISHNA MERCHANT, DANIEL STANTON

BANK OF BARODA plans to reopen the offshore market for Indian bank capital with an offering of US dollar Additional Tier 1 securities as early as this month.

A successful issue will be only the second offshore AT1 from India and promises to lead to a flood of similar fundraisings from the country's biggest banks, as they try to restore capital levels after addressing bad loans.

Bank of Baroda, India's third largest public sector bank in terms of market capitalisation, reported gross bad loans at Rs463bn (US$7.25bn) as of the end of September, or 11.16% of total advances. Its net profit dropped 36% year on year to Rs3.55bn in the September quarter.

"We are planning to raise US$500m from AT1 capital with a greenshoe option of US$250m," Ramesh Gopalaratnam, chief financial officer of Bank of Baroda, told IFR. "We want to come to the market as early as possible, before February." Timing is subject to regulatory approval.

India's state banks are taking advantage of improved access to the capital markets after the government announced a US$32bn recapitalisation plan for the sector, with US$21bn of that to come from issuing bonds specifically earmarked for recapitalisation. The first recapitalisation bonds are due to be issued by the end of March, but no details have been given yet.

Gopalaratnam said Baroda also wanted to raise up to Rs60bn from a qualified institutional placement of shares in late February or early March.

"Our capital adequacy ratio will improve to 12.27% by March end from 11.64% at the end of September after the fundraising," he said.

Gopalaratnam said Bank of Baroda would not know how much capital it would receive from the government until the national budget announcement on February 1. Moody's said it expected the government to allocate the capital across the 21 public-sector banks to ensure that they all had CET1 ratios above the minimum Basel III requirement of 8% by the end of March 2019.

Bank of Baroda's CET1 ratio stood at 8.39% at the end of September, trailing the current average of 8.7% for public sector banks.

Indian AT1s are subject to temporary writedowns if an issuer's common equity Tier 1 capital ratio drops below 5.5%, a ratio that will rise to 6.125% from March 31 2019, and coupons are deferrable and non-cumulative. Investors, however, have escaped

BACK IN FAVOUR

INDIA'S ONLY US$ AT1S HAVE RALLIED SINCE A SHAKY START

Source: Thomson Reuters Eikon

High Indian yields favour loans

■ **Bonds** Cheaper loans seen cooling bond growth after RBI stokes sell-off

BY KRISHNA MERCHANT

A spike in corporate bond yields is forcing lower-rated Indian companies to explore loans as the gap between bank rates and bond markets narrows, especially for shorter-dated borrowings.

The onshore yields on India's AAA corporate bonds for one-year and three-year tenors have climbed to 7.38% and 7.66%, respectively, and are hovering at 16-month highs, according to Thomson Reuters data.

Meanwhile, the Marginal Cost of Funds Based Lending (MCLR) for State Bank of India, the largest public sector bank by assets, has eased to 8.1% and 7.95% for one and three years.

"As bond yields climb, the spread between bond yields and bank MCLR has compressed from 150bp almost a year ago to 30bp-40bp for the one-year tenor," said Karthik Srinivasan, group head for financial sector ratings at Icra Ratings.

As spreads narrow, "there will be a natural inclination for corporates to go to the banks," said Radhika Rao, economist at DBS Bank.

Bond placements are expected to slow from the double-digit growth seen in the past few years. Institutional offerings – dubbed private placements in India – touched an all-time high of Rs6.9trn in 2017, according to Prime Database.

"Expect bond private placements to grow in high single digits because of higher yields in the bond market," said Sandeep Bagla, associate director at Trust Capital. "Issuers are moving to loans in certain segments and to foreign borrowings."

At the shorter end of the yield curve, banks have already started competing with the bond market.

"Banks have started using an external benchmark, spread over the Treasury bill rate, or spread over average certificate of deposit rates, and are enticing corporates to avail bank loans," said Icra's Srinivasan.

Banks are now more confident to lend following the government's plan to recapitalise the sector announced at the end of last year. Consequently, credit growth has already started picking up, and rose to a 15-month high of 10.7% year on year for the week ending December 22.

SELL-OFF ESCALATES

India's 10-year government security maturing in May 2027 climbed to 7.56%, the highest yield in 19 months, after the Reserve Bank of India urged banks to manage their own risks from their large exposures to government bonds.

RBI's deputy governor Viral Acharya dampened hopes of any measures from the central bank to cool the sell-off.

"Recourse to such asymmetric options – heads I win, tails the regulator dispenses – is akin to the use of steroids," said Acharya during an annual

losses on some domestic AT1 securities from the public sector even when the issuer was running short of capital, adding to a belief that the government will protect subordinated creditors to avoid a wider crisis of confidence.

In an unusual move in January, Indian Overseas Bank was allowed to use its share premium account to write off its accumulated losses, without which it may not have had sufficient distributable reserves to pay the coupon on its AT1 securities.

"We expect decent demand from home [Indian] buyers, especially non-resident Indians and private banks," said Ang Ben You, research analyst at CreditSights. "Investors will be willing to invest based on demonstrated government support for the banks and regulatory support to avert coupon default."

NEED FOR MORE CAPITAL

Banks will still need to raise more capital from debt and equity markets following the government injection, with some of the larger institutions expected to raise offshore AT1 capital for the first time.

State Bank of India was the country's first bank to sell offshore AT1s, but the tight pricing of its offering in September 2016 forced it to cut back the issue size to US$300m, and poor early trading put a halt to the anticipated follow-up deals from other institutions.

Bank of Baroda, which like SBI is majority state-owned, could mark the start of a wave of Indian AT1 issuance. Fitch estimated in September that the Indian banking sector needed to raise US$65bn of capital by the end of March 2019.

"Bank of Baroda's dollar AT1 could potentially encourage more dollar AT1s out of India – especially if it comes cheap – as banks need to also present their own plans to raise capital in order to receive capital from the government," said CreditSights' Ang.

Bank of Baroda has appointed *Bank of America Merrill Lynch*, *Barclays*, *Citigroup*, *DBS*, *HSBC*, *JP Morgan* and *Standard Chartered* to lead an AT1 offering, IFR reported earlier. The bank has yet to confirm the line-up. ■

dinner with the Fixed Income Money Markets and Derivatives Association.

He urged banks "to build [their] own immunity and strength."

The sell-off in the bond market in the past week has made issuers cautious, forcing them to go back to the drawing board and rethink their fundraising plans, said DCM bankers.

"Viral Acharya's speech knocked the wind of bonds," said Bagla at Trust. "The market now views RBI as insensitive to rising yields and plight of banks."

Some market participants expect the yield on the 10-year government security to rise to 7.75% before the year ends.

The recent yield spike is also a reflection of the economic backdrop. Consumer price inflation rose above RBI's comfort zone to 5.21% in December, while crude prices crossed US$70 per barrel, weighing on India's trade deficit, which widened to a more than three-year high last month.

BMI Research in a 15 January note raised its outlook for the benchmark repo rate at the end of 2018 to 6.25%.

"We expect the central bank to tighten policy in an attempt to manage accelerating inflation while economic growth is undergoing a recovery," BMI said.

Investors, however, do not expect the growth of the rupee bond market to reverse.

"The rising bond yields will not affect RBI's efforts of pushing large companies to bonds," said Rajeev Radhakrishnan, head of fixed income at SBI Funds Management. "The shift away from loans will continue because they already have a large exposure." ■

Record demand for Aussie sovereign

■ **Bonds** Offshore investors lap up November 2029s despite narrower spread over US Treasuries

BY JOHN WEAVERS

The AUSTRALIAN OFFICE OF FINANCIAL MANAGEMENT drew a record order book for last Wednesday's A$9.6bn (US$7.25bn) November 21 2029 government bond, underlining the country's continued appeal even at a tighter spread over US Treasuries.

The A$21.2bn book for the new 2.75% notes eclipsed even the A$20.9bn of orders for the A$11.0bn 2.75% November 2028 T-bond sold in February 2017, which remains the largest syndicated Australian Commonwealth Government bond.

Leads were pleased to see broad-based buying from overseas investors given concerns that offshore demand may recede as the ACGB spread over US Treasuries moves towards zero.

"Such a large deal shows the limited impact from the narrowing differential, so far. It also shows that last year's A$11bn and A$9.3bn trades were actually the start of a significant increase of demand and capacity, allowing the AOFM to access it if required," said Rod Everitt, head of Australian syndicate at Deutsche Bank.

The scale of interest allowed joint lead managers *CBA*, *Citigroup*, *Deutsche Bank* and *UBS* to price at the tight end of EFP (10-year futures) plus 7bp-10bp guidance for a yield of 2.86%.

Offshore bidding was notably robust. The 32% allocation to foreigners was more than double their 15.3% share for last February's long 10-year benchmark, despite a decline in Australian Commonwealth government bonds' yield pick-up over 10-year Treasuries from 43bp to 23bp.

The Australia/US 10-year spread has tightened from more than 80bp in April 2016, 135bp at the beginning of 2014 and a near 300bp peak during the global financial crisis in 2008.

Australia still offers the highest absolute yields of the 10 countries currently rated Aaa/AAA/AAA by the three main agencies.

Asian accounts bought 11.6% of the new ACGB, up from 9.2% for February 2017s's issue. North America, the UK and Europe took 8.0%, 5.9% and 5.8%, versus 0.4%, 1.6% and 3.8%, previously.

Bank balance sheets picked up 34.9%, bank trading 26.1%, fund managers 16.6%, hedge funds 14.5%, central banks 7.7% and others 0.3%.

Rollover demand from the maturing A$9.6bn 5.5% January 21 2018s supported the transaction, which also enjoyed some scarcity value as the last syndicated nominal bond sale of fiscal year 2017-18.

The improving fiscal outlook is another positive. Last month, the AOFM reduced to A$74bn from A$80bn its projected gross T-bond offerings for 2017–18 in the federal government's updated economic and budget forecasts.

With A$31bn of maturing bonds and around $15bn of buybacks, net issuance is estimated to be around A$28bn.

The Australian federal government cash deficit is modest by international standards. It is projected to be A$23.6bn, or 1.3% of GDP, in 2017-18, falling to A$20.5bn (1.0% of GDP) in 2018-19 and just A$2.6bn (0.1% of GDP) in 2019-2020.

In conjunction with Wednesday's issue, the AOFM repurchased.

A$22m of the 3.25% October 21 2018, A$1.804bn of the 5.25% March 15 2019 and A$1.165bn of the 2.75% October 21 2019 at respective yields of 1.69%, 1.78% and 1.92%. ■

TOP STORY STRUCTURED PRODUCTS

China targets shadow banking

Rules tightened further as regulator warns of "black swan" event

The chairman of China's banking regulator sent a strong signal to banks last week that it would step up oversight of shadow banking as he warned of a "black swan" event that could derail the country's financial system.

His comments came shortly after the China Banking Regulatory Commission published tough new rules that would force banks to better identify their credit exposure to investments in structured products.

"We need to focus on reducing the debt ratio of companies …strictly control cross-financial sector products and continue to dismantle shadow banking," said CBRC chairman Guo Shuqing in an interview with the People's Daily, the official newspaper of the Chinese Communist Party.

On January 13, the CBRC also said in a statement that it would increase its supervision of the banking sector as it grappled with systemic risk.

"Banking shareholder management, corporate governance and risk control mechanisms are still relatively weak, and root causes creating market chaos have not fundamentally changed," it said.

China's shadow banking problem stems from the aftermath of the financial crisis, when the government's stimulus programme led to a surge in demand for credit.

To circumvent regulatory restrictions on lending to certain sectors such as manufacturing and real estate, banks began lending to corporate clients through off-balance sheet products, essentially loans disguised as investments through a long line of intermediaries.

According to research from Nomura, the shadow banking sector peaked at around Rmb122.8trn (US$19.1trn) at the end of 2016.

On January 5, the CBRC issued draft regulations that would limit a bank's exposure to unidentified counterparties in the underlying assets of structured investments to 15% of its Tier 1 capital.

This means that banks will be forced to identify the counterparties on all investments above this threshold, which will result in an increase in the amount of capital they need to hold.

"Basically, the new regulations aim to close the loophole, which allowed banks to package loans into products in order to circumvent higher regulatory capital requirements," said Nicholas Zhu, an analyst at Moody's.

"Much of the underlying exposure of banks' investment in structured products is to corporate borrowers and one of the motivations to engage in these types of transactions is the arbitrage of capital requirements. If you charge 20% or 25% for a financial counterparty, instead of 100% for a corporate borrower, that makes the return much better."

According to Moody's analysis of the 16 banks the rating agency covers, the total amount of investments for which the counterparty will need to be disclosed is Rmb7.8trn.

Most observers reckon that banks will respond by deleveraging rather than issuing new share capital.

LEVERAGE CLAMPDOWN

China has been stepping up reforms to tackle shadow banking since the conclusion of the 19th Party Congress last year, at which President Xi Jinping underscored the need to tackle financial risks.

"I think the leadership is clearly aware of financial risk," said Jing Ulrich, vice chairman for Asia Pacific at JP Morgan. "So I think financial scrutiny, financial regulation and further deleveraging will be major themes throughout 2018."

The CBRC's latest draft regulations follow on from a slew of other directives that are designed to get to grips with this issue.

In November, it published draft proposals that would require investors wishing to hold more than a 5% stake in any bank for the first time to apply with the regulator.

Mizuho's new CEO faces growth challenge

MIZUHO FINANCIAL GROUP's newly appointed chief executive faces a tough task to turn around the bank's fortunes, according to market observers.

Last week, Mizuho elevated *Tatsufumi Sakai*, the head of its brokerage unit, to chief executive. He will take over the reins on April 1.

Outgoing CEO *Yasuhiro Sato* has been appointed non-executive chairman, while *Koichi Iida*, head of the strategic planning group, will replace Sakai as securities head.

Mizuho, Japan's third-largest bank, has struggled to adapt to the country's negative interest rate policy, which has sapped profitability and put pressure on costs. Its performance has lagged that of rivals Mitsubishi UFJ Financial Group and Sumitomo Mitsui Financial Group, both of which are less reliant on income from domestic loans.

In November, Mizuho reported a 12% drop in net profit for the second quarter to September 30, the worst performance of the three megabanks.

It reported a 127% rise in gains from the sale of shares to ¥107.9bn for the first half, which accounted for 25% of its pre-tax income, according to Moody's.

Sakai will also have to deal with plans announced by his predecessor to shed 19,000 jobs, equivalent to around a quarter of the workforce, within the next decade.

Observers said his main challenge would be balancing the reduction in headcount in Japan – often a politically sensitive issue – with expansion overseas.

"We are least optimistic about Mizuho among the megabanks because of its reliance upon income from domestic loans," one analyst told IFR.

"Whether a new CEO changes things is difficult to gauge at the moment since changes in strategy in Japan are usually gradual."

Speaking at a press conference last Monday, Sato told reporters that the bank would need to lower costs and embrace risk under the new CEO's tenure.

"We have a (high) cost structure. Also, I cannot deny that we are a bit conservative in terms of risk taking. We need to change that attitude," he said.

The rules are designed to limit systemic risk and improve corporate governance within the banking sector.

Last month, the CBRC issued new rules on commercial banks' liquidity risk management with the aim of shifting banks' reliance from short-term market funding to obtaining deposits.

The CBRC also issued guidelines this month banning the use of entrusted loans – a common feature in shadow banking – to invest in bonds, financial derivatives and asset management products.

"You've seen this intensified regulatory effort since the 19th Party Congress because there is a consensus among the top leadership about the need to rein in credit growth to safeguard financial stability in China," said Qiang Liao, senior director at S&P.

"The new regulations on entrusted loans are designed to prevent banks moving loan-like assets off balance sheet. I think that shows the forcefulness of the CBRC in cracking down on shadow banking."

Most analysts reckon that China's big four banks – Agricultural Bank of China, Bank of China, China Construction Bank and Industrial and Commercial Bank of China – are likely to be less affected by the new regulations.

"The theme of shadow banking has been more of an issue for medium and small-sized banks," said Zhu. "The big four have branches all over the country so the smaller banks have to rely on market funding and sometimes they invest in these instruments."

THOMAS BLOTT

Mizuho has made a push to increase its presence overseas. Last week, it announced that it had been granted a category 4 licence from the Dubai Financial Services Authority. It has had a presence in Dubai since 2007 through its corporate bank, although the new licence will allow it to expand into debt capital markets in the Middle East.

It is also looking to expand its footprint in leveraged finance in the US, Simon Walker, its head of loan markets and syndicate, told IFR in November.

Sakai joined Industrial Bank of Japan in 1984, which later merged with two other banks to form Mizuho.

He was appointed head of Mizuho Securities in 2016 and has previously headed up the international banking and investment banking divisions.

THOMAS BLOTT

HNA Group looks to turn corner

HNA GROUP chairman Chen Feng has expressed confidence that China's aviation-to-financial services conglomerate will manage its cash crunch and continue to receive support from banks and other financial institutions this year.

The liquidity problem exists "because we made a big number of mergers", while China's economy "transitioned from rapid to moderate growth", impacting the group's access to new financing, Chen told Reuters in a rare meeting.

"Rate hikes by the Federal Reserve and deleveraging in China caused a liquidity shortage at the end of the year for many Chinese enterprises," he said. "We're confident we'll move past these difficulties and maintain sustained, healthy and stable development."

It was a rare acknowledgment by a top company official that HNA is facing financing problems. In recent weeks, local banks have privately and publicly voiced concern after HNA failed to repay some obligations, including aircraft lease payments, and as surging debt drove up the cost of the group's short-term fundraising to new highs.

HNA's flagship Hainan Airlines Holding, Bohai Capital Holding, the parent of aircraft leasing firm Avolon, and Tianjin Tianhai Investment, which controls US-based computer distributor Ingram Micro Electronics, each have suspended trading pending major announcements.

Ingram Micro, which HNA bought for roughly US$6bn, is part of the US$50bn worth of transactions the conglomerate announced over the last two years. They also included big stakes in Hilton Hotels Worldwide Holdings and Deutsche Bank.

HNA's chief executive Adam Tan said in November that the company was selling some real estate and other assets to improve liquidity and comply with national policy.

Chen, speaking at his office in Haikou, southern China, where HNA Group has its headquarters, said he was not involved in decision-making for any transactions and declined to comment on fundraising plans. After years of "extraordinary development", Chen said that HNA was now focused more on integrating operations, creating synergies between resources at home and overseas and improving group management.

"Our business has become so big that we need to improve efficiency," said Chen. "The long-term goal remains unchanged, which is to become a world-class enterprise," he said. "2018 is our year of effectiveness."

HNA's leverage has alarmed some analysts and its "aggressive financing policy" caused S&P in November to downgrade its assessment of the company's creditworthiness. HNA in recent weeks also has raised additional financing by selling expensive short-term debt and pledging more of its shares for loans.

Group borrowing, including bank loans and bonds, surged by more than one-third over the first 11 months last year to Rmb637.5bn (US$99.14bn), according to a China bond market filing. Group assets reached Rmb1.2trn at the end of June, according to a separate bond market filing.

In December, HNA said it received pledges of support for 2018 from eight big domestic policy and commercial banks including China Development Bank, Export and Import Bank of China and Industrial and Commercial Bank of China.

The company also said it still had Rmb310bn in unused credit facilities from financial institutions.

Chen said that financial institutions continued to support HNA because of the quality of its assets and projects. "We provide local employment, tax revenue and development," he said.

Chen said that HNA still faces a problem of experience, which has been tested by a complex global environment. "Our young leadership team, including myself, hasn't managed a global enterprise," Chen said.

As challenges multiplied, Chen said it was unreasonable to expect HNA to "fully grasp" the situation at once. He said digesting the group's acquisitions and integrating operations would "take some time."

"So we're doing it piece by piece," Chen said.

MATTHEW MILLER

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CSRC fines issuer for bond fraud

A Chinese company which defaulted on two onshore bonds in August 2017 faces a fine of Rmb41.4m (US$6.4m) for fraud related to the debt offerings.

The China Securities Regulatory Commission found that privately owned WUYANG CONSTRUCTION GROUP faked receivables and set aside insufficient provisions in order to meet the financial requirements to conduct the two public offerings of notes in 2015 for a combined Rmb1.36bn, according to a filing on the Shanghai Stock Exchange.

Tebon Securities, the underwriter of the two notes, submitted the filing last week.

The CSRC requires that, for any public offering of bonds in the stock exchange market, the average distributable profits of issuers in the preceding three years be enough to cover one year of interest for the bonds being sold.

The CSRC also found that the company used the false financial reports for two private placements of bonds with total principal amount of Rmb380m in December 2015 and April 2016.

In August 2017, Wuyang Construction failed to redeem a Rmb800m three-year non-put two bond when investors registered Rmb799m of the notes for redemption, which also triggered a cross-default on another Rmb560m notes of the company.

According to a report in the official Shanghai Securities News, retail investors held 49.09% and 57.68% of the two notes respectively.

The CSRC said it had decided to impose a total fine of Rmb41.4m on Wuyang Construction and fines ranging from Rmb50,000 to Rmb600,000 on 20 people involved in the fraud, including Chen Zhizhang, the chairman of the company, according to the filing.

The regulator has stepped up efforts to clean up the exchange-traded bond market under its supervision, which has expanded 20 times in volume in the past two years.

In November, the watchdog went out of its way to highlight the "great significance" of a court judgment in southwestern Guizhou province, in which two executives of privately owned garment maker Xiamen Shengdawei Clothing were sentenced to two and three-year prison terms for fraud.

The Xiamen Shengdawei Clothing case is the first criminal prosecution for fraud related to a bond offering in China.

INA ZHOU

China chief Chow to leave Credit Suisse

Mervyn Chow, Greater China CEO and co-head of investment banking and capital markets for Asia Pacific, is to leave CREDIT SUISSE, according to people familiar with the situation.

Chow, who is known for his close connections with major technology clients, has resigned for a job outside the banking industry, the people said.

His departure will be a blow for the Swiss bank, which is looking to Asia to drive growth. CEO Tidjane Thiam has made Asian entrepreneurs a key part of his strategy, raising a 2018 profit target for the Asia Pacific wealth management and connected business to SFr850m (US$884m) at November's investor day.

The bank reported adjusted pre-tax profits in APAC of SFr593m in the first nine months of 2017, down 10% on the previous year after a weaker showing from its restructured markets division. Chow's IBCM department, however, has been a bright spot: advisory, underwriting and financing in APAC produced revenues of SFr480m in the first nine months of the year, up 40% on the same period in 2016.

Chow has spent almost two decades at Credit Suisse in various investment banking positions, running equity capital markets, debt capital markets, convertibles and equity derivatives. Chow was promoted to Greater China CEO in October, in addition to his existing titles as co-head of IBCM and China CEO.

Credit Suisse declined to comment.

FIONA LAU, SUMEET CHATTERJEE

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IN BRIEF

Standard Chartered
End of 12-year ACB partnership

STANDARD CHARTERED has sold its 15% stake in ASIA COMMERCIAL BANK, bringing to an end its 12-year partnership with the Vietnamese bank.
StanChart sold an 8.75% stake to two investors through UK-based subsidiary Standard Chartered APR.
The two subsidiaries were Estes Investments and Sather Gate Investments, according to Vietnam Securities Depository's website.
StanChart sold a 6.25% stake to three investors through its Hong Kong branch. The acquirers were Boardwalk South, Whistler Investments and Estes Investments.
The sale price was not disclosed.
"We can confirm that we have sold a 15% minority stake in Asia Commercial Bank to a group of investors," said a StanChart spokesperson. "This is in line with the group's global strategy, announced in November 2015, to become leaner and more focused, and divest non-core businesses. This has no impact on our operations in Vietnam, as we operate from our wholly owned subsidiary."
In 2005, StanChart acquired an 8.56% stake in ACB for US$22m.
In 2008, it agreed to acquire a further 6.16% of ordinary shares from the International Finance Corp.
StanChart has been selling assets since CEO Bill Winters announced plans in 2015 to slash costs and reduce headcount for a turnaround in the bank's performance.
StanChart opened its Vietnam subsidiary in 2009.

SGX
Flat Q2 profit

SINGAPORE EXCHANGE's profit for the second quarter of financial year 2018 was flat, the exchange operator reported last Friday.
Net profit for the quarter ending December 31 stood at S$88.4m (US$66.9m) versus S$88.3m a year earlier.
Revenue for the September-December quarter was S$205m compared with S$199.6m a year earlier.
Revenue from the equities and fixed income division, which accounts for around half of SGX's business, was down 4% to S$97.5m.
The exchange's derivatives business was the bright spot, with revenue up 11% year on year to S$83.3m.
SGX CEO Loh Boon Chye has made growing the derivatives business a cornerstone of his strategy as the exchange looks to capture more business related to increased investment flows into Asia.
In November, SGX launched its first derivatives contracts offering exposure to multi-currency and multi-country emerging market indices.
The new derivatives contracts are net total return and price return futures contracts on the MSCI Emerging Markets Index and a net total return futures contract on the MSCI Emerging Markets Asia Index.
SGX eked out a 3% growth from listing revenue, although this belied a surge in new equity listings with total proceeds rising to S$1.6bn from S$131.1m a year ago.
SGX benefited from several REIT IPOs during the last quarter including the S$889m listing of the European property assets of Australia's Cromwell Property Group.
Securities trading and clearing revenue slipped 1% to S$51.8m as an increase in turnover was offset by a reduction in average clearing fees.

Mongolia
Moody's upgrades sovereign

Moody's has upgraded the GOVERNMENT OF MONGOLIA's credit rating to B3, with a stable outlook, from Caa1.
The rating agency said that the country's financing needs had been reduced after it undertook measures to narrow its fiscal deficit and refinanced government debt with longer maturities. Moody's also said Mongolia was less vulnerable to fluctuations in commodities prices.
S&P and Fitch both rate Mongolia B–.
Mongolia's US$500m 10.875% 2021 bonds were spotted at 118.03/118.69 on Thursday after the news, while the US$800m 5.625% 2023s were bid at 102.125, according to Tradeweb.

Citigroup
Second China desk in Singapore

CITIGROUP has launched a second China desk in Singapore and its 10th globally.
The Singapore desk will serve Chinese clients looking to expand in the ASEAN region.
It will provide services like cash management, trade finance, hedging, foreign-exchange solutions and advisory, including M&A, as well as debt and equity offerings.
The new desk will have around 10 staff, who will relocate from the Shanghai and Beijing offices.
Citigroup opened its first China desk in Singapore in 2010 to serve mainland clients investing in the city state.
Globally, Citigroup already has China desks in Hong Kong, London, New York, Dubai, Johannesburg, Sao Paulo, Kazakhstan and Kenya.

Bank Indonesia
Plan to open office in Beijing

BANK INDONESIA plans to open a representative office in Beijing, according to a statement on the central bank's website put out on January 12.
It signed a memorandum of understanding on January 5 with the People's Bank of China, according to the statement.
China was Indonesia's biggest trade partner last year. In January-November, it accounted for 14% of Indonesia's exports and supplied 27% of its imports.
This will be BI's fifth overseas representative office behind Tokyo, Singapore, London and New York.

IDFC Bank
Acquisition of Capital First

IDFC BANK will acquire non-bank financial firm CAPITAL FIRST through a share swap, valued at about US$1.5bn, as it looks to boost its retail lending.
According to terms of the acquisition announced on January 13, Capital First shareholders will receive 139 shares of the bank for every 10 shares held. The deal is conditional on central bank and other regulatory approvals.
The acquisition values Capital First, which has backing from private-equity firm Warburg Pincus, at Rs938.25 (US$14.79) a share. Based on the closing price on January 12, the firm has a market value of Rs92.78bn, according to Reuters calculations. The Rs938.25 price at is a premium to Capital First's closing that day of Rs837.50, or equal to a market capitalisation of about Rs83bn, according to Thomson Reuters data.
Capital First's founder and chairman V Vaidyanathan will become chief executive of the combined entity, the statement says.
IDFC Bank, spun off from infrastructure financier IDFC in 2015, is currently heavily reliant on wholesale lending.
At a time of surging bad loans and weak economic growth have crimped lending to big industries, banks and financial institutions are growing less-risky retail loans faster.
Capital First, which also counts Singapore's GIC among its major investors, will bring in a loan book of almost Rs230bn as of September 30, three million customers and a distribution network spanning 228 locations across the country.
IDFC Bank last year announced talks to acquire some of Shriram Group's financial services businesses, but the deal fell through due to disagreement on a share-swap ratio.

& People Markets

WHO'S MOVING WHERE...

■ **CREDIT AGRICOLE** has promoted *Christophe Cretot* to head of debt origination and advisory for Asia. He was previously deputy head, having joined the bank in 2003.
Cretot reports to Jamie Mabilat, global head of debt optimisation and distribution, and to Sebastien Domanico, global head of debt capital markets.
The French corporate and investment bank also appointed *Atul Sodhi* to the new role of global head of debt capital market corporates.
Sodhi is currently head of debt origination and advisory in Asia. He will relocate to Paris in the first quarter. Globally, he will report to Domanico and, locally, to Pierre Gay, head of Europe for global markets.

■ London-based cryptocurrency broker **B2C2** has hired *Phillip Gillespie* as its Japan CEO.
Gillespie was previously an executive director and FX trader at Goldman Sachs.
He has worked at JP Morgan and Barclays.

■ **CARLYLE GROUP** has hired *Wanlin Liu* as managing director in its Asia team, based in Shanghai.
Liu was a managing director in Goldman Sachs' principal investment division.
During her tenure at Goldman, she led several deals involving Gan & Lee Pharmaceuticals, Best, and Daesung Industrial Gases.
She has also worked at Credit Suisse.
Liu's appointment comes as Carlyle has been increasing its presence in China.
It has invested more than US$7.5bn of equity in over 90 transactions in China as of September 30.

■ **BANK OF TOKYO-MITSUBISHI UFJ**, a subsidiary of Mitsubishi UFJ Banking Group, has appointed *Diana Coronel-Singson* as head of global corporate banking for its Manila branch, effective January 17.
Singson had spent the last two decades with Standard Chartered, most recently as head of financial markets and financial markets sales for the Philippines.
She had also worked at HSBC and several local banks.

■ **CITIGROUP** has promoted *Rishi Jalan* from vice president to director in its debt capital markets syndicate team in Hong Kong.
The bank had also promoted Eesway Krishnan from vice president to director of syndicate last year.
Jalan, who joined Citigroup in 2010, worked in debt capital markets origination in India, covering investment-grade, high- yield and FIG deals, before moving to his current role in syndicate.
Jalan reports to James Arnold, who was appointed last year to succeed Duncan Phillips as head of Asia Pacific DCM syndicate. Phillips quit to join fintech start-up Ipreo.

■ Hastings Funds Management chief executive officer *Terry Winder* will join **COMMONWEALTH BANK OF AUSTRALIA** as group treasurer.
He replaces *Paolo Tonucci*, who will take up another role at the bank, according to sources.
The sources did not have the effective dates for the appointments.
Winder became CEO of Hastings last October, after having been chief financial officer of the institutional banking division at Westpac.
He also previously held senior roles at Merrill Lynch, UBS and Bankers Trust Australia, a precursor of BT Financial Group.
In November, Westpac agreed to sell Hastings to London-based asset management firm Northill Capital for an undisclosed sum.

■ *Andrew Pang* has resurfaced at **DEUTSCHE BANK** as a director on the loan origination team.
Based in Hong Kong, he reports to Haitham Ghattas, head of debt origination for Asia at Deutsche.
Pang was previously a director of HSBC's leveraged and acquisition finance team in Hong Kong. He left the British bank after nearly six years.
Prior to HSBC, Pang was vice president at Nomura for two years on the London-based consumer and retail sector coverage team, according to his LinkedIn profile. Before Nomura, he was an associate at Lehman Brothers on the media and telecom sector coverage team for over three years, based in New York.
He began his banking career in August 2003 as an M&A analyst with Credit Suisse in London.

■ *Guy Smith* has joined **NOMURA** as head of debt capital markets and acquisition and leveraged finance in Asia ex-Japan.
Based in Hong Kong, he reports to John Goff, global head of global markets structuring and head of global finance in Asia ex-Japan.
Smith joins from ride-hailing company Grab, Uber's main rival in South-East Asia, where he was last head of strategic and corporate finance.
He previously spent 20 years at Barclays, including a stint as co-head of debt origination for Asia Pacific.
Goff had been interim head of DCM in Asia ex-Japan, following Neeraj Hora's relocation to San Francisco.
Hora was appointed head of innovation and investment for the Americas last September, tasked with strengthening ties between the Japanese firm and Silicon Valley.

■ Private equity firm **TPG CAPITAL** has hired JP Morgan senior investment banker *Jason Mcleod* as it looks to ramp up deal activity in Australia this year.
Mcleod will focus on deal origination and report to Australia and New Zealand head Joel Thickins. He is due to join sometime in the first quarter.
"Jason will be a good cultural fit with the team and was a very obvious choice as he and I have known each other for over 10 years," said Thickins.
Mcleod spent the last decade with JP Morgan, where he was head of its Melbourne office.
He also ran financial sponsors and industrials coverage at the US bank.
His other previous stints include Goldman Sachs and Citigroup, as well as General Electric, where he led a number of deals in the financial institutions sector.
Last year, TPG sold its stake in Australian gas and electricity utility Alinta Energy to Hong Kong's Chow Tai Fook Enterprises for A$4bn (US$3.19bn).
It also agreed to acquire biotech research firm Novotech from mid-market PE firm Mercury Capital and is looking at more deals this year.

■ **LAZARD** has hired *Dominik Woessner* for its private capital advisory business as it looks to expand its secondary transactions business in Asia.
For a start, Woessner will work in Lazard's London office before he relocates to Singapore in the second half of the year to lead the secondary advisory business in Asia.
He reports to Holcombe Green, a New York-based managing director and a veteran of the boutique investment firm.
Woessner spent the last decade at Greenhill & Co, where he rose to head of its secondary advisory business in Asia.
He also worked briefly for secondary markets specialist firm Greenpark Capital after spending four years at KPMG.
Lazard's private capital advisory business advises private-equity and real-estate firms on capital raising, as well as divestment in the secondary markets.
Nick Miles leads the Asia business and he has been steadily building headcount. Brandon Suh joined recently from State Street Global Advisors to cover North Asia.
Lazard is looking to expand in secondary markets in Asia as new investors pour into the region.
Last year, Lazard advised PE firm Warburg Pincus on the sale of a US$1.2bn portfolio to a group of secondary market investors.

■ COMMENT

Keeping the crypto craze alive

The bitcoin bubble has not yet run its course, says **JONATHAN ROGERS**

RETROSPECTIVE TRADING IS always something that sticks in the craw, but when one is on the record as having "recommended" a particular instrument in the pages of a respected financial publication, then it sometimes does pay to revisit that recommendation – if only for the sake of personal amusement.

Almost four years ago, I recommended in this column buying bitcoin when it was trading at a miniscule US$630 a coin. Yes, we all know what has happened in the interim and I won't comment on whether or not I put my money where my mouth was at the time. (I'm still writing this column, so maybe there's your clue.)

I actually recommended that a company in Asia do a bitcoin bond, with a callable structure – it would have been best done in dual-currency format, but I neglected to make that explicit – and park the proceeds unhedged (well, there was no suitable hedge back then, and in fact there still isn't).

No one took me up on that offer, but I still reckon it would have flown.

That might well have been one of the earliest calls to "institutionalise" that currency, although in its wake much has occurred in both the secondary and primary markets related to bitcoin and other attendant cryptocurrencies.

The "initial coin offering" in both bitcoin and other similar units of exchange – including such sexy items as Ethereum, Litecoin and Ripple – has become a staple for those who are true believers in the future of cryptocurrencies. Some have performed, although under the taint of naysayers who regard these offerings as little more than glorified Ponzi schemes.

THERE HAVE BEEN some notable examples involving companies attempting to leverage the ongoing – if recently subdued – mania for cryptocurrencies, including a frenzied US$300m ICO for technology company Gnosis last year, and criminal proceedings in India related to an ICO for a company called OneCoin.

Such situations are inevitable in the context of a mania which seems already to be subsiding, with winners and losers on both sides of the sellside and buyside divide.

But the real question is just what place cryptocurrencies have within the global financial system.

During the stellar surge of bitcoin in the run-up to last Christmas – when the unit chalked up a print of US$19,800 per coin – I was of the opinion that the currency had some notable elements on its side.

For example, I thought of it as a sanction-busting instrument, one which could be mined using all the relevant technology by regimes such as North Korea and Iran to produce an exchangeable medium which would allow trade to flow more freely than the US desired under its edicts excluding those countries from the global trade system.

Then it was pointed out to me that the volume available to those countries for use in the international trade system – assuming the mining machines were numerous and working at full power grid-busting capacity – was so tiny relative to the amount required for meaningful trade, that the sanction-busting idea was an absurdity.

On the other hand, I wanted to contrast the massive price explosion seen in cryptocurrencies over the past six months-odd with the surge of stock prices seen during the doctcom bubble of the late 1990s.

I reasoned that the manic increase in single stocks during that period – such as a travel agency, which had suddenly put up a website and seen its stock surge by 5,000% – was another thing entirely from a cryptocurrency that could be used as a medium of exchange around the world.

I actually recommended that a company in Asia do a bitcoin bond, with a callable structure, and park the proceeds unhedged

PART OF ME still harbours the notion that the cryptocurrency bubble – for it contains every element that characterises a bubble – might have more legs than previous bubbles, whether for Dutch tulips, the South Sea Company, or whatever else.

In this, I'm thinking of the underlying technology, principally blockchain, which I believe will be as big a game-changer for the global economy as the internet.

That technology need not necessarily be based on cryptocurrencies, but I suspect that it points naturally to cryptocurrency for settlement, simply based on the notion that third-party verification providers are unnecessary within the blockchain.

My sense is that cryptocurrency is an essential aspect of the march of this new technology and that the markets are working out which ones are going to feature as a core aspect. That points to a bounce back from the current slough in prices.

But as to which currency will become essential? That, I don't know. If I were, however, to be judged on the basis of an initial pricing call in this column, I would stick to the oldest and most famous one.

COUNTRY REPORT

› Australia 18 › Cambodia 19 › China 19 › Hong Kong 28 › India 29 › Indonesia 31 › Japan 33 › Laos 33
› Malaysia 34 › New Zealand 34 › Philippines 34 › Singapore 35 › South Korea 38 › Taiwan 38 › Thailand 39

AUSTRALIA

DEBT CAPITAL MARKETS

› WESTPAC EXTENDS MATURITY PROFILE

WESTPAC BANKING CORPORATION (Aa3/AA–/AA–) raised US$2.5bn from last Wednesday's three-part offering of SEC-registered senior unsecured notes.

It sold US$1bn 2.65% three-year and US$1bn 3.4% 10-year fixed-rate bonds at 52bp and 87bp wide of Treasuries, well inside 65bp area and 100bp area initial price thoughts, respectively. A US$500m three-year floating-rate note was printed at three-month Libor plus 34bp.

The Aussie major bank took advantage of the positive market backdrop and flat US yield curve to lock in low rates and extend its maturity profile with a large 10-year print.

Bank of America Merrill Lynch, *Goldman Sachs*, *Morgan Stanley* and the issuer's own syndication desk were joint bookrunners on the trade, which drew a combined order book of US$5bn.

The three-year and 10-year notes paid 4bp new-issue concessions versus Westpac's 2.7% August 2026s, while the three-year fixed came 1bp tighter than National Australia Bank's 53bp Treasury spread for its US$900m 2.5% three-year issued on January 8.

› WESTPAC PRINTS 30-YEAR T2

WESTPAC BANKING CORPORATION broke new ground with last Wednesday's A$160m (US$108m) 5.0% 30-year bullet Tier 2 EMTN issue, which locked in low rates for subordinated paper in the issuer's own currency.

The catalyst for the trade was the strong Asian demand for Commonwealth Bank of Australia's blowout US$1.25bn 4.326% 30-year bullet 144A/Reg S T2 on January 3, the first such public offering out of the Asia Pacific region.

The Westpac note was launched at a minimum issue size of A$100m and was subsequently increased to A$160m with Asian life insurers dominating allocations.

The note, which was marketed on the strength of its 5.0% coupon, theoretically priced at around 185bp over BBSW. This compares with the CBA 30-year T2, which would have swapped back into Australian dollars about 230bp wide of BBSW, though the US market obviously has huge depth advantages as evident in CBA's whopping US$3.8bn order book.

TD Securities and the issuer's own syndication team were joint lead managers on the trade, with expected ratings of Baa1/BBB (Moody's/S&P).

› BEN BANK RAISES A$500M

BENDIGO & ADELAIDE BANK (A3/BBB+/A–) raised A$500m from last Tuesday's dual-tranche five-year senior unsecured bond offering via joint lead managers *ANZ*, *CBA*, *NAB* and *Westpac*.

A A$350m floating-rate note priced inside 110bp area guidance at three-month BBSW plus 105bp, while a A$150m 3.5% January 25 2023 priced at 99.966 for a yield of 3.5075%, 105bp wide of asset swaps.

The first non-major bank issuance of 2018 came 28bp wide of the 77bp margin that ANZ (Aa3/AA–/AA–) paid for its A$1.8bn fixed-rate bond and floating-rate five-year notes a week earlier.

› RBC SYDNEY BACK FOR MORE

The ROYAL BANK OF CANADA, acting through its Sydney branch, rated Aa3/AA– (Moody's/S&P), priced a US$300m one-year floating-rate note last Monday at three-month BBSW plus 30bp, in line with guidance.

RBC Capital Markets was sole lead manager on the offering.

On November 23, Royal Bank of Canada, Sydney, sold A$275m of self-led one-year floaters, also priced 30bp wide of three-month BBSW.

› DEUTSCHE SELLS NON-PREF NOTES

DEUTSCHE BANK, Sydney branch, raised A$450m from last Thursday's dual-tranche offering of five-year senior non-preferred notes with expected ratings of Baa2/BBB–/BBB+.

The German bank priced A$200m of floating-rate notes 140bp wide of three month BBSW and A$250m of 3.75% January 30 2023 at 99.246 for a yield of 3.9175%, 140bp over asset swaps.

Senior non-preferred notes count towards total loss-absorbing capacity and rank below old-style senior unsecured notes in the event of insolvency.

ANZ, *CBA*, *NAB*, *Westpac* and the issuer's own syndication team were joint lead managers.

› RABOBANK MATCHES MAJOR MARGIN

RABOBANK, Australia branch (Aa2/A+/AA–), raised A$500m from last Friday's five-year senior unsecured note offering with *CBA*, *NAB* and *UBS* as joint lead managers.

A A$350m floating-rate note priced inside 82bp area guidance at three-month BBSW plus 77bp, matching the margin for the A$1.325bn five-year FRN that similarly rated Aussie major bank ANZ (Aa3/AA–/AA–) issued on January 9.

The Rabobank A$150m 3.25% January 25 2023s priced at 99.748 for a yield of 3.305%, 77bp wide of asset swaps and 80.2bp over the April 2023 ACGB.

› CBA TO PRINT 5.25-YEAR BENCHMARK

COMMONWEALTH BANK OF AUSTRALIA (Aa3/AA–/AA–) plans to price a self-led Australian dollar 5.25-year benchmark senior unsecured bond offering in the week beginning January 22.

› CSG READIES AUSSIE TLAC

CREDIT SUISSE GROUP (Baa2/BBB+/A–) has mandated *CBA*, *NAB* and its own syndication team for investor meetings in Australia and Asia, starting on January 29, for a potential TLAC-eligible Australian dollar issue.

Last October, Credit Suisse Group raised ¥57bn (US$506m) from triple-tranche senior callable bonds for TLAC purposes, becoming the first foreign bank to issue yen callable TLAC-eligible paper.

› FIVE AGENCIES RAISE A$600M

Five European government-guaranteed agencies accessed the Kangaroo 10-year segment last week, raising a combined A$600m from new issues and taps of existing bonds.

On Tuesday Dutch lender BANK NEDERLANDSE GEMEENTEN (Aaa/AAA/AA+) tapped its 3.30% July 17 2028s for A$80m to increase the issue size to A$280m.

Deutsche Bank, *Nomura* and *RBC Capital Markets* were joint lead managers on the reopening that priced at 98.645 for a yield of 3.455%, equivalent to 63bp over asset swaps and 69.25bp wide of the May 2028 ACGB.

On the same day Norway's Triple A rated

KOMMUNALBANKEN issued a A$150m 10.5-year bond via *Daiwa*, *JP Morgan* and *TD Securities*.

It priced the 3.4% July 24 2028s at 99.781 for a yield of 3.425%, 60bp and 65.75bp over asset swaps and ACGBs.

KBN added A$50m to the bond the following day at 99.716 and a 3.4325% yield, 60bp and 66bp over asset swaps and ACGBs.

On Thursday Dutch agency **NEDERLANDSE WATERSCHAPSBANK** (Aaa/AAA/AA+) printed a A$170m 10.5-year bond through *Daiwa*, *JP Morgan* and *RBC Capital Markets*.

The 3.45% July 17 2028s priced at 99.803 for a yield of 3.4725%, 61bp and 66.25bp wide of asset swaps and ACGBs

Two regular Triple A rated German issuers priced inside their European peers including **RENTENBANK** which added A$50m to its 3.25% April 2028 line on Tuesday, increasing the issue size to A$525m.

The reopening priced at 99.824 for a yield of 3.27%, 46bp and 50.25bp wide of asset swaps and ACGBs.

KFW also secured superior pricing on Wednesday for a *Deutsche Bank*-led A$100m increase to its 3.2% March 15 2028s that lifted the outstanding issue to A$400m.

The reopening, via joint leads *RBC Capital Markets* and *Nomura*, priced at 99.227 to yield 3.29%, 46bp and 49.5bp wide of asset swaps and ACGBs.

› ALBERTA TAPS TWO KANGAROOS

PROVINCE OF ALBERTA, rated Aa1/A+ (Moody's/S&P), tapped its 3.60% April 11 2028 Kangaroo bond for A$50m last Wednesday, increasing the issue size to A$360m.

RBC Capital Markets was sole lead manager on the reopening, which priced at 101.580 to yield 3.415%, 60bp and 63bp over asset swaps and the May 2028 ACGB.

Two days later, Alberta added A$55m to its 3.10% December 14 2026 line, lifting the issue size to A$305m.

RBC was also sole lead onthis tap, priced at 97.678 to yield 3.405%, 56bp and 63bp over asset swaps and the April 2026 ACGB.

› KOOKMIN ROADSHOWS AUSSIE DEAL

South Korea's **KOOKMIN BANK** (A1/A+/A) has mandated *HSBC* to arrange a series of meetings with Australian dollar investors in Australia and Asia during the week beginning January 29.

› VICTORIA WORKS ON TWO TAPS

TREASURY CORPORATION OF VICTORIA, rated Aaa/AAA (Moody's/S&P), has mandated *Bank of America Merrill Lynch*, *Deutsche Bank*, *NAB* and *UBS* as joint lead managers for taps of its 3.0% October 20 2028 and 4.25% December 20 2032 bonds.

RESTRUCTURING

› S&P DOWNGRADES BIS INDUSTRIES

S&P downgraded its rating on Australia's **BIS INDUSTRIES** to D from CC before withdrawing it at the issuer's request on completion of a debt restructuring and recapitalisation.

All voting senior lenders and payment-in-kind noteholders supported the restructuring proposal, under which debt was reduced to A$280m (US$223m) from A$1.2bn.

The parties agreed to a debt-to-equity conversion that gave senior lenders and noteholders ownership of Bis's operational entities.

S&P said it considered the recapitalisation to be a distressed exchange, but that the exercise had improved the company's capital structure.

The mining logistics company previously had US$355m of PIK notes outstanding, according to Tradeweb. The 12.0% April 1 2019 Yankee notes were issued through related entity Artsonig.

Funds managed by Carlyle and Varde Partners are now the majority equity owners in the new company, Bis Industries Holdings.

EQUITY CAPITAL MARKETS

› OROCOBRE PLANS EQUITY FUNDRAISING

Australian lithium chemicals producer **OROCOBRE** plans to raise A$361m (US$288m) from a A$79m entitlement offer and A$282m from a strategic placement.

Proceeds will be used to fund the development of a lithium facility in Argentina.

The company, through lead manager and sole underwriter UBS, launched a 1-for-20 fully underwritten entitlement offer to raise A$79m at A$6.55 each, or a discount of 8.6% to the pre-deal spot.

The institutional portion was completed and raised A$34m. Take-up rate for that tranche was 97%, while the leftover shares were sold to other investors at a price of A$7.25 each.

The retail entitlement offer, expected to raise A$45m, will open on January 23 and close on February 2.

For the A$282m strategic placement, Orocobre has hired UBS as financial adviser.

Toyota Tsusho will subscribe to the Orocobre-issued shares, representing 15% of its enlarged company capital, at A$7.50 each. The price translates a 4.6% premium to the pre-deal spot.

CAMBODIA

SYNDICATED LOANS

› PRASAC SOUNDS FOR MORE DOLLARS

PRASAC MICROFINANCE INSTITUTION is sounding the market for a US dollar loan, five months after having closed a US$37m five-year term financing.

The Cambodian fiirm is holding preliminary talks with relationship banks about the loan and terms are still being finalised.

Last August, Prasac raised the US$37m five-year term loan with five Taiwanese banks. Cathay United Bank was sole mandated lead arranger and bookrunner. Lenders were offered a top-level all-in pricing of 482.3bp over Libor via an upfront fee of 25bp, based on an interest margin of 475bp.

Prasac, Cambodia's largest microfinance firm, evolved in 1995 from a project that the European Union and three Cambodian government ministries has sponsored. Its shareholders are Bank of East Asia, Lanka Orix Leasing and Prasac Staff Co.

CHINA

DEBT CAPITAL MARKETS

› GEELY AUTO PRINTS DOLLARS

GEELY AUTOMOBILE HOLDINGS on Thursday priced US$300m of five-year senior unsecured bonds at 99.602, with a coupon of 3.625% to yield 3.713%.

This was equivalent to Treasuries plus 130bp, inside initial price guidance of 150bp area.

The offering drew orders of over US$800m from 73 accounts. European investors bought 54% and Asian accounts took 46%.

In terms investor types, a combined 41% were asset managers and fund managers, a total of 27% were insurers, pension funds and sovereign wealth funds, 20% were banks and 12% were private banks.

The Reg S notes are expected to score a BBB– rating from S&P, in line with the issuer.

The Chinese automaker plans to use the proceeds for debt refinancing, as well as for business development and other general corporate purposes.

Sunny Optical in picture-perfect debut

Bonds **Maiden five-year offering attracts overwhelming response amid China tech buzz**

A debut US$600m offering of five-year bonds from **SUNNY OPTICAL TECHNOLOGY (GROUP)** was multiple times oversubscribed, pointing to the massive bid from global investors for Chinese tech issues.

The smartphone camera modules and lens maker, whose stock is up 170% in the past 12 months and hit a record last November, drew orders of US$9.1bn from 329 investors, giving the leads enough momentum to price the bonds last Wednesday at Treasuries plus 150bp, 35bp inside initial guidance.

The company unveiled a 3D smartphone camera in November that uses facial recognition technology and adds animoji features to photos. Accelerated 3D adoption in Android smartphones is seen driving earnings this year.

The bonds were chased in secondary trade and were spotted at a tighter Treasuries plus 134bp–137bp bid. A fund manager saw brokers like Haitong Securities offering bids when final guidance was announced yesterday afternoon at around Treasuries plus 142bp/146bp, highlighting the hot demand.

Sunny's sharp gains in the aftermarket suggest that rare debut names in coveted industries have room to narrow pricing aggressively in today's market. The bonds trade inside those with similar tenors and ratings from established China issuers.

China State Construction's five-year bonds, rated Baa2/BBB+ (Moody's/Fitch), were spotted at Treasuries plus 132bp/128bp, according to Tradeweb. Sunny's new notes have initial ratings of Baa2 (stable) from Moody's.

The robust performance comes a week after Chinese internet giant Tencent Holdings drew orders of over US$40bn at one stage for a US$5bn four-tranche issue, which repriced its curve.

"It also offers good diversification from local government fLunding vehicles, real-estate companies and stae-owned enterprises," said one banker on the issue.

PRICE DISCOVERY

For Sunny's maiden issue, bankers used Tianqi Lithium's Baa3 rated US$300m November 2022s as a base to find fair value, estimated at around Treasuries plus 155bp–160bp. Tianqi, which makes lithium batteries and has a similar operation scale and high customer concentration risk like Sunny, had its latest bonds trading around Z plus 170bp.

Not only did Sunny come inside those estimates, but it also came close to Huawei's 3.125% 2022s, which Nomura considers a stronger credit. Huawei's notes were trading around Treasuries plus 109bp/103bp, according to Tradeweb.

Of the final book, Asia accounted for 80% and the EMEA for the rest. In terms of investor types, fund managers were allocated the largest portion of 72%, while insurers and sovereign wealth funds received 13%, banks got 12%, and private banks and others got 3%.

Proceeds will be used for capital expenditure, working capital, debt refinancing and other general corporate purposes. Moody's expects the company's debt leverage to rise to about 1.3x in 2018 from about 0.7x in 2017, as it prefunds this year's capacity expansion. Sunny has maintained a net cash position since 2007, but the rating is constrained on the low visibility of product demand.

Citigroup and *UBS* were joint global coordinators on the issue, as well as joint bookrunners and joint lead managers with *BNP Paribas*.

FRANCES YOON

Barclays, *BNP Paribas*, *Deutsche Bank* and *UBS* were joint global coordinators and joint bookrunners.

CHINA SOUTH CITY RAISES US$250M

CHINA SOUTH CITY HOLDINGS, rated B/B (S&P/Fitch), has raised US$250m from an offering of three-year US dollar senior notes. The proceeds are earmarked for debt refinancing and for general corporate purposes.

The Chinese trade centre developer priced the 7.25% Reg S notes at 99.011 to yield 7.625% versus initial guidance in the high 7% area.

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

UBS, *Guotai Junan International* and *HSBC* were joint global coordinators as well as joint bookrunners and joint lead managers with *AMTD*, *Bank of America Merrill Lynch*, *China Merchants Securities (HK)*, *DBS Bank*, *GF Securities* and *Haitong International*.

Last November, China South City issued US$300m of 7.25% five-year US dollar senior notes at 97.96 to yield of 7.75%.

SECOND TIME LUCKY FOR CONCORD

CONCORD NEW ENERGY, rated BB/BB– (S&P/Fitch), has priced a US$200m three-year Green bond at 7.9%, inside initial price guidance of 8.25% area.

The Reg S issue has expected ratings of BB–/BB– (S&P/Fitch).

Bank of America Merrill Lynch was sole global coordinator and joint bookrunner with *BOC International* and *China Everbright Bank Hong Kong branch*.

The China-based developer of wind and solar energy farms plans to use proceeds for debt repayment and general corporate purposes.

BOCOM LEASING PRINTS TREBLE

BANK OF COMMUNICATIONS FINANCIAL LEASING, rated A–/A (S&P/Fitch), priced US$1.5bn of senior unsecured bonds in three tranches on Thursday.

A US$300m three-year piece priced at Treasuries plus 135bp, from initial guidance of 160bp area; a US$950m five-year priced at Treasuries plus 142.5bp, from 165bp area; and a US$250m 10-year priced at Treasuries plus 150bp, from 175bp area.

Orders for the three-year totalled more than US$1.1bn from over 85 accounts. Asia bought 90% of the notes and European accounts took 10%.

By investor type, fund managers bought 63%, banks 22%, insurers 7%, corporate investors 6% and private banks 2%.

The five-year drew more than US$3bn of demand from over 120 accounts. Asia bought 90% of the notes and European accounts took 10%.

Fund managers booked 65%, banks 29%, corporates, insurers and sovereign wealth funds a combined 5%, and private banks 1%.

Demand for the 10-year was US$575m from over 45 accounts, 94% of it from Asia. Fund managers bought 52%, banks 35%, insurers 8%, corporates 4% and private banks 1%.

Orders included demand from the leads.

The issuer of the notes will be Azure Orbit IV International Finance and the guarantor will be BoCom Leasing Management Hong Kong. The notes will also have the benefit of a keepwell and asset purchase deed from BoCom Financial Leasing and BoCom Leasing International Finance.

The issuer, guarantor and the two keepwell providers are ultimately wholly owned units of BoCom.

The benchmark-sized Reg S notes, expected to be priced today, have initial ratings of A–/A (S&P/Fitch).

BoCom, *BoCom International*, *Agricultural Bank of China, Hong Kong branch*, *BNP Paribas*, *CICC*, *HSBC*, *MUFG* and *Westpac* were joint bookrunners and joint lead managers on the issue.

CIFI RAISES DEBT-REFINANCING FUNDS

Chinese property developer **CIFI HOLDINGS (GROUP)**, rated Ba3/BB–/BB, on Tuesday priced US$300m 5.5% five-year non-call three senior unsecured bonds at 99.462 to yield 5.625%.

Initial price guidance for the Reg S issue was 5.875% area.

Orders totalled around US$650m from 43 accounts, including demand from the leads.

Asian investors bought 90% of the notes and European accounts purchased the rest. In terms of investor types, a combined 50% were fund managers and securities firms, 31% were private banks and 19% were banks.

The notes have expected ratings of B1/B+/BB.

The Hong Kong-listed company plans to use the proceeds for debt refinancing.

Guotai Junan International, *HSBC*, *Standard Chartered*, *ABC International*, *Citigroup*, *CLSA*, *Credit Suisse*, *Deutsche Bank*, *GF Securities*, *Goldman Sachs* and *Haitong International* were joint bookrunners, according to a company announcement on the Hong Kong stock exchange. An earlier pricing announcement from the bookrunners did not name GF Securities.

FOUNDER TWO-PIECE PULLS BIG ORDERS

PEKING UNIVERSITY FOUNDER GROUP has attracted final orders of over US$5.4bn for US$600m of dual-tranche US dollar senior unsecured notes.

The state-owned conglomerate priced both the US$200m 4.70% three-year notes and the US$400m 5.35% five-year notes at par. The prices were the tight ends of final guidance and well inside the initial 5.05% and 5.65% areas, respectively.

Proceeds will be used for general corporate purposes.

The three-year tranche drew orders of over US$2.2bn. Hong Kong took 64% of the notes, Singapore 28%, and Europe and others 8%. In terms of investor types, 62% were fund managers and asset managers, 20% were banks, 15% were private banks, and 3% were insurers and others.

Orders for the five-year tranche were over US$3.2bn. Hong Kong took 55% of the notes, Singapore 30%, and Europe and others 15%. In terms of investor types, 60% were fund managers and asset managers, 23% were banks, 15% were private banks, and 2% were insurers and others.

The issuer of the Reg S unrated notes is Nuoxi Capital and the guarantor is Hongkong JHC, a 94.17%-owned subsidiary of Founder Group.

The notes have the benefit of a keepwell deed and a deed of equity interest purchase undertaking from Founder Group.

Bank of China, *Barclays*, *DBS Bank* and *Founder Securities (Hong Kong)* were joint global coordinators, joint lead managers and joint bookrunners.

Founder Group is a 70%-owned unit of Peking University. Beijing Zhaorun Investments Management, a holding company of the group's employees, owns the remaining 30%. It has businesses in information technology, healthcare and pharmaceuticals, finance and securities, bulk commodities trading, education and training.

GUANGXI GROUP PRINTS THREE-YEAR

GUANGXI FINANCIAL INVESTMENT GROUP, rated Ba1 (Moody's), has compiled final orders in excess of US$1.45bn from 63 accounts for US$500m of three-year US dollar senior unsecured bonds.

The 5.75% Reg S notes were priced at 99.458 to yield 5.95%, the tight end of final guidance of 6.00% (plus or minus 5bp) and 30bp narrower than initial guidance in the 6.25% area.

Asia took 98% of the notes and Europe took 2%. In terms of investor types, 43% were banks, 41% were funds and insurers, while 16% were private banks and others.

The notes have an expected rating of Ba1 from Moody's.

Proceeds will be used for domestic debt repayment and for general working capital.

CCB International, *CEB International*, *ICBC (Asia)*, *Guotai Junan International* and *DBS Bank* were joint global coordinators, as well as joint bookrunners and joint lead managers with *Mizuho Securities*, *Natixis*, *GF Securities*, *China Minsheng Banking Corp Hong Kong branch*, *Founder Securities (Hong Kong)* and *Central Wealth Securities Investment*. *Cantor Fitzgerald (Hong Kong) Capital Markets* was also a joint lead manager.

Guangxi Financial is a state-owned financial firm with focus on providing financing services to small and medium-sized enterprises micro enterprises and agricultural enterprises in the Guangxi Zhuang Autonomous Region in southern China.

GUANGXI CIG GETS SOLID ORDERS

GUANGXI COMMUNICATIONS INVESTMENT GROUP, rated Baa3/BBB (Moody's/Fitch), compiled final orders of over US$1.8bn from 95 accounts for an offering of US$200m of US dollar senior unsecured bonds.

The group priced the 3.875% three-year Reg S bonds at 99.669 to yield 3.993%, or Treasuries plus 182.5bp, the tight end of final guidance of 185bp (plus or minus 2.5bp) and well inside the initial 215bp area.

Sino Trendy Investment is issuer and Guangxi Communications is guarantor of the notes, which have an expected rating of BBB from Fitch.

Proceeds will be used for general corporate purposes.

Asia took 90% of the notes and Europe took 10%. In terms of investor types, 49% were banks, 36% were fund managers, a combined 10% were hedge funds, private banks and securities, and 5% were insurers.

CCB International, *CMBC Capital*, *Guotai Junan International* and *Societe Generale* were joint global coordinators, as well as joint bookrunners with *ICBC International* and *SPDB International*.

Guangxi Zhuang State-owned Assets Supervision and Administration Commission owns Guangxi Communications, which plays a strategic role in the construction and development of transportation infrastructure, including expressways and toll roads, in the autonomous region.

Among the group's other businesses are refined oil and trading of steel, asphalt and mineral products.

TIANJIN ISSUER PRINTS 364-DAY NOTE

TIANJIN REAL ESTATE GROUP has priced US$150m 364-day US dollar senior unsecured notes at par to yield 5.5%, tighter than initial guidance of 5.75%.

Tianfang Jincheng (BVI) is the issuer of the Reg S unrated notes and Tianjin Real Estate is the keepwell deed provider.

Proceeds will be used for loans repayment and general working capital.

Haitong International and *Orient Securities (Hong Kong)* were joint global coordinators as well as joint lead managers and joint bookrunners with *Fortune Securities* and *Victory Securities*.

JINJIANG PRINTS DEBUT EURO BONDS

JINJIANG INTERNATION HOLDING priced a debut €500m (US$613m) 0.817% three-year senior unsecured credit-enhanced euro-denominated bond at mid-swaps plus 77bp, well below 95bp area initial guidance.

The Chinese tourism and leisure group attracted final orders in excess of €1.4bn from over 80 accounts.

"Demand for the deal was very strong with many big Europe institutional investors participating," a syndicate banker from a Chinese bank on the deal said.

EMEA took 60% of the bonds and Asia 40%. In terms of investor types, 47% were fund managers, 41% were bank treasuries, a combined 10% were insurers, pension funds and official institutions, and 2% were private banks and others.

Wholly owned subsidiary Triceratops Capital is the issuer of the Reg S notes, which have a keepwell deed from Jinjiang Internation. Payments of the principal and the interest will be backed with a euro-denominated standby letter of credit from ICBC, Shanghai branch.

The notes have an expected A1 rating from Moody's.

Proceeds will be used for repayment or refinancing of offshore debt and to supplement working capital.

ICBC, *BNP Paribas* and *Credit Agricole* were joint global coordinators and joint bookrunners with *HSBC*, *Standard Chartered* and *Agricultural Bank of China Hong Kong branch*.

› TSINGHUA UNI GOES FOR DOLLARS

Chinese state-backed technology company **TSINGHUA UNIGROUP** has hired three banks to arrange investor meetings in Hong Kong, Singapore and London from January 22 ahead of a proposed offering of unrated US dollar notes.

Credit Suisse, *Bank of China* and *Standard Chartered Bank* are joint global coordinators, joint bookrunners and joint lead managers.

An offering of Reg S unrated senior guaranteed notes offering may follow.

The notes will come with an unconditional and irrevocable guarantee from Tsinghua Unigroup and will be issued in the name of offshore subsidiary Tsinghua Unic.

› XIAMEN XIANGYU TARGETS DOLLARS

State-owned **XIAMEN XIANGYU GROUP**, with a BBB (stable) rating from Fitch, hired banks to arrange investor meetings in Hong Kong, Singapore and London from January 18 for a proposed offering of senior unsecured US dollar notes.

Standard Chartered, *ICBC International* and *Bank of China* are joint global coordinators, as well as joint lead managers and joint bookrunners with SPDB International and SinoPac Securities (Asia).

The notes, with an unconditional and irrevocable guarantee from Xiamen Xiangyu, will be issued in the name of subsidiary Hongkong Xiangyu Investment. They have an expected rating of BBB from Fitch.

Xiamen Xiangyu, based in the Xiangyu Bonded Zone in China's south-eastern Fujian province, is a logistics and supply chain services provider.

› CORN-OIL MAKER SELLS THREE-YEAR

Chinese edible corn-oil maker **SHANDONG SANXING GROUP**, rated BB– (S&P), has raised US$200m from the sale of three-year US dollar bonds. The proceeds will be used for refinancing and general working capital purposes.

The 7.99% senior unsecured Reg S bonds were priced at 98.674 to yield 8.50%, similar to final guidance.

The issue drew final orders of over US$400m from 41 accounts. Asia took 97% of the notes and Europe took 3%. In terms of investor types, 52% were funds, 40% were private banks, 6% were banks, 2% were corporate buyers and others.

Indirect wholly owned subsidiary Knight Castle Investments is the issuer with Sanxing Group as the guarantor.

The notes have an expected BB– rating from S&P.

Huatai Financial Holdings (Hong Kong), *Shanxi Securities International* and *DBS Bank* were joint global coordinators as well as joint lead managers and joint bookrunners with *CMBC Capital*, *BoCom International*, *VTB Capital*, *Mizuho Securities*, *Cinda International Securities* and *CNCB HK Capital*.

Sanxing Group is also involved in making lightweight aluminium alloy products, as well as trade and micro credit.

› FITCH DOWNGRADES IMHCD

Fitch Ratings has downgraded **INNER MONGOLIA HIGH-GRADE HIGHWAY CONSTRUCTION AND DEVELOPMENT** to BBB– from BBB after the government there said its fiscal and economic numbers for 2016 had been overstated.

The agency said the action followed a downgrade of its internal assessment of the creditworthiness of China's Inner Mongolia Autonomous Region, while the linkage between the company and the government remained unchanged.

It also cut the rating on IMHCD's US$400m 4.375% senior unsecured bonds due 2020 to BBB– from BBB.

Inner Mongolia lowered its industrial output figure for 2016 40%, the official Xinhua news agency reported on January 3. It also said fiscal revenue for that year was 26% less than initially stated. It did not give details.

The government also cut by 17% its 2017 general public budget revenue guidance, implying 15% year-over-year growth, based on the restated 2016 numbers.

Fitch said the downgrade of its internal assessment of the region's creditworthiness took into account the limited data robustness and weak internal governance in the region.

All ratings on IMHCD had been placed on Rating Watch Negative, Fitch said, reflecting expectations of more data revisions from the government, including past fiscal and economic figures.

IMHCD's US$400m 4.375% senior notes widened 19bp on Friday morning to 261bp over Treasuries, according to Tradeweb.

More incidents of Chinese local government data fraud have been exposed, coinciding with a Beijing-led campaign to crack down on risky lending, aimed partly at curbing runaway local government debt, Reuters has reported.

The 2016 GDP of Tianjin's Binhai New Area was actually about a third smaller than previously announced, according to the official People's Daily on January 15.

Last January, the north-eastern province of Liaoning said it had faked fiscal data from 2011 to 2014, becoming the first region to make such an admission.

› HONG YANG TAPS 2018 LINE

Chinese developer **HONG YANG GROUP**, rated B/B (S&P/Fitch), priced on Friday a US$125m tap of its US$250m 8.5% notes due November 20 2018.

The notes were sold at a clean price of 100.05 to yield 8.411193%.

Hong Seng is the issuer and Hong Yang the parent guarantor.

CICC and *Orient Securities (Hong Kong)* were joint global coordinators. They were also joint bookrunners with *Huatai Financial Holdings (Hong Kong)*.

Proceeds will be used to refinance debt and meet general corporate needs.

› GCL NEW ENERGY GOES FOR DOLLARS

GCL NEW ENERGY HOLDINGS, rated Ba2/BB– (Moody's/S&P), has hired banks for a proposed issue of US dollar Reg S senior unsecured bonds.

Bank of America Merrill Lynch, *Haitong International*, *Credit Suisse*, *Standard Chartered* and *CLSA* are joint global coordinators on the issue, as well as joint lead managers and joint bookrunners with *Orient Securities (Hong Kong)*, *VTB Capital* and *SPDB International*.

The Chinese solar-power company began meeting investors in Hong Kong, Singapore and London from last Thursday.

The notes are expected to be rated Ba3/B+ (Moody's/S&P).

Proceeds will be used for business development, repay financial borrowings, including a Credit Suisse term loan, and other general corporate purposes.

› JUYANG HIRES FOR DOLLAR ISSUE

SI CHUAN PROVINCE JUYANG GROUP, rated B2/B (Moody's/Fitch), has mandated three banks to arrange investor meetings and a call in Hong Kong from January 17 ahead of a proposed offering of US dollar notes.

CCB International and *Guotai Junan International* have been hired as joint global coordinators. They are joint lead managers and joint bookrunners with *Oceanwide Securities*.

A proposed Reg S-only offering of senior unsecured US dollar notes may follow. The notes will be issued in the name of Zhong Yi Holdings with a guarantee from Si Chuan Province JuYang Group.

The notes are expected to score ratings of B3 from Moody's and B from Fitch.

Si Chuan Province JuYang Group is a Chinese developer and owner of hotels and real-estate properties in southern Sichuan province.

› CINDA PLANS 10-YEAR NOTES

CHINA CINDA ASSET MANAGEMENT is preparing to sell Rmb15bn (US$2.3bn) of 10-year financial notes in the country's interbank bond market.

Books will open on January 23 for the offering. Both the issuer and the notes have AAA scores from United Ratings.

China Cinda will use the proceeds mostly to develop its distressed-debt business.

Cinda Securities is lead underwriter on the offering with *China Construction Bank*, *Industrial and Commercial Bank of China*, *Agricultural Bank of China*, *Bank of Communications*, *Bank of China* and *China Merchants Bank* as joint lead underwriters.

Late last year, China Cinda privately placed US$545m of 4.75% 20-year US dollar senior guaranteed bonds, according to a filing to the Stock Exchange of Hong Kong.

› COGARD RETURNING TO PANDAS

COUNTRY GARDEN HOLDINGS is returning to China's Panda bond market 16 months after its last visit in September 2016.

The Cayman Islands-incorporated property developer is set to sell Rmb1.8bn of three-year Panda notes in China's interbank bond market. Books are open until Monday.

Both the issuer and the notes are rated AAA/AAA (China Chengxin/United Ratings).

The proceeds will be used to repay onshore bank loans and to replenish capital.

ICBC is lead underwriter on the offering with *Agricultural Bank of China* as joint lead underwriter.

In September 2016, CoGard privately placed Rmb10bn of Panda bonds on the Shanghai Stock Exchange before Chinese regulators tightened scrutiny over developers' debt financing onshore against a backdrop of surging land and house prices.

Last week, the company raised US$850m from dual-tranche US dollar senior notes in the offshore market.

It priced US$250m 4.75% five-year non-call three notes at par and US$600m 5.125% seven-year non-call four notes at 99.565 to yield 5.20%.

› BOHAICAP GETS 270-DAY FUNDS

HNA Group subsidiary **BOHAI CAPITAL HOLDING** has raised Rmb1bn from an offering of 270-day notes in China's interbank bond market.

The notes were priced at par to yield 6.50%. The issuer is a AAA credit to United Ratings. The proceeds are intended to replace debt.

China Merchants Bank was sole lead underwriter and bookrunner on the offering.

In January 2016, Bohai Capital acquired aircraft-leasing company Avolon Holdings for US$7.6bn.

› SHENGJING BANK MULLS ISSUE

SHENGJING BANK, based in Shenyang in China's north-east Liaoning province, plans to sell financial bonds of up to Rmb30bn in the country's interbank bond market.

The proposed bonds will have a maturity of no longer than five years, the Hong Kong-listed city commercial bank has said.

Proceeds will be used to increase and stabilise the sources of the bank's medium and long-term liabilities.

The issue still needs the approval of shareholders, the China Banking Regulatory Commission and other relevant authorities.

› SHANGHAI FOSUN CUTS ISSUE SIZE

SHANGHAI FOSUN HIGH-TECHNOLOGY (GROUP) raised Rmb1.2bn from the sale of five-year non-put three notes priced at 6.48%.

The onshore unit of Fosun International marketed the notes on January 11 and January 12 on the Shanghai Stock Exchange.

Shanghai Fosun's first offering of the year was downsized from an initial Rmb1.5bn due to poor market conditions.

China's domestic bond market fell in the second week of January amid concerns of weaker demand after regulators issued new rules to step up supervision of leveraged bond trading, as well as the shadow banking sector.

On January 12, China's 10-year treasury notes were traded at 3.93%, up 4bp from January 9.

Both the issuer and the notes have ratings of AAA from Dagong Global.

At the end of the third year, the issuer will have an option to raise the coupon and investors will be allowed to sell back the notes.

The proceeds will be used for debt repayment.

Haitong Securities was lead underwriter on the offering, with *Zhongshan Securities* as joint lead underwriter.

› SINO-OCEAN READIES PANDA NOTES

State-owned property developer **SINO-OCEAN GROUP HOLDING** is returning to the Panda bond market ten months after its first visit in March 2017.

It is looking to raise Rmb3bn from an offering of three-year notes in China's interbank bond market this week. Books will open on January 23 and 24.

This will be the second issue under Sino-Ocean's Rmb10bn Panda bond programme.

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

China Citic Bank is lead underwriter and bookrunner for the offering with *ICBC* as joint lead underwriter.

In March 2017, the company raised Rmb4bn from a dual-tranche Panda bond offering.

› SIHL PRICES DEBUT PANDAS

SHENZHEN INTERNATIONAL HOLDINGS (SIHL) has set the price for five-year non-put three Panda bonds at par to yield 5.20%.

The Bermuda-incorporated company intends to raise Rmb300m from a debut Panda offering on the Shenzhen Stock Exchange, with an overallotment option of Rmb500m.

Books are open for the notes until January 22.

A banker familiar with the deal said the issuer was unlikely to fully exercise the overallotment option. "It does not have big funding needs for now, besides the onshore market condition are very volatile," said the banker.

Both the issuer, an operator of logistic infrastructure facilities, and the unsecured notes are rated AAA/AAA (United Ratings/Pengyuan Credit Rating).

China Securities is lead underwriter on the offering with *China Development Bank Securities* and *Guosen Securities* as joint lead underwriters. *DBS* is financial adviser on the issue.

SYNDICATED LOANS

› NEW TOWN LAUNCHES MAIDEN LOAN

Hong Kong-listed China New Town Development has launched a debut US$200m three-year bullet loan, with *China Construction Bank (Asia)* as sole mandated lead arranger and bookrunner.

Two-thirds of the facility, offering an interest margin of 220bp over Libor, comprises a term loan and the rest is a revolving credit. Funds are for general corporate purposes, including refinancing.

Banks are being invited to join at three ticket levels. Mandated lead arrangers with a combined US$50m or more on a pro-rata basis to the two tranches earn an all-in pricing of 250bp, via an upfront fee of 90bp, while lead arrangers with US$30m–$49m receive an all-in of 245bp, via a 75bp fee, and arrangers with US$15m–$29m earn an all-in of 240bp, via a 60bp fee.

A bank meeting is scheduled for this week in Hong Kong and the deadline for commitments is February 28.

Hong Kong-registered CHINA NEW TOWN HOLDING will be the borrower, while the BVI-incorporated parent will be guarantor.

China Development Bank owns 54.98% of CNTD, which has said its shareholders have approved its proposal to delist from the Singapore stock exchange.

In late November, CDB New Town (Beijing) Asset Management, an indirect wholly owned unit of CNTD, agreed to acquire for HK$1.46bn (US$188m) a 100% stake in Lenovo Mobile Communication Software (Wuhan) and a land parcel and office building from Motorola (Beijing) Mobility Technologies, a maker of TV and radio equipment and a unit of Lenovo Group.

CNTD develops large-scale new towns in the suburbs of China's big cities.

› GOLDWIND BULLET HITS GENERAL

Wind-turbine maker Xinjiang Goldwind Science & Technology has launched a US$300m three-year bullet loan into general syndication.

Standard Chartered is the original mandated lead arranger and bookrunner on the loan, while *China Construction Bank (Asia)* and *Hang Seng Bank* joined as MLABs.

Based on an interest margin of 145bp over Libor, MLAs with US$30m or above earn a top-level all-in pricing of 165bp, via an upfront fee of 60bp, while lead arrangers with US$15m–$29m receive an all-in of 160bp, via a 45bp fee.

A bank presentation will be held in the week of January 29. The deadline for responses is February 9.

The borrower is GOLDWIND INTERNATIONAL HOLDINGS (HK), a unit of Xinjiang Goldwind Science. The parent will provide a keepwell deed and a deed of equity-interest purchase undertaking.

Funds will be used for general corporate purposes.

Last December, Xinjiang Goldwind Science raised a project loan of close to A$700m (US$537m) to develop the 530MW Stockyard Hill Wind Farm, Australia's largest. National Australia Bank underwrote that loan and other lenders were ABN AMRO Bank, CBA, ICBC, MUGF, Mizuho Bank, Societe Generale, SMBC and Westpac.

› CHINA WATER RETURNING FOR FUNDS

Hong Kong-listed CHINA WATER AFFAIRS GROUP is returning to the loan market after two years for a US$200m five-year loan, with *ANZ* as mandated lead arranger and bookrunner.

The bullet loan offers an interest margin of 195bp over Libor.

Banks joining as MLAs with US$25m or above earn a top-level all-in pricing of 210bp, via an upfront fee of 75bp and those joining as lead arrangers with US$10m–$24m receive an all-in of 206bp, via an upfront fee of 55bp. The deadline for responses is February 9.

In January 2016, the borrower increased a seven-year syndicated B loan to US$200m from US$100m. ANZ was the MLAB on the B loan, which complemented a US$100m 10-year A loan the Asian Development Bank provided in May 2014. Banks were invited to join at a top-level all-in of 292.78bp, based on a margin of 270bp and a 3.95-year average life.

› YUNNAN WATER CANCELS LOAN

Hong Kong-listed YUNNAN WATER INVESTMENT has cancelled a three-year loan of up to US$200m launched into syndication last October.

The borrower is said to have cancelled the plan in December after obtaining funding from China Development Bank on the mainland.

Deutsche Bank was the mandated lead arranger and bookrunner on the offshore financing, which comprised a US$150m base size and a greenshoe option of US$50m.

The loan offered an all-in pricing of 268.65bp, based on an interest margin of 220bp over Libor and an average life of 2.775 years.

Yunnan Water Investment was to be the guarantor and subsidiary Yunnan Water (Hong Kong) was the borrower.

Yunnan Water Investment's previous visit to the loan market was in August 2016 for a US$130m three-year term loan. DBS Bank was the original MLAB on the loan, while China Everbright Bank Hong Kong came in later for the same title. Lenders were offered a top-level all-in of 280bp, via an interest margin of 220bp over Libor and an average life of 2.855 years.

› ZHENGTONG BORROWS MORE

Car dealership CHINA ZHENGTONG AUTO SERVICES HOLDINGS has increased a three-year loan to US$380m from the US$300m target.

Morgan Stanley was the global coordinator and administrative agent, while *Bank of Taiwan* was the original Taiwan mandated lead arranger and bookrunner.

The loan carries an interest margin of 315bp over Libor and has an average life of 2.525 years. Banks were offered an all-in pricing of 369bp, based on an upfront fee of 110bp.

Funds are for general corporate purposes and refinancing. Signing was on Tuesday.

For full allocations, see www.ifrasia.com.

› PAIFL INCREASES LOAN SIZE

PING AN INTERNATIONAL FINANCIAL LEASING has increased a three-year loan to US$340m from the US$300m target through sole mandated lead arranger and bookrunner *Deutsche Bank*.

The bullet facility is split into a US$238m term loan and a US$102m revolving credit facility.

Based on an interest margin of 135bp over Libor, banks were offered a top-level all-in pricing of 161.67bp, via an upfront fee of 75bp.

The borrower is Ping An Leasing Hong Kong Holdings, a fully owned unit of PAIFL, while the parent is the guarantor.

Part of the proceeds will help the borrower acquire 25% in some affiliates that are owned by PAIFL.

For full allocations, see www.ifrasia.com.

EQUITY CAPITAL MARKETS

› XIAOMI PICKS IPO SPONSORS

Chinese smartphone maker XIAOMI has picked *CLSA*, a subsidiary of China's Citic Securities, *Goldman Sachs* and *Morgan Stanley* as joint sponsors for its proposed IPO, according to people familiar with the situation.

The IPO, which could be the world's biggest tech float in 2018, is expected to hit the market in the second half of the year and likely to be in Hong Kong, the people have said.

The company is expected to add more banks later, the people have said, indicating that Credit Suisse, Deutsche Bank, JP Morgan and more Chinese banks are likely to be on board.

Another source familiar with the situation, however, has said the roles for global banks have not been decided and that no formal mandate has been given to any Chinese bank.

A spokesman for Xiaomi declined to comment.

The IPO, which could value Xiaomi as much as US$100bn, is highly anticipated in the market.

Xiaomi earlier told bankers it would top its annual revenue target as much as 18%. It is estimated to post a net profit of at least US$1bn in 2017, banker projections, based on the company's revenue estimate of US$17bn–$18bn, have shown. Profit for 2018 is estimated to reach about US$2bn.

IQIYI FILES CONFIDENTIALLY FOR IPO

IQIYI, Baidu's video-streaming service, has filed confidentially for a potential US IPO to raise about US$1bn, according to people familiar with the situation.

The listing is likely to come at the end of the first quarter or early in the second three months, according to the people.

A iQiyi spokesperson declined to comment.

IFR reported last October that iQiyi, a Chinese-style Netflix, had hired *Bank of America Merrill Lynch*, *Credit Suisse* and *Goldman Sachs* to arrange its proposed IPO.

Chinese search engine Baidu announced last February that iQiyi had sold convertible notes to a group of investors for US$1.53bn. Baidu invested US$300m and among other major investors were Hillhouse Capital, Boyu Capital, IDG Capital and Sequoia Capital.

The video-streaming service, which competes with Tencent and Alibaba's Youku Tudou, had 481 million monthly active users as of the end of 2016, according to a Reuters report citing data from Baidu.

AGILE SPIN-OFF TO OPEN BOOK

A-LIVING SERVICES, the property management business of Chinese property developer AGILE GROUP HOLDINGS, is set to start bookbuilding for a US$300m–$500m Hong Kong IPO on January 24, according to people close to the deal.

Pricing is slated for February 2.

HSBC and *Huatai Financial* are joint sponsors of the IPO.

According to the filing, the net profit of A-Living was Rmb123m for the first six months of 2017, up 56% from a year earlier.

On completion of the proposed spin-off, Agile is expected to hold an interest of not less than 50% in A-Living, which will remain as a subsidiary, according to an announcement from the parent last year.

A-Living is principally engaged in property management, property sales, property inspection, advertising and tourism services.

Financial leasing first for JFL

Equities **Jiangsu Financial Leasing gets approval for Rmb4bn Shanghai listing**

JIANGSU FINANCIAL LEASING is to launch an IPO in China's domestic market, opening a new source of funding for the fast-growing, capital-intensive sector.

The state-owned institution cleared a China Securities Regulatory Commission hearing on January 16 for a Shanghai IPO of about Rmb4bn (US$622m). It still requires written approval to proceed with the listing.

If the float goes through, JFL will become only the second listed financial-leasing company in the A-share market, and the first to complete an IPO. Bohai Capital, a unit of Chinese conglomerate HNA Group, went public in Shenzhen through a backdoor listing in 2011.

Apart from JFL, JIC LEASING and JUXIN INTERNATIONAL LEASING are also awaiting CSRC approval for Shanghai IPOs.

"The move signals that the regulators have officially opened the door for domestic listings of such companies," said a banker working on an IPO for another financial-leasing entity.

He believes more financial-leasing companies will be encouraged to list domestically and that entities already listed in Hong Kong may seek a second listing on the mainland.

China's financial-leasing industry has achieved rapid growth in recent years after policymakers issued guidelines in 2015 to expand financing channels and facilitate listings for the sector.

Since 2016, at least three financial-leasing companies have been listed in Hong Kong, including China Development Bank Financial Leasing, China Rongzhong Financial Holdings and FY Financial. HAITONG UNITRUST INTERNATIONAL LEASING, the financial-leasing unit of Haitong Securities, is also mulling a Hong Kong IPO.

Few companies have chosen to list domestically because of the long approval backlog and regulatory uncertainties, preferring Hong Kong instead.

"A successful listing of Jiangsu Leasing will set a benchmark for the sector in the A-share market, which will be an important reference for issuers to choose listing destinations between the mainland and Hong Kong," said the banker.

CAPITAL SHORTAGE

At the end of June 2017, financial-leasing contracts in China amounted to Rmb5.6trn, up 19.7% year on year, according to a report from the country's financial-leasing association.

Shortage of capital has become a serious challenge given the market's fast growth.

Jiangsu Leasing, for example, enjoyed compound annual growth rate of 30.8% between 2014 and 2016, seeing its revenue increase from Rmb1.06bn to Rmb1.81bn during the period. However, its Core Tier 1 capital adequacy ratio fell to 10.7% at the end of September 2017 from 14.1% in 2014. This will remains comfortably above the minimum regulatory level of 7.5% at the end of 2018.

"Financial leasing is a capital-intensive industry, which needs strong financing ability to support business development," said another banker.

"Currently, the dominant financing sources for the sector are still debt financing, such as bank loans, bonds and asset-backed securities. So, more and more companies will consider carrying out equity financing to boost capital," said the banker.

Jiangsu Leasing plans to offer not more than 782m shares, or about 25% of its enlarged company capital.

Huatai United Securities is the sponsor. Proceeds will be used for working capital.

The company reported a 2016 net profit of Rmb824m, up 12.5% year on year. For the first nine months of 2017, net profit came in at Rmb867m.

KEN WANG, FIONA LAU

HUAMI FILES FOR NASDAQ IPO

HUAMI, maker of fitness trackers for Chinese smartphone company Xiaomi, has applied for a US$150m Nasdaq IPO, according to a filing with the US Securities and Exchange Commission.

The company, founded in 2014

and headquartered in Beijing, is a manufacturing partner of Xiaomi for wearable devices under the Mi brand.

According to the filing, for the nine months to September 30 2017, Huami had net income of Rmb95.1m, as opposed to a net loss of Rmb19m the previous year.

Xiaomi has invested in Huami, which also manufactures its own brand of wearable devices, called Amazfit, as has Shunwei Capital. Shunwei is a venture capital that Xiaomi chief executive officer Lei Jun co-founded. Xiaomi owns a 19.3% stake in Huami, while Shunwei controls 20.4%, according to the filing.

Citigroup, *Credit Suisse* and *China Renaissance* are joint bookrunners on the propsective IPO.

HONGQIAO BUILDS WAR CHEST

CHINA HONGQIAO GROUP has raised HK$6.24bn (US$798m) from a top-up placement of 650m shares at a fixed price of HK$9.60 each, according to a company announcement.

The shares offered, representing 7.46% of the from the aluminium products maker's enlarged company capital, were sold at a discount of 10.45% to the pre-deal spot.

China Hongqiao Holdings is the vendor.

The books were oversubscribed with strong support from new and existing investors. International long-only funds anchored a majority of the placement. There were more than 40 investors, the top five of which were long-only funds, which got 90% of the allocation.

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

CLSA, *CMB International* and *UBS* were joint global coordinators and joint bookrunners.

There is a 1.08% placing commission, according to the announcement.

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

BEIGENE FOLLOW-ON BRINGS US$750M

BEIGENE has raised around US$750m from a follow-on offering on pricing the shares at US$101 each, according to a company announcement.

The follow-on price was set at a 1.6% discount to the January 17 closing of US$102.63.

The Nasdaq-listed Chinese biopharmaceutical company sold about 7.42m American depositary shares. There was a greenshoe option of an additional 495,050 ADS.

The company had planned to raise about US$650m from a follow-on offering, with a greenshoe option of US$50m.

Goldman Sachs, *Morgan Stanley*, *Cowen* and *Leerink Swann* were active bookrunners.

FUTURE LAND SEALS TOP-UP

FUTURE LAND DEVELOPMENT HOLDINGS has raised HK$1.56bn from a top-up placement.

The Chinese property developer sold 267m shares, or about 4.5% of its enlarged company capital, at HK$5.86 each, near the bottom of the indicative price range of HK$5.85–$6.00. The placement price represents a discount of 8.9% to the pre-deal spot.

There was an option for a 134m-share increase in the placement size, but it was not exercised.

The books were well covered with about 50 investors. Long-only investors anchored the trade before it was launched and there was strong interest from hedge funds.

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

Deutsche Bank and *Citigroup* were joint global coordinators, joint bookrunners and placing agents. *Huatai Financial* and *Future Land Resources Securities* were co-placing agents.

Proceeds will be used for general corporate purposes.

SHANGHAI PHARMA DOES PLACEMENT

SHANGHAI PHARMACEUTICALS has raised HK$3.13bn through a placement of 153m new shares at HK$20.43 each to not more than 10 investors.

The shares placed represent 5.4% of the enlarged company capital? at a price representing a 6.7% discount to the pre-deal spot.

International long-only investors and hedge funds were the main buyers.

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

Proceeds will be used to fund the development of pharmaceutical manufacturing and distribution businesses and replenish working capital.

Morgan Stanley, *Haitong International* and *China Merchants Securities* were placing agents.

JINMAO TOP-UP BRINGS HK$3.33BN

Property developer CHINA JINMAO has raised HK$3.33bn from a top-up placement of 900m shares, or about 7.78% of its enlarged company capital, at a fixed price of HK$3.70.

The placement price represents a discount of 6.8% to the pre-deal spot. There is a 90-day lock-up for the company.

The shares were placed to not less than six investors, including Kerry Holdings and New China Life Insurance, according to the company filing.

The placement was well covered and anchored by strategic and corporate investors. There was also strong participation from hedge funds.

Goldman Sachs and *HSBC* were joint bookrunners on the placement, proceeds of which will be for general corporate purposes.

After the placement, Sinochem Hong Kong's stake in China Jinmao fell to 49.76% from 53.95%.

CSRC CLEARS THREE NEW LISTINGS

The China Securities Regulatory Commission has approved three share listing applications to raise a combined Rmb6.2bn.

In the largest of the three, HUAXI SECURITIES is premarketing a Shenzhen IPO of about Rmb5bn, with *Citic Securities* as sponsor.

The Sichuan-based brokerage plans to sell up to 525m shares, or about 20% of its enlarged company capital. It will set the price on Monday and start bookbuilding two days later.

Proceeds will be used for working capital.

Separately, CHINA EXPRESS AIRLINES has cleared a CSRC hearing for a proposed Shenzhen IPO of about Rmb1.68bn.

The regional carrier, based in Guizhou province, plans to offer not more than 40.5m shares, or 10% of its enlarged capital. *Dongxing Securities* is the sponsor. Proceeds will be used to purchase aircraft and for a flight training project.

The float still needs written CSRC approval.

CHINA ORIENTAL PLANS PLACEMENT

CHINA ORIENTAL GROUP is looking to raise up to HK$737m from a placement of new shares.

The iron and steel company is looking to offer up to 143.76m new shares, or about 3.87% of its enlarged company capital, at an indicative price range of HK$5.02–$5.13 each. This represents a discount of 5%–7.04% to the pre-deal spot.

Certain employees entitled to an employee share ownership scheme are the vendors.

Shenwan & Hongyuan Securities, *First Shanghai Securities* and *Zhongtai International* are joint bookrunners.

CARLYLE CUTS MICROPORT STAKE

Private equity firm Carlyle has raised HK$386m from a sell-down of its stake in Hong Kong-listed medical devices maker MICROPORT SCIENTIFIC.

Carlyle, through investment vehicle Erudite Investment, sold 46m shares at HK$8.40 each, or a discount of 5.2% to the pre-deal spot.

There is a 45-day lock-up on the company.

JP Morgan was the sole placing agent.

› TWO FIRMS COMPLETE PLACEMENTS

JIANGSU ZHONGLI GROUP has raised Rmb3.11bn from a private placement of 233m shares to six investors.

The price was set at Rmb13.35, or at a discount of 7.1% to the pre-deal spot. Securities companies and asset management companies were the main buyers.

Huatai United Securities was the sponsor.

The wires and cables maker plans to use the proceeds for a photovoltaic power plant project and working capital.

HANGZHOU SILAN MICROELECTRONICS has raised Rmb732m from a private share placement, with *Citi Orient Securities* as sole bookrunner.

The electronic components manufacturer sold 65m shares at Rmb11.28 each, or at a discount of 25.2% to the pre-deal spot.

The placement shares were sold to six investors, including mutual funds and corporate funds.

Proceeds will be used to expand output.

› APPROVALS FOR THREE PLACEMENTS

SINOPEC OILFIELD SERVICE has received written China Securities Regulatory Commission approval for its proposed Rmb8bn private placement of A-shares and H-shares.

The provider of oil-and-gas services plans to raise up to Rmb4bn from the placement of not more than 2.83bn new A-shares to stockholder China Petrochemical Corp for Rmb3.94bn, and a senior-executive share scheme for Rmb60.65m. The placement price will be set on the first day of issuance.

There is a 36-month lock-up on the subscribers.

Sinopec Oilfield also intends to raise a maximum of Rmb4bn from a private placement of H-shares to not more than 10 investors.

The company plans to place up to 4.2bn H-shares at HK$1.35 each. Century Bright, a subsidiary of CPC, has agreed to subscribe to at least 50% of the new H-shares, while China Structural Reform Fund will take up Rmb800m.

There is a 36-month lock-up on Century Bright.

Proceeds will be used for working capital.

CICC, *Deutsche Bank*, *Guotai Junan Securities* and *CLSA* are joint placing agents for the H-share tranche. CICC is the sponsor for the A-share tranche.

BEIJING CAPITAL has cleared a CSRC hearing for a proposed private share placement of up to Rmb4.11bn.

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

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

The deal still needs written CSRC approval.

HUBEI XINGFA CHEMICALS GROUP has received written approval from the CSRC for a proposed private share placement of up to Rmb1.4bn. The supplier of phosphorus chemical products plans to place not more than 129m shares at a floor price of Rmb10.89. *Changjiang Financing Services* is the sponsor.

› BANK OF CHENGDU SEALS IPO

BANK OF CHENGDU has raised Rmb2.52bn from a Shanghai IPO of 361m shares, or about 10% of its enlarged capital, at Rmb6.99 each.

The issue price is equal to historical book value and at a premium of 32% to the average valuation of listed peers in the banking industry.

The institutional tranche was covered about 571 times, while the retail part was covered 2,167 times before clawback. After clawback, 90% of the IPO shares were sold to retail investors.

China Securities was the sponsor. Proceeds will be used to strengthen the bank's capital base.

› KHAZANAH SELLS ISLAMIC EB

Malaysian sovereign wealth fund Khazanah Nasional has raised US$320.8m from zero-coupon Islamic exchangeable bonds, according to a pricing term-sheet.

The bonds, or sukuk, with a tenor of five years and an investor put after three years, are exchangeable for the H-shares of **CITIC SECURITIES**.

The sukuk was offered with a yield-to-maturity of 0% and an exchange premium of 35%–40% over the reference price of HK$18.9722. The premium was set at the top of the range.

According to a statement from Khazanah, the books were 5.5 times covered with 78 investors, comprising long-only funds, hedge funds, arbitrage funds and asset managers across Asia and Europe.

More than half of the demand came from outright investors.

The recent strong run-ups in share prices of Chinese brokerages have drawn investors' attention to the issue. Investors are also comfortable with Khazanah's name and credit given that it is a regular issuer.

CIMB and *JP Morgan* were joint bookrunners.

Credit spread was assumed at 85bp, bond floor at 91, implied volatility at 29 versus historical volatility of mid-20s.

› CHANGSHU BANK SELLS RMB3BN CB

JIANGSU CHANGSHU RURAL COMMERCIAL BANK has launched a Rmb3bn offering of six-year convertible bonds.

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HNA wins extension of second bridge

Loans Debt-laden conglomerate stretches for six months maturing facility used to buy land in Hong Kong

HNA GROUP has obtained an extension for a HK$2.5bn (US$320m) bridge loan taken to back a land purchase in Hong Kong, as concerns grow about the conglomerate's debt burden.

A six-month extension to July 15 has been negotiated for the bridge loan due on Monday, said HNA unit Hong Kong International Investment Group early last week.

The loan from *Industrial Bank* backed HNA's purchase of a land parcel in Hong Kong's Kai Tak area in December 2016 for HK$5.41bn.

"Since extra time is needed to complete arrangement of the development loan in relation to the 6562 land parcel, the bridge loan is extended for six months," the group said in a statement on Monday.

This follows an earlier extension of a HK$2.8bn portion of another HK$3.5bn one-year bridge loan that was due last November. The extended portion comes due in February. That loan funded the group's first acquisition of a land plot in Kai Tak for HK$8.84bn in November 2016.

Beside the two extended loans, HNA has two other bridge facilities – a HK$2.6bn borrowing due next month and a HK$2.22bn financing due in June this year – used to purchase two more plots of land in the same area.

HNA is in talks with Hong Kong developers and real estate funds, including Sun Hung Kai Properties, to refinance these loans and fund the development of the four plots.

The aviation-to-financial services conglomerate came under growing financing pressure after Chinese authorities ordered major banks in June 2017 to review their credit exposure to HNA and a handful of other private enterprises that had been on aggressive overseas acquisition binges.

Reuters reported on Monday that some airlines affiliated with HNA were delaying aircraft lease payments to lessors, and Export-Import Bank of China, a long-term financier of the group, had formed a team to handle the conglomerate's liquidity issues.

YAN JIANG

Books closed on January 19 and subscription results will be announced on Monday.

The coupon on the CB is 0.30% in year one, stepping up to 1.80% in year six. The initial conversion price has been set at Rmb7.61, or at a discount of 0.7% to the January 16 close of Rmb7.66. The unsecured CB received a AA+ rating from China Chengxin Securities.

China Securities is the sponsor.

SHANGHAI ELECTRIC GROUP has applied for Shanghai Stock Exchange approval for a public offering of six-year exchangeable bonds of up to Rmb3bn in A-shares of SHANGHAI MECHANICAL AND ELECTRICAL INDUSTRY.

Shanghai Electric holds 484m Shanghai Mechanical A-shares, representing about 47.35% of the total issued capital.

Credit Suisse Founder Securities is the sole bookrunner.

The China Securities Regulatory Commission has agreed to suspend the review of CENTRAL CHINA SECURITIES' application for a proposed issuance of six-year CBs of up to Rmb2.55bn.

Last month, CCS applied to the CSRC for a suspension of its CB application after the regulator carried out an investigation into the company for alleged inadequate due diligence as the financial adviser on Tianjin Fengli Innovation Investment's acquisition of Xuzhou Jieneng Technology Development.

Changjiang Financing Services was sponsor on the CB issue.

WUHU SHUNRONG SANQI INTERACTIVE ENTERTAINMENT NETWORK TECHNOLOGY failed to get approval from the CSRC for a proposed issuance of six-year CBs of up to Rmb2.1bn.

During the hearing, the CSRC questioned the company about the rationality and necessity of its plans to use the proceeds.

The games developer had planned to use the proceeds for distribution and operation of network games, as well as for acquisitions. *GF Securities* was the sole bookrunner.

HONG KONG

DEBT CAPITAL MARKETS

FWD HIRES TRIO FOR DOLLAR PERPS

FWD, rated Baa3/BBB (Moody's/Fitch), has mandated *HSBC*, *Citigroup* and *Standard Chartered* as joint lead managers and joint bookrunners for an offering of US dollar perpetual securities.

The insurance company will meet fixed-income investors in Hong Kong, Singapore and London, starting Monday, for the proposed Reg S subordinated perps, which have initial ratings of Ba2/BB+ (Moody's/Fitch).*HSBC* is sole structuring adviser.

UNION MEDICAL HEALTHCARE HIRES

UNION MEDICAL HEALTHCARE has hired banks for a proposed offering of US dollar bonds under Reg S.

The bonds are expected to be rated B1 by Moody's, in line with the issuer.

Investor meetings are scheduled to be held in Hong Kong and Singapore from January 22.

CMB International Capital is sole global coordinator and joint bookrunner with *UBS* and *Haitong International*.

UMH is an aesthetic medical service provider headquartered in Hong Kong, with clinics in Hong Kong, mainland China and Macau.

The company intends to use the proceeds for working capital and general corporate purposes.

SYNDICATED LOANS

BEIJINGCAP LIFTS LOAN SIZE

State-owned Beijing Capital has increased its latest three-year term loan to HK$3.2bn (US$409m), following commitments from 13 banks in general syndication.

Bank of China (Hong Kong) and *China Construction Bank (Asia)* were the mandated lead arrangers and bookrunners of the loan, which was launched in late November at HK$2bn.

The bullet loan offered a top-level all-in pricing of 165bp, via an interest margin of 150bp over Hibor.

BEIJING CAPITAL (HONG KONG) is the borrower and Beijing Capital is the guarantor.

Shanghai-listed Beijing Capital is engaged in water supply, environmental remediation and solid-waste treatment.

For full allocations, see www.ifrasia.com.

INDIA

DEBT CAPITAL MARKETS

› NTPC SENDS RFP FOR DOLLARS

India's state-owned power generation company NTPC has sent banks a request for proposal to raise up to US$400m from 10-year and 30-year dollar bonds, according to a market source.

The deadline for banks to reply is January 24.

Last November, Moody's upgraded NTPC to Baa2 from Baa3 after it revised India's sovereign rating.

NTPC has yet to make an official announcement on plans to issue dollar bonds.

› EXIM INDIA PLANS DOLLAR PRINT

EXPORT-IMPORT BANK OF INDIA, rated Baa2/BBB– (Moody's/Fitch), has hired banks for a benchmark issue of 144A/Reg US dollar senior notes with tenors of five to 10 years.

Barclays, *Citigroup*, *JP Morgan*, *MUFG* and *Standard Chartered Bank* have arranged meetings with fixed-income investors in Asia, Europe and the US, starting last Friday.

The proposed issue will come off the bank's US$10bn global MTN programme.

› SBI GETS OKAY TO RAISE RS200BN

STATE BANK OF INDIA has received board approval to raise Rs200bn (US$3.1bn) from long-term bonds to finance infrastructure and affordable housing, according to a release on BSE.

It can raise the funds from the domestic and overseas markets in FY17 and FY18.

Earlier this month, India's largest state-owned bank in asset terms received board approval to sell long-term Reg S/144A bonds for up to US$2bn in one or multiple tranches in the overseas market.

› GREENKO LINES UP 10-YEAR BONDS

GREENKO GROUP plans to raise Rs15.35bn from 10-year rupee bonds at 9.4% payable semi-annually, according to market sources.

The notes from the group, which has backing from Singapore sovereign wealth fund GIC and the Abu Dhabi Investment Authority, will be issued through five special-purpose vehicles and have a call option after years three, four and five.

If the bonds are not called after five years, the coupon would step up 150bp, one source has said.

In November, Greenko raised Rs30bn from 10-year rupee bonds at 8.75% to refinance a loan for a solar-power project and drew an enthusiastic investor response.

The structure will be similar to that of the November issue, where all the SPVs cross guarantee each other, along with a guarantee from the parent. The power offtake risk will be on state-owned NTPC, according to another source.

Greenko has yet to announce officially the price, size and structure of the issue.

The notes are expected to score a Care rating of A+.

In an interview with IFR last November, Vasudeva Rao Kaipa, chief financial officer and director of Greenko, said the group intended to meet at least half of its borrowing needs from the domestic market.

› J&K BANK SELLS SEVEN-YEAR T2

JAMMU & KASHMIR BANK has sold Rs5bn of seven-year Basel III-compliant Tier 2 bonds at 9.25%, according to a National Securities Depository filing.

India Ratings and Brickwork see the notes as AA.

Credit Suisse is lead arranger on the issue.

Last month, the public-sector bank raised a similar amount from 10-year T2 bonds also at 9.25%.

› REC RAISES RS10.55BN AT 7.6%

RURAL ELECTRIFICATION CORP has priced three-year and three-month rupee bonds at 7.6% to raise Rs10.55bn, according to a filing on National Securities Depository.

In December, REC raised Rs35.53bn from 10-year rupee bonds at 7.7%.

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

› NABARD RAISES RS2.5BN AT 7.75%

NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT (Nabard) has raised Rs2.5bn from 15-year government of India-serviced bonds at 7.75%, according to data on National Securities Depository.

ICICI Bank and *Kotak Mahindra Bank* are arrangers on the notes, to which Crisil and India Ratings have assigned AAA.

The government will pay interest on the bonds semi-annually.

SYNDICATED LOANS

› TATA STEEL NAMES 21 FOR REFI

TATA STEEL has hired 21 lenders for a six-year loan of US$2.16bn.

The 21 are *ANZ*, *Axis Bank*, *Bank of America Merrill Lynch*, *Barclays*, *BNP Paribas*, *Citigroup*, *Credit Agricole*, *DBS Bank*, *Deutsche Bank*, *First Abu Dhabi Bank*, *HSBC*, *ICICI Bank*, *ING Bank*, *JP Morgan*, *Kotak Mahindra*, *MUFG*, *Societe Generale*, *Standard Chartered*, *State Bank of India*, *Sumitomo Mitsui Banking Corp* and *Yes Bank*.

The US$2.16bn loan will have an average life of five years and expected to pay all-in pricing of 200bp–250bp. NatSteel Asia (Singapore) will be the borrower.

It will refinance short-terms loans at one of Tata Steel's units in Singapore. The size could be reduced if Tata Steel succeeds with the bonds.

The fundraising follows the proposed merger of the European operations of Tata Steel with Germany's Thyssenkrupp Steel announced in September.

The borrowing will refinance short-term loans raised for Tata Steel's Singapore units, which were on-lent to its European operations for working capital purposes.

One loan of around US$400m was taken in the name of NatSteel Asia. Another unit, T S Global Procurement (formerly Tata Steel Global Procurement), was also borrower on other short-term loans.

› INDUSIND GOES FOR LARGEST

Mumbai-based INDUSIND BANK has named five leads for a three-year loan of US$500m, returning for its biggest borrowing five months after its last visit.

Barclays, *Citigroup*, *HSBC*, *Standard Chartered* and *State Bank of India* are the mandated lead arrangers and bookrunners on the loan, which is expected to be launched shortly.

IndusInd last tapped the market in August for a US$300m three-year loan for which it drew 11 lenders in general syndication.

Citigroup, CTBC Bank, HSBC and State Bank of India were the MLABs on that facility, offering a top-level all-in pricing of 117.5bp, based on an interest margin of 90bp over Libor.

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Tata Steel attracts global attention

■ **Bonds** **Steelmaker gets strong investor response despite light covenants**

TATA STEEL received a resounding response for India's first high-yield bond deal of the year, as investors snapped up a US$1.3bn dual-tranche offering despite a light covenant structure and tight pricing.

ABJA Investment, a wholly owned subsidiary of Tata Steel (Ba3/BB–/BB), issued a US$1bn 10-year at 5.45%, well inside initial guidance of 5.875% area, and a US$300m 5.5-year tranche at 4.45%, from the initial 4.875% area.

The multinational steelmaker was able to price inside fair value of 4.6%–4.7% for the 5.5-year, even though it did not come with a guarantee unlike its last US dollar transaction in 2014, when it priced 4.85% 2020s and 5.95% 2024s.

Investors were willing to accept a lighter covenant structure than in previous issues. A cross-default provision on the existing 2024s covers the latest notes, but once the 2024s are redeemed there will no longer be any cross-default protection.

Tata Steel does not plan to issue bonds with cross-default provisions in the future, giving it more flexibility on its capital structure.

The company has been issuing loans via overseas subsidiaries without guarantees and wants to stick to this process for upcoming borrowings.

Once the 2024s mature, the investors of the new 2028 bonds will only have a non-binding letter of comfort from the parent to fall back on.

"This is a massive plus for the Indian high-yield sector as as whole," said a banker on the deal. "Investors were able to look beyond the lighter covenant structure."

The hefty US$4.7bn order book prompted investors to also buy the steelmaker's outstanding 5.95% July 2024s. Those bonds tightened 10bp during the marketing process, trading near their tightest level since issue nearly four years ago.

Orders had peaked at US$7bn before guidance was tightened. The book included tickets of over US$150m from global emerging-market fund managers.

Demand was skewed to the 10-year. More than half of those notes, or 56%, went to EMEA investors, a rare feat for Asian Reg S deals, highlighting the global demand for Tata Steel.

"It was a combination of investors wanting yield, expectations of better liquidity and pricing versus the existing curve," said another banker on the deal.

The latest offering was wrapped around par in the aftermarket.

DIVERSE ALLOCATIONS

The US$1bn 5.45% January 2028s attracted orders of US$3.3bn, while the US$300m 4.45% July 2023s gathered US$1.4bn.

The 10-year was 42% allocated to Asia, and 2% went to offshore US accounts. Fund managers took 58%, banks 26%, corporates and insurers 6% and others 10%.

For the 5.5-year notes, Asia was allocated 53% and EMEA 43%. Offshore US accounts took 4%. By investor type, funds and asset managers were allocated 41%, banks 35%, corporates and insurers 10%, sovereigns 8% and the rest went to other investors.

"Based on the buoyant trading performance of the existing bonds and strong credit appetite from quality investors, the company launched an innovative bond structure," said Koushik Chatterjee, ED and CFO of Tata Steel in a press release. "The success of the issue demonstrates the investor's confidence in the long term strategy of the company and we are very happy with the quality of the investors in the issue."

The 2023s and 2028s have an initial BB– rating from S&P.

Tata plans to use proceeds to fund prepayment, repayment or refinancing of its offshore debt obligations and for general corporate purposes outside India.

ANZ, *Bank of America Merrill Lynch*, *Barclays*, *BNP Paribas*, *Citigroup*, *Credit Agricole*, *DBS Bank*, *Deutsche Bank*, *First Abu Dhabi Bank*, *HSBC*, *ING*, *JP Morgan*, *Morgan Stanley*, *Societe Generale*, *SMBC Nikko* and *Standard Chartered* were joint lead managers and bookrunners.

FRANCES YOON

› HPCL SENDS REFINANCING RFP

HINDUSTAN PETROLEUM CORP has sent out a request for proposals for a US$300m refinancing, returning to the market less than three months after its last visit.

The Indian state-owned oil company is open to tenors of two to three years. The deadline for responses is February 2.

In November, HPCL took the bilateral route for a US$200m one-year financing. MUFG provided that loan.

› PFC BULLET IN GENERAL SYNDICATION

POWER FINANCE CORPORATION has launched a US$300m five-year bullet loan into general syndication with *MUFG*, *Mizuho Bank* and *State Bank of India* as mandated lead arrangers and bookrunners.

The loan, prefunded in December, pays an interest margin of 70bp and has a remaining life of 4.5 years.

Lenders receive a top-level all-in pricing of 100bp and the lead arranger title for US$20m or more, via a participation fee of 135bp, or an all-in of 97.5bp and the arranger title for US$10m–$19m, via a fee of 123.75bp, or an all-in of 95bp and the lead manager title for US$5m–$9m, via a fee of 112.5bp.

The deadline for commitments is February 28. Bank meetings will be held in Singapore on January 29, Taipei on January 31 and Tokyo on February 1.

Funds will be used for general corporate purposes.

State-owned PFC had sent out a request for proposals in March for a US$100m-equivalent 10-year financing in euros. However, it failed to attract any interest for the facility due to the long tenor.

The borrower last raised foreign-currency debt in November 2015 when it signed a US$360m-equivalent yen-denominated bilateral loan with SBI.

In March 2015, it signed a US$450m 6.5-year loan with four banks. That facility paid an all-in pricing in the mid-160s, based on an interest margin of 128bp over Libor and a six-year average maturity.

EQUITY CAPITAL MARKETS

› JM FINANCIAL READIES SHARE SALE

JM FINANCIAL has hired *Credit Suisse* and *IDFC* to work on a Rs6.5bn (US$100m) qualified institutional placement of shares, according to a person with knowledge of the plans.

Investor roadshows will start this week and a launch is expected in the current quarter.

The Indian investment bank is conducting a postal shareholder ballot for the QIP until January 29.

For the six months to September 30, JM Financial registered a net profit of Rs3.72bn on revenue of Rs13bn.

› HDFC PLANS RS19BN QIP

HOUSING DEVELOPMENT FINANCE CORP plans a qualified institutional placement of shares to raise up to Rs19bn within the next 12 months, the mortgage lender has said.

The banks on the QIP will be hired later.

HDFC's board has also approved a preferential issue of 64.3m shares at Rs1,726.05 each, or a 2% discount to January 12 close, to raise Rs111bn. The preferential offer represents 3.9% of the enhanced capital.

Some 30.1m shares will be sold to Waverly, an affiliate of GIC, 10m shares to OMERS Administration, a Canadian pension fund, 9.27m shares to Silverview Investments, an affiliate of KKR, 9.14m shares to Carmignac Group and 5.79m shares to Premji Invest.

Proceeds from the preferential share issue will be used to buy subsidiary HDFC Bank's shares for Rs85bn.

› INDIAN SOE DUO FILES TO LIST

Two state-owned companies, RITES and MISHRA DHATU NIGAM, have filed draft IPO prospectuses with the Securities and Exchange Board of India.

The Indian government has set an aggressive disinvestment target of Rs725bn for the current financial year, of which Rs465bn is expected to come from stake sales in state-owned companies on local stock exchanges.

Engineering consultant Rites plans to raise about Rs5bn–Rs10bn from the IPO, people with knowledge of the matters told IFR earlier.

The IPO is likely to be launched by March.

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

The Ministry of Railways owns 100% of the company.

Meanwhile, Mishra Dhatu Nigam (Midhani), a metals and alloys manufacturer for India's defence industries, plans to sell up to 46.8m shares or 25% stake.

The company, owned by the Ministry of Defence, posted a profit after tax of Rs273m on revenues of Rs2.2bn for the six months ended September 30 2017.

IDBI Capital and *SBI Capital* are the bookrunners.

› GALAXY SURFACTANTS SETS IPO GOAL

Indian specialty chemicals manufacturer GALAXY SURFACTANTS will open its IPO of Rs9.37bn for subscription from January 29 to 31.

The IPO will involve 6.33m secondary shares, representing 17.8% of the issued company capital, which 307 stakeholders are selling.

The price range is set at Rs1,470–Rs1,480.

Edelweiss, *ICICI Securities* and *JM Financial* are bookrunners.

The specialty chemicals maker had launched a Rs2bn IPO in 2011, but pulled it because of weak investor response.

The company is a supplier to global personal care products manufacturers, such as L'Oreal and Colgate-Palmolive. For the six months to September 30, Galaxy posted a pre-tax profit of Rs1.057bn on revenue of Rs11.97bn.

› TWO FLOATS COVERED

The Rs6bn IPO of AMBER ENTERPRISES was subscribed 6.63 times at 12:30pm local time last Friday. Subscription was set to close later that day.

The Indian contract manufacturer's float, which comprises primary shares of Rs4.75bn and secondary shares of Rs1.25bn, is being sold at a price range of Rs855–Rs859 per share.

Amber posted a net profit of Rs279m on revenue of Rs16.5bn for the financial year to March 31 2017.

The company manufactures air-conditioners for consumer goods companies like Daikin, Hitachi, LG, Panasonic, Voltas and Godrej.

BNP Paribas, *Edelweiss*, *IDFC* and *SBI Capital* are bookrunners.

INDIA NEWGEN SOFTWARE's Rs4.3bn IPO was subscribed 8.25 times on its last day of bookbuilding last Thursday. Demand from institutional investors was strong with that tranche being 15.62 times covered.

Primary shares for Rs9.5bn and 13.5m secondary shares are being sold in the Rs240–Rs245 range.

ICICI Securities, *IDFC Bank* and *Jefferies* are the bookrunners.

› SANGHI INDUSTRIES LAUNCHES QIP

Indian cement producer SANGHI INDUSTRIES has launched a qualified institutional placement of Rs4bn.

The company has set a floor price of Rs135.48.

SBI Capital, *Motilal* and *HDFC* are the joint bookrunners.

INDONESIA

DEBT CAPITAL MARKETS

› SSMS NETS OVER US$1.1BN

SAWIT SUMBERMAS SARANA attracted orders of over US$1.1bn for US$300m of 7.75% five-year non-call three notes, two months after pulling a similar offering in November due to a lack of demand.

Asia was allocated 90% of the notes and the remainder went to EMEA. In terms of investor types, 89% were fund managers, 7%were private banks, 3% were banks and 1% were others.

The Indonesian palm oil producer, rated B1/B+ (Moody's/Fitch), priced the bonds at 8%, in line with final guidance. Marketing began at 8.125% area.

The Reg S bonds are being issued in the name of SSMS Plantation Holdings. SSMS will guarantee the notes, together with Citra Borneo Indah.

The notes will be rated on par with the issuer. Fitch has a positive outlook on the company.

Proceeds will be used to repay bank loans and for general corporate purposes. Also, it will use up to US$10m to invest in forest conservation in Indonesia to be managed initially through The Forest Trust as a Forest Conservation Fund.

BNP Paribas (B&D) and *Citigroup* were joint bookrunners, as well as lead managers with *CIMB*.

In its first attempt, SSMS had given final guidance of 7.0% on five-year non-call three notes, versus the initial 7.25% area. Total orders reached US$650m.

The company owns and operates 19 oil palm estates covering 70,603 hectares of planted area in Indonesia.

› TBL TIGHTENS DEBUT

Indonesian palm oil and sugar producer TUNAS BARU LAMPUNG has priced US$200m five-year non-call three notes at 7%.

The issue drew orders of US$1.7bn, allowing the leads to tighten price guidance from the initial 7.5% area.

Asia was allocated 98% of the notes and Europe got 2%. In terms of investor types, a combined 97% were fund managers and securities firms, a total of 2% were banks and private banks and 1% were sovereign wealth funds.

CLSA and *Mandiri* were joint global coordinators and bookrunners on the Reg S senior offering.

TBLA International, a wholly owned subsidiary of Tunas Baru Lampung, is issuer on the notes with the parent as guarantor. The notes are expected to be rated Ba3/BB– (Moody's/Fitch), in line with the company.

› GOLDEN ENERGY HIRES FOR DOLLARS

GOLDEN ENERGY AND RESOURCES has hired *Credit Suisse* and *CLSA* as joint global coordinators and joint bookrunners for a proposed offering of US dollar senior notes.

The Indonesian coal producer will hold meetings and conference calls with fixed-income investors in Singapore, Hong Kong and London, starting on Monday.

The issuer has ratings of B1 (stable) from Moody's and B+ (positive) from Fitch. Its proposed Reg S notes have expected respective ratings of B1 and B+.

MEDCO ENERGI PLANS DOLLAR SENIOR

MEDCO ENERGI INTERNASIONAL (B2/B/B) has hired banks for a proposed offering of 144A/Reg S senior US dollar notes.

CLSA, *Credit Suisse*, *DBS Bank*, *Mandiri Securities*, *Morgan Stanley* and *Standard Chartered* are joint global coordinators and joint bookrunners.

The Indonesian oil-and-gas exploration and production company started to meet investors in Singapore, Hong Kong, London and the US, starting January 16.

WIJAYA KARYA HIRES KOMODO LEADS

State-owned Indonesian constructer **WIJAYA KARYA** has mandated *BNP Paribas, HSBC, Mandiri Securities* and *MUFG* as joint lead managers and bookrunners for a potential offshore rupiah bond.

Investor meetings in Asia, London and the US started on January 16. The offshore rupiah notes, dubbed Komodo bonds, will be offered under 144A/Reg S format, subject to market conditions.

Fitch has assigned an expected rating of BB to the proposed notes.

PLN EYES RP2.5TRN FROM BONDS

Power utility **PERUSAHAAN LISTRIK NEGARA** has put out indicative price guidance ranges for Rp2.5trn (US$187m) of public bonds, split into Rp2trn rupiah and Rp500bn sukuk tranches.

The price ranges for the rupiah and sukuk pieces are 6.00%–7.00% for a five-year, 6.40%–7.40% for a seven-year, 7.00%–7.75% for a 10-year, 7.75%–8.60% for a 15-year and 8.2%–9.10% for a 20-year, according to the offer document.

Bookbuilding, which began on January 11, will continue until February 21.

PLN has mandated *Bahana Sekuritas, Danareksa Sekuritas, Indo Premier Securities* and *Mandiri Sekuritas* for the issue, which has a AAA Pefindo rating.

Last October, PLN sold Rp3.3trn of rupiah bonds in four tranches.

SYNDICATED LOANS

TELKOM UNITS FOLLOW PARENT

Two units of **TELEKOMUNIKASI INDONESIA** (Telkom) are seeking separate loans totalling up to US$1bn-equivalent, following in the footsteps of the parent.

The parent is also in the loan market for a debut euro financing and a rupiah borrowing.

TELEKOMUNIKASI SELULAR (Telkomsel), Telkom's mobile phone unit, has sent out a request for proposals for a multi-tranche financing up to US$900m-equivalent, while **TELEKOMUNIKASI INDONESIA INTERNATIONAL** (Telin) is reaching out to banks for a US$100m debut loan.

The deadline for responses on both deals is Friday.

Telkomsel's borrowing comprises a Rp11trn (US$880m) tranche and a US$20m piece, and is expected to have tenors ranging from one to five years, while Telin is eyeing a loan of up to seven years.

Both borrowers will use the funds raised will be used for general corporate purposes.

Telkomsel is returning to the offshore markets after nearly three years. In April 2015, it signed a US$380m dual-currency three-year revolving credit facility with four banks.

Separately, Telkom has sent out a request for proposals for a €1bn (US$1.2bn) loan. Banks were required to respond with proposals by January 12 for the dual-tranche loan comprising one and three-year tenors.

Telkom had also sent an RFP for a Rp7trn multi-tranche new-money loan in December. That loan, likely to be clubbed, will comprise tenors ranging from one to seven years.

Telin, an Indonesian carrier services and investment company, is a wholly owned subsidiary of Telkom.

PAN BROS LAUNCHES REVOLVERS

PAN BROTHERS has launched into general syndication three-year revolving credit facilities of up to US$150m on the garment manufacturer's return to the market after nearly three years.

ANZ, *HSBC* and *ING Bank* are mandated lead arrangers, bookrunners and underwriters on the facilities, comprising a US$95m revolver A and a US$15m revolver B. The facilities, which were prefunded and signed on December 27, also come with an accordion feature of up to US$40m.

The financing pays an interest margin of 175bp (offshore) or 225bp (onshore) over Libor, and has a remaining average life of 2.83 years. Revolver A is open to onshore lenders and revolver B targets offshore banks.

Lenders receive top-level all-ins of 189.1bp (offshore) or 239.1bp (onshore) and the lead arranger title for US$15m or more, via a participation fee of 40bp, or all-ins of 185.6bp (offshore) or 235.6bp (onshore) and the arranger title for US$10m–$14m, via a fee of 30bp.

The deadline for commitments is March 7. Roadshows will be held in Jakarta on Monday and Singapore on Tuesday.

Pan Brothers is the borrower, alongside 12 other units. Funds will be for working capital and refinancing purposes.

The borrower raised a US$270m three-tranche financing in October 2015, with ANZ, CIMB Bank, Citigroup, HSBC, Maybank, Standard Chartered and UOB as MLABs. The loan drew 22 others in general syndication. The facility comprised a US$200m three-year tranche A, a US$30m three-year tranche B and a US$40m five-year tranche C. Tranches A and B paid top-level all-ins of 267bp (offshore) and 317bp (onshore), based on margins of 250bp (offshore) and 300bp (onshore), while tranche C offered a margin of 350bp over Libor.

The Jakarta-listed borrower is a supplier to global clothing brands like Nike, Adidas, Hugo Boss, Calvin Klein and H&M.

MTF SEEKS NEW-MONEY LOAN

Auto-finance firm **MANDIRI TUNAS FINANCE** is seeking a three-year new-money loan of US$100m, which is in the process of being mandated, sources have said. A request for proposals on the financing was sent out at the end of last year.

In July 2017, MTF raised a three-year financing of US$200m, with MUFG as sole mandated lead arranger and bookrunner. The loan was doubled from a target size of US$100m and paid a top-level all-in pricing of 137.6bp, via an interest margin of 113bp over Libor and an average life of 1.625 years.

The borrower, a subsidiary of state-owned lender Bank Mandiri, had more than 20m customers as of end-2016.

CSUL OUT FOR NEW MONEY

CHANDRA SAKTI UTAMA LEASING has launched a US$75m three-year financing into general syndication at two ticket levels.

ANZ, *Emirates NBD*, *Standard Chartered* and *SMBC* are mandated lead arrangers and bookrunners on the financing, which comes with an unspecified greenshoe option. The loan pays interest margins of 265bp (offshore) and 300bp (onshore) over Libor, and has a remaining average life of 1.625 years.

Lenders receive a top-level all-in pricing of 301.9bp (offshore) and 336.9bp (onshore) and the lead arranger title for US$10m or more, via a participation fee of 60bp, or an all-in of 295.8bp (offshore) and 330.8bp (onshore) and the arranger title for US$5m–$9m, via a 50bp fee.

The deadline for commitments is February 19. Bank meetings will be held

in Taipei on January 24 and Singapore on January 25.

Funds will be used for general corporate purposes.

In September 2016, CSUL last raised a US$60m four-year loan, according to Thomson Reuters LPC data. Credit Suisse was the MLAB on that financing, which attracted five other lenders.

The borrower is the financing arm of privately owned Tiara Marga Trakindo. The parent, founded in 1970, is an authorised dealer in Indonesia of heavy-equipment products, including Caterpillar, Iveco, Mercedes-Benz and Michelin. Trakindo has customers in the mining, construction, forestry, agricultural, energy and industrial sectors.

JAPAN

DEBT CAPITAL MARKETS

› MITSUI FUDOSAN RAISES DOLLARS

Japanese real-estate developer MITSUI FUDOSAN on Tuesday priced US$300m of five-year 2.95% senior unsecured notes at 99.848 to yield 2.983%.

This was equivalent to Treasuries plus 62.5bp, inside initial price thoughts of Treasuries plus 85bp area.

Citigroup, *Bank of America Merrill Lynch*, *Morgan Stanley* and *Nomura* were joint lead managers on the 144A/Reg S offering.

The bonds are expected to be rated A2/A (Moody's/S&P).

SYNDICATED LOANS

› ADNOC SIGNS US$3BN LOAN

ABU DHABI NATIONAL OIL (ADNOC) signed a five-year loan of US$3bn on Monday with *Japan Bank for International Cooperation* and three commercial banks, the Japanese export credit agency said on Tuesday.

JBIC provided US$2.1bn, while the remainder came from *HSBC*, *Mizuho Bank* and *Sumitomo Mitsui Banking Corp*.

The loan is intended to help Japanese companies secure oil supplies from Abu Dhabi, as it will generally be used as a form of advance payment to ADNOC for crude oil sales to Japanese oil entities.

It marks the fifth facility for the state-owned oil company where the JBIC has participated since 2007.

› BAIN REFINANCES LBO LOAN

Bain Capital obtained a ¥57.2bn (US$517m) seven-year facility on December 22 to refinance a leveraged buyout loan used to buy Japanese hotel and spa operator OOEDO-ONSEN HOLDINGS, as well as other assets.

The new facility is split into a ¥55.7bn term loan and a ¥1.5bn revolving credit.

Sumitomo Mitsui Banking Corp was the mandated lead arranger, while existing lenders *Mie Bank*, *Nippon Life Insurance* and *Tokyo Star Bank* renewed their exposure.

Funds, drawn via special purpose vehicle Bcj-30, will also be used for acquisitions of other hotel and spa assets.

The US private-equity firm bought Ooedo-Onsen for about ¥50bn in March 2015. SMBC arranged a loan of about ¥30bn to back the LBO.

Ooedo-Onsen is best known for its spa on the man-made island of Odaiba in Tokyo Bay.

› SAMTY HIRES FOR FUNDRAISING

SAMTY RESIDENTIAL INVESTMENT CORP said it had mandated *Bank of Fukuoka* and *Sumitomo Mitsui Banking Corp* to arrange two bullet term loans of a combined ¥17.9bn.

The Tokyo Stock Exchange-listed REIT is expected to sign on January 30 a ¥15.4bn loan for real-estate acquisitions. The facility comprises ¥3.2bn 3.5-year, ¥5.35bn four-year, ¥5.35bn 4.5-year and ¥1.5bn seven-year tranches. Funds will be drawn on February 1.

In addition, it will sign on January 29 a ¥2.5bn five-year bullet term loan for refinancing. Drawdown is slated for January 31.

In July 2016, it obtained a ¥11.2bn loan to acquire real estate, also through the same two banks.

Samty, established in March 2015, invests in residential assets in Japanese cities.

LAOS

SYNDICATED LOANS

› BCEL LAUNCHES US$100M LOAN

State-owned BANQUE POUR LE COMMERCE EXTERIEUR LAO has launched a US$100m four-year term financing on its debut in the offshore loan markets.

Cathay United Bank is the mandated lead arranger and bookrunner on the financing, which offers an interest margin of 400bp over Libor and has an average life of 3.1 years.

MLAs with US$15m or above earn a top-level all-in pricing of 413bp via a participation fee of 35bp, while lead arrangers with US$10m–$14m receive an all-in of 408bp via a 20bp fee and arrangers with US$5m–$9m obtain an all-in of 405bp via a 12bp fee. The all-in pricing includes the early-bird fee, which is 5bp for banks that commit on or before February 9.

The deadline for responses is March 9.

The guarantor is Bank of the Lao PDR, the central bank of the Lao People's Democratic Republic.

Established in 1975, BCEL's shareholders include the Ministry of Finance of Laos (70%) and Compagnie Financière de la BRED (10%), which is a wholly owned subsidiary of France's Groupe BPCE, of which Natixis is also a part.

In addition to BCEL's borrowing, Cathay United is also arranging US dollar loans for two Laotian borrowers – a hydropower plant and another bank.

In December 2015, Cathay United and First Commercial Bank arranged the US$158m four-year debut term loan for the Bank of the Lao PDR. That deal offered a top-level all-in pricing of 448.23bp based on a margin of 435bp over Libor and a 3.4-year average life.

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MALAYSIA

DEBT CAPITAL MARKETS

KHAZANAH PRINTS LONG SUKUK

Malaysian state-owned investment agency KHAZANAH NASIONAL priced a M$1.5bn (US$379m) 15-year sukuk musyarakah at par to yield 4.94%, off a guidance range of 4.90%–4.95%.

The size of the offering was capped at M$1.5bn.

Danga Capital is the issuer and Khazanah is the obligor. The sukuk has a AAA rating from RAM.

CIMB and *RHB* were joint bookrunners. Settlement is expected on January 26.

NEW ZEALAND

DEBT CAPITAL MARKETS

ANZ NZ SELLS TIGHT YANKEES

ANZ BANK NEW ZEALAND (A1/AA–/AA–) took advantage of near-perfect market conditions to raise US$1bn from last Tuesday's dual-tranche 144A/Reg S senior unsecured notes via joint bookrunners *ANZ*, *Citigroup*, *JP Morgan* and *RBC Capital Markets*.

The issue was more than three times covered with a US$3.6bn combined order book, enabling the leads to sell the US$500m 2.75% three-year and US$500m 3.45% 10-year bonds at 63bp and 95bp over Treasuries, well below the 75bp area and 110bp area initial price thoughts, respectively.

The three-year note paid a modest 3bp new-issue concession with the 10-year coming flat to the issuer's US dollar curve, using its 3.45% July 17 2027 paper as a comp.

Pricing was also notably tight versus Australia's Aa3/AA–/AA– rated major banks.

ANZ New Zealand's three-year margin was 10bp wide of the 53bp spread National Australia Bank paid the previous week, while the 10-year came 5bp back of where a new Aussie major 10-year would price, according to a banker on the deal.

"Four to five years ago, the Kiwi majors typically priced about 20bp–25bp wide of their Australian parents across the US curve," he said.

Top Glove seeks buy financing

Loans **Glove maker taps debut M&A borrowing**

TOP GLOVE is seeking a US$310m dual-tranche loan to fund the acquisition of a surgical glove maker, according to sources and a company stock exchange filing.

Citigroup is the sole coordinating and underwriting bank for the debut acquisition financing, which will be for the cash component of the M$1.37bn (US$345m) proposed purchase of Aspion, also from Malaysia.

The Malaysian glove maker is acquiring Aspion from Adventa Capital. The purchase will make Top Glove one of the world's largest surgical glove makers, on top of being the largest rubber glove manufacturer globally.

Besides the borrowing, Top Glove, listed in Kuala Lumpur and Singapore, is also issuing 20,505,000 new shares on the Malaysian stock exchange at M$6.6813 each to finance the acquisition, the company has said.

The US$310m facility is split equally into a two-year conventional term loan and a five-year Islamic financing.

The conventional term loan carries a bullet maturity and an interest margin of 82.5bp over Libor for the first 12 months before stepping up to 132.5bp from the 13th month. The blended interest margin is 107.5bp over Libor.

The Islamic tranche has an amortising repayment with an average life of 3.5 years and a profit rate of 125bp over Libor.

Citigroup has launched the loan into limited syndication, seeking commitments on a pro-rata basis across the two tranches.

Banks joining as mandated lead arrangers and bookrunners earn upfront fees of 20bp on the conventional portion and 30bp on the Islamic piece for all-in pricing of 117.5bp and 133.57bp, respectively.

Commitments are due on or before February 6. A bank meeting was held in Kuala Lumpur last Friday.

Hong Leong Investment Bank is transaction and principal adviser to Top Glove, while *Credit Suisse* is the sole financial adviser to Adventa Capital.

PRAKASH CHAKRAVARTI

ASB SELLS THREE-YEAR BENCHMARK

ASB BANK (A1/AA–/AA–) sold a NZ$500m (US$360m) three-year floating-rate note last Tuesday, priced at the tight end of three-month BKBM plus 70bp–73bp guidance. *CBA* was sole lead manager.

This was 3bp tighter than the 70bp margin paid on the last three-year trade for one of New Zealand's identically rated major lenders, ANZ Bank New Zealand's NZ$375m print on December 15.

IBRD TAPS KAURI SWEET SPOT

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT, the World Bank's funding arm, rated Aaa/AAA, raised NZ$700m from last Thursday's sale of five-year Kauri bonds.

The 3.0% February 2 2023s priced to yield 3.076%, 33bp wide of mid-swaps and 62.6bp over the April 2023 NZGB.

ANZ, *BNZ* and *CBA* were joint lead managers on the fourth supranational five-year Kauri issue of the year.

On January 5, Nordic Investment Bank raised NZ$400m at mid-swaps plus 35bp. Asian Development Bank and Inter-American Development Bank paid 34bp mid-swap margins for their respective NZ$500m and NZ$375m prints on January 9 and January 12.

PHILIPPINES

DEBT CAPITAL MARKETS

SM PRIME EYES FIXED-RATE ISSUE

Property developer SM PRIME HOLDINGS plans to sell five-year and seven-year fixed-rate bonds, according to a filing to the Philippine Stock Exchange.

SMPH has filed to the Securities and Exchange Commission a plan to sell fixed-rate bonds of Ps15bn (US$298m), with an oversubscription option of up to Ps5bn.

The offering is part of the company's Ps60bn shelf registration programme, which the market regulator approved last July.

PhilRatings has assigned a Aaa to the bonds.

EQUITY CAPITAL MARKETS

BPI, METROBANK PLAN RIGHTS

BANK OF THE PHILIPPINE ISLANDS and METROPOLITAN BANK AND TRUST COMPANY are planning issues of rights shares to raise a combined Ps110bn

(US$2.17bn) for business growth.

Bank of the Philippine Islands announced last Wednesday it had approved a rights issue of up to Ps50bn to support its growth and strategic initiatives in the coming years.

Terms of the rights issue, which will comprise up to 567m shares, have yet to be set. Ayala, BPI's major shareholder, has indicated its support for the issue.

Meanwhile, Metropolitan Bank and Trust, the country's second largest lender in asset terms, has also secured board approval for a rights issue involving up to 820m shares.

Metrobank plans to raise up to Ps60bn, according to people close to the deal.

Part of the proceeds will be used for the acquisition of the remaining 20% equity stake in Metrobank Card Corp.

The lender has mandated *First Metro Investment* and *UBS* as joint global coordinators and joint bookrunners.

SINGAPORE

DEBT CAPITAL MARKETS

HDB MAKES FIRST VISIT OF YEAR

HOUSING AND DEVELOPMENT BOARD on Wednesday made its first visit of the year to the bond market to sell S$515m (US$389m) of 10-year senior unsecured notes.

The statutory body responsible for public housing in Singapore priced the notes at a fixed rate of 2.32%.

The offering was increased from a base size of S$500m, but the bonds, which were sold at par, dropped in secondary trading on Thursday, with the opening bid at 99.5.

The bonds priced first thing on Wednesday morning before opening for subscription, and were faced with rising Singapore dollar rates. The Singapore 10-year swap offer rate climbed 3bp on Wednesday, and rose a further 3bp on Thursday morning.

The notes, which will come off a S$32bn multi-currency MTN programme, are expected to score a Moody's rating of Aaa, in line with the issuer.

CIMB, *DBS*, *Standard Chartered* and *UOB* were joint bookrunners.

GUOCOLAND RETURNS TO PERPS

GUOCOLAND last Monday priced S$350m of perpetual non-call five securities at par to yield 4.60%, having tightened from initial guidance of 4.85% area.

The Singapore property company did not disclose order statistics, but a 20-cent rebate for private banks indicated that such clients were a key target.

The coupon will reset at the end of year seven and every seven years thereafter to the initial spread of 260.9bp over SOR. The spread will step up 100bp if the notes are not called at the end of year seven.

Frasers Centrepoint's perp non-call five securities, priced at 4.38% in January and quoted around par, were used as a pricing reference. The structure of FCL's notes differs slightly because those notes reset and step up in year 10.

GuocoLand's slightly higher yield reflected that its senior bonds trade slightly wide of FCL's. Both issuers are considered blue-chip property credits, but their notes are not rated.

GLL IHT is the issuer and GuocoLand is guarantor. The issue comes off a S$3bn MTN programme.

DBS, *HL Bank*, *HSBC*, *OCBC* and *Standard Chartered* were bookrunners.

GuocoLand has property operations in Singapore, China, Malaysia and Vietnam. It also has a stake in Eco World International, which is focused on property in the UK and Australia.

Its last perp, a S$200m non-call three, was issued in 2013 at a reoffer yield of 4.7% and was redeemed in 2016.

GOLDEN AGRI-RESOURCES RETURNS

GOLDEN AGRI-RESOURCES on Wednesday priced S$150m of three-year bonds at par to yield 4.75%, having tightened from 5% area.

The issue size was capped at S$150m, though orders from 35 accounts amounted to over S$350m.

Singapore accounts bought 97% of the notes. Among investor types, 91% were

Tender helps Philippines print inside curve

Bonds Sovereign prices dollar issue tighter than rating would imply

The **REPUBLIC OF THE PHILIPPINES** (Baa2/BBB/BBB) completed the first Asian US dollar sovereign bond offering of the year, making deft use of a tender offer to price close to better-rated China.

The sovereign priced a US$2bn 10-year bond at par to yield 3.0%, tightening from initial guidance of 3.3% area, and printing inside its own curve.

That yield translated to 37.8bp over 10-year US Treasuries, not far away from the 25bp spread that China achieved in its 10-year trade in October. China is rated A1/A+/A+, although it did not seek a rating for last autumn's issue.

That was much tighter than recent sovereign issuer Mexico, rated slightly higher at A3/BBB+/BBB+, managed to achieve for its 10-year US dollar issue on January 3. Despite Mexico's better ratings, its notes priced at a yield of 3.802%, equivalent to 135bp over Treasuries.

Nomura had put fair value for the Philippine new issue at around 3.15%, based on its 5.5% 2026 bond, which was quoted at a mid Z spread of 45bp, or 3.03%. That meant that the Philippines printed well inside its existing bond curve.

The sovereign simultaneously held a switch tender for 14 of its outstanding dollar bonds, with maturities between January 2019 and January 2037.

Of the new issue, US$1.25bn was allocated to participants in the switch exercise and US$750m was new money.

"The strong support that this 10-year global bond float has received in the international capital markets is a testament to the deepening investor confidence in the country's new-found status under the Duterte presidency as one of the world's fastest-growing economies," said Carlos G Dominguez, the country's Finance Secretary.

He said the proceeds from the issue and from the recent TRAIN law would help fund Duterte's 'Build, Build, Build' programme to modernise infrastructure and improve competitiveness.

The TRAIN, or Tax Reform for Acceleration and Inclusion, law was implemented on January 1 and cut personal income tax, while raising taxes on petrol, cars and sugary drinks.

Citigroup (B&D) and *Standard Chartered* were joint global coordinators for the new bond offering and dealer managers for the tender. The JGCs were bookrunners with *Credit Suisse*, *Deutsche Bank*, *Morgan Stanley* and *UBS*.

DANIEL STANTON

OUE Hospitality taps select banks

■ **Loans** REIT launches part of S$980m financing into limited syndication

OUE HOSPITALITY REAL ESTATE INVESTMENT TRUST has launched part of its senior secured loans of S$980m (US$734m) into limited syndication.

BNP Paribas, *DBS Bank*, *OCBC* and *Standard Chartered* are mandated lead arrangers and bookrunners on the facilities, comprising a S$425m three-year term loan, a S$450m four-year term loan, a S$55m one-year revolving credit and a S$50m four-year revolver.

The MLABs signed the loan agreement on December 12, and prefunded both term facilities on December 19. A select group of banks have been invited to join both term loans, which offer a blended all-in interest margin of 80.6bp over SOR and have a blended remaining average life of 3.26 years.

The MLABs will provide the revolvers, which will not be syndicated.

On a pro-rata basis, lenders receive a blended top-level all-in yield of 103bp and the lead arranger title for S$75m and above, via a participation fee of 74bp, a blended all-in of 101bp and the arranger title for S$50m–$74m, via a 68bp fee, or a blended all-in of 100bp and the manager title for S$25m–$49m, via a 62bp fee.

The deadline for commitments is February 19, with signing of the syndication agreement slated for the week of March 14.

OUE H-REIT is part of a stapled group under OUE Hospitality Trust, which is listed on the Singapore Stock Exchange. Properties in OUE-H REIT's portfolio include the Mandarin Orchard Singapore, the Mandarin Gallery and the Crowne Plaza Changi Airport Hotel.

RBC Investor Services Trust Singapore is the borrower on the facilities, which are secured against a first-ranking legal mortgage over the Mandarin Orchard Singapore and Mandarin Gallery, both fully owned entities of OUE H-REIT.

Funds refinance total outstanding debt amounting to S$859m, comprising a S$294m loan due July 2018, a S$270m facility due July 2019 and a S$295m deal due January 2020. As a result, OUE Hospitality has no loans due until December 2020, according to a December 19 press release. The excess will be used for working capital and general corporate purposes.

OUE Hospitality's last borrowing – the S$270m three-year loan – offered a top-level all-in pricing of 110bp, based on an interest margin of 85bp over Sibor. BNP Paribas was sole MLAB on that facility, which attracted four other lenders in general syndication.

CHIEN MI WONG

private banks and a combined 9% were fund managers, corporate investors and banks.

Golden Assets International Investment will issue the notes and Golden Agri-Resources will provide a guarantee.

The senior unsecured paper is unrated and will be issued off the Singaporean palm oil company's US$1.5bn MTN programme.

The notes were quoted at 100.10–100.15 in trading on Thursday morning.

OCBC was sole bookrunner for the trade, Golden Agri's first following a combined S$200m new issue and tap in 2015. That three-year issue priced at a yield of 5.5%.

› HEETON DOES 3.5-YEAR PRINT

Singapore property company HEETON HOLDINGS on January 12 priced a S$118m 3.5-year bond at par to yield 6.08%, inside initial guidance of 6.25% area.

This was equivalent to 440.3bp over SOR.

Orders from 58 accounts amounted to over S$150m. Singapore-based investors bought 53% of the notes, other Asian accounts purchased 36%, and European investors acquired 11%.

In terms of investor types, 81% were private banks, 14% were fund managers and a combined 5% were corporate investors and banks.

The unrated unsecured bonds came off a S$300m multi-currency debt-issuance programme.

OCBC was sole bookrunner.

› OXLEY HIRES FOR SING DOLLARS

Property developer OXLEY HOLDINGS has hired *Credit Suisse*, *DBS* and *OCBC* to arrange investor meetings in Singapore on January 22.

A Singapore dollar Reg S bond offering may follow, subject to market conditions.

Oxley has development and investment projects in countries including Singapore, the UK, Australia, Indonesia, China and Myanmar.

SYNDICATED LOANS

› TRAFIGURA RETURNS FOR REFINANCING

Commodity trader TRAFIGURA BEHEER is returning to the loan market for a US$4.5bn refinancing of its European revolving credit facilities, according to Monday's company press release.

ING Bank, *National Westminster Bank*, *Standard Chartered* and *UniCredit* are active mandated lead arrangers and bookrunners on the loan, while *Bank of China*, London branch, and *Societe Generale* have passive roles.

The new loan, made up of 365-day and three-year tranches, will refinance Trafigura Group's revolvers coming due in March this year and the same month in March 2019.

The maturing loans include a US$3.19bn three-year tranche, with two one-year extension options, from a US$5.1bn multi-currency financing signed in March 2016 and a US$2.27bn 364-day facility signed last March.

A bank meeting on the new borrowing was held in London on Wednesday. Closing is slated for mid-March.

Last October, the Singapore multinational commodity trading company signed a US$1.99bn-equivalent loan, comprising a US$1.175bn 365-day US dollar revolving credit facility (tranche A), a US$380m-equivalent one-year renminbi term loan (tranche B) and a US$435m three-year US dollar term loan (tranche C).

The financing closed oversubscribed with 27 banks and was increased from the launch amount of US$1.5bn. Tranches A and C offered top-level all-in pricing of 95bp and 140bp, based on interest margins of 65bp and 110bp over Libor, respectively. Tranche B paid a top-level all-in pricing of 130bp, based on a margin of 100bp over CNH Hibor.

› NOBLE RETIRES LOANS ON DISPOSAL

Troubled commodities trader NOBLE GROUP has retired US$202m of borrowing base revolving credit facilities on completing the sale of Noble Americas.

The estimated net proceeds of US$400m from the sale comprises a closing-date base consideration of US$214m plus working capital of US$388m, minus the US$202m in senior secured borrowing base facilities.

Vitol US Holding bought NAC, which

handled Noble's global oil liquids business, and repaid the borrowing base facilities.

The estimated net proceeds of US$400m from the sale, include the cash from previously announced sales of NAC subsidiaries and was lower than the estimated US$575m determined on October 1 2017, primarily due to operating losses the group generated from then until the closing date.

Noble, at one time one of the world's biggest commodity traders, had previously announced sales of its gas-and-power units, namely Noble Americas Gas & Power, Noble Americas South Bend Ethanol and MR Coal Marketing & Trading.

In December, the group said it had obtained a waiver from creditors to extend covenants on a loan facility to May this year, giving it more time for its debt-restructuring negotiations. The covenants had already been extended twice until mid-December as the group battled to recover from two years of crisis.

In early November, Noble reported a third-quarter loss of US$1.17bn, versus a loss of US$28m a year earlier.

› FIRST REIT RAISING FUNDS

FIRST REAL ESTATE INVESTMENT TRUST has said it is raising a multi-tranche secured loan of up to S$400m (US$303m) with *OCBC Bank* as mandated lead arranger, bookrunner and underwriter.

The borrowin is made up of Singapore dollar term loans of three, four and five years, as well as a three-year revolving credit facility in Singapore or US dollars. Each tranche will be for up to S$100m.

Funds will be used partially to refinance bank loans, fund property investments and meet working capital needs.

The Singapore-listed borrower invests in healthcare and healthcare-related real-estate assets. First REIT's portfolio has 20 properties in Indonesia, Singapore and South Korea.

Bowsprit Capital manages the REIT.

RESTRUCTURING

› GATE COMPLETES RESTRUCTURING

Semiconductor assembly-and-test company GLOBAL A&T ELECTRONICS said its restructuring plan had gone into effect on approval from a US court.

The restructuring will cut the company's debt to US$665m from US$1.12bn.

"The closing of our restructuring is the culmination of hard work and strong support from our equity sponsors and noteholders, who have been constructive partners throughout our restructuring process," said CEO W John Nelson.

The restructuring will also resolve all litigation by bondholders. Some holders of Gate's US$625m 10% senior secured bonds due 2019 issued in February 2013 had taken legal action after the company later converted a second lien loan into an additional US$502m of the same series of notes.

Gate will issue US$665m in 8.5% secured notes due 2022, up from 7.75% on its previous one. The initial holders will receive US$517.64m of new notes, plus US$8.89m in cash, and the additional holders will receive US$84.9m in notes and shares equivalent to a 31% stake in Singapore-headquartered UTAC Holdings, the parent of Gate, as part of a corporate reorganisation.

Holders of the initial notes that sued Gate over the conversion of the loan will receive an additional US$11.11m of new secured notes and US$1.11m in cash.

› EZRA GETS COURT EXTENSION

The US Bankruptcy Court for the Southern District of New York has given EZRA HOLDINGS until February 18 to file a plan of reorganisation under Chapter 11, and until April 12 to solicit acceptances for the plan under an exclusivity period.

Previously, Ezra had until November 13 2017 to propose a restructuring plan and no other parties were allowed to seek votes for other plans before January 12.

The Singapore-listed offshore marine services provider last year missed coupon payments on its S$150m (US$113m) 4.875% bonds, which mature on April 24 this year.

EQUITY CAPITAL MARKETS

› SASSEUR REIT DELAYS IPO

SASSEUR REIT has delayed the launch of its S$500m–$600m (US$378m–$454m) Singapore Exchange IPO from January to after the Lunar New Year, according to two persons with knowledge of the move.

They did not give the reason for the delay.

The company would need to update its financials for a launch date after January, said one of the two to explain the reason for delay until after the Lunar New Year (February 16–17).

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The REIT will comprise China-based outlet malls with the yield expected to be around 7%.

Sasseur REIT, part of Shanghai-based mall operator Sasseur, has the backing of investment funds L Catterton Asia and Ping An Real Estate. It runs six malls across China, registering annual turnover of over Rmb6bn.

The issue will be the first pure retail outlet mall REIT IPO in Asia.

BOC International, *Citigroup* and *DBS* are bookrunners.

SOUTH KOREA

DEBT CAPITAL MARKETS

WOORI PRINTS FORMOSA FLOATERS

South Korea's **WOORI BANK**, rated A2/A (Moody's/S&P), on Tuesday priced US$300m of five-year Formosa floating-rate notes at three-month Libor plus 87bp, the tight end of final guidance of Libor plus 90bp, plus or minus 3bp.

The issue drew total orders of over US$892m from 55 accounts. Taiwanese investors bought 79% of the notes, Hong Kong purchased 11%, Singapore took 6% and other countries got 4%.

In terms of investor types, 61% were banks, 22% were securities firms, 16% were fund managers and a combined 1% were private banks and others.

Credit Agricole, Taipei branch, and *HSBC Bank (Taiwan)* were joint bookrunners.

The bonds will be listed on the Taipei Exchange and Singapore Exchange.

EQUITY CAPITAL MARKETS

KAKAO GDR RAISES US$1BN

Messaging app operator **KAKAO** has raised US$1bn from the sale of global depositary receipts at the bottom of the indicative price range.

The 8.2m–8.3m primary GDRs were marketed at a price range of US$121.04–$121.97 each, or at a discount of 3.0%–3.7% to the pre-deal spot.

The company eventually sold 8.26m GDRs at US$121.04, or a 3.7% discount.

The trade was covered before launch and multiple times oversubscribed with about 50 investors participating. A majority of the demand came from hedge funds, while there was also participation from global long-only investors.

The GDRs will be listed on Singapore Exchange.

Citigroup and *Goldman Sachs* were the joint global coordinators and joint bookrunners.

Proceeds will be used to acquire mobile-focused global content and platform companies and to invest in technology, including artificial intelligence.

Kakao operates South Korea's dominant messaging app KakaoTalk. It aims to expand its mobile content and invest in artificial intelligence.

TAIWAN

SYNDICATED LOANS

WISTRON WORKS ON LOAN

Taiwanese electronics manufacturer **WISTRON** has mandated *Mega International Commercial Bank* for a loan of up to US$600m, after closing a US$700m facility last June.

The loan is expected to be launched into general syndication shortly.

Funds are to refinance a US$600m revolving credit signed in September 2013 and for working capital. Mega also led that loan, which was split into a five-year US$510m tranche A and a three-year US$90m tranche B, offering interest margins of 119bp and 108bp over Libor, respectively. The borrower will pay any excess interest rate beyond a 38bp difference between TAIFX and Libor.

Mega was the sole mandated lead arranger and bookrunner on the US$700m one-year accounts receivable factoring facility completed in June. That loan pays a margin of 90bp over Libor.

Established in 2001, the Taiwan-listed borrower was spun off from Acer's manufacturing operations.

OMAN BANK GIVES LOAN DETAILS

Oman's **BANK SOHAR** has put out details for banks to participate in its three-year bullet loan of US$300m and set February 9 as the deadline for responses.

Based on an interest margin of 200bp over Libor, mandated lead arrangers with US$25m or above earn a top-level all-in pricing of 225bp, via an upfront fee of 75bp, while lead arrangers with US$15m–$24m receive an all-in of 220bp, via a 60bp fee, and arrangers with US$10m–$14m obtain an all-in of 215bp, via a 45bp fee.

Arab Banking Corp and *Commerzbank* are the initial MLAs and bookrunners, while Axis Bank joined as initial MLA before the launch.

The loan, which ABC and Commerzbank have fully underwritten, will be for general corporate purposes.

Last June, Bank Sohar closed a US$250m three-year loan with Bank ABC as sole bookrunner and coordinator. The facility also paid a margin of 200bp.

The borrower, rated Baa3/BB+/BBB– (Moody's/Fitch/Capital Intelligence), is a corporate and retail bank. Founded in 2007, it is Oman's fourth-largest bank in terms of assets.

GLOBAL BORROWS AT 175BP OVER LIBOR

The interest margin for **GLOBAL BANK**'s US$135.5m three-year senior unsecured term loan has been set at 175bp over Libor.

Mandated lead arrangers with US$21m or above earn an upfront fee of 70bp, lead arrangers with US$16m–$20m receive a 60bp fee and arrangers with US$5m–$15m get a 50bp fee. The deadline for responses is February 14.

Citigroup, *JP Morgan* and *Mizuho Bank* are the joint lead arrangers and bookrunners on the facility.

The borrower held bank meetings in New York on Tuesday and in Taipei on Thursday. One-on-one meetings was also be held in Tokyo on Friday.

Funds will be used to refinance debt.

The borrower last raised a US$135.5m dual-tranche incremental facility in May 2016. Bladex, Citigroup and Mizuho were the MLABs of that loan, split into a two-year tranche, offering 190bp over Libor, and a three-year tranche, offering 215bp over Libor.

Global Bank, rated BBB– (S&P/Fitch), provides corporate and retail banking services in Panama and on the international scene.

BANKS VIE FOR TOP ASE ROLES

Banks are vying for the role of facility agent on **ADVANCED SEMICONDUCTOR ENGINEERING**'s five-year term loan of NT$90bn (US$3bn) to back its planned merger with rival Siliconware Precision Industries.

Bank of Taiwan, *CTBC Bank* and *Mega International Commercial Bank* have each committed more than NT$10bn to win the role, expected to be awarded soon.

Coordinator *Citigroup* launched the loan, which offers an interest margin of 55bp over Taibor, with a pre-tax interest rate floor set at 1.7%, in late December.

Mandated lead arrangers and bookrunners with NT$7bn or more or NT$5bn–$6.9bn will get upfront fees of 30bp or 25bp, respectively, while MLAs with NT$3bn–$4.9bn will get a 20bp fee,

lead managers with NT$2bn–$2.9bn will receive a 15bp fee, while managers with NT$1bn–$1.9bn will get a 10bp fee. The deadline for responses is January 26.

On November 24, the Anti-Monopoly Bureau under China's Ministry of Commerce said it had conditionally approved the proposed merger, where both companies would operate separately for the next 24 months, according to ASE's statement on the same day.

ASE plans to create a new holding company, **ASE INDUSTRIAL HOLDING**, at the end of this May after shareholders of ASE and SPIL vote on the merger at an extraordinary general meeting scheduled for February, the statement says.

ASE Industrial will be the borrower of the NT$90bn loan, while ASE will be the guarantor.

MOTECH INCREASES LOAN SIZE

Solar cell-maker **MOTECH INDUSTRIES** increased the size of its five-year refinancing loan to NT$4.8bn-equivalent from an initial target of NT$4.5bn target before signing it on January 10.

Chang Hwa Commercial Bank was the original mandated lead arranger and bookrunner on the loan, which can be drawn in either NT or US dollars. *Bank of Taiwan* and *Mega International Commercial Bank* also came in as MLABs.

The NT dollar portion pays an interest margin of 112bp–142bp over Taibor, while the US dollar portion pays 135bp–145bp over Libor. The borrower will pay any excess interest rate beyond a 30bp difference between TAIFX and Libor.

Banks were offered a top-level upfront fee of 24bp. The Taiwan-listed borrower's land and factory serve as security.

Funds are to refinance a NT$6.4bn-equivalent three-year loan signed in August 2015 and for working capital purposes.

For full allocations, see www.ifrasia.com.

AUO CRYSTAL LIFTS LOAN SIZE

Solar power wafer maker **AUO CRYSTAL** increased its five-year term loan to NT$3.3bn from a NT$3bn target before signing it on January 10.

Bank of Taiwan was the sole mandated lead arranger and bookrunner of the facility, which offers an interest margin ranging from 90bp to 120bp over Taibor, based on the borrower's pre-tax net profit margin. The pre-tax interest-rate floor was set at 1.7%.

Banks were offered a top-level upfront fee of 27bp.

The subsidiary of AU Optronics will use the funds to buy machinery and equipment, which will form the security package.

For full allocations, see www.ifrasia.com.

THAILAND

EQUITY CAPITAL MARKETS

INDORAMA EB RAISES US$200M

Sole bookrunner *Morgan Stanley* has sold US$200m of exchangeable bonds, with a standby letter of credit from Bangkok Bank, in Thailand's **INDORAMA VENTURES**.

The zero-coupon one-year bonds, with Canopus International as issuer, were offered at a yield-to-maturity of 0% and an exchange premium of 15.0%–17.5% over the reference price of Bt56.75.

It was priced at an exchange premium of 17.5%, translating to an exchange price of Bt66.68.

The EB offering was well supported and sold to 25 buyers, mainly international investors.

There is a 90-day lock-up period for the issuer and Indorama Ventures.

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ASIA DATA

ASIAN SYNDICATED LOAN PIPELINE UPDATES WEEK OF 15 JANUARY

Company	Currency	Size (m)	Margin (All-in)	Tenor (mths)	Facility	Arrangers
Australia						
RPFC Bidco	A$	375		84	Term Loan	China Merchants Bank
	A$	25		84	Revolver/Line >= 1 Yr.	China Merchants Bank
China						
International Far Eastern Leasing	Rmb	1,200	498.75 (536)	36	Term Loan	OCBC, Korea Development Bank, SMFG, First Financial Holding
Hong Kong						
CNAC Century (HK)	US$	3,850	153 (181)	36	Term Loan	Barclays, Natixis, BTMU, SG, UniCredit
	US$	1,650	195 (215)	60	Term Loan	SG, Ind Bk of China, BAML, BNP, Rabo
Everwell City	HK$	13,800	185 (200)	36	Term Loan	SCB, UOB, ANZ
India						
Adani Developers	Rs	2,450		120	Term Loan	IndusInd
Birla Corp	Rs	2,000		120	Term Loan	IndusInd
Okaya Energy Systems	Rs	4,100		168	Term Loan	IndusInd
Sarguja Rail Corridor	Rs	11,890		216	Term Loan	IndusInd, Bank of Baroda
Tata Sons	US$	1,000		60	Revolver/Term Loan	
Yes Bank	US$	300	80 (105)	36	Term Loan	Westpac Banking Corp, SCB, HSBC
Zuari Sugar and Power	Rs	1,000		51	Term Loan	IndusInd
Indonesia						
Telekomunikasi Indonesia Tbk	€	500		12	Term Loan	
	€	500		36	Term Loan	
Trans Media Corpora (Transmedia)	US$	265	325 (357)		Term Loan	CIMB, SCB, Malayan Banking, DB, BNP
	€	30			Term Loan	SCB, Malayan Banking, CIMB, DB, BNP
Malaysia						
STC Malaysia Holdings	M$	1,510			Murabaha	
Singapore						
OUE Hospitality Trust	S$	980			Revolver/Term Loan	BNP, DBS, OCBC, SCB

Source: Thomson Reuters LPC

MERRILL LYNCH ASIAN DOLLAR INDEX

Index	Description	Index level	1 week total return	1 month total return	3 months total return	OAS
ADIG	Asian-dollar high-grade index	389.983	−0.124	−0.351	−0.397	111
ADHY	Asian-dollar high-yield index	618.582	0.134	0.930	1.067	355
AGIG	Asian-dollar government high-grade index	364.356	−0.096	−0.154	−0.150	96
AGHY	Asian-dollar government high-yield index	736.912	0.136	1.064	1.153	253
ACIG	Asian-dollar corporate high-grade index	414.919	−0.137	−0.430	−0.494	117
ACHY	Asian-dollar corporate high-yield index	507.327	0.133	0.903	1.049	377

Source: Merrill Lynch

LAST WEEK'S ECM DEALS

Stock	Country	Date	Amount	Price	Deal type	Bookrunner(s)
China Jinmao	China	12/01/18	HK$3.33bn	HK$3.70	Follow-on (Primary)	Goldman Sachs, HSBC
China Hongqiao Group	China	15/01/18	HK$6.24bn	HK$9.60	Follow-on (Primary)	CLSA, CMB International, UBS
Country Garden Holdings	China	16/01/18	HK$7.88bn	HK$17.13	Follow-on (Primary)	Goldman Sachs
Future Land Development Holdings	China	17/01/18	HK$1.56bn	HK$5.86	Follow-on (Primary)	Deutsche Bank, Citigroup
BeiGene	China	17/01/18	US$750m	US$101	Follow-on (Primary)	Goldman Sachs, Morgan Stanley, Cowen, Leerink Swann
Kakao	South Korea	17/01/18	US$1bn	US$121.04	IPO (Primary)	Citigroup, Goldman Sachs
Shanghai Pharmaceuticals	China	18/01/18	HK$3.13bn	HK$20.43	Follow-on (Primary)	Morgan Stanley, Haitong International, China Merchants Sec
Microport Scientific	China	18/01/18	HK$386m	HK$8.40	Follow-on (Secondary)	JP Morgan

Source: IFR Asia

LAST WEEK'S EQUITY-LINKED ISSUANCE

Issuer	Country	Date	Amount	Greenshoe	Maturity	Coupon (%)	Premium (%)	Bookrunner
Country Garden Holdings	China	16/01/17	HK$15.6bn		2019	0	20	Goldman Sachs
Khazanah Nasional – Citic Securities	China	17/01/17	US$320.8m		2023	0	40	CIMB, JP Morgan
Canopus International – Indorama Ventures	Thailand	18/01/17	US$200m		2019	0	17.5	Morgan Stanley

Source: IFR Asia

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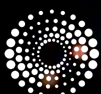

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